

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

Changes and Continuity
in
Japanese Official Development Assistance

A thesis presented in partial fulfillment of the requirements for the degree of

Master of Arts
in
Sociology

at Massey University, Palmerston North
New Zealand

Matthew David Carter
2005

Abstract

This paper is about Japanese official development assistance (ODA), based on document research and monitoring of media reports in the period between January and October, 2005. It analyses changes in this aspect of Japanese foreign policy since its inception in the 1950's with this analysis then used to predict what further change may be likely to result in the programme in the immediate future. Building on a conflict model of the Japanese state that treats the bureaucracy as a divided but powerful power centre, the paper argues that recent developments in Japanese society have led to a situation where the political wing of government and civil society have come to play a larger part in both the implementation of ODA and, to a lesser extent, the creation of aid policy. It concludes that the individual ministries of the bureaucracy are unlikely to transfer power to these groups without any resistance and that this resistance will hinder efforts to provide more political leadership of, and wider societal input into, the Japanese ODA programme.

Acknowledgements

I would like to take this opportunity to express my appreciation of the assistance and support I received from my supervisors, Brian Ponter and Peter Beatson, in critiquing drafts of this paper and providing advice on how better to craft this final version. I also thank my wife, Heeseung Choi, for her endless patience and encouragement.

Table 1 Japan – aid at a glance 2002 to 2003

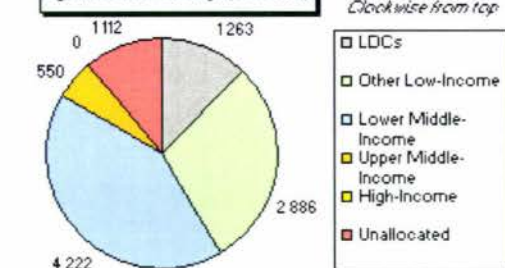
JAPAN

Net ODA	2002	2003	Change 2002/03
Current (USD m)	9 283	8 880	-4.3%
Constant (2002 USD m)	9 283	8 429	-9.2%
In Yen (billion)	1 162	1 029	-11.5%
ODA/GNI	0.23%	0.20%	
Bilateral share	72%	71%	
Net Official Aid (OA)			
Current (USD m)	99	- 219	-322.1%

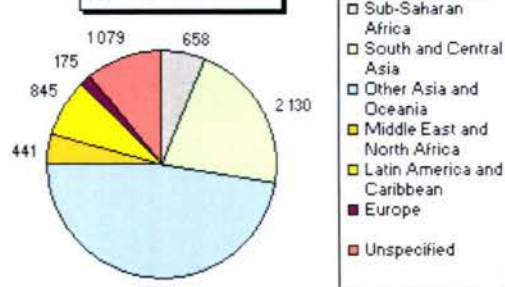
Top Ten Recipients of gross ODA/OA (USD million)	
1 China	1 297
2 Indonesia	891
3 Philippines	810
4 India	768
5 Thailand	651
6 Viet Nam	452
7 Pakistan	284
8 Bangladesh	262
9 Sri Lanka	249
10 Malaysia	187

Gross Bilateral ODA, 2002-03 average, unless otherwise shown

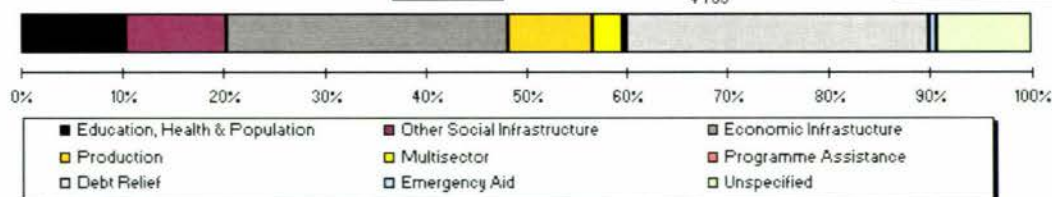
By Income Group (USD m)



By Region (USD m)



By Sector



Source: OECD, DAC.

<http://www.oecd.org/dac>

Glossary

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
DAC	Development Assistance Committee (OECD)
Diet	Japanese Parliament
EPA	Economic Planning Agency
FILP	Fiscal Investment and Loan Program
GNI	Gross National Income
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
IFI	International financial institution
IMF	International Monetary Fund
JANIC	Japanese NGO Center for International Cooperation
JBIC	Japan Bank for International Cooperation
JEXIM	Japan Export-Import Bank
JICA	Japan International Cooperation Agency
JOCV	Japan Overseas Cooperation Volunteers (JICA)
JPY	Japanese yen
MAFF	Ministry of Agriculture, Forestry and Fisheries
METI	Ministry of Economy, Trade and Industry
MITI	Ministry of International Trade and Industry (precursor to METI)
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOHW	Ministry of Health and Welfare
NGO	Non-governmental organization
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OOF	Other official flows
Prefecture	Administration area in Japan similar to province or state
UN	United Nations

Contents

Chapter 1: Introduction	1
Purpose	1
The importance of Japanese aid	4
Why does Japan give aid?	6
The power relationship in aid	9
Methods	10
The structure of this paper	11
Chapter 2: Japanese ODA –History and Continuity	12
The strength of the bureaucracy – power in Japan	12
The role of bureaucracy in aid	16
The role of the politicians	20
Business and civil society	21
ODA history	23
War reparations	24
Development into a global aid programme	26
A success story	28
Self-Help	29
Focus on loans	31
Summary	33
Chapter 3: Criticism and Response	35
ODA for commercial interests	36
The lack of a unified aid administration or national strategy	41
An excessive bias towards large infrastructural projects	44
The lack of benefit and even harm to recipient countries	47
Continued whaling	49
Summary	51
Chapter 4: Aid for Political Purposes	53
The official rationale for Japanese ODA	54
Human rights and the Aid Charter	57
Increasing political control	59
The lure of the UN Security Council	63
Continuing omiyage aid – Japan at the Gleneagles Summit	65
Human security	67
Invoking the Charter - nuclear weapons	70
Termination of aid to China	71
Summary	74
Chapter 5: Civil Society and Aid	76
Changes in society	76

Nonprofit organisations.....	78
Non-governmental organizations in aid	80
A potentially new model of aid policy.....	82
Co-option?	84
Public opinion, the media and aid.....	87
Military aid?.....	89
Summary	90
Chapter 6: Conclusion.....	92
Continued complexity.....	93
Increased political voice in ODA.....	94
The Aid Charter – philosophy and action.....	96
Self-Help and loans.....	96
Grassroots involvement – NGOs and aid	100
A final word	102
References	104

List of Tables

Table 1 Japan - aid at a glance 2002 to 2003.....	iv
Table 2: Japanese ODA amounts over time.....	6
Table 3: Japan's ODA Disbursements versus Percentage of GNI (1995 to 2003).....	30
Table 4: Percentage of procurement through Japanese primary contractors.....	42

Chapter 1: Introduction

Purpose

This year marked the 50th anniversary of the commencement of Japanese aid to the developing world with the Ministry of Foreign Affairs organising a number of symposiums and workshops around the country to mark the occasion. Japan has gone, over the last fifty years, from a nation receiving aid from others to a creditor nation which, for most of the 1990's, provided the largest amount of aid of all developed nations. Even now, in its economic and financial crises, it still provides the second largest overall amount of aid.

As Dobson notes, change in Japan is incremental (Dobson, 2005). These small but real steps have seen Japanese Official Development Assistance (ODA) evolve into a seemingly quite different animal from limited beginnings. This paper looks at the changes in Japanese aid and attempts to answer the question of what further changes we can expect in the near future.

The Japanese aid programme has a number of outstanding characteristics that have endured over these fifty years. These are (1) the lack of a centralized aid agency; (2) a firm emphasis on the responsibility of the recipient for its own development and (3) a heavy reliance on loan aid (Ministry of Foreign Affairs, 2004b). While these are unlikely to entirely disappear over the next few years, they do offer a window into understanding the development of the current Japanese ODA system and its structural constraints.

While the power of the bureaucracy in the Japanese state has been well documented

and the administration of aid is no exception, this is combined with intense rivalry between differing ministries and agencies. The lack of a single national agency responsible for ODA can be seen in the simple statistics that Japan has 13 ministries with budgets providing for ODA activities, two implementation agencies (one for technical cooperation, another for loan aid). Until the last few years, in fact, two different ministries issued their own separate white papers on ODA further complicating the formation of any unified Japanese aid policy. Without a single aid agency responsible for policy creation and implementation, aid has been administered and policy made, to a rather large extent, by individual agencies of the bureaucracy negotiating with each other, rather than by force of political will.

Official Japanese aid documents often refer to the need for “Self-Help”, the responsibility of a nation for its own development. The other end of the spectrum, where the recipient relies completely on the donor for development strategy, individual project planning and finance, is seen as the worst possible way of bringing about economic development creating international ‘beggars’. This position is used to justify the use of loans in Japanese ODA as encouraging the governments of recipient nations to take ownership of their own development and not simply rely on outsiders (Ministry of Foreign Affairs, 2004b).

Loans are seen as encouraging good fiscal policies among recipients and, in turn, the official Japanese response to suggestions of debt write-offs by and for those nations suffering under excessive debt levels has been quite cold. Where a complete refusal to cooperate has not been possible, Japan has compromised by providing grants equal to the amounts paid back by the debtor country. Behind the scenes, Japan has even been criticized as threatening recipients with a termination of future aid if they apply for aid reduction (Oxfam International, 2000).

Over the last few years, however, there has been a number of changes in the Japanese political world and society that suggests change may also be felt in ODA over the coming years. The Liberal Democratic Party (LDP), for example, which continuously governed Japan from 1955 throughout the period of economic growth (in what is termed the 1955 system), finally lost

its grip on power in an election loss in 1993, replaced by a coalition government. This breakdown of the stability of this one-party rule led to reform of the electoral system and, indirectly, to a shake up of even the bureaucracy by the end of the decade.

Throughout the 1955 system, the bureaucracy had a seemingly well-deserved reputation among the general public as the guardians of society, in comparison to politicians who were seen as prone to scandal and self-interest. This also was to change during the 1990's as a series of scandals hit the various ministries. At the same time, civil society, which had been quite weak previously, was to develop strongly in the 1990's, receiving a large boost from the publicity surrounding the numbers of volunteers that flocked to Kobe to assist in the aftermath of the earthquake in that city in 1995.

There have also been significant developments within the aid programme itself. Financially, the amount of aid that Japan provides has been steadily decreasing for the last few years and this change has effects on all areas of the programme. Both policy-making and implementation has had to learn to cope with the new financial realities. Politically, the official philosophy behind the Japanese aid programme has been expanded and updated to meet the challenges of the early 21st century. Administratively, the number of agencies has been reduced and the involvement of citizen's groups in aid actively encouraged.

In a nutshell, the purpose of this paper is, through the prism of these wider societal and political changes, to look at both the changes that have been made in the Japanese ODA programme in recent years and to further attempt to answer the question of what we can reasonably expect from the Japanese aid programme in the near future.

I will attempt to answer this central question by investigating the literature for analyses of both changes and continuities that have occurred in the Japanese ODA programme. While the essay is not built on any specific theoretical underpinnings, the central assumption is that aid is a contested arena within the Japanese state. Competing actors, particularly the relevant sections of the bureaucracy where responsibility for aid has been centred and some wider players, such as

politicians, business and the public, attempt to influence the direction aid takes. In particular, this paper will place close attention to changes occurring in the political world and in civil society in an attempt to evaluate their significance.

In doing so, this paper will attempt to shed some light on these recent changes by putting them in the context of the history of the aid programme and the relations between politicians, bureaucracy and people in Japan. I will be especially interested in criticisms made of the aid programme and the responses made by the Japanese state to these. The degree of change made, or not made, will give us some indication of the degree to which we can expect additional developments in the near future. Similarly, given the changes in the political world and the drop in esteem awarded to the bureaucracy, the role of politicians in ODA policy-making would appear to be changing.

We will also look critically at the growing involvement of non-governmental organizations, what Hirata calls “rebels” (Hirata, 2003) in aid provision. This change may reflect a growing strengthening of civil society in a realm where traditionally bureaucracy has held sway. To what extent this is the case and how likely this is to significantly affect ODA is another important issue.

The importance of Japanese aid

Until 1995, Japanese aid amounts, like the economy, knew only one way – up. Between 1989, when Japan surpassed the United States in sheer financial value of aid given, until the peak year of 1995, Japanese aid formed a large proportion of overall global aid from the developed countries. From the late 1980’s, in particular, as the strength of the Japanese economy increased, Western, and especially US, researchers produced a number of published theses on its importance (for example, Rix, 1993; Orr, 1990; Arase, 1995; Ensign, 1992).

The Japanese government’s finances are not in excellent health. Years of attempting to

restart the economy by pumping finance into the construction companies and building large infrastructure projects throughout Japan has left the government with large debt levels. This combined with the low fertility rate, bringing about a rapid aging of the population, a corresponding reduction in the number of working age and the savings rate, leads to a general consensus that the government will need to raise taxes significantly, as much as fifty percent, in order to remain solvent (Dekle, 2002).

All budgetary areas are now open to cuts and ODA is no exception. In 1997, then Prime Minister, Ryutaro Hashimoto, and his administration announced a 10% cut in the ODA expenditure for the following financial year. This would have been the first ODA budget cut made since such aid began (Hirata, 1998). This was however, right on the eve of the Asian financial crisis and, in order to protect the economies around Asia, and, consequently, their own, the Japanese government, rather than cutting ODA, was effectively forced to raise it again. This ODA increase was, however, only a short term measure and, since the budget for the year 2000, the amounts allocated for ODA have been cut each year.

Within these financial constraints, the value of Japanese aid has decreased to approximately two thirds of its peak value. This, perhaps combined with the sustained high growth of China, has meant that Western research interest in the programme is not as high as it once was. The cuts in ODA budget, however, have not necessarily been anticipated by all those watching the programme. Despite the seemingly fragile nature of the Japanese economy, as late as the year 2000, one analyst felt confident that Japan would continue to maintain its high level of ODA, using this as a foreign policy tool (Katada, 2000). As can be seen from Table 2 below, the year 2000 was to become, however, the very time that cuts in the total amount allocated to Japanese ODA would begin to be implemented. These reductions in spending have continued through to the current day.

Table 2: Japanese ODA amounts over time

	<i>1986-87</i>	<i>1991-92</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
USD (million)	6,488	11,052	10,640	12,163	13,508	9,847	9,283

Source: OECD (Development Assistance Committee, 2004, p. 5 & 75)

So, why look at the Japanese Official Development Assistance (ODA) programme now? While the situation for Japanese official aid has undoubtedly changed since the glory days of yearly budget increases, the total amount of ODA provided is still extremely significant, second only to the United States. Any discussion of world aid and development must still take account of aid provided by Japan. While the actual amounts provided are decreasing, this significance will continue for the foreseeable future.

Japanese aid is provided globally albeit with a concentration on Asia, providing approximately 60% of the total ODA provided to East Asian countries and 50% of that provided to South Asian countries (Ministry of Foreign Affairs, 2002a). This emphasis on Asia can be seen in the DAC statistics provided in Table 1 at the beginning of this paper showing that the ten largest recipients of Japanese aid in the 2002/3 year were, in order, China, Indonesia, Philippines, India, Thailand, Viet Nam, Pakistan, Bangladesh, Sri Lanka and Malaysia (Development Assistance Committee, 2005). Japanese ODA is also, however, the largest single bilateral ODA provider to 40 countries around the world in 2002, not greatly reduced from its peak of 53 with aid provided to less prosperous nations such as those in Africa (Ministry of Foreign Affairs, 2004).

Why does Japan give aid?

Each country has its own reasons for providing aid and it would be naïve to believe that all or even most aid is a result of pure humanitarianism. US aid is clearly tied to its strategic interests (Schraeder et al, 1998), German aid is tied in to its own economic interests (Miyashita, 2003)

and French to its own former colonies (Alesina & Dollar, 2000). Western European states have, nevertheless, tended to call attention to human rights in their attempts to justify their foreign aid to their electorates and to try to avoid being seen as doing anything other than try to assist these countries to develop.

In recent years, thanks to the pressure exerted by activists, for example the Jubilee Foundation in the UK, and the Millenium goals set by participating countries at the UN, the focus of international development has switched to poverty eradication. The G7, for example, has greatly expanded its programme, attempting to deal with the Highly Indebted Poor Countries (HIPC) to greatly reduce debt in sub-Saharan Africa and even, at the recent Gleneagles Summit, provided for full debt relief for these countries. How effective such debt relief is and what real results it has had for the people of those countries is extremely debatable (see Pilger, 2005, for an extremely critical analysis of the results). It can be argued, however, that there is some genuine interest in providing humanitarian aid in an attempt to make a difference in the lives of local people (Spyke, 1999).

The Japanese state has its own complex reasons for aid. While some analysts go so far as to claim Japan has no such genuine interest in helping others and that aid is provided by Japan purely for Japanese interests (Spyke, 1999), this does not show the entire picture. As the growing numbers of international aid organizations in Japan demonstrate, there are individuals in Japan who voluntarily give up their time to help others around the world. Undoubtedly, however, foreign aid is an important instrument for the Japanese state in its international diplomacy. The Japanese Constitution in a literal reading would seem to outlaw the possession of military forces and, in practice, has limited the use of the military forces that do exist to Japan and its immediate maritime area. The use of aid, coupled with business investment, therefore, has been the major weapon in the Japanese arsenal when attempting to influence the decisions and behaviour of developing countries (Kusano, 2000).

From this state perspective, the underlying motivations for aid over the years would

seem to have been to (1) gain acceptance of the world's great powers, (2) remain independent and unique in a hostile international environment, (3) remain economically wealthy. Aid therefore, becomes, in some ways, a way to impress both the West and the developed nations. It has not been an attempt to make the world a better place, per se, but more of an attempt to ensure that Japan is one of the leading nations and, therefore, one with greater independence over its own decisions than otherwise (Spyke, 1999). This argument continues an analysis of Japan's foreign aid from an earlier generation which showed that the aims of post-war Japan were essentially the same as those of the pre-war version – to have security, to develop and to be ascendant over other nations in the region, at least (Hasegawa, 1975).

While Japan may not follow an aid policy purely based on moral or humanitarian considerations, this is not to say that humanitarian considerations are entirely absent. Japan does provide a degree of food aid to assist countries in extreme circumstances, for example and grant aid, especially to African nations. The current official Japanese position is, nevertheless, that Japanese aid is for Japanese security, trade and well-being. The argument is made here that Japan is dependent on the international economy for its resource inputs and its final markets (Ministry of Foreign Affairs, 2003). For Japan to provide financial resources to attempt to ensure the on-going security of these vital channels and markets is proclaimed as a logical policy (Kusano, 2000).

From a lower level, we should not entirely discount the factor of wider opinion and pressure. Japan (that is the Japanese bureaucratic and political elite) often thinks that Japan must act to avoid public criticism, an attitude that Hasegawa terms “*otsukiai*”, meaning doing what others expect (Hasegawa, 1975, p. 13). This shows its face at times when Japan may be subject to criticism from other Asian countries or from its peer donors. The Ministry of Foreign Affairs, thanks to its participation in international meetings and conferences, would be more likely to be aware of, and pay attention to, such international criticism than would, for example, the Ministry of Justice and its Immigration Department attempting to keep unwanted foreigners out

of Japan.

There are, indeed, less direct benefits that Japan receives from ODA. Development can lead to wider markets, increased consumer spending power and the associated additional chances for profit as well as the use of the lower labour charges in those countries for industrial production, which can contribute to reducing pollution in Japan (Fukai, 1982). Civil society, in contrast to the state, participates in development focused on the outcomes for the recipient country and people. This focus on projects outcomes can be at odds with the diplomatic goals that provide the background to the state's involvement. As such, civil society is potentially hostile to state purposes. The emergence of civil society and its contribution to development is, therefore, an interesting development that we will look at in more detail in Chapter 5.

The power relationship in aid

From a realist view of aid, the direct provision of aid by one country to another reflects a power imbalance or, at minimum, the potential to create a power imbalance. One party can fall into the position of relying on the other's provision of funds and may find itself in dangerous waters, if the dominant party decides to no longer provide those funds, or only with stricter conditions.

Clearly, entities providing loans expect to have the loans repaid. Loans provided for development purposes are no different and, no matter how much interest is paid, commercial entities separate the repayment of interest from repayment of the principal. This means that, for example, when the Paris Club, the leading creditor nations, met to discuss loan repayments and possible rescheduling of loans for the countries affected by the Sumatra earthquake and tsunami, it was a meeting of only the creditor nations. The actual countries most directly affected, the ones who must repay loan principals and pay loan interest were not present. One party (or set of parties) has the power to decide what will be done and the other must wait for a decision to be made.

The explicit use of this power to achieve diplomatic goals is something that Japan does not normally choose to wield. As I shall show later, when I examine the use of Japanese aid to regimes in Indonesia and Myanmar that have not always been as aware of human rights as Japan would have liked, the Japanese decision makers have tended to err on the side of keeping good relations and protecting commercial interests over strong philosophical statements of human rights and democracy. At the same time, however, Japan has used aid to bolster support for its whaling campaign, so we should therefore, be extremely sensitive to the role of power especially in such bilateral situations.

My focus in this paper is, in this respect, one-sided in that it focuses only on one part of the power dynamic – that of the donor, the more powerful partner in the aid relationship. It is within this relationship that any assessment of Japanese aid icons such as Self-Help and focus on loans and their repayment must be made. While I will not spend any large amount of time investigating the effects of Japanese aid on recipient debt levels, we should not discount the leverage this gives Japan over many of the less economically developed nations of the world.

Methods

This research was conducted during the period January to October, 2005. It was document based, involving library research for printed materials and the Internet for on-line documents. I was fortunate enough to have access to a number of large collections of books written in English on Japan and this is reflected in the number of such books in the bibliography. A number of these books were written by Japanese academics but the number of sources originally written in Japanese is far fewer. There is, therefore, the potential that different accounts of Japanese aid may have been uncovered had I consulted more sources written in Japanese (which were not available in English).

Rather than attempting to monitor all media reports over this period, the research concentrated on two major national dailies, the Asahi Shimbun, with a centre to slightly left orientation, and the Nihon Keizai Shimbun, the premier business paper. Both sources are highly regarded in Japan as 'serious' sources of news and provide good coverage of ODA news. A journal devoted to Japanese development issues and initiatives, the International Development Journal, also provided monthly news and analysis of the field.

For the official view of ODA, the Ministry of Foreign Affairs provided significant amounts of information. Its annual ODA white paper and statistical breakdown of Japanese aid by country every year were extremely useful in providing one official view of ODA and a sense of scale of amounts disbursed. The Ministry's Internet site also provided a wide range of background and archived information.

The structure of this paper

The purpose of this paper is to evaluate the Japanese ODA programme and within this to assess what can be reasonably expected of it and what cannot. In order to do this, Chapter 2 will put the programme into a historical and social context. With this foundational understanding of where the programme originated and its basic structural components, Chapter 3, will proceed to look at the criticisms made of the programme in more recent times and the responses made. Chapter 4 continues to look at on-going changes in the programme by looking at the role politicians and political purposes play in ODA. Chapter 5 looks particularly at the growth of influence of NGOs on ODA and attempts to analyse how great this influence will become in the near future. Finally, in Chapter 6, I will summarize the information gathered and conclude.