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JAPAN'S OFFICIAL DEVELOPMENT ASSISTANCE:

ITS SHAPE AND IMPLICATIONS

FOR RECIPIENTS

A thesis presented in partial fulfilment of the requirements
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ABSTRACT

Japan's ODA programme is surrounded by controversy regarding the motives that propel it forward and the degree to which it meets recipient needs. This study hopes to add to the debate regarding Japanese ODA by uncovering those factors that shape Japan's contemporary aid activities and to interpret their implications for recipients.

Rather than adhering to any one particular view of Japan's international relations to explain Japanese ODA, an inductive approach is used to identify the contextual mix in which aid policy is formulated. Japan's cultural legacy and development experience are found to define the broad boundaries that ODA policy must operate within and these factors continue to colour Japan's unique brand of foreign aid. An analysis of the evolution of Japan's contemporary aid programme also shows that ODA has been used to promote Japan's national interests in a variety of ways as international circumstances have changed. Economic and security needs have played influential roles in the size and direction of aid flows throughout the evolution of Japan's aid programme. More recently, a growing desire for an international leadership role explains why Japan's ODA programme continues to expand at a time when many other major donors are suffering 'aid fatigue'.

Although Japan's ODA activities undoubtedly promote the country's foreign interests, this study has also found that the aid programme has undergone a process of reform to better attune aid to recipient needs. The quality of Japanese ODA has steadily improved over time and many popular development themes have been incorporated into Japan's ODA policy. A desire to present Japan as a responsible member of the international community, combined with ideological development as Japan's aid agencies have gained greater experience, are used to explain this reform process.

Previous studies of Japan's ODA programme have largely been a study of Japan as a donor with little consideration given to the impact of aid activities on recipients. To help fill this void a case study of Bangladesh was undertaken and Japanese projects, project evaluations and country reports analysed. In this study the empowerment approach was used to identify how appropriate and effective Japanese aid is in assisting impoverished peoples in Bangladesh. The findings were that, despite the extent of reform in Japan's aid policy, aid practice in Bangladesh is dominated by Japan's traditional aid activities, that is, the construction of large-scale economic infrastructure projects. An analysis of Bangladesh's recent development history reveals that the production-based, trickle-down growth strategy that these aid activities are founded upon has little to offer the poor. In contrast, this thesis suggests that the poor will

only be included as active agents in the development process when they have been politically, socially and economically empowered.

Recent reforms within the Japanese ODA programme make it more receptive to the needs of the poor. However, it is likely that Japan's national interests, rather than those of the poor, will remain the main determinants in shaping aid activities.

PREFACE

This thesis aims to bring together a study of an aid donor and an aid recipient in order to better understand the form that official development assistance takes and to uncover its strengths and weaknesses in promoting development. Amongst the vast array of development studies literature, most studies either focus on the policies of aid donors or on the needs of developing countries. This study will show, however, that it is very much a specific mixture of beliefs and interests of aid donor combined with the social, political and economic structure of recipient which determine how useful foreign aid will be. The two countries analysed in this research project are both countries that I have visited and I hope my personal experiences have given me additional insight into the issues covered in this thesis.

My interest in development issues in Bangladesh was stimulated by a two week visit during an extended overland trip through Asia in 1990. During my stay I was able to see many parts of the country and observe the manner in which the rural and urban poor survive in extremely impoverished conditions. Of the many developing countries I travelled through in Asia, Bangladesh stood out for the extent of its poverty.

In contrast, Japan is a country of great material affluence whose experiences, technology and wealth could be used to expand the opportunities available to the poor of developing countries such as Bangladesh. I lived and studied Japanese language in Tokyo for three years from 1991-1993. In 1993, I returned to New Zealand to undertake my present study programme. In order to collect further material for this research and conduct interviews with representatives of Japan's aid agencies, I returned to Japan for three weeks in August, 1994.

During the course of my research I have received assistance from numerous people. Although they are too many to mention, I would like to acknowledge the assistance of those who have been particularly instrumental in aiding this study.

Above all, I would like to thank my two supervisors, Regina Scheyvens and John Overton. I am particularly grateful for the time and effort Regina spent to ensure the structure of my argument was cohesive and for her insights into issues related to gender and development. I am also very appreciative of John's eagerness to share his knowledge of development issues and his understanding of the manner in which aid is used as a foreign policy tool. Khondoker Hossain, of the Development Studies Institute at Massey University, offered valuable insights on issues covered in this thesis regarding his home country, Bangladesh.

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While in Tokyo, the New Zealand Embassy provided official documents on Japanese aid without charge and much appreciated encouragement. Peter Kell, Second Secretary, accompanied me during interviews and his diplomacy skills opened doors to Japan's aid bureaucracy. Jaques Warren generously allowed me to stay at his apartment in Tokyo despite its 'rabbit hutch' size. The hospitality of Japanese friends in Tokyo was also exceedingly warm, as always. After returning to New Zealand, staff at Japan's aid agencies in Tokyo replied positively to requests for further documents which they furnished without delay or charge.

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INTRODUCTORY NOTES

ABBREVIATIONS

ADB	Asian Development Bank
AFP	Associated Free Press
AIPs	ASEAN Industrial Projects
ASEAN	Association of South-East Asian Nations
BAAC	Bank for Agriculture and Agricultural Co-operatives, Thailand
BHN	basic human needs
BKB	Bangladesh Krishi Bank
DAC	Development Assistance Committee (of the OECD)
EPA	Economic Planning Agency
FAO	Food and Agriculture Organisation
<i>FEER</i>	<i>Far Eastern Economic Review</i>
FY	fiscal year
GAD	gender and development
GATT	General Agreement on Tariffs and Trade
GNP	gross national product
G-7	Group of Seven industrialised countries
IMAJ	International Management Association of Japan
IMF	International Monetary Fund
IPSA	Institute of Postgraduate Studies in Agriculture, Bangladesh
INSTRAW	United Nations International Research and Training Institute for the Advancement of Women
IRDP	Integrated Rural Development Programme, Bangladesh
<i>IRJ</i>	<i>Industrial Review of Japan</i>
ITTO	International Tropical Timber Association
<i>JEA</i>	<i>Japan Economic Almanac</i>
JETRO	Japan External Trade Organisation
JICA	Japan International Co-operation Agency
<i>JSY</i>	<i>Japan Statistical Yearbook</i>
<i>JTWIE</i>	<i>The Japan Times, Weekly International Edition</i>
<i>KRWE</i>	<i>Keesing's Record of World Events</i>
LDC	less developed country
LLDC	least developed country
MAF	Ministry of Agriculture and Forestry
MoFA	Ministry of Foreign Affairs
MoF	Ministry of Finance

MITI	Ministry of International Trade and Industry
NGO	non-government organisation
OAPEC	Organisation of Arab Petroleum Exporting Countries
OCTA	Overseas Technical Co-operation Agency
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OECF	Overseas Economic Co-operation Fund
SAPI	Special Assistance for Project Implementation
SAPROF	Special Assistance for Project Formulation
SAPS	Special Assistance for Project Sustainability
SCAP	Supreme Commander for the Allied Powers
SDF	Self Defence Forces
SSGA	Small-Scale Grant Assistance
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNIFEM	United Nations Development Fund for Women
US	United States
USAid	United States Agency for International Development
WAD	women and development
WCED	World Commission on Environment and Development
WID	women in development

JAPANESE TERMS

<i>doryo</i>	a person of equal social status
<i>enjo</i>	aid
<i>fukoku kyohei</i>	rich country - strong army
<i>funso shuhen koku</i>	countries bordering areas of conflict
<i>giri</i>	duty
<i>honne</i>	a person's true feelings
<i>issai no kachihandan o shinai gaiko</i>	a value-free foreign diplomacy
<i>itai itai byo</i>	ouch ouch disease
<i>kaihatsu yunyu</i>	develop and import scheme
<i>karoshi</i>	death from overwork
<i>keizai kyoryoku</i>	economic co-operation
<i>kohai</i>	a junior
<i>kokugaku</i>	national learning

<i>nihonjinron</i>	the study of 'being Japanese'
<i>ninjo</i>	affection
<i>on</i>	benevolence
<i>seikei bunri</i>	separation of economics from politics in foreign affairs
<i>sempai</i>	a senior
<i>tatemaie</i>	one's social mask
<i>tatewari gyosei</i>	vertical structure of Japanese ministries
<i>yon shocho kyogi taisei</i>	Japan's four ministry aid administration system
<i>yosei shugi</i>	The principle of extending aid only after requests have been received
<i>zaibatsu</i>	large business groupings
<i>zenhoushi gaiko</i>	omni-directional diplomacy

CHAPTER ONE

INTRODUCTION AND FRAMEWORK FOR ANALYSIS

INTRODUCTION

In 1989, Japan became the world's largest aid donor extending more than \$11 billion¹ in official development assistance (ODA) to over 160 developing countries in Asia, Africa, the Pacific, Central and South America and in Eastern Europe. As a source of both financial and technical aid, Japan is of tremendous significance to many of these countries. In 1990, Japan was the largest ODA donor to 26 countries and contributed 16.8 per cent of total aid flows from all DAC² member countries (MoFA:1992). Japan also enthusiastically promotes multilateral aid and in 1991 contributed 13.6 per cent of total finances to multilateral institutions (MoFA:1993a,143).

Not only is Japan's aid programme immense in scale, Japan's aid dialogue shows sensitivity to many contemporary development themes and stresses human rights, non-military solutions to regional crises, environmental preservation and women's development. At the Earth Summit in Rio de Janeiro in 1992, Japanese Prime Minister Miyazawa Kiichi³ pledged the staggering amount of \$7 billion in environmental aid to be disbursed over the following five years. Furthermore, Japan's aid programme has undergone a lengthy process of reform to better reflect the needs of recipients. Japan now claims one of the least tied aid programmes of all DAC members and in 1990 contributed 70 per cent of its aid to low income nations, compared with less than 50 per cent of US aid to the same countries (Islam:1991,2).

These impressive figures are often presented by Japan's aid agencies when defending their nation's international contribution. Nevertheless, within and outside of Japan few are satisfied. Amongst Western commentators, Orr (1990,78-80) associated the escalating Indonesian national debt with Japanese aid and Ensign (1992) concluded that the aid programme was an

¹ All figures are in US currency unless otherwise stated.

² The Development Assistance Committee (DAC) of the Organisation for Economic Development (OECD) is a self-regulating group of Western donor countries. It consisted of 20 countries in 1991.

³ All Japanese names are given with the surname first as is customary in Japanese language.

arm of Japan Inc.⁴ and still tied to Japan's business interests. Within Japan, Kubota (1985,142) questioned the efficacy of Japan's large-scale infrastructure aid projects that commemorate the overseas tours of incumbent prime ministers but which may seldom meet recipient needs and Abe (1989,19) insisted that Japan was 'behaving like a person with a loan shark on his heels who continued running around giving useless gifts to other people'.

Inoguchi Takashi has placed these contesting images of Japan into three groups that highlight the divergence of views regarding Japan's foreign relations. According to Inoguchi (1986) Japan is predominantly viewed as a 'free rider' or a nation that takes as much as it can but gives as little as possible. More specifically, Japan has taken a 'free ride to economic supremacy at the expense of America, which is now lying flat on its back under the burden of defending the free world' (Islam:1991,193). In contrast, another view sees Japan as a 'challenger' that is gradually conquering the world market through its economic and technological prowess. As a 'challenger', Japan is gaining in peacetime what it failed to do through warfare. Finally, Japan may be perceived as a 'supporter', though this is a view that is seldom heard. As a 'supporter', Japan is seen as maintaining global peace and prosperity by making appropriate international contributions, predominantly in the form of aid.

Given this range of competing images, how is Japan's aid programme to be viewed? Is it designed to promote Japan's strategic national interests or to promote global peace and prosperity; does a high ratio of loans to grants reflect a particular development philosophy different to that of Western donors or are the Japanese simply selfish as some would have us believe; and are Japanese governments attempting to impress other developed nations with their huge pledges of aid or are they genuinely concerned for the well-being of impoverished peoples? Similarly, are Japan's foreign critics concerned that Japan's aid better meets the needs of recipients or are they merely attempting to burden Japan and reduce its international competitiveness? It is this need to look beyond the aid rhetoric of official policy statements and the consternation of critics to unearth the *honne* beneath the *tatemae* that makes the study of Japanese aid such a complex and difficult task.⁵

This study hopes to add to the debate regarding Japanese aid by uncovering those factors that shape Japan's contemporary aid programme and to interpret their implications for recipients. It hopes to do so, not by holding to any preconception of Japan as a 'free rider', a 'challenger' or a 'supporter' but through an objective appraisal of the needs of Japan as an aid donor and the development needs of recipients. In the 1990s, despite Western euphoria associated with the

⁴ The term Japan Inc. is often used to describe the close relations between Japan's politicians, bureaucrats and industrialists (the 'iron triangle') that gives Japan the appearance of one massive corporation pursuing profit above all other national interests.

⁵ In Japanese social relations, *honne* is used to refer to the seldom revealed true feelings of a person and *tatemae* the social mask that these are commonly hidden behind.

end of the Cold War, poverty and disease remains prevalent in many developing countries and regional hostilities are widespread. Given the immense scale of its foreign aid programme, Japan has great potential to ameliorate the plight of impoverished communities in developing countries. At the same time, despite the international media attention that Japan's economic miracle has attracted, both Japan's public and that of other developed countries are poorly informed of Japan's aid activities.⁶ For these reasons, this study is considered both timely and of value as one step towards gaining a more balanced yet critical appreciation of Japan's aid programme.

THESIS AIMS

The aims of this thesis are twofold. Firstly, an explanation is sought for the shape of Japan's contemporary aid programme. The term shape refers to the type and amount of aid extended, where this aid goes and what kinds of projects and programmes are funded. Secondly, this thesis attempts to shed some light on the effectiveness and appropriateness of Japanese aid in meeting recipient needs. In previous studies little attention has been paid to the implications of Japanese aid for recipients and this research is an attempt to help fill this gap. As Rix (1993,6) notes:

... the study of Japanese aid has largely been a study of the donor; perhaps too much so, for we know very little at all about the way in which Japanese aid impacts on recipient economies at the grass-roots level.

Both aims are strongly inter-related as the potential for reform of Japanese aid to better suit the needs of recipients depends largely on the type of considerations that guide aid policy making. Reflecting these aims, this thesis falls into two broad sections. The first part attempts to identify factors that have shaped Japan's aid programme while the second part sheds greater light on the appropriateness of Japanese aid by undertaking a case study of Bangladesh.

The nature of this study makes it necessary to draw together the fields of a large number of academic disciplines. A multi-disciplinary approach is considered appropriate as the first aim requires that Japanese aid be understood in its cultural, political, strategic and economic contexts. The field of study widens in the second part of the thesis where development needs in Bangladesh, and the likelihood of Japanese aid meeting these needs, can best be appreciated through an understanding of the many social, political and economic factors that constrain and facilitate development. While the field of study is diverse, its theme throughout remains centred on an explanation of the nature of Japanese aid and its implications for recipients.

⁶ A public opinion poll taken in 1992 found that in Germany and France, on average 70 per cent of respondents thought their country's aid programme was larger than Japan's (MoFA:1993a,61). In fact, in that year Japan's net disbursements of aid were 1.3 and 1.5 times larger than France and Germany, respectively (MoFA:1993a,21).

DEFINITION OF TERMS

Before this study can begin, several terms need to be clarified. Development literature is rich with terms which, while purporting to classify countries by economic criteria, imply that countries which extend ODA are culturally and ideologically superior to countries that receive ODA. The expressions 'First World' and 'Third World' are indicative of the nomenclature of development that ranks industrialised countries above aid recipients in matters not just restricted to economics. Because 'first', when used in this manner, implies culturally and ideologically superiority to 'third', these terms will be avoided. Instead, ODA donor and recipient nations will be referred to as 'developed' and 'developing countries', respectively. Although these terms are also problematic,⁷ when used to allow aid recipient nations to make their own decisions about what desirable change or development might be, they are useful terms in the aid debate.

Industrialised countries are also commonly referred to as 'the West' and, more recently, 'the North' and industrialising countries as 'the South'. All of these terms are geographically misleading. For want of a more precise alternative, however, 'the West' is employed as a useful term that groups aid donor nations whose societies are characterised by value systems associated with European civilisations; the terms 'the North' and 'the South', however, will not be used as their application to international aid flows is deceptive.

In very general terms, aid describes the transfer of resources at concessional rates from wealthy to poor individuals, groups or countries. To interpret all aid flows from Japan to developing countries by this definition is beyond the scope of this study. The object of this investigation is limited to the dominant form of aid transfer which is ODA. ODA is not only aid which is disbursed by government agencies but must also meet specific criteria established by the DAC. According to these criteria, aid is only considered as ODA if its main objective is to promote economic and social development (this excludes military aid) and has a grant element of a least 25 per cent (Cassen and Associates:1994,2). 'Grant element' is a measure of the quality of aid that refers to the degree of concessionality. By this standard, loans are considered as aid if such factors as their interest rates and grace and maturity periods combine to make them 25 per cent more concessional than current commercial terms. In the remainder of this thesis the term aid will be used to mean ODA unless otherwise stated.

FRAMEWORK FOR ANALYSIS

How can factors that have shaped Japan's aid programme be uncovered and how can the necessary step, to determine how effective this aid is, be taken? To answer these questions a framework for analysis needs to be constructed.

⁷ The term 'developed country' implies some ultimate state of development when, in fact, many industrialised countries are besieged by social and economic problems.

If the nature of Japan's ODA programme could be understood simply by applying a general theory of international relations then the first task of this thesis would be relatively straight forward. Despite Morgenthau's (1962) early attempt to interpret foreign aid programmes in their political contexts, however, no broadly accepted political theory of foreign aid exists. In fact, the entire field of international relations studies is beset by disagreements over fundamental questions of theory.⁸ Furthermore, to apply a Western theory of foreign aid to the study of Japanese ODA would be to overlook the impact of cultural variables and domestic politics on foreign affairs.⁹

If a deductive approach using a Western model to predict Japanese state behaviour is unsatisfactory, then an explanation for those features of Japanese ODA that are observed must be deduced from the contextual mix in which they are set. How can these contexts and their relative importance be identified so that all factors which have shaped Japanese ODA receive due attention? To provide a launching pad from which a study of Japanese aid may begin it is useful to briefly review literature on foreign aid. Those factors that other researchers consider important in shaping foreign aid programmes elsewhere may be used as a platform for interpreting Japanese ODA. To these, of course, must be added the contexts of Japan's own cultural heritage and the domestic politics in which foreign policy is formulated.

REVIEW OF ODA LITERATURE

The earliest studies on the rationale for bilateral aid programmes first appeared in the early 1960s and focused largely on US ODA. Framed in a period when US foreign aid was used almost entirely to gain political favour from countries in Western Europe and Asia which lay on the periphery of the Communist Bloc, these studies found that national security was the overriding concern that directed aid policy making. For Morgenthau (1962), all official aid had a political function that outweighed other considerations. Of the six forms of aid he identified, all served a political purpose to some degree while three were designed solely to meet political ends; these were aid as bribes for political services, military aid, and aid for prestige (Morgenthau:1962,301-304). Morgenthau concluded that,

... a policy of foreign aid is no different from diplomatic or military policy or propaganda. They all appear as weapons in the political armoury of the nation (Morgenthau:1962,309).

⁸ See the classical works of Hartmann (1973) and Frankel (1973) for a discussion of the deficiencies of grand international relations theories.

⁹ As early as 1938, Sir Harold Nicolson attempted to show that the British and German national character had considerable impact on the nature of their respective foreign policies (Nicolson:1973).

Ohlin (1966) conducted a similar inquiry into the labyrinth of motives behind the US aid programme and found that deep uncertainty and confusion existed about the nature and purpose of foreign aid. He suggested that to the American public, official aid was perceived for its humanitarian worth. For policy makers, however, 'the causes for the extension of foreign aid took their departure in American interest rather than in that of the receiving countries' (Ohlin:1966,19). Ohlin used the findings of the Clay Report, commissioned by the US Senate in 1963, to support this conclusion. The Clay Report found that the basic purpose of US foreign aid programmes was to serve US foreign interests, a conclusion supported by the fact that 72 per cent of US economic and military aid was extended to countries on the Chinese and Soviet borders. The Clay Report concluded that foreign aid was essential to US security (Ohlin:1966,22).

Studies of US aid dominated aid literature until the early 1970s when large and now classical works were published on the political economy of aid. These works began to look at bilateral aid programmes other than that of the US and found that strategic concerns were not always critical in aid policy making. Wall (1973) suggested donors had a variety of motives for extending aid, the most important of which could be grouped under the heading of 'national interest'. In contrast to the US, in Great Britain, Japan, Germany, Australia and the European communities foreign aid was primarily used to promote the economic rather than the security component of national interest (Wall:1973,47). With regards to British ODA, a Select Committee of the House of Commons reported that 'Commercial considerations alone would suffice to justify participation in the aid effort' (cited in Wall:1973,47). Commercial considerations could include access to overseas markets and supplies of raw materials or to generally maintain the security of overseas private investment by encouraging stability (Wall:1973,43-48).

As Wall expanded his study to include the aid programmes of other countries he found that ODA was used to promote national interest in a number of other ways. A desire to appease other donors was a primary motive for the extension of aid by smaller aid-givers such as the Nordic countries, the Netherlands, Austria and Italy. These countries felt that they must extend aid to be seen as sharing the burden in order to maintain friendly relations with richer donors (Wall:1973,48). Historical relationships were used to explain the heavy concentration of British aid in Commonwealth countries and, similarly, the French ODA programme was found to be 'primarily a function of its [the government's] desire to maintain cultural, political and economic ties with its ex-colonies and remaining imperial outposts' (Wall:1973,47,48).

A major study by White on the politics of foreign aid was published a year later and reached similar conclusions. White (1974) found that the distribution of official aid bore little resemblance to need or the potential to use aid effectively. Instead, 'the countries which receive most aid, in relation to the size of population, are those which have . . . a special

relationship with some particular rich country, as a colonial dependency, or as a military ally, or as a traditional field of trade and investment' (White:1974,37,38). Griffin (1991), in a more recent study, also identified a variety of motives that supported bilateral aid programmes most of which served the interests of donors, though perhaps in some cases, such as in Scandinavian countries, humanitarian considerations could play an important role. He concluded that the political function of ODA was always stronger than its other utilities and that without the Cold War there would have been no bilateral aid programmes of note (Griffin:1991,647).

The literature on foreign aid indicates that a complex array of motives underlies most, if not all, aid programmes. These motives are an important determinant of who receives aid, how much and in what form. It thus appears that the key to understanding the shape of Japan's contemporary aid programme lies in recognising the motives that Japanese governments have had for extending ODA. In turn, as national interest has been established as the major driving force behind bilateral aid it will be necessary to identify Japan's national interests and to determine if and how ODA has been used to serve these.

It has also been suggested that humanitarian considerations compel some countries to extend ODA. In these countries a concern for the plight of the poor has emerged from a Judeo-Christian tradition which has played little part in Japanese history. It is thus important to consider aspects of Japan's cultural and ideological tradition which are the basis for its contemporary value system, and from this to determine how the Japanese view poverty and the extension of aid.

Donor motives and contemporary values, however, are not the only considerations that shape bilateral aid programmes. Since the early 1970s, researchers have shown that aid policy reflects not only external but also internal politics. In democratic states voters can collectively exert pressure on governments either in support of or against bilateral aid. In the US, religious groups and farmers who benefit from aid-financed sales of their surplus produce are vociferous supporters of the aid programme while others believe aid dollars can be better spent at home (Wall:1973,55). Domestic politics may thus be a compelling force that help to steer the course of foreign aid policy. Wall (1973,78) finds that aid programmes,

... are not independent of domestic political battles which are totally unrelated to the economic situation of the mass of inhabitants of the Third World. In the absence of strong political leadership, aid programmes are vulnerable to administrators and politicians who wish to use them to serve their own political ends - to provide favours to specific groups of people, to support an image as a taxpayers' guardian, or to attempt to influence world events in some small way.

Another internal factor, the structure of aid administration, has also been recognised as important in influencing the shape of ODA. White (1974,238) hinted at this when he concluded,

. . . many if not all features of the process of aid-giving . . . can be explained in terms of the historical context, the balance of interests at work and the structures of institutions in which aid is administered.

Cunningham (1974) took the study of aid administration a step further and suggested that aid administration would have different impacts on aid policy and practice depending on whether aid agencies were separate from other ministries, whether they covered only aid or trade and finance as well, how they were structured internally and how funds were authorised. More recently, Esman (1980) found that a lack of morale in public administration associated with aid fatigue could have an important impact on development policy and he called for innovation and reform in the activities of aid agencies.

A study of Japanese ODA must thus consider the relative importance of motives for extending aid, Japan's contemporary value system, the state of domestic politics and aid administration. In addition, development theory or philosophy would also appear to have some impact on what forms of aid are preferred. Japanese development philosophy most likely reflects Japan's development experience but might also be influenced by the international debate on development. Both are important considerations that must be included in this study.

One final and self-evident factor that will impact on the shape of any country's aid programme is its accumulated financial and technical capabilities. Information regarding these are readily available and will not be pursued in detail in this study.¹⁰

ISSUES CRITICAL TO AN UNDERSTANDING OF THE SHAPE OF JAPAN'S ODA

From this brief review of aid literature, it is clear that the shape of aid programmes reflects a complex matrix of national interest, financial and technical capabilities, value systems, development and aid philosophies, past relations with recipients, aid administration structures and internal politics. The basic issues that need to be reconciled to understand the shape of Japan's ODA are listed below:

- 1: How do contemporary Japanese values shape Japanese aid?
- 2: How does Japan's development experience shape development philosophy and how is this reflected in aid practice?
- 3: What are Japan's national interests and what implications do they have for aid practice?
- 4: Does the international aid debate impact on aid practice and, if so, how?

¹⁰ See recent publications of *Japan Statistical Yearbook* for information on Japan's aggregate economic and technical capabilities.

- 5: What is the public's conception of aid and are their views reflected in aid policy?
- 6: What impact does the state of domestic politics and the aid administration structure have on aid practice?

Much has already been written on Japanese ODA and some of these issues have been covered extensively by other authors: Rix (1980,1993) and Orr (1990) discussed aid politics and decision making in Japan in detail; Yasutomo (1986) sought to uncover how aid policy served Japan's security requirements in the 1980s; and Ensign (1992) compared government claims of aid untying with procurement statistics. Earlier studies were conducted by White (1964) and Olson (1970) who documented the evolution of Japan's aid programme in the first decade and a half. Consequently, of the six issues raised above the latter two, which concern the internal politics and administration of Japanese aid, have been analysed in depth by other authors and the results of these studies need only be integrated in this thesis so their impact on aid policy and practice is understood.

Of the other issues, little systematic study has been undertaken of the first two which concern Japanese aid and development philosophy. Japanese aid and development philosophy sets the broad bounds which ODA policy must operate within. For this reason, it is useful to start an investigation of foreign aid with an analysis of philosophical and ideological considerations. The nature and impact of this philosophy on aid practice is analysed in Chapter Two.

Concerning the third issue, the impact of Japan's national interests on ODA has been discussed by other authors but they have mostly involved very restricted time periods and none have documented the relation between these interests and ODA policy since the inception of the aid programme. Certain features of Japan's contemporary aid programme have emerged at specific periods of time reflecting the use of foreign aid to accommodate changing international circumstances. Chapters Three, Four and Five trace the evolution of Japan's aid programme from the end of World War Two until the mid-1990s focusing on how Japan's aid policies are designed to promote the country's national interest. Consideration is also given to the impact of Japan's evolving aid administration and domestic politics on aid practice.

Chapter Six brings to a close the first part of the thesis by investigating reforms and innovations that have characterised the aid programme in recent years. Issue four is addressed in this chapter by asking to what degree innovation and reform are a reflection of internal developments, that is, as a result of accumulated aid experience and expanded knowledge or wisdom in the area of aid extension, and to what degree they reflect trends in the international aid debate. An attempt is also made to discern implications of these reforms for aid recipients through the theoretical framework advanced in the following section.

Information Sources

In the first part of this thesis information is drawn from three sources. Firstly, in their attempts to improve Japan's image as an aid donor, Japanese governments have produced a vast array of annual reports and occasional pamphlets documenting Japan's aid activities and detailing official aid policy. Many project evaluations have also been compiled and made available in summary form in half yearly reports by Japan's official aid agencies. This public relations effort has extended to the internet where the Foreign Ministry has a home page providing recent aid policy statements. Official sources of information such as these provide much of the material on which this thesis is based.

Secondly, both Western and Japanese commentators have kept a close watch on Japan's ODA activities providing useful insights into Japan's domestic politics and aid decision making processes. Their research is a valuable source of information, particularly regarding Japan's early aid activities of which little information is otherwise available. Rather than attempt a separate review of literature on Japanese aid, the conclusions of these works are incorporated into each chapter and either challenged or supported on the basis of thesis findings.

Thirdly, in August 1993 the author conducted interviews in Tokyo with representatives of the Ministry of Foreign Affairs and the two official Japanese aid agencies (the Japan International Co-operation Agency and the Overseas Economic Co-operation Fund). The primary aim of these interviews was to encourage officials to justify their institution's aid policies and practices.¹¹

THE EFFECTIVENESS AND APPROPRIATENESS OF JAPAN'S ODA

In the second part of this thesis, the effectiveness and appropriateness of Japanese aid are analysed by undertaking a case study of Bangladesh. It is important to justify why, of the many countries the Japanese government extends aid to, Bangladesh has been chosen for analysis in this thesis.

In 1993, the Japanese government extended ODA to over one hundred and sixty developing countries (MoFA:1993a). Of these, some have begun industrialising and are achieving high rates of economic growth, while others continue to be plagued by widespread poverty and economic recession. South Korea, Singapore, Taiwan and, more recently, Malaysia are examples of the former which the government uses as evidence to support its claims regarding the effectiveness of Japan's ODA. Such claims often include Japan's contribution to infrastructure development in these countries. Japanese ODA, for example, has helped to fund

¹¹ The names of these officials are listed at the end of the bibliography.

more than 50 per cent of power generation projects on peninsular Malaysia (Shimomura:1994,23).

Other countries, whose living conditions have not improved despite a large influx of Japanese aid, challenge any complacency the government may feel regarding its ODA programme. Bangladesh is one such country where poverty remains prevalent and where little economic growth has occurred in the past two decades. Although the Japanese government has extended much ODA to Bangladesh, this has failed to stimulate widespread economic growth and to improve living conditions. Some indicators suggest that the quality of life in Bangladesh has decreased since independence was won in 1971. The average daily caloric intake of Bangladeshis as a percentage of daily requirements, for example, dropped from 91 per cent in 1965 to 88 per cent in 1988 (*Keesing's Record of World Events*:¹² 1994,R62).

The numerous obstacles to national development in Bangladesh challenge the assumptions that conventional forms of ODA are based upon. A study of Japanese ODA to Bangladesh may thus uncover limitations of conventional Japanese ODA and provide policy recommendations for more appropriate and effective ODA. In a country where 40 per cent of the population are considered malnourished (*Encyclopaedia Britannica Inc.*:1992,551), the extension of aid to Bangladesh that alleviates poverty and helps build the necessary foundations for long-term economic growth is highly desirable from a humanitarian viewpoint. A study of Japanese aid to Bangladesh is also expedient as Japan has been the largest bilateral ODA donor to Bangladesh in recent years (JICA:1990,53).

Japanese aid to Bangladesh thus merits study for a number of reasons but how can this aid be evaluated in terms of appropriateness and effectiveness? Such an examination depends entirely on the development ideology adopted.

The Meaning of 'Development'

What is this 'development' that aid is supposed to promote? Amongst aid donors, recipients and development theorists there is clearly no agreement on what constitutes development nor on strategies for how it is to be achieved. Nevertheless, advances in the development debate point to certain criteria which should be used to define the term development when attempting to determine how appropriate aid is.

In the 1950s and 1960s, modernisation theory dominated the development debate and was the basis for much development practice. Modernisation theorists viewed development primarily as an economic process with its economic reward as greater national output or increased aggregate consumption. This narrow conception of development in terms of economic growth

¹² Hereafter referred to as *KRWE*.

criteria remained largely unchallenged until the early 1970s. Even the United Nations Economic Commission for Latin America, which helped lay the foundations for dependency theory that questioned the assumptions and predictions of the modernisation paradigm, narrowly defined development in terms of economic growth and increases in per capita income (Harrison:1988,77). Amongst development economists, Gross National Product (GNP) had become the ultimate measure of development:

. . . prior to the 1970s, development was nearly always seen as an economic phenomenon in which rapid gains in overall and per capita GNP growth would either 'trickle down' down to the masses in the form of jobs and other economic opportunities or create the necessary conditions for the wider distribution of economic and social benefits of growth. Problems of poverty, unemployment and income distribution were of secondary importance to getting the 'growth job done' (Todaro:1994, 14, 15).

During the 1960s, however, a number of countries experienced development as defined in growth terms but no improvement was made in the living conditions of the poorer sections of their populations. Reservations were expressed about the perception of development solely as economic growth and of the development strategies that modernisation theory advanced. By the early 1970s, this had culminated in an attempt to 'dethrone GNP' from the status accorded it as the foremost measure of development (McNamara:1973). Attempts were made to redefine development to better reflect the day-to-day living conditions of the general population. In 1972, Dudley Seers wrote:

Why do we confuse development with economic growth Development means creating conditions for the realisation of human personality. The basic questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? . . . If one or two of these central problems has been growing worse, especially if all three have, it would be strange to call the result 'development' even if per capita income doubled (Seers: 1972,21,24).

Robert S. McNamara, then president of the World Bank, agreed that development was not about economic growth as a means to itself but about quality of life:

As useful, and even necessary as these gross statistics are, they sometimes obscure the essence of the problem. Development is about people. The only criteria for measuring its ultimate success or failure is what it does to enhance the lives of individual human beings (McNamara:1973,8).

If quality of life is to be used as a measure of development, a problem arises as quality of life is itself not a neutral term; it has different meanings for people holding different social and economic values. At the same time as Seers and McNamara were questioning the significance of GNP as an indicator of development, however, Dennis Goulet was attempting to identify core values that quality of life might hinge upon regardless of culture or society. According to Goulet (1971), the three basic components that constitute a desirable quality of life are

sustenance, self-esteem and freedom. These, he believes, are common goals sought by all individuals and societies. Goulet defines sustenance as the ability to meet basic human needs such as food, shelter, health, and protection which are physical necessities to sustain life. Self-esteem is used to describe the emotional or psychological component of a desirable quality of life which may also be defined by such terms as authenticity, identity, dignity, respect, honour and recognition. Goulet's third core value, human freedom, involves an expansion in the range of choices for societies and embraces personal security, the rule of law, freedom of expression, political participation and equality of opportunity.

More recently, Friedmann (1992,10-12) supported Goulet's claims when, on moral grounds, he suggested that: all people, regardless of social, gender and economic status, should have *human rights*, recognised by the Universal Declaration of Human Rights adopted by the General Assembly of the United Nations in 1948; all people, in a modern democratic state, should have *citizen rights* which recognise citizens' relative autonomy through a state that is ultimately accountable to them; and that all people should have *social rights* which allow for human beings to live up their full capacity.

Using Goulet's concept of core values and Friedmann's argument that all people should have the right to an adequate material existence and the right to influence the politics that direct their social and economic relations, this thesis proposes that the term development be used to describe economic, social and political change that enhances quality of life as described above. By this definition, the promotion of improved social, economic and political circumstances in developing countries rather than economic growth *per se* is seen as the ultimate goal of development aid. Development, in these terms, is firstly concerned with impoverished groups in developing countries who occupy the lowest rung on the ladder of social status and have limited or no control over the politics that prop up those structures which reproduce their impoverishment.

The definition of development advanced in this thesis stands as an alternative to that commonly used in mainstream economic models. It has emerged through a growing dissatisfaction amongst many aid practitioners and theorists in both developing and developed countries who recognise that the poor have been excluded from the development process. Schuurman (1993,9,10) describes the outcome of this exclusion:

Instead of a self-sustained growth, many countries are up to their ears in debt. Problems such as unemployment, housing, human rights, poverty and landlessness are increasing at alarming rates. UNICEF estimated a fall of 10-15 per cent in the income of the poor in the Third World between 1983 and 1987. In 1978, the Third World received 5.6 per cent of the world's income; in 1984 that had fallen to 4.5 per cent [despite world population growth being largely restricted to developing countries]. The 'trickle-down' process has absolutely failed.

Alternative Development Theories

Since the early 1970s, many alternative development strategies and partial theories of development have been advanced to make development more people-centred and more in harmony with the physical environment. These have attempted to show that mainstream economic models have failed to improve living conditions of the poor in developing countries and that new and innovative strategies peculiar to each country must be found. The physical incarnation of these strategies first appeared as the 'basic needs' approach that was popularised in the 1970s, and has reappeared since the 1980s in such forms as 'gender and development', 'sustainable development' and 'participatory development'.

More recently, the empowerment approach has been proposed as an alternative development strategy which seeks to give the poor greater control over the economic, social and political relations which control their lives. The empowerment approach embraces many of the ideas of other alternative development strategies and is discussed in detail later in this chapter.

In addition to the emergence of a reactionary intellectual movement in the West, Wiarda (1983) found that many new and exciting models and strategies for development which contradicted the assumptions of the mainstream development model were emanating from within developing countries. These alternative development approaches arose in a climate of hostility shared by many developing country leaders and intellectuals towards Western development strategies which, by the early 1980s, had left developing countries heavily indebted to and dependent on foreign creditors without any notable improvement in the living conditions of the majority of their populations. Wiarda (1983,56) argued that elements of social organisation and values in developing countries, which modernisation theory and neo-classical economics portrayed as 'traditional' or inferior to those of Western or 'modern' societies, provided unique and diverse paths that development might take:

... there are common themes now in the re-examinations presently underway by many Third World leaders: of Indian caste associations and their role in modernisation; of African tribalism not as a traditional institution that is necessary dysfunctional and therefore to be discarded into the ashcans of history but as a base on which to build new kinds of societies; of Latin American organicism, corporatism, populism, and new forms of bureaucratic-authoritarianism; of family and interpersonal solidarities in Japan; of the overlaps of Confucian and Maoist conceptions in China.

Support for new strategies peculiar to each country's unique circumstances comes from academics such as John Brohman and Michael P. Todaro. In reaction to the cultural insensitivity of the neo-classical development model, Brohman (1995,123) insists that 'development principles should not be formed via the direct transplanting of preconceived

approaches; instead, they should be reconsidered in terms of particular sociocultural, political, economic and environmental conditions'. Todaro (1994,88) proposes a similar argument:

It is not simply an either-or question based on ideological learning; rather it is a matter of assessing each individual country's situation on a case-by-case basis. Development economists [or, in fact, all students of development studies] must therefore be able to distinguish between textbook . . . theory and the institutional and political reality of contemporary LDCs.¹³

Nevertheless, in any assessment of 'each individual countries situation on a case-by-case basis' the investigator will apply his/her own theoretical constructs to interpret information. Anything less will make the study entirely descriptive **with no prescriptive** ability to guide aid and development strategy. Even the description itself **will not** be free of theory as the nomenclature chosen can never be entirely objective or neutral and will either favour one theoretical construct or another. To find a development strategy that can be used as a standard to judge the effectiveness of Japanese aid we must look to development theory that supports the ideology of development that is advanced by this thesis.

The Theory of Empowerment

This ideology is perhaps best expressed by the empowerment approach advanced by John Friedmann who attempts to establish an explicit theoretical framework for an alternative development that is outside the well-known neo-classical and Keynesian doctrines. This approach is not a complete theory but attempts to redress the imbalances created by modernisation strategies. It does so by including disempowered groups, those who are excluded from the decision making processes that control their existence, in the development process. To empower such groups, or in other words to give them greater control over the politics that constrain their actions, is the aim of this alternative development strategy:

Alternative development . . . is political to the core It must be seen as the continuing struggle, in the long durée of history, for the moral claims of the disempowered poor against the existing hegemonic powers As an ideology, it argues for the rectification of existing imbalances in social, economic and political power (Friedmann:1992,preface vii,8,9).

The empowerment approach, which is fundamental to an alternative development, redefines poverty as a state of disempowerment. Poor people are poor precisely because of their inability to intervene in the politics that constrain their economic opportunities. Friedmann presents the major components of an alternative development as a set of political claims for a shift in the allocation of common territorial resources. These claims are: political integration or the claim for an inclusive democracy; economic integration or the claim for appropriate

¹³ LDCs (Less Developed Countries) were defined by the United Nations as those with a GNP per capita in 1990 less than \$1,195 (MoFA:1993a,xv).

economic growth; environmental integration or the claim for intergenerational equity; and social integration or the claim for gender equality (Friedmann:1992,73-74). Social integration might also recognise inequalities arising from religious, ethnic and class differences.

Traditionally, alternative development approaches have viewed the state as venal and have idolised face-to-face relationships at village level that politics can only adulterate.¹⁴ Friedmann stresses, however, that while alternative development must start with mobilisation at the village level, it must also include a transformation of inter-village, urban-rural, national and international relations so that social empowerment of individuals leads to their collective political empowerment that enables the economic empowerment of impoverished groups:

An alternative development is essentially a dialectical ideology and practice. It is what it is because mainstream doctrine exists, just as the state exists. Its aim is neither to replace the one nor the other but to transform them both dramatically to make it possible for disempowered sectors to be included in political and economic processes and have their rights as citizens and human beings acknowledged (Friedmann:1992,preface viii).

Similarly, in an empowerment approach economic growth still has an important place but it is no longer the be all and end all of development:

It [empowerment] does not make a fetish of economic growth but searches for an 'appropriate' path that includes growth efficiency as one of several objectives that must be brought into harmony. Appropriate economic growth sets out to optimise the use of resources over several broad and competing objectives, such as inclusive democracy and the incorporation of excluded sectors of the population in the wider processes of societal development (Friedmann:1992,34).

The advantage of the empowerment approach over other alternative development strategies is that it reflects a growing realisation of the significance of inter-relationships between the social, political and economic contexts of poverty. The empowerment approach recognises the importance of poverty alleviation that is emphasised by the basic needs approach but argues that long-term improvement in the well-being of the poor can only take place when they have a political voice. To gain a political voice, however, disadvantaged groups must first be socially empowered and in this regard the empowerment approach leans heavily on the lessons learnt from those working in the area of gender and development.¹⁵ The concept of 'participatory development' is also included in the empowerment approach which insists that the poor must be active in the decision making processes that affect their livelihood.

¹⁴ See, for example, Korten (1990).

¹⁵ Gender and development is discussed in detail in Chapter Six.

A Framework for Analysing the Impact of Japan's ODA

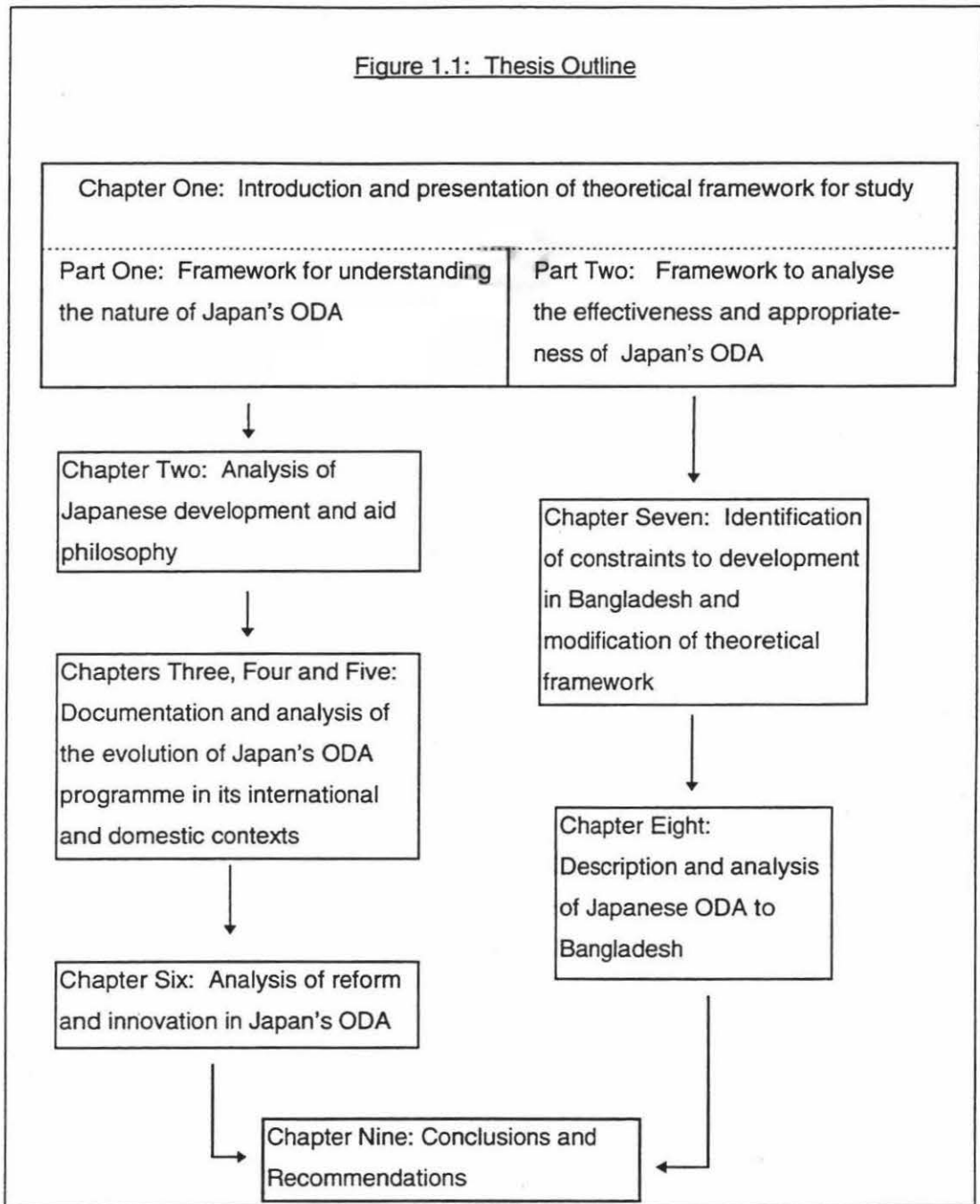
The empowerment approach is highly appropriate for assessing the impact of foreign aid as it targets those in greatest need while recognising that their impoverishment has local, national and even international dimensions. In addition, unlike other alternative development approaches, it does not insist on the overthrow of existing political and economic institutions which may be a totally impractical expectation in many developing countries.

Friedmann's empowerment approach views development as a process that improves quality of life which may be measured, regardless of culture or society, by such factors as 'sustenance, self-esteem and freedom' as proposed by Goulet (1971) or by 'human rights', 'citizen rights' and 'social rights' as defined by Friedmann (1992). Using this approach, Japanese aid may be considered appropriate if it: improves the political representation of disempowered groups; raises economic conditions especially of the poor; enhances social equality; and if it promotes intergenerational equity, that is, that the development it promotes does not limit the choices of future generations. In the same manner, Japanese ODA may be considered effective by the degree to which it promotes such development.

Macro measures of economic performance such as GNP or GNP per capita, therefore, are not sufficient to evaluate the impact of foreign aid on development. Instead, various other quantitative indicators must be called upon, for example, nutrition and health statistics, which more directly measure quality of life. In addition, these must be backed by qualitative descriptions of economic, social and political conditions to fully appreciate the impact of foreign aid on development.

Brohman (1995) and Todaro (1994) have shown that development models must be composed to suit the particular social, political, economic and environmental conditions of each developing country. Friedmann's empowerment approach must, therefore, be modified to reflect Bangladesh's peculiar development circumstances. In Chapter Seven, constraints to development at national and village levels are identified using Friedmann's empowerment approach and are used, in turn, to modify the empowerment approach to suit Bangladesh. These constraints are then combined with those that are generally recognised as obstructing development, such as constraints associated with the natural environment and the international trading environment, to construct a framework in which the impact of Japanese ODA to Bangladesh may best be appreciated. In Chapter Eight, Japanese aid activities in Bangladesh are described and evaluated using the framework developed in Chapter Seven. In Chapter Nine, thesis findings are summarised and broad recommendations are given for more appropriate aid. The likelihood of such aid reform taking place is discussed in the light of factors which have been identified in earlier chapters as important in shaping Japanese aid policy and practice.

Figure 1.1 presents the outline of this thesis in summary form.



SUMMARY

This chapter has developed a platform from which a study of the shape of Japan's ODA programme may begin and has developed a framework that will be used to determine the effectiveness and appropriateness of this ODA. In order to understand the nature of Japan's ODA Chapter One has argued that theories of international relations and of the politics of foreign aid are inappropriate. Instead, a review of aid literature shows that donor nations not only have a variety of motives for extending aid but also that the shape of their ODA programmes reflect much more than just these motives. Aid administration, the state of domestic politics, the international development debate, public opinion and development and aid philosophy can all influence the type and amount of aid extended. These issues are covered in Chapters Two to Six in an attempt to better understand Japan's aid practice.

Bangladesh has been chosen as a case study to evaluate how appropriate and effective Japanese aid is. Whether this aid is considered appropriate and effective will depend entirely on the ideology and theory of development adopted. This chapter has shown that mainstream development theories have excluded impoverished groups from the development process and are not suitable either as development models nor as frameworks for evaluating aid. The ideology of development advanced in this thesis is that development should be used to describe an improvement in quality of life and not simply economic growth. Friedmann's empowerment approach which highlights the plight of those excluded from the development process is found to support this ideology and will be used to evaluate Japanese aid. To make this approach country specific Friedmann's framework will be modified in the light of development constraints identified in Bangladesh.

The following chapter embarks on the journey to achieve the first aim of this thesis to interpret the shape of Japan's ODA programme. Japan's development and aid philosophy and contemporary value system will be described and their impact on aid practice analysed.

CHAPTER TWO

THE IMPACT OF JAPANESE AID AND DEVELOPMENT PHILOSOPHY ON JAPAN'S ODA PROGRAMME

INTRODUCTION

In many respects Japan's aid programme differs markedly from those of Western donor countries reflecting its unique historic, economic and geographical circumstances, and its cultural and intellectual tradition. To interpret the implications of Japan's contemporary aid programme for recipients, and the potential for future reform, an understanding of the social and historical setting that Japan's ODA efforts are framed in is essential. Other authors have largely failed to recognise their significance for aid practice.¹

Japanese social values add a unique flavour to Japan's ODA philosophy and ensure a degree of continuity to an aid programme that is otherwise characterised by reactivity to foreign pressure. A danger lies in generalisation, however, and the temptation to ascribe traits of the programme solely to either cultural, economic or strategic variables. Features of the Japan's ODA programme reflect economic and strategic concerns while, simultaneously, meeting Japan's ethical requirements, thus being defined and directed by a combination of all of these. As Rix (1993,15) points out:

Over time, a donor's aid objectives can change, but the continued existence of an aid programme presupposes that not only the donor's political and economic interests, but also its social and cultural needs and values, are being fulfilled.

In an attempt to elucidate factors that have shaped Japan's contemporary aid programme, the first part of this chapter analyses Japan's cultural heritage which sets the boundaries that aid activities must operate within. Thereafter, Japan's own development experience and the development philosophy which has emanated from it are examined to facilitate a greater understanding of the model of development the Japanese government presents to developing countries.

¹ Neither Ensign (1992), Islam (1991) nor Orr (1990), who have all written extensively on Japan's foreign aid, investigated the impact of cultural heritage on Japan's aid programme in detail.

JAPAN'S CULTURAL HERITAGE

Most contemporary research has paid only minor attention to the cultural context of Japanese aid. Those claims which have been made regarding the impact of Japan's cultural heritage on aid policy have not been supported with rigorous inquiry.² Western commentators, critical of Japan's foreign relations, have occasionally looked to cultural heritage to explain what are generally perceived as negative aspects of Japan's ODA, such as its relatively 'hard' terms.³ In contrast, Japanese governments have used aspects of the nation's cultural background to justify why Japan's aid programme should, in fact, be different to that of other donors. Although proponents of both arguments have not shown a great degree of objectivity in making these claims, they have realised that Japan's cultural legacy may have an important impact on aid practice.

Most critics of Japan's ODA programme have failed to recognise that Japan's cultural heritage is different to that of Western nations in two fundamental respects. Firstly, the modern day Japanese national character still shows the effects of Japan's isolation from the rest of the world until the mid-nineteenth century and relative insularity thereafter. This isolation has allowed a unique set of social norms and values to flourish in Japan. Secondly, Japan has a Confucian heritage that has played a compelling role in defining these norms and values. This contrasts greatly with the modern history of Western nations which is steeped in Judeo-Christian tradition.

Shoguns of the Tokugawa were responsible for the revival of Confucianism in Japan from the seventeenth century onwards making it the orthodox ideology of the state. Confucian ethics that stressed the duties of inferiors to superiors and that deemed the maintenance of harmony in a rank-conscious society as of utmost importance were particularly suited to the welfare of the Tokugawa house. Continuation into the twentieth century of Confucianism as the primary code of conduct was accomplished with the Rescript of Education of 1890. This rescript, requesting the children and young people of Japan to observe Confucian obligations, became deeply respected and widely accepted as the statement of the country's fundamental ethical code (Storry:1983,120).

There is considerable debate as to what degree Confucian ideology has moulded Japanese beliefs and to what degree Confucianism matched values already upheld by Japanese society.⁴ In either case, Confucian ideology and ethics are interwoven in Japanese daily life and have affected aid philosophy in several discernible ways. Rank consciousness based on superiority,

² See, for example, Orr's (1990) brief discussion of the cultural context of Japan's ODA policy.

³ The terms 'hard' and 'soft' are often used to describe the degree of concessionality of aid. The harder the terms of an aid agreement the less concessional that aid is.

⁴ Compare the discussions of Nakamura (1977) and Moore (1967).

a fundamental tenet of Confucianism, is a striking example of this, with immediate implications for developing countries. In Japanese society, awareness of relative social status between individuals is not only pervasive but even necessary for extended communication. The inflective verb endings of Japanese language, which allow speakers to both humble themselves and to exalt those they are speaking to without changing the verb stem, attest to the importance of relative status. Nakane (1970,93) also stresses that 'The Japanese . . . will employ delicately graded criteria to distinguish the most minor relative differences between themselves and others.' Consequently, the Japanese are able to identify those they come into contact with as either *kohai*, *doryo* or *sempai*, that is, of lower, equal or higher status, respectively, than themselves.

The rank consciousness of Japanese extends far beyond that of the social status of individuals and adds a permanent tint to their view of the world that includes the status of other countries. While all countries in their foreign relations will recognise the differing importance of other nations in serving their national interest, the Japanese hierarchical perspective includes not just economic and security concerns but embraces an additional dimension based on perceptions of social evolution (Maruyama:1977,75). The significance of the Japanese world view for aid policy and practice lies in the manner in which aid donors and aid recipients are ranked in this hierarchy.

Bilateral aid donors are typically Western countries that, in many respects, though certainly not all, the Japanese have long felt themselves inferior to. On a personal level, this feeling of inadequacy can relate to the difficulty many Japanese have in dealing with foreigners. The importance of the 'group' which demands the suppression of individuality in Japanese social relations (Meow:1989,30) does not prepare the Japanese well for encounters with extroverted Americans or Europeans. This sense of inferiority reveals itself in numerous other forms. Wilson (1986,4) in his analysis of the manner in which Japanese perceive themselves in the world, uses skin colour to make this point:

Shusaku Endo described in his first novel his sense of physical inferiority when sleeping with a French girl. 'Besides the gleaming whiteness of her shoulders and breasts . . . my body looked dull in a lifeless dark yellow colour The two different colours of our bodies in embrace did not show even a bit of beauty or harmony I suddenly thought of a worm of a yellow muddy colour, clinging to a pure white flower.'

While in many respects Japanese may feel inferior to Western nationalities, there appears to be a widespread perception of superiority over other Asian races. Wilson (1986,217) describes the general perception of Japanese to other Asians as follows:

The Japanese feel not just at ease but actually superior in other Asian countries - but inferior to Western In human terms, the Japanese are usually warmer towards Westerners than towards fellow Asians.

Even in Japan the resident Korean minority stand 'at the bottom of the [racial] heap . . . unreasonably disliked and blamed for everything' (Wilson:1986,12).

The perception in Japan of cultural superiority has a long tradition dating back to Japan's great mythological works, the *Kojiki* and *Nihonshoki*. Through these works the Japanese could trace their ancestry back to the sun goddess *Amaterasu Omikami* and convince themselves that they were a race above others (Meow:1989,5). Japanese nationalism was revived by the Meiji Oligarchy at the end of the nineteenth century under the label of *kokugaku* or national learning in response to the encroachment of foreign values, particularly those emphasising self-will, free expression and flamboyance. In 1811, a leading Japanese scholar, Atsuane Hirata, wrote:

Japanese differ completely from and are superior to the peoples of China, India, Russia, Holland, Siam, Cambodia and all other countries of the World (cited in Horsley and Buckley:1990,210).

Even early this century, fifty years after opening its ports under duress to the outside world, statements of this nature were almost considered orthodox truth (Horsley and Buckley:1990,210). Since World War Two, these sentiments have re-emerged under the label *nihonjinron*, a form of cultural nationalism. *Nihonjinron*, as defined by Befu and Manabe (1990:124) is 'a body of discourse which purports to demonstrate Japan's cultural differences from other cultures and Japan's cultural uniqueness in the world and thus tries to establish Japan's cultural identity.' Claims by *nihonjinron* theorists of the uniqueness and superiority of being Japanese include assertions that Japanese are both physically and psychologically a race apart from other peoples. These claims include assertions that Japanese use their two brain halves differently, implying superior use, than non-Japanese (van Wolferen:1989,263-267). A survey by Befu and Manabe (1990) found 82 per cent of 944 respondents to be interested in *nihonjinron* arguments indicating that the issue of Japanese uniqueness and superiority attracts widespread public attention.

Implications

What implications does this sense of superiority over developing countries and inferiority to other economically advanced nations have on aid policy and practice? As developing countries are placed low in order of rank based on status, influence and even perceptions of cultural evolution, it appears that Japanese governments often appear more concerned with impressing fellow donors than in ensuring aid is used effectively.⁵ Orr (1990:57) concurs:

⁵ In this respect, the government is also motivated by economic concerns being very sensitive to criticism of Japan's trade surpluses by Western countries, particularly the United States, with which it maintains huge balance of trade surpluses.

There appears to be a great concern with the recognition of Japan's efforts in providing aid not necessarily from developing countries but rather from other donors.

Attesting to this claim is the fact that aid evaluation is only a very recent import into Japan's aid programme and that for many years Japanese governments had little knowledge of what impact Japan's ODA was having on recipients. Rix (1993,6) concludes:

Even the Japanese government itself is poorly informed about how effective its aid is in fulfilling programme objectives and meeting the needs of recipients.

As will become evident in the following chapter, when the Japanese government first embarked on an aid programme its primary motives for giving assistance, when Japan itself was economically devastated, were to gain access to export markets in Asia and to secure stable supplies of raw materials. Also foremost in the minds of Japanese decision makers stood a desire to gain international ascendancy as the feeling that Japan had to 'catch up to the West' re-emerged. Hasegawa Sukehiro, who analysed Japan's evolving aid policy in the 1950s and 1960s, found that during this period a desire to achieve international ascendancy was an important motive for extending aid (Hasegawa:1975).

The argument that this desire for international recognition on the one hand and a sense of superiority over developing countries on the other has considerable influence on aid practice is compelling. For example, large-scale infrastructure and industrial projects are broadly recognised as archetypal Japanese aid projects. Such projects accounted for 62 per cent of total Japanese aid flows in 1992 (MoFA:1993a,103). Although official statements defend this aid on the basis that such projects are essential for economic growth (MoFA:1993a,100), it is apparent that they meet Japan's national interests at least as much as those of recipients. For a nation that seeks international recognition from other developed nations, large-scale aid projects are visual testimony to Japan's economic and technical prowess. In particular, impressive large-scale construction feats draw the attention of other nations and may be used as evidence that Japan has become a world leader in promoting global peace and prosperity.

A desire to impress other donor nations also appears a motivating force behind Japan's rapid progression from aid recipient immediately after World War Two to the world's largest aid donor in just over four decades. Just as 'GNPism' in the 1960s and 1970s described the excitement and pride felt by Japanese people as their GNP overtook that of other major powers, the media and aid bureaucracy highlighted Japan's progress as its volume of aid flows overtook that of other major donors. Here, again, Japanese rank-consciousness has had an important influence. The following chapter will show that the desire to be recognised as an equal with other economically advanced nations was also an important motivating factor

behind the government's decision to join the 'club of rich nations' in the newly formed DAC in 1961.

In their attempts to impress other donors through focusing on quantity targets, however, Japanese governments have incurred much criticism from abroad for the relatively low quality of Japan's ODA. In terms of grant share and grant element, Japan's ODA is the least concessional of all DAC members (MoFA:1993a,24).⁶ Criticism of the use of aid quantity objectives to impress other donors has also come from within Japan. Diet member Abe Motoo is one of the few parliamentarians to challenge the annual increments to the ODA budget when he insists that 'We should make sure that we are spending on realistic projects that will truly help the recipients, not just inflate our egos' (Abe:1989,22).

One additional impact that reflects the low status ascribed to developing countries is the paucity of Japanese scholars that have studied the societies and political economy of other Asian nations. For many years such research was frowned upon and Asian studies discouraged (Olson:1970). Consequently, Japan's aid implementation agencies have few regional specialists to call upon (Yanagihara and Emig:1991,59).⁷

The above discussion has shown that the low quality of aid may reflect a greater concern amongst policy makers in Japan to impress the governments of other developed countries than to encourage development in recipient countries. Other researchers have insisted, however, that due to the absence of a Christian tradition in Japan the Japanese are simply not a particularly charitable race. Orr (1990, 54), for example, argues that in contrast to Western donors, Japan lacks the missionary experience and thus an ideological tradition dating back to the nineteenth century which supports charitable activities. Pharr (1988) agrees:

In Japan's own historical experience there has not been a strong charitable tradition of the kind that arose from Judeo-Christian religious influences in Western countries, and shaped a Western conception of aid as a form of 'noblesse oblige' or even 'charity', to the less fortunate countries of the world (cited in Shimomura:1994,16).

The Ministry of Foreign Affairs in Japan has likewise acknowledged that the aid programme does not appear particularly charitable (MoFA:1989). It was shown in the first chapter, however, that many studies have found that the aid programmes of other major donors, first and foremost, are designed to promote their national interests abroad. Altruism has little place in the aid programmes of bilateral donors that are preoccupied in their search for economic

⁶ Grant share refers to the share of grants to total ODA and grant element refers to the degree of concessionality of aid.

⁷ This weakness in Japan's aid implementation structure will be discussed in more detail in Chapter Eight regarding Japan's aid to Bangladesh.

prosperity and national security. Nevertheless, the terms of Japan's ODA are generally harder than those of other donors and a fuller explanation for this needs to be found.

In order to fully appreciate the nature of Japan's ODA programme it is important to ask how the Japanese view the extension of charity to people less fortunate than themselves. As some observers have suggested, with the number of avowed Christians in Japan totalling about one million their influence over the values of society is only marginal. In contrast, over 90 per cent of the population declare themselves as followers of Shinto and 80 per cent of these profess to be Buddhist at the same time (Horsley and Buckley:1990,213).

Unlike Christianity, which is monotheistic and attempts to define both religious practice and ethical principles, Shinto and Japanese Buddhism function only for religion; Confucianism functions for ethics. The specifically ethical content of Shintoism is very limited and Japanese Buddhism is more concerned with the mental state of people than their behaviour (Storry:1983,30). Nakamura (1977,63) insists, however, that Japanese Buddhism emphasises compassion and supports this argument by drawing on the custom of victors in feudal times to pray for the repose of the souls of their enemies. Furthermore, while it may be argued that there is no great tradition of charity in Japan, forms of altruism do exist. Before the war when severe cold had destroyed crops in the Tohoku region, for example, students collected donations to assist starving farmers. More recently, through the postal savings system many Japanese have begun donating a proportion of the interest on their savings to foreign aid and there has also been a proliferation of Japanese non government charitable organisations (NGOs).⁸ Overall, however, the amount of altruistic donation would appear to be rather small. While gift giving permeates Japanese daily life, this is more a reflection of *giri* (duty), *on* (benevolence) and only more recently *ninjo* (affection) than true altruistic donation, that is, where nothing is expected in return. The purpose of exchanging gifts in Japan is commonly to reinforce social allegiances and only rarely is an expression of compassion for the less fortunate.

Because charitable donation is a relatively rare social practice in Japan some researchers have argued that Japanese governments view ODA as a burden, or *giri*, (with negative rather than positive connotations) that affluent nations must bear as leaders of the international community. Asanuma (1991,107) believes:

The Japanese perceive foreign aid . . . as a tax on international trade and investment, imposed voluntarily, but collectively, by and on industrialised, high income trading nations (Asanuma:1991,107).

⁸ Independent funds of NGOs more than doubled between 1987-1992 (MoFA:1993a,203).

This argument is supported by official policy statements which often portray ODA as an 'obligation' (MoFA:1993a,3) rather than as an opportunity to make a positive contribution to global peace and prosperity.

The above discussion has shown that Japan's cultural heritage does have an important impact on aid philosophy which must be acknowledged in any evaluation of Japan's aid efforts. The following analysis considers the impact of Japan's development experience on aid philosophy as another necessary step to better interpreting its aid activities.

JAPAN'S DEVELOPMENT EXPERIENCE

Japanese officials and academics often insist that Japan's development experience presents a different model of development to that of other developed countries. Block (1991,76) suggests:

Japan, the only Asian member of DAC and the only major donor to have risen from the rank of the developing world may hold a view of development that differs from its Western DAC colleagues.

To more fully understand Japan's development philosophy it is important to consider how this development experience is different from that of Western donors.

In contrast to the industrial experience of most other major bilateral aid donors, Japan has undergone two modernisation drives in an attempt to 'catch up with the West' (Horsley and Buckley:1990,141-169). The first of these drives started in the late nineteenth century after the Meiji Restoration and the second after World War Two. Both drives were propelled by a concern at government level for national security. In the first twenty years of the Meiji period, the slogan of the day was *fukoku kyohei* or 'rich country - strong army' which epitomised the belief of Meiji leaders that a strong economy was a prerequisite to the establishment of a modern army; fears abounded at this time that Japan might be colonised. Meiji governments pursued an ambitious programme of development actively seeking Western technology and expertise and investing in strategic industries. Under the umbrella of strong patriarchal leadership the expansion of Japanese trade and industry proceeded at remarkable rates into the twentieth century largely due to the organisational drive and efficiency of the *zaibatsu*, or large business groupings, and a labour force upholding the belief of hard work as patriotic duty.

Japan's second attempt to catch up to the West began after World War Two with the reconstruction of industrial plant and economic infrastructure which was financed with loans from the World Bank and assistance from the US. Technology transfer, investment in economic infrastructure, a concentration of capital in industrial investment and export-based growth strategies were the focus of national economic policy on which governments and the

private sector in Japan rebuilt their economy from ruin to superpower status. Also fundamental to this success was the Japanese work ethic which reached a zenith in the 1960s with the public's emphatic response to Prime Minister Ikeda Hayato's call to make efforts to double national income in no more than a decade. During the post-war period, deaths from overwork became so numerous that a new term, *karoshi*, was invented to describe this phenomena.

Implications

Japan's modernisation experience has led to a strongly held belief that developing countries should follow a similar model of development. In many respects Japan's modernisation strategies are similar to those supported by the modernisation paradigm which dominated development theory in the 1950s and much of the 1960s. It is precisely this development model based on 'hard work, efficiency, frugality, self-reliance and private initiative' (Block:1991,76) which the Japanese government expects ODA recipients to follow. Hanabusa (1991,90) concurs:

Japanese economic development in the years after the Meiji Restoration of 1868 and, later, in the postwar period depended relatively little on foreign capital and substantially on Japan's national will. So Japanese tend to feel that others should follow similar routes.

The ethnocentric nature of this argument does not bother policy makers in Japan. On the contrary, at the centre of Japanese foreign aid philosophy is the belief that above all else the self-help efforts of aid recipients are essential if ODA is to be a useful means of promoting development. According to Japan's ODA Charter, 'Japan attaches central importance to the support for self-help efforts of developing countries towards economic take-off' (MoFA:1993a,221).⁹ The principle of self-help underscores Japan's request-based system or *yosei shugi*, another feature of the aid programme, whereby the Japanese government requires recipient countries to formulate suitable development projects and request assistance for these. Official defences of the low ratio of grants to loans that characterises Japan's aid programme are also based on this self-help philosophy and, in particular, on the belief that the necessity of loan repayment will encourage economic discipline in developing countries:

While Tokyo has made significant progress in softening the terms of aid, it retains a philosophical preference for loans over grants, arguing that the former promote self-help and enforce discipline on the recipient country (Yanagihara and Emig:1991,51).

The self-help ethic is likewise used to explain why Japanese governments have been unwilling to allow debt forgiveness (Shimomura:1994,17). It is important to recognise that this emphasis on self-help derives from Japan's development experience, not from a lack of charitable values

⁹ Although many other donors also include the concept of self help in their aid rhetoric, it appears more critical to Japan's aid philosophy than that of any other donor nation. Almost all official policy statements on aid have stressed the need for self help.

as some commentators suggest, and that it has remained an enduring core component of Japanese aid philosophy.

SUMMARY

Japanese people are acutely aware of being Japanese and, conversely, very conscious of others not being Japanese. Combined with a strong sense of hierarchy in social relations, this has led to a world view that places countries along a continuum based on status and influence in relation to Japan. Developing countries are placed low in this hierarchy which may be one reason why Japanese governments appear more concerned with impressing Western countries with their aid efforts than recipient countries. Japan's aid programme reflects this view with its emphasis on large-scale infrastructure projects and quantity targets that attest to Japan's economic and technical prowess.

Unlike the bilateral aid of Western countries, Japan's ODA has not had the support of a large number of charitable institutions and some researchers suggest that the hard terms of Japanese aid reflects the absence of a Christian tradition in Japan. While acts of compassion are not rare in Japanese social relations, traditionally these have not taken the form of altruistic donation. The Western concept of overseas aid as an expression of *noblesse oblige*, that the rich are obliged to assist the poor, was certainly foreign to the Japanese when their government first embarked on aid programme.

Nevertheless, it appears that the hard terms of Japan's ODA primarily reflects the nation's development experience and not a lack of compassion as some commentators suggest. The modernisation policies adopted by Japanese governments immediately after the Meiji Restoration and during the postwar period have had considerable influence on Japanese development philosophy. Japanese governments expect developing countries to adopt a similar model of development which they perceive is based on hard work, self-initiative and frugality. Although this emphasis on self-help is undoubtedly of advantage to Japan's aid administration, for example, it assists the government in overcoming a shortage of aid staff and allows it to lay blame on recipients for insufficient self-help efforts if aid activities fail to meet their objectives, it is also a strongly held philosophical belief.

This chapter has attempted to highlight the significance of aspects of cultural heritage and development experience on Japan's aid programme. It argues that recognition of this tradition must be included in any analysis of the significance of Japanese aid for recipients and of the potential for future reform. Although international circumstances and national policies may change, the values discussed above will continue to influence Japan's ODA practice.

With the cultural and ideological setting of Japan's ODA now in place, Chapter Three initiates the study of Japan's aid programme as it has evolved over time, placing the emergence of particular features of Japan's ODA in their economic, political and strategic contexts.

CHAPTER THREE

HISTORY OF JAPAN'S ODA: RECOVERY, PROSPERITY AND POLITICAL STABILITY, 1945-1972

INTRODUCTION

There are many reasons why a study of the historical development of a country's ODA programme aids the understanding of its present form and potential for future change. Japan's aid programme, in particular, is often denounced by foreign critics unfamiliar with the government's development philosophy and the process of reform that the aid programme has undergone. Aid policy and practice, as well as the decision making and aid implementing structures, have not remained static but have changed over time in response to developments in international relations, changes in foreign policy, the push and pull of domestic politics and accumulated aid experience.

Changes in the nature of Japan's ODA raise a number of important questions that will be explored in the following four chapters. Aid practice has changed dramatically since Japanese governments first embarked on a foreign aid programme and the form of aid extended in the 1990s is far more diverse and complex than that of four decades earlier. When and why did this diversification occur and, despite this expansion, why do yen loans continue to be the main channel for aid funds? Furthermore, Japanese aid that was entirely directed towards a handful of Asian countries until the late-1960s now flows to over 160 countries including many in Africa, the Pacific, South America and Eastern Europe. Why has there been a such widening in the geographical scope of Japanese aid and why has the volume of overall aid flows increased so dramatically while improvements in the quality of aid remain meager in comparison? Official aid philosophy in the 1950s that openly argued economic assistance should benefit Japan as much as recipients is now more defensive and in line with Western arguments. Why did official statements on aid philosophy change in this manner and how close do they match the actual development philosophy of the aid bureaucracy?

Chapters Three to Six attempt to shed light on these issues by bringing together information gathered in a wide range of official publications of the Japanese government, particularly by ministries and agencies involved in aid policy formulation and implementation, and by both Japanese and foreign commentators who have observed Japanese aid activities and the aid policy making process. Several authors have identified a number of distinct but overlapping

phases through which the aid programme has evolved.¹ This study has identified similar phases in the aid programme's history and uses these to identify the emergence of features that characterise Japan's contemporary ODA programme.

To interpret the emergence of these features the political and economic circumstances in each period are briefly described in-so-far as they influence aid policy and practice. Thereafter, developments in Japan's aid programme are discussed and traits of the present aid programme identified. In order to include all significant change in Japan's aid programme, this analysis is structured around various headings related to aid philosophy, policy, practice and administration. Not all of these issues will be discussed in each period, however, but only when they embrace important developments.

1945-1958: THE ROAD TO RECOVERY

BACKGROUND

Despite the restricted nature of Japanese aid activities and the absence of an official aid philosophy, it is during the early post-war period that the ground was prepared for what was by 1989 the world's largest aid programme. What is remarkable is that Japanese governments so quickly embraced a foreign aid programme when Japan itself was economically devastated. By 1945, the Japanese nation had lost nearly half its territories and its cities lay in ruins. In Tokyo people wore little more than rags and some had survived the war only by eating grasses and weeds.

It was during this climate of economic insecurity and social unrest that occupation forces arrived to assume indirect control through the Japanese government. General Douglas MacArthur was appointed Supreme Commander for the Allied Powers (SCAP) and subsequently the occupation was directed by the US government. Initially SCAP pursued a policy of social and economic reform designed to foster a 'democratic spirit' in the Japanese (Horsley and Buckley:1990,9-36). A new constitution was drafted renouncing the right to wage war, government rule was established with elected Lower and Upper Houses and land tenancy and education reforms were undertaken. By 1949, this attempt at what American administrators in Japan viewed as enlightened rule had been abandoned. In the early months of 1948, a sharp deterioration in Soviet-US relations and the growing strength of the communists in China led to what has been termed a 'reversal' in SCAP policy. Japan became less a subject of political experiment and valued more for its worth as a first line of defence against the perceived threat of communist expansion. The communist victory in the Chinese civil war in 1949 and the outbreak of the hostilities in Korea a year later cemented Japan's

¹ See Caldwell (1972,31), Hasegawa (1975,17), Rix (:1980,21-45) and Brooks and Orr (1985,323)

relationship with the US as a newly found allied power. Ever since, this relationship with the US has been at the heart of Japan's foreign policy and has greatly influenced Japan's ODA activities.

Although Japan regained independence in 1952, the government could not hope to restore trade and diplomatic links with the rest of Asia before completing reparations negotiations. Reparations payments were considered necessary by the allied powers as a form of compensation for Japan's wartime belligerence. Japanese bureaucrats displayed little interest in settling reparations claims until economic recession at the end of the Korean War prompted Japanese manufacturers to look more closely at investment opportunities in South East Asia. In May 1953, the Japanese Federation of Economic Organisations urged the government to settle reparations claims that were perceived as adversely affecting trade and other relations with South East Asia (Caldwell:1972,25). In July of the same year, the Japan Cotton Yarn and Textile Exporters' Association also demanded a quick conclusion of reparations agreements which it perceived as vital to trade opportunities in South East Asia (Caldwell:1972,25).

AID PRACTICE: REPARATIONS AS THE SEEDS FOR JAPANESE ODA

Reparations payments to other Asian nations were the beginnings of Japanese foreign aid. The first reparations agreement was reached with Burma in 1955 and similar agreements were reached with the Philippines in 1956 and Indonesia in 1958. A breakdown of the reparations paid to the Philippines gives a flavour of what was involved: approximately fifty assorted sea going vessels including a Presidential yacht; production facilities for making cement, paper, ceramic ware and textiles, glass bottle and food processing plants and other production goods; and a small amount of consumer goods (Olson:1970,52). Capital projects such as the Balu Chaung hydro-electric power plant in Burma also accounted for a large part of total reparations.

As anticipated, reparations payments had immediate benefits for the Japanese economy primarily because all goods and services were provided by private Japanese enterprises. Organised business in Japan viewed the \$800 million reparations settlement with the Philippines as 'seeds from which a great harvest can be expected in a few years' (Yanaga:1968,204). Reparations provided leverage for Japanese trading companies to re-enter Asian markets and, apart from Burma, Japanese exports to countries receiving reparations rose steadily. Exports to the Philippines rose more than twofold between 1955 and 1962 (*Japan Statistical Yearbook*:² 1966,294-5). According to Caldwell (1972,34):

The reparations effort was eminently successful from the Japanese point of view. It opened markets in South East Asia that did not exist before, helped chemical and capital goods industries to become price-competitive with those

² Hereafter referred to as JSY.

of the West and familiarised Japanese and South East Asian businessmen with each other and with business conditions in their respective countries.

In a number of ways, the form of reparations and their management by the government has had a lasting impact on Japan's ensuing aid programme. Large-scale economic infrastructure projects that feature in Japan's contemporary ODA programme were an important aspect of reparations. The reparations agreement signed with South Vietnam in 1959 primarily involved the construction of a hydro electricity project while the Balu Chang hydro-electric power plant financed by reparations in Burma was described as the 'single most important industrial achievement in post war Burma' (Olson:1970,50). The geographic concentration of Japanese aid in South East Asia was also established by reparations payments. This regional concentration was further magnified by Japan's alignment with the US that restricted Japanese involvement in China and the Soviet Union. In the mid-1960s, nearly all Japanese ODA was directed towards Asia which, despite a globalisation of Japanese aid, continues to receive about two thirds of Japan's ODA (MoFA:1993a,96). Furthermore, while the government was well aware of misappropriation and the inappropriateness of many goods procured under reparations, for example, stereos and pool tables ordered by Burma, Japanese officials did not attempt to control the type of reparations as long as they served Japan's economic interests. Similarly, some modern-day Japanese politicians argue that once aid has been given it is solely the responsibility of the recipient to ensure that it is used effectively:

In general, many Diet members believe that how a recipient uses aid funds should be of no concern to the government unless corruption occurs (Orr:1990,25).

The dearth of project evaluation and monitoring of aid flows, problems which have only recently been addressed, are indicative of these sentiments. Also, due to the distrust and animosity towards Japan in many Asian countries that remained after the War, the Japanese government took a low-posture approach to foreign affairs. The *yosei shugi* or aid request principle, a characteristic of Japan's contemporary aid programme, was adopted in order to allay fears of a re-emergence of an imperialist foreign policy.

Apart from reparations payments that Japan was bound to by the Potsdam Declaration, the Japanese government voluntarily undertook other aid initiatives, though these were small by comparison. In 1954, Japan joined the Colombo Plan with a \$50 000 contribution and gave technical assistance through international co-operation schemes such as the United Nations Expanded Programme of Technical Assistance. These contributions must be viewed in the light of the government's desire for Japan to be re-accepted in the international community at this time. This desire to gain international respect, as well as access to financial resources, was also behind the government's moves to join the International Monetary Fund, the World Bank, GATT and the United Nations (Hirono:1991,172).

AID ADMINISTRATION: JAPAN'S FOUR MINISTRY AID ADMINISTRATION SYSTEM

The form of Japan's present-day aid administration was established during the occupation years when three ministries and one agency played important roles in Japan's economic rehabilitation. The Ministry of International Trade and Industry (MITI), formed in 1949 as an amalgamation of the Ministry of Commerce and Industry and the Trade Agency, was responsible for trade and production interests possessing sweeping powers for industrial planning and financing. The Ministry of Foreign Affairs (MoFA) handled reparations claims, relations with multilateral organisations and foreign policy in general. Internal budgeting and international monetary policy was controlled by the Ministry of Finance (MoF) and the Economic Planning Agency (EPA) was responsible for overall economic planning and for formulating Japan's five year plans.

From the outset, Japan's aid administration has been characterised by a division of control between several ministries. Each of these institutions carved out its own niche in the administration of Japan's massive aid programme which they have guarded vigorously to this day. Although Japanese governments have defended this form of management on the basis that it brings the expertise of many ministries and agencies together (MoFA:1993b,16), it is more the self-interest of each organisation that explains the enduring nature of this setup.³ Each ministry has developed an independent aid philosophy based on its own mandates. As a result of the competitive, vertical structure of Japanese ministries, or *tatewari gyosei*, relationships between these institutions is characterised more by conflict arising from competing interests than by co-operation (van Wolferen:1989).

AID PHILOSOPHY: EARLY POLICY STATEMENTS

In spite of reparations payments and other assistance to developing countries, in this period the term aid or *enjo* was never explicitly defined in official documents of the above institutions. In its 1957 economic plan, the EPA stressed the need to promote trade to the developing markets of South East Asia through 'economic co-operation' or *keizai kyoryoku*. Economic co-operation was used to define a wide range of economic activities including,

development planning, capital exports, the extension of credits, overseas investments, the procurement of resources and long-term import policies for food and raw materials (cited in Rix:1980,23).

In a similar manner, the MoFA, in its first foreign policy review published in 1957, regarded economic co-operation as essential for Japan's own growth. The MoFA also included private

³ See the discussion in Chapter Four regarding the formation of JICA for a more complete description of the impact of ministerial rivalries on Japan's aid administration.

investment in its flows of economic co-operation (Rix:1980,24). MITI published the first full annual report on Japan's aid policies in 1958 and its definition of economic co-operation included both government and private transactions in developing countries and no explicit reference to *enjo* was made. Within MITI there were doubts that Japanese products could compete in advanced countries and Japanese industries were encouraged to turn their attention towards developing countries instead (Yanagihara and Emig:1991,39).

Although the ministries and the EPA each acted independently, official statements reveal a consensus in recognising the importance of economic co-operation with developing countries to promote trade. These policies were outward orientated and focused on the cultivation of markets for Japanese products and securing raw materials for manufacture. It appears that Japanese officials did not view aid, as encompassed by the term economic co-operation, as a one way transaction. At least as much was expected in return as was given. In 1953, the Yoshida Cabinet made an announcement on Japan's economic co-operation with Asian nations that emphasised mutual co-operation and the role of the private sector. No reference was made to the net transfer of resources. Considering the poor state of the economy during the 1950s, this concern for Japan's economic well-being is easily understood.⁴

1958 - Mid-1960s: 'ECONOMISM'

BACKGROUND

This period begins with Japan's first yen loan extended to India in 1958 and concludes with the end of the Ikeda administration in 1964. It broadly defines the period in which Japan was governed by the Kishi and Ikeda governments, both of which recognised the potential contribution of developing countries in Asia to Japan's future prosperity and made extensive tours of the region. Economically, the foundations for an expanded aid programme were laid by the economic⁵ policies of Prime Minister Ikeda Hayato. An important part of Ikeda's economic programme was his 'income doubling plan', a scheme that envisioned a doubling of national income in ten years. After years of ideological turmoil during the Occupation and demonstrations such as those associated with the San Francisco Peace Treaty,⁶ the Japanese were keen to rally behind Ikeda's economic policies and the government's cautious diplomatic stance.

⁴ GNP per capita was only \$174 in 1951 (Loutfi:1973,3).

⁵ The terms 'economism' and 'economistic' describe the adoption of national policies that place economic objectives ahead of political goals.

⁶ 1960 was a year of frequent public demonstrations in Japan concerning the revised US-Japan security treaty (known as the San Francisco Peace Treaty) that allowed the US to maintain military bases in Japan.

AID PRACTICE: THE SELF-SERVING NATURE OF JAPANESE ODA

Japan's first yen loan⁷ was granted to India in February 1958 as part of the World Bank's first donor consortium. Although initially slow to spread, yen loans later became the hallmark of Japan's aid programme accounting for 61.4 per cent of total aid flows in 1990 (MoFA:1993a,24). The loan to India was of \$50 million to be repaid over ten years with a two year grace period and the interest rate fixed to World Bank rates (JETRO:1973,37). Previously, the Export-Import Bank of Japan, Japan's main lending institution for overseas investment, had offered a maximum loan period of five years but the Indian government, suffering a shortage of foreign exchange, prohibited repayment periods of less than seven years (White:1964,26). By 1963 similar yen loans had been extended to Pakistan, Vietnam and Thailand (JETRO:1973).

An important motive for this increased concessionality of loans was, as expressed by Prime Minister Ikeda Hayato, 'to expedite Japan's exports' (cited in Caldwell:1972,37). The loan to India was also prompted by the need for iron ore by Japanese heavy industry as large reserves were located in eastern parts of the country. In addition, by 1957 Japanese textiles were losing their competitiveness and businessmen and officials were apprehensive of increasing European and American assistance to India. A MITI official expressed this prevailing fear when he wrote:

It is high time that Japan made big strides in her economic co-operation with these nations in spite of whatever investment costs might be involved. Otherwise it would almost be a certainty that the advanced Western countries would sweep the whole Asian region with their stronger competitive power (cited in Olson:1970,40).

Japanese investors regarded the loan as a chance for 'a rapid increase in joint enterprises and technical tie-ups' (cited in Caldwell:1972,37).

That Japanese aid funds disbursed through a foreign government could only be used for the purchases of equipment and services from Japanese firms served Japan's exporters well. The Japanese government was able to use yen loans, as they had reparations payments, to gain access to foreign markets and to acquire supplies of raw materials for Japan's rapidly expanding heavy industry. Yen loans extended to India between 1958 and 1967 were primarily used for the acquisition of machinery from Japanese firms and for deferred payment loans that were also extended to Japanese suppliers (JETRO:1973,63-65). As part of the Colombo Plan, a small amount of grant-aid was extended and a limited volume of rice and fertiliser were shipped to India during droughts in the late 1960s. However, the perception that

⁷ The term yen loan is synonymous with 'yen credit' and describes official loans of the Japanese government to foreign countries.

aid should first and foremost assist the development plans of the Japanese government had not changed.

In addition to the government's experiment with yen loans, aid practice in this period was highlighted by Japan's involvement in the Mekong River Project in Thailand. The goal of the project was to control water resources of the Mekong River in order to generate power, permit irrigation and flood control and facilitate navigation. The project was an international effort that Japan joined in 1958. After undertaking an initial reconnaissance survey Japan's involvement increased steadily and by 1973 its contribution to operational resources totaled \$30 million (Hasegawa:1975,105).

In his study of the Mekong River Project, Hasegawa (1975,105) concludes that the government's principle motivation for taking part in this project was to 'open up a new area for entry by Japanese firms'. Moreover, according to Olson (1970,219), the project was 'something in which Japan could not afford not to participate in if it expected, as it obviously did, to count in the area'.

These examples show that the popular concept of ODA as a single entity unrelated to investment and trade with recipient countries was not held by the Japanese when their government first set out on a foreign aid programme. Private sector involvement had become and remains an integral part of Japan's aid efforts. Japan's ODA Charter released in 1992 states:

In transferring technology and know-how, Japan will make use of those possessed by the private sector . . . and provide support for technical co-operation by the private sector (MoFA:1993a,223).

Hanabusa (1991,90-91) summarises the official defence for private sector involvement:

. . . deeply imbedded in Japan's philosophy of development is the idea that the public and private sectors must work not as adversaries, but as partners in development. . . the private sector of the donor nation should be involved in the aid process. The donor government should not hesitate to create opportunities for its business community to participate in aid programs, as long as such activities are conducive to the recipient's steady economic development.

Although active private sector involvement is perceived as complementing official aid flows, it is apparent from the form of reparations and yen loans that this involvement originated from a desire to enhance Japan's economic well-being. Orr (1990,59) argues that the role of the private sector is understandable given the shortage of aid professionals stationed in developing countries and the limited size of the aid bureaucracy. It is more the reverse case, however, as active private sector involvement in project identification and implementation explains why Japan's aid programme has managed to survive with a dearth of experienced field staff.

AID ADMINISTRATION: INSTITUTIONAL REFORM

In addition to the emergence of yen loans as the centre-piece of Japan's aid programme, developments in this period are highlighted by institutional reforms. Until 1961, all loans had been handled by the Export-Import Bank whose operations were primarily concerned with promoting Japanese business interests abroad. Lending terms were stringent and the Bank was reluctant to extend loans to developing countries at less than 5.75 per cent (JETRO:1973). The Overseas Economic Co-operation Fund (OECF) was established in March 1961 to permit lending of a more concessional nature to developing countries. Control of the OECF was placed under the EPA and it has become Japan's primary institution for concessional lending to developing countries.

In response to growing pressures to increase technical co-operation⁸ and the proliferation of related private and public institutions, the Overseas Technical Co-operation Agency (OCTA) was established in June 1962 and placed under the jurisdiction of the MoFA. Primary responsibilities of OCTA included the dispatch of technical experts, the acceptance of foreign trainees, research in areas such as tropical agriculture and medicine and the establishment of training centres in developing countries. Technical co-operation of this nature, however, remained on the margins of Japan's aid efforts. In contrast to the first yen loan to India of \$50 million, in the 1964 national budget technical co-operation received an allocation of just \$6 million (JETRO:1973,15). Nevertheless, while OCTA's operations remained limited, its formation brought technical co-operation activities under a central organisation that became the second implementing arm, the other being the OECF, of the aid administration.⁹

By the mid 1960s, MITI, the MoF, the MoFA (through OCTA) and the EPA (through the OECF) were the main domestic actors that shaped Japan's aid programme and this decentralised and uncoordinated four ministry system (*yon shocho kyogi taisei*) remains to this day.

AID PHILOSOPHY: A MORE SOPHISTICATED DEFENSE

In 1961, Japan joined the DAC as another step towards gaining acceptance in the international community and international ascendancy. Langdon (1973,87) suggests that the government's motivation for joining was to gain greater influence in world affairs in order to cultivate its commercial and political interests. Three years later Japan gained admission to the OECD and thus joined what the Japanese perceived as the elite club of affluent donor countries. For

⁸ Japanese diplomats concerned that Japan would have to compete with China for influence in South East Asia pressed politicians for a greater exchange of experts between Japan and developing countries.

⁹ OCTA was incorporated into the Japan Technical Co-operation Agency (JICA) in 1974.

Japan, 'joining the OECD had great symbolic importance: it signified formal acceptance in the "club of rich nations"' (Olson:1970,142).

A price was paid for joining DAC, however, as subsequent aid activities were more closely scrutinised by other donors. DAC publications that presented quantitative descriptions of its members' aid activities facilitated comparisons of donor performance. Japan was found not to match up to DAC expectations of donor responsibilities and the aid programme compared unfavourably with that of other members. During the first United Nation's Conference for Trade and Development (UNCTAD) in 1964 calls for softer loans terms and increased volumes of aid awakened Japanese delegates to the responsibilities and obligations associated with OECD membership. Subsequently, MoFA officials were careful to publicise increases in aid flows.

Increasing criticism of the commercial nature of the aid programme forced the MoFA to develop a more sophisticated argument in defence of Japan's aid activities. In line with Western arguments, from a moral standpoint it was argued that Japan gave aid to alleviate poverty in developing countries. The MoFA argued that Japan was making significant contributions in this area citing yen loans, technical training programmes and contributions to multilateral organisations as evidence (MoFA:1971). The establishment of the OECF and OCTA were presented as improvements to Japan's aid administration and Japan's admission to DAC and the OECD as 'evidence of Japan's commitment to improving the welfare of developing countries' (Hasegawa:1975,18,19).

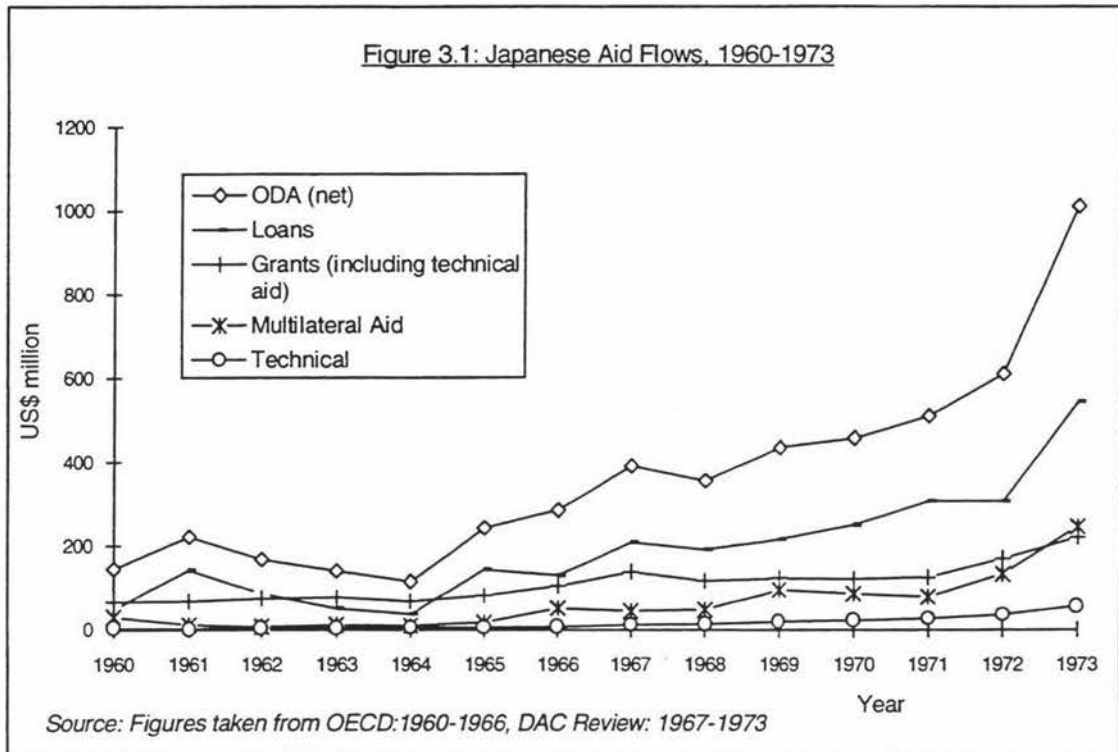
1965 - EARLY 1970s: THE EXPANDING AID DEBATE

BACKGROUND

Until the early 1970s, the international political and economic environment remained reasonably conducive to Japan's economic foreign policy and the economy continued to grow annually at double digit rates. Although economic concerns continued to dominate Japan's foreign relations, from the mid-1960s onwards the Japanese government showed a greater desire for a more active leadership role in Asia. In contrast to his predecessors, Sato Eisaku (Prime Minister, November 1964 - June 1971) was keen to collaborate with Western democracies and more willing to enter the arena of international politics. The groundwork for a more active leadership role in Asia had been set by the conclusion of sensitive reparations negotiations and peace treaties. Furthermore, self-confidence and nationalistic sentiments had grown in Japan following the 1964 Tokyo Olympics, the 1970 World Exposition held in Osaka and the return of the occupied territories of Okinawa in 1972.

AID PRACTICE: AN EXPANDING AID PROGRAMME

The most conspicuous trend in aid flows in this period was the rapid increase in total ODA disbursements associated with increases in loan-type aid and aid to multilateral organisations (fig. 3.1). In form, bilateral aid packages differed little from that first extended to India in 1958. These packages were dominated by yen loans, though they often included a large grant component if they were in lieu of reparations payments, with a minor component of technical aid.



Aid packages extended to South Korea and Taiwan in 1965 precipitated the sudden increase in loan-type aid and reflected in concrete terms the commitment made by the Japanese government at UNCTAD One to increase overall aid flows. The need to acquire stable supplies of raw materials, however, was foremost in the minds of Japanese policy makers. In the 1960s, energy consumption increased over threefold while domestic energy production declined (JSY:1970). Indonesia, as a potential source of oil and timber resources, received increasingly greater Japanese attention which explains why the first conference of the members of the consortium to aid Indonesia was called by the Japanese Foreign Ministry. The government offered \$10 million in grants, a 20 year loan of \$50 million at five percent and a refinancing of previous loans as its contribution to the consortium a year later (Olson:1970,187). Much of Japan's ODA to Indonesia in this period was used to finance petroleum development. In 1972, an agreement was reached between the two governments for the extension of a 62,000 million yen loan for the purpose of petroleum development on the

condition that Indonesia increase petroleum supplies to Japan over a ten year period by 58 million kilolitres (JETRO:1973,57). Total petroleum imports from Indonesia to Japan increased over threefold between 1966-1970 (JSY:1971,295). Over this period Hasegawa (1975,89) noted:

the bulk of Japanese aid resources was increasingly directed to countries rich in natural resources, particularly oil. Resource-poor nations among the less-developed countries tended to be neglected as being of secondary importance.

Aid packages continued to lubricate the export drive initiated by Prime Ministers Kishi and Ikeda as they had done on the 1950s. Japanese trading companies and their banks followed on the heels of aid negotiators increasing the penetration of Japanese goods in Asian markets. Asanuma (1991,106) overlooks the role of reparations payments in prising open Asian markets when he suggests:

In the case of a developing country, imbalances in the economic relationship (with Japan) would emerge, and the country would demand Japanese government aid in maintaining a 'good' and 'harmonious' economic relationship. Invariably, this is the stage at which Japan would introduce foreign aid.

That aid itself assisted in creating many of these imbalances seems to have missed his attention. In 1965, for example, \$150 million worth of yen loans were extended to Taiwan. Over the following years the balance of trade worsened for Taiwan and in 1967 the trade deficit with Japan stood at \$175 million (JSY:1968,302).

As Japan's economy continued to expand unchecked by government regulation, pollution emerged as a major domestic problem challenging the foundations of the economic miracle. Minamata and *Itai Itai* diseases made international news headlines in the 1960s.¹⁰ In this setting, the 'develop and import scheme' (*kaihatsu yunyu*) entered Japan's aid discourse. Designed to kill three birds with one stone, this scheme envisaged the use of Japanese aid to develop and process natural resources in developing countries for export to Japan, thereby improving bilateral trade balances, securing vital energy resources and reducing environmental degradation in Japan (JETRO:1974). As project evaluations were largely unheard of in the late 1960s, it is impossible to assess the impact of *kaihatsu yunyu* on development in recipient countries. However, Hasegawa (1975,89) concludes that, despite its broad spectrum of objectives, *kaihatsu yunyu* favoured projects that met Japan's most immediate development needs.

¹⁰ Residents of Minamata, a town on the island of Kyushu, first revealed symptoms of mercury poisoning, such as blindness and mental retardation. The source of mercury was soon traced to a local aluminium plant but many claims for compensation still remain unresolved. The source of *Itai Itai byo* or ouch ouch disease was also industrial waste that left the bones of sufferers so brittle they would break merely by being touched

In this period, technical aid as a proportion of total aid flows, while rising steadily, remained very low (fig. 3.1). In 1966, Japan's ratio of technical assistance to total aid was 2.7 per cent, well below the DAC average of 28.8 per cent (JETRO:1973,15). Cultural and language differences, combined with a tendency to look down on their Asian neighbours, appear to be likely explanations as to why technical assistance was deemed so unattractive by Japanese governments. Also, in contrast to loan aid, Japan had little to gain economically from offering its technical expertise to developing countries. Nevertheless, in recent years Japanese aid agencies have given greater attention to this form of assistance primarily through the acceptance of foreign trainees in Japan, and the dispatch of aid volunteers and workers. In 1992, technical assistance accounted for 18.7 per cent of total aid flows (MoFA:1993b,11).

In contrast to technical aid, from the early beginnings of Japan's aid programme Japanese governments have favoured the extension of aid through multilateral organisations. In 1973, 24.3 per cent of Japan's total ODA was contributed to multilateral organisations, slightly higher than the DAC average of 23.9 per cent (JETRO:1973,15). This preference for multilateral aid also remains a feature of Japan's contemporary aid programme which accounted for 25.1 per cent of total aid flows in 1992 (MoFA:1993b,11). The reasons for this emphasis on multilateral aid appear to have changed little over time: by giving generously to multilateral institutions the Japanese government may hope to gain international recognition for its aid efforts; by making large contributions governments may be able to draw attention away from other less favourable aspects of Japan's overseas relations, particularly Japan's large trade surpluses; and by positively supporting these institutions the Japanese government may hope to maintain some degree of global economic and political stability from which its private sector has benefited so greatly. In addition, Japanese governments explain that Japan's aid administration lacks the experience and staff that multilateral institutions possess (MoFA:1993a,143-8).

AID POLICY: ATTUNING AID TO RECIPIENT NEEDS

In the previous period it was noted that a more sophisticated aid rhetoric was developed in response to the criticism Japan's aid programme was incurring from other donors. At the first UNCTAD conference, the Director General of the Planning Agency, Miyazawa Kiichi, stated that expanded trade with developing countries should benefit advanced nations and that the former must make greater efforts to help themselves (Langdon:1973,92). Miyazawa's negative speech incurred much disfavour which the Japanese government attempted to quell by accepting the UNCTAD proposal for advanced countries to contribute one per cent of their national income to aid developing countries. Reports published by the MoFA and MITI soon after reflect the impact of this criticism on official aid philosophy and policy.

A paper circulated by the MoFA in 1967 pointed to criticism of Japan by DAC members and recipient countries as necessitating improvements in the aid programme. It suggested these

improvements should include a softening of loan terms, the placing of all technical assistance under the control of OCTA and that greater volumes of aid be channelled through multilateral organisations (Rix:1980.39). A further MoFA document in 1972 criticised other ministries for their narrow conceptions of ODA and uninformed opinions of social development in developing countries (MoFA: 20 July 1972). This paper also asserted that although Japan as an advanced country was bound to give aid, this should be used with the goal of assisting developing countries and not simply to pursue Japan's economic objectives. What distinguishes this document as more than a statement to appease foreign critics is that it was an internal paper and otherwise not published externally. UNCTAD One also forced MITI to reconsider its aid strategy. In its 1967 Yearbook the Ministry stated that aid should be used to assist developing countries to overcome poverty through their self-help efforts.

SUMMARY

This chapter has attempted to shed light on a number of questions raised earlier regarding the emergence of features of Japan's contemporary ODA programme. The international, political and economic contexts these features arose in have been described and several broad themes and trends in aid practice and philosophy have been identified. Asanuma (1991,6) poses the question whether Japan's aid programme is an accident of history or if it is the product of a grand design. An examination of its development in the first post-war decade reveals that no master plan existed or even could have existed given the uncoordinated policies of those ministries responsible for economic co-operation.

Japan's geographical circumstance as a nation endowed with few natural resources and the government's export-led growth strategy have meant Japan's economic self-interest was an important motive for extending aid. As part of a foreign policy based almost entirely on economic considerations, aid was used extensively to assist Japanese exporters and to secure natural resources. In the 1950s, Japanese aid philosophy openly argued that economic assistance should assist Japan as much as recipients and insisted that the private sector should play an important role in implementing this assistance. The tied nature of Japanese aid and the low degree of concessionality of loan-type aid indicate that the government did its best to weigh the balance of economic assistance in Japan's favour.

Reparations as the main form of aid were responsible for shaping the aid programme in these early years. In particular, the geographic concentration of aid in Asia, the construction of large-scale infrastructure projects and a hands-off approach to assistance reflected in the request-based system for aid extension remain in differing degrees in Japan's modern-day aid programme. As with aid practice, few attempts were made to hide Japan's economic motives in policy statements concerning aid. In this respect, the belief that aid to developing countries should be used primarily for the benefit of the recipient instead of the donor was not held by

Japanese officials at this time. Moreover, as no attempt was made to conceal this belief, Japanese bureaucrats seem not to have appreciated the nature of Western aid philosophy and that much criticism from abroad would follow.

After 1958, yen loans became an additional tool by which national development objectives could be met. The raw material needs and fuel requirements of Japan's growing heavy industry was by the end of the 1960s strongly influencing the allocation of economic assistance which was primarily channelled towards resource-rich countries such as Indonesia. As evaluations of Japan's aid activities were not undertaken it is impossible to determine the overall contribution of aid to development in recipient countries over this period. The governments of developing countries certainly welcomed Japanese aid. Nevertheless, due to a policy of import protectionism and the use of aid to promote Japan's exports, the balance of trade with many developing countries swung in Japan's favour.

In the 1960s, Japan's economic growth provided the means for an expanded aid programme though the pattern of aid-type preferences altered little from that established earlier. Features of this pattern include a low percentage of grant aid and technical assistance and, conversely, a large ratio of loan-type aid and contributions to multilateral organisations. An improvement in the terms of loan-type aid and a small amount of untying were qualitative achievements during this period. Many of these developments were in response to a growing foreign dissatisfaction with Japan's trade surpluses and the apparent commercial nature of its aid programme. Overall, Japan's aid reforms appeared as a reaction to this foreign criticism rather than reflecting ideological development within Japan. Nevertheless, the government was accumulating aid experience and some Japanese officials believed Japanese aid should be more attuned to the needs of recipients. The challenge for Japan's aid programme at the beginning of the 1970s was whether such aid could be developed and whether the government's philosophy of economic co-operation would pay greater attention to the need of recipients in the future. Chapter Four pursues this issue as it continues to document the evolution of Japan's aid programme until the mid-1980s.

CHAPTER FOUR

HISTORY OF JAPAN'S ODA: ECONOMIC AND NATIONAL SECURITY, 1973-1985

INTRODUCTION

As Chapter Three has shown, by the early 1970s Japan's aid programme was characterised by several features that had emerged in the previous two decades: these included a preference for loan-type aid over grants; an emphasis on large-scale infrastructure projects; a geographical focus on Asia; and active private sector involvement in project identification and aid implementation. The shape of Japan's aid programme reflected a number of factors including Japan's economic and strategic interests, the government's development philosophy and Japan's geographical circumstances, such as its position in Asia and its lack of natural resources. Japan's economic and strategic concerns have changed as international circumstances have altered over time and Chapter Four continues to document these changing circumstances and their impact on Japan's ODA programme.

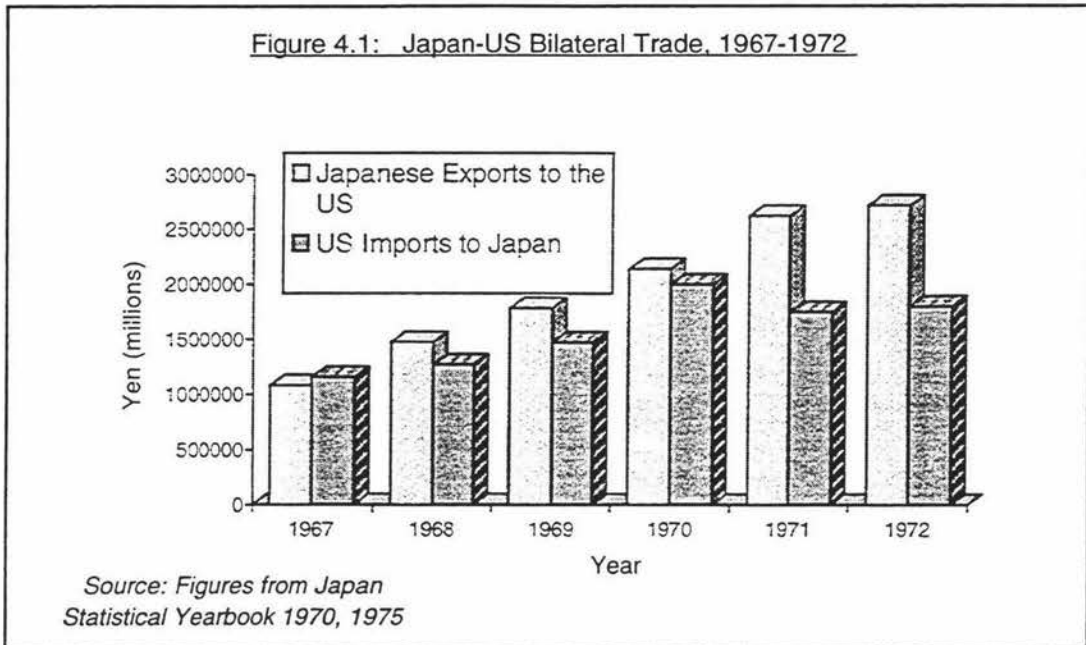
Chapter Three also pointed out that the development needs of Japan's aid recipients received little attention in the early years of Japan's ODA programme. A process of aid reform had begun after Japan became a member of DAC in 1962, however, and aid more attuned to the needs of recipients was developed through an increase in grants and an easing of loan terms. Within Japan, aid philosophy diversified with the MoFA, in particular, insisting that Japanese ODA should follow DAC standards and be extended to assist developing countries rather than to promote Japan's commercial interests. Chapter Four asks whether Japan's aid policy in the 1970s and the first half of the 1980s attempted to continue this process of reform or whether national interests dominated aid decision making.

THE EARLY-MID 1970s: SHOCKS TO COMPLACENCY

BACKGROUND

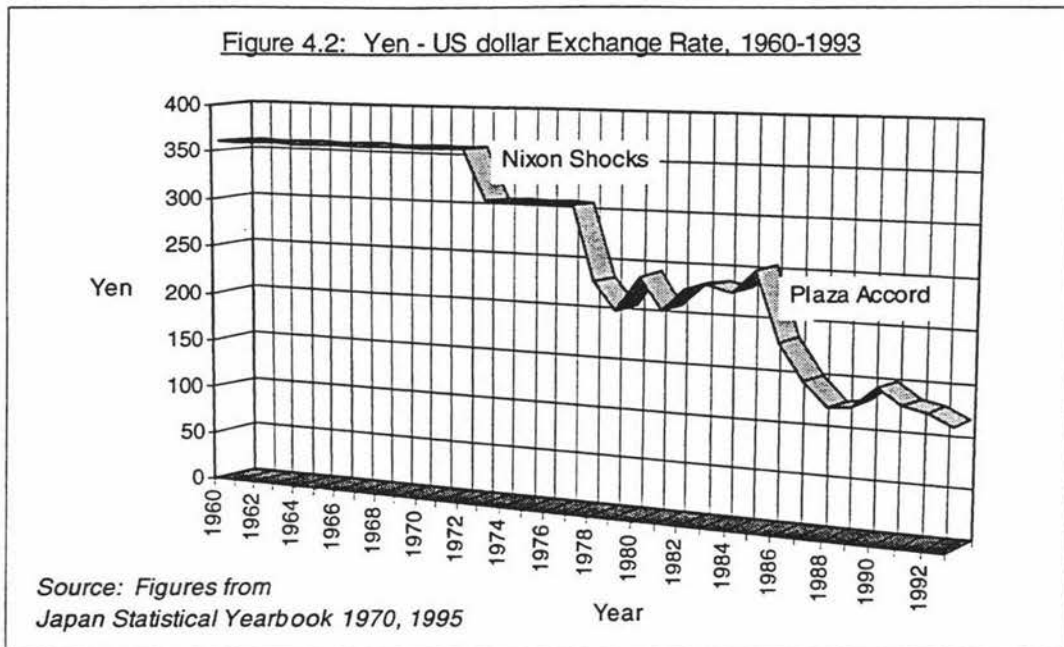
For the Japanese the early 1970s, in stark contrast to the relative stability of the previous decade, was a period of economic upheaval and political uncertainty. US-Japan relations rapidly deteriorated and the foundation on which Japanese governments had based their successful economic growth strategies in the 1960s, that is, that as a first line of defence

against Soviet aggression Japan could rely on US acquiescence for its aggressive economic policies, was destroyed. As Japan's export-led economic expansion continued unabated its bilateral trade surplus with the US expanded (fig. 4.1) while, conversely, US foreign reserves depleted and balance of payment deficits rose. Americans became increasingly resentful of Japan's growing trade surplus and the reluctance of the Japanese government to open up its domestic economy to foreign competition and investment.



A further manifestation of the downturn in US-Japan relations came with the two 'Nixon shocks' as they were known in Japan. The first of these was President Nixon's announcement in July 1971 of his intended visit to China, which was a tremendous psychological blow for the Japanese (as the US government had intended). For many years Japanese governments had wanted to open relations with China but were forced to set their foreign policies within the bounds of US objectives that had included, until then, Chinese containment. Consequently, the Japanese government expected consultation over any changes in the US government's foreign policy stance towards China.

The second Nixon shock came a month later when President Nixon announced a set of emergency measures to revive the embattled US economy. His call for a revaluation of all major currencies signalled the cessation of the Bretton Woods fixed exchange-rate system and in doing so destroyed another foundation on which Japan's economic miracle had been built. The Bretton Woods exchange-rate system had provided an environment of exchange-rate security and an undervalued yen which Japanese trading companies flourished in. By 1973, all major currencies had adopted a floating exchange system and a process of yen revaluation ensued that has carried on into the 1990s (fig. 4.2).



At the same time as the Japanese economy was shifting down a gear adjusting to a less hospitable trade environment, anti-Japanese movements in South East Asia erupted. Anti-Japanese demonstrations were sparked off by a ten day boycott of Japanese goods by the National Student Centre of Thailand in November 1972 and, as in the US, resentment centred on Japan's huge bilateral trade surplus. In 1970, Japanese exports to Thailand were worth more than twice those of imports (JSY:1972,293). Shibusawa (1984,74) summarises anti-Japanese feeling:

The Japanese were portrayed in general as being callous and heartless, interested only in exploiting the resources and markets of South East Asia without giving back adequate benefits to the region or its people in terms of social and economic developments.

In his tour of Asia in 1974 Prime Minister Tanaka Kakuei met with demonstrations in Thailand and Indonesia. The riots in Indonesia were noted for their violence and, while more anti the Suharto regime than anti-Japanese (Shibusawa:1984,76), they were yet another 'shock' to the government's political complacency.

The realisation that Japan's foreign diplomacy had not kept up with its trade expansion was made all the more acute by the first oil shock. Until the 1973 oil crisis, almost half of Japan's oil requirements were filled by the Organisation of Arab Petroleum Exporting Countries (OAPEC) (JSY:1973,301). Thus, when OAPEC reduced oil production by a quarter and added Japan to what became known as its list of 'unfriendly' states, the economy was driven into a state of contraction. Although Japan bought more oil from the Middle East than France or

Britain, its lack of political ties with Arab states placed it in a weaker bargaining position. As Japan's relationship with the US preempted the government from taking a unilateral pro-Arab stance, the government chose to distance itself from Israel and the US, and to offer economic assistance to placate the Arab states.

AID PRACTICE

Aid as a bargaining tool: 'resource diplomacy'

On November 22 1973, Chief Cabinet Secretary Susumu Nikaido expressed Japan's new political stance towards the Middle East when he called for Israel to withdraw from the occupied territories and reiterated his government's support for the right of Palestinians to self-determination. This attempt at diplomacy, however, was not sufficient to regain Arab confidence and foreign aid was called into play as the diplomatic tool to curry Arab favour. Deputy Prime Minister Miki Takeo was dispatched to the Middle East the following month with the authorisation to extend whatever aid was necessary to bring an end to the oil embargo. Two hundred and eighty million dollars in credit was offered to Egypt to widen the Suez Canal (Yorke:1983,53) and combined with other diplomatic efforts this persuaded the Arab states to change Japan's status to that of 'friendly country' restoring the flow of oil. In January the following year, Minister of MITI, Nakasone Yasuhiro, visited the Middle East and another \$2.5 billion was pledged to Iran and Iraq, mainly for the construction of jointly owned refineries (Yorke:1983,53). In return for aid to Iraq, Japan obtained a guaranteed source of crude oil of more than 90 million tonnes to be supplied over ten years (*Industrial Review of Japan*:¹ 1975,48).

Yorke (1983,53) concludes that these and other projects (\$563 million was pledged to Algeria, Morocco, Sudan and Jordan during a later visit) were 'primarily gestures to meet these countries' aspirations and development needs in exchange for guaranteed access to oil'. DAC also described Japan's aid to the Middle East as, 'being aimed at securing natural resources rather than helping poor nations' (*IRJ*:1975,48).

Within four months, the amount of Japan's oil imports filled by direct deals had jumped from seven to twelve per cent (Yorke:1983,53) and foreign aid had become the centre-piece of Japan's 'resource-diplomacy'. Aid activities in the remainder of the 1970s were dominated by this form of diplomacy in which economic assistance was extended to resource-rich countries for large-scale resource development and industrial projects. In a similar manner to the develop and import scheme of the 1960s, the output of these energy projects was intended primarily for Japan and by the end of the 1970s the government had greatly diversified its supply of oil and reduced its overall resource vulnerability considerably. The value of

¹ Hereafter referred to as *IRJ*.

petroleum imports from Indonesia, for example, increased from 140,391 million yen in 1971 to 743,196 million yen in 1975. Petroleum imports from China similarly increased from nil in 1971 to over 200,000 million yen in 1975 (JSY:1972,305:1977,303).

Sharing the burden

Just as Japanese corporations were recovering from the first oil shock, the issue of Japan's persistent current account surplus began to dominate its foreign relations once again and international criticism was directed at Japan for failing to liberalise its domestic economy, pursuing what were perceived as unfair trade practices and failing to take on a level of global responsibility commensurate with its economic strength. The concept of burden sharing, that is, a sharing of efforts to maintain international peace and stability, became popular from this period onwards with the US experiencing fiscal deficits, later to become the world's largest debtor nation, and no longer able to support large overseas military forces.

After the withdrawal of US Forces from Vietnam, the US government encouraged Japan to play a greater role in regional stabilisation in line with the principles of the Guam Doctrine.² When President Jimmy Carter met Prime Minister Fukuda Takeo in March 1977 he requested Japan increase its aid to ASEAN and it was in this setting of economic recovery within Japan and rising international expectations that Fukuda embarked on a tour of ASEAN countries the following August.

In contrast to the anti-Japanese demonstrations which greeted Tanaka only three years earlier, Fukuda was warmly received. Fukuda's speeches which emphasised what he termed Japan's 'heart to heart' relationship with ASEAN countries (Shibusawa:1984,105) appealed to audiences hoping for a more compassionate Japan. During his stopovers, Fukuda pledged economic assistance worth \$1.55 billion of which almost one third was for the construction of five large industrial plants, the ASEAN Industrial Projects (AIPs), one in each ASEAN country. These plants were to produce complementary products that each ASEAN member was expected to achieve comparative advantage in. Fukuda's AIPs plan was overly ambitious, however, and the only projects that ever received funding were urea plants in Indonesia and Malaysia (Rix:1993,149).

As early as the late-1960s Fukuda, then foreign minister, had hoped to impress the West with a dramatic increase in aid flows. His desire was fulfilled in 1977 when he announced the first of Japan's ODA doubling plans which sought a twofold increase in ODA from the 1977 level of \$1424 million to \$2850 million in five years (IRJ:1980,40). At the Bonn Summit in July 1978,

² The Guam doctrine, as it became known, was President Nixon's statement in 1969 that requested Asian nations to take greater responsibility in handling their security concerns.

Fukuda announced that the term of this doubling plan would be reduced to three years and the rising yen or *endaka* made this target relatively easy to achieve.

The backdrop to ODA doubling was Japan's growing trade surplus and consequent criticism the government incurred from its trading partners that intensified as the Bonn Summit approached. Orr (1990,111) interprets the decision to reduce the term of the ODA doubling plan, which preceded Fukuda's meeting with Carter in May 1978 and the Bonn Summit in July as,

a clear case of Japan's using aid to try to preempt the anticipated stern criticism at both meetings. . . . This plan was also viewed as a 'trump card' in the Bonn Summit to demonstrate to the leaders of industrialising countries that Japan was doing her best to reduce the trade surplus.

Policy developments during this period make it clear that ODA doubling plans, which had become a feature of Japan's expanding aid efforts, originated largely from a desire to pacify foreign critics of Japan's trade surplus without decreasing Japan's economic competitiveness. Those market opening measures that were adopted after the government's announcement of trade liberalisation in May 1973 were largely nullified by non-tariff barriers used to keep foreign competitors out of Japan's domestic market. Beasley (1990,264) describes how Japan's market opening measures were received:

during the early 1980s attitudes and actions on both sides became settled and predictable: Japanese ministers made announcements about 'market opening' from time to time; foreign firms and governments greeted them sceptically.

In contrast to the rapid quantitative expansion of aid through Fukuda's ODA doubling plan, the quality of aid improved only slightly. Between 1976 and 1987, Japan's grant share dropped from 48.2 per cent to 47.3 per cent and its grant element increased slightly from 74.9 to 75.5 (MoFA:1988,26). The Japanese government did, however, become a leading proponent of aid-untying in the early 1970s in response to foreign consternation regarding the low quality of Japan's ODA. Japan now boasts one of the least tied aid programmes of all DAC members falling only behind New Zealand and Sweden in 1991 (MoFA:1993a,25).

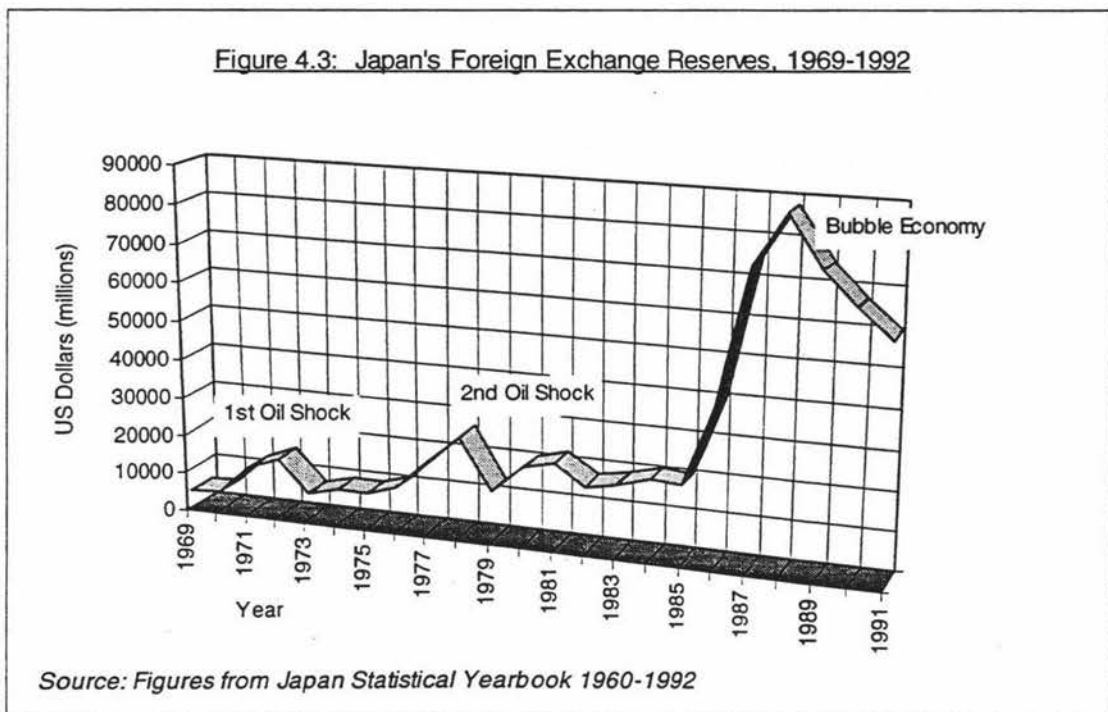
AID POLICY, PHILOSOPHY AND ADMINISTRATION

The first oil shock and the government's response were the seeds for three interrelated themes that would dominate Japan's foreign policy debate in the succeeding years. Firstly, the oil shock made the Japanese acutely aware of their country's vulnerability to fluctuations in resource supply. The need to maintain harmonious relations with resource-rich countries in turn forced a rethinking of Japan's foreign policy that had argued the separation of economic pursuits from politics, a concept known in Japanese as *seikei bunri*. Under the umbrella of American security, Japanese governments had pursued a policy of *seikei bunri* and defended

this with their concept of a value-free diplomacy or *issai no kachihandan o shinai gaiko*. This low-posture foreign policy had enabled Japanese business interests to penetrate Asian markets without becoming embroiled in regional disputes and offending neighbouring countries that still bore the scars of Japan's pre-war and wartime imperialist legacy. The third theme was the government's desire to play a more active role in providing Japan's resource security. The government's willingness to form closer relations with Arab states at the expense of distancing itself from Israel and the US was the first time a Japanese government had stepped outside the bounds of American foreign policy since World War Two. Japan's foreign interests could no longer be embraced within the broad dictates of US foreign policy.

An 'Omni-directional' foreign policy

After the first oil shock, the government recognised the need to diversify Japan's sources of oil supplies and it attempted to do so under the epithet of 'omni-directional' diplomacy or *zenhoui gaiko* which basically implied military and political neutrality. Omni-directional diplomacy represented a desire to return to *seikei bunri* and an attempt was made to sell this policy to Western countries by constantly pleading a special case for Japan based on resource scarcity. Ever since the conclusion of a peace treaty with China that signified a warming of Sino-Japanese relations at the expense of relations with the Soviet Union, however, equidistant diplomacy had lost any sense of credibility. Furthermore, the argument that Japan deserved special consideration only served to irritate Western powers as Japan's foreign reserves rose despite the oil shocks (fig.4.3).



Note: The Bubble Economy describes a period of relaxed credit and grossly inflated asset prices between 1987 and 1989.

The MoFA's Evolving ODA Philosophy

Despite the renewed interest in extending ODA to secure supplies of raw materials, aid decision making continued to be uncoordinated and reflected the separate views of each member of the four ministry aid system. After two decades of aid experience various traits had emerged regarding the aid philosophy of each institution with the MoFA becoming the most vocal supporter of the aid programme. The Foreign Ministry's annual publication *Japan's ODA* had become the government's best articulated defence for giving aid. In the 1978 publication, the MoFA emphasised five main reasons why Japan gave ODA:

. . . international economic security, Japan's duty as an economic power, economic self-interest, humanitarian concern and what could be termed normal diplomatic necessity (MoFA:1978).

Considering the overt manner in which ODA was used to secure petroleum supplies, Rix (1980,42) concludes this was a frank and accurate appraisal of why Japan was extending ODA.

The Formation of JICA

The main structural change to the aid administration system since the early 1960s was the creation of the Japan International Co-operation Agency (JICA) in 1974 to take over the responsibilities of OCTA in managing technical aid and to administer Japan's grant-aid projects. Rix (1980) reserves an entire chapter in his early work to uncover the political processes that led to JICA's formation. Ever since Japan's first reparations payments, several political groups and government bodies had called for the centralisation of Japan's aid efforts under one aid ministry. In the early 1970s, the question of a central aid agency was raised again with both the Ministry of Agriculture and Forestry (MAF) and MITI asking for large budgets to establish separate aid agencies within their respective administrative structures. MAF's desire to establish its own agency was justified on the basis that it was important to establish overseas agricultural projects to stabilise Japan's food imports.³ Similarly, MITI argued that it required its own aid agency to promote private Japanese investment in other Asian states for resource development. Japan's economic interests were explicitly recognised in these proposals and the well-being of aid recipients appeared at best to be of secondary importance. For various reasons opposition to these proposals was expressed by other members of Japan's four ministry aid administration system. The EPA, which administers the OECF, feared that the establishment of other aid agencies would reduce the scope of OECF lending, and the MoFA argued that its own aid agency, OCTA, was already managing technical aid effectively, though it also feared its authority within the aid administration structure might be undermined (Rix:1980,54-6).

³ This argument was timely as in June 1973, the US government temporarily restricted the exports of cereals which included a 50 per cent reduction in soya bean exports (an important component of the Japanese diet).

The formation of JICA reflects an attempt to accommodate the opposing positions of several ministries. Rix (1980,49) describes the final shape of JICA as 'the result of a hurried ministerial attempt to resolve an impasse over rival budget proposals'. Although concerns had been expressed about the need to better manage aid disbursement, JICA's formation was not the result of attempts to make Japanese aid more effective. Ministerial rivalries rather than any perceptions of development needs in recipient countries ultimately shaped the aid administration debate.

1978 - MID-1980s: COMPREHENSIVE SECURITY AND THE GLOBALISATION AND POLITICISATION OF JAPANESE AID

BACKGROUND

The economic turmoil and political uncertainty associated with the early 1970s abated during the middle of the decade as Japanese manufacturers recovered rapidly from the first oil shock, their gains in energy efficiency enhancing their international competitiveness even further. Events in the late 1970s, however, forced the Japanese government to once again reappraise its foreign policy which had particular significance for the role of ODA as a foreign policy tool.

Because of Japan's reliance on the US for its external security, regional crises such as the Soviet invasion of Afghanistan had global implications that extended to Japan's shores. The Iranian hostage crisis and the Vietnam invasion of Kampuchea (Cambodia) also drew Japanese attention to broader security concerns. These localised conflicts arose at a time of declining US hegemony and a growing awareness that the US could no longer be relied on to fulfill Japan's security requirements nor guarantee its economic prosperity. Yasutomo (1986,26) summarises how the Japanese viewed this declining US military presence in Asia:

. . . the Japanese perceived a steady erosion of US military and economic power in the world. They perceived the gradual diminution of the world's banker and policeman and began to question the credibility of US defence commitments to Japan. The corresponding Soviet military build-up in Asia and attainment of nuclear parity with the US coupled with the thinning of the ranks of the US Seventh Fleet seemed to symbolise a new power balance in the region.

The changing paradigm of global power relations combined with the aforementioned regional conflicts provided the setting in which a sensitive defence debate emerged on the political agenda in Japan. While the government was searching for a new political rationale that would allow Japan to more actively provide its economic and national security, aid with direct strategic implications was already being practiced.

AID POLICY AND PRACTICE: THE EMERGENCE OF STRATEGIC AID

Comprehensive security

What is commonly referred to as 'strategic aid', a somewhat ill-defined term suggesting aid designed primarily to meet security objectives, was first extended under the rationale of aid to 'countries bordering areas of conflict' or *funso shuhen koku* in the latter half of the 1970s. Ohira Masayoshi, who replaced Fukuda as Prime Minister in 1978, expressed his views concerning this concept in his January 1980 policy address:

For the purpose of maintaining the stability of neighbouring countries in the area, particularly Pakistan, we would like to give positive consideration in co-operation with US and Western European countries to the request from these countries for co-operation in the economic field (MoFA:1981,66-67).

In the following month the Pakistan government, concerned with the close proximity of Soviet forces after their invasion of Afghanistan, requested greater foreign assistance and the Japanese government complied with a pledge to double aid (*IRJ*:1980,41). By responding in such a positive manner to Pakistan's request, the Japanese government was beginning to display a willingness to more actively support the Western security alliance.

Under the rationale of aid to *funso shuhen koku*, strategic aid was also extended to Turkey and Thailand. The \$450 million and \$547 million in aid extended to Turkey in 1980 and 1981 respectively (MoFA:1984,51) appeared largely in response to urging from the US and West Germany which considered Turkey a key NATO member. Similarly, the MoFA (1984,12) defended an increase in aid to Thailand by the need to respond to the massive influx of Indochinese refugees, popularly known as 'boat people', but the US had identified Thailand as a front line state against Vietnamese aggression and this may have played a critical role in influencing the government's decision. Both the suspension of Japan's \$70 million aid programme to Vietnam and the boycott of the 1980 Moscow Olympics were further evidence of the increasingly important strategic flavour of Japan's foreign policy.

In December 1978, as part of his election campaign Prime Minister Ohira Masayoshi suggested a new rationale for Japan's economic and national security:

As far as comprehensive security policy in the broad sense is concerned my policy is to establish a chain of tautly balanced national power including various factors such as the economy, diplomacy and politics and to support the security of the nation with these (Nikkei Shinbun, 9 December 1978).

After the election, Ohira created the Study Group on Comprehensive National Security to examine Japan's security requirements and its findings were adopted by his successor Suzuki Zenko who announced 'comprehensive security' as the country's national policy in December

1980. In the report of Ohira's study group the meaning and implications of the government's new national policy were purposefully left ambiguous. On the one hand comprehensive security could be used by the government to calm fears at home of a military revival and, on the other, to assure foreign audiences that Japan was making conscious efforts to carry its share of the burden with regards to maintaining global peace and prosperity. Amongst the Japanese, some regarded comprehensive security as no more than diplomatic window-dressing and few considered it a realistic appraisal of Japan's security needs and their most appropriate resolution (Chapman and others:1983,231). In spite of this ambiguity, the policy of comprehensive national security remains as the government's rationale for fulfilling its security needs.

Essentially, the objectives of comprehensive security have not changed since first becoming national policy. These are:

'to secure our national survival or protect our social order from various kinds of external threats which will or may have serious effects on the foundation of our nation's existence [which is to be achieved] through the combination of diplomacy, national defence, economic and other policy measures' (MoFA, 1981,30).

In practice, 'economic measures' have equated to economic assistance and in this manner ODA has been raised in status to one of the three 'pillars' of Japan's foreign policy.⁴

Comprehensive security argues that the 'application of economic co-operation must rest on comprehensive judgments that take into account economic and political considerations' (Mochizuki:1983,159-60). The extension of aid to countries considered strategically important to Western security and key suppliers of natural resources in order to reduce Japan's economic vulnerabilities is thus one of the central themes of comprehensive security. The role of Japan's Self Defence Forces (the second pillar of Japan's foreign policy) is a sensitive issue in Japan and their existence is essentially illegal contradicting Article Nine of the Constitution.⁵ Although the government dispatched a small number of lightly armed Self Defence Forces overseas as part of United Nation peace-keeping efforts in the early 1990s, it is reluctant in the face of public opposition to make any further military contribution to international peace and security. This has paved the way for the rise of ODA as the government's principle means to indicate its commitment to global welfare. Comprehensive security that presented ODA as a pillar of foreign policy provided the roots for this politicisation of aid.

⁴ The term 'three pillars' is commonly used to describe the foundation of Japan's foreign policy which is perceived as being dependent on diplomacy, the Self Defence Forces and on economic co-operation.

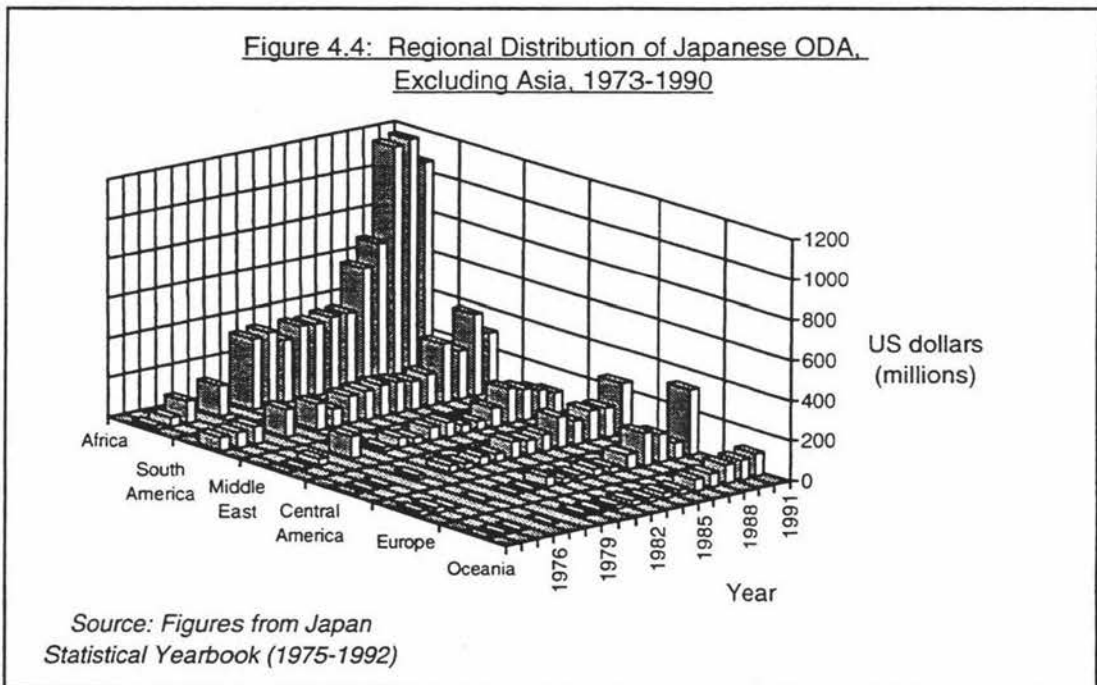
⁵ The English translation of Article Nine reads:

*Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as a means of settling international disputes.
In order to accomplish the aim of the preceding paragraph, land sea and air forces, as well as other war potential will never be maintained.*

The Globalisation and Politicisation of ODA

Making its appearance after the extension of aid to the three *funso shuhen koku*, the rationale of comprehensive security arrived *fait accompli*. Nevertheless, comprehensive security served to strengthen the ideological base for the extension of aid to other countries considered strategically important that were now classified as 'areas which are important for the maintenance of world peace and stability' (MoFA:1984,2). This new euphemism for strategic aid was perceived as more palatable for the Japanese public than 'countries bordering areas of conflict' (though essentially they describe the same concept) and the latter term was never used again.

ODA extended to 'areas which are important for the maintenance of world peace and stability' facilitated the further globalisation of aid, a process initially triggered by the first oil shock. Figure 4.4 follows the regional distributions of Japanese bilateral ODA revealing this globalisation.



Note: Figure 4.4 does not reflect the increase in aid flows to the Middle East after the first oil shock perhaps because such aid was not concessional enough to be classified as ODA.

By the middle of the 1980s, many examples of strategic aid could be found in regions such as Central America, the Middle East and Africa. Japanese aid to Latin America increased suddenly during the Reagan Administration and Orr (1990,97-98) highlights US requests to the Japanese government to extend aid to pro-US governments as an explanation for this expansion in aid flows. Loans to Jamaica were extended by the Nakasone government in 1983 (MoFA:1987,206) in response to a US request for financial support of the pro-US Seaga administration which had ousted Michael Manley's socialist government in the 1980 elections.

Other Central American states that received Japanese aid included El Salvador (MoFA:1987,203-4), a country identified by the Reagan Administration as a front-line state against socialist expansion.

The concept of comprehensive security had similar relevance for Japan's relations with the Middle East. The first oil shock awakened Japanese ministries to the need to develop strong diplomatic ties with oil-producing states and they became anxious to create a positive image using aid. Aid to promote regional stability was extended during the Ohira government with Egypt as the main recipient. Between 1977 and 1980, Egypt received \$441.64 million in Japanese aid (MoFA,1982). Yasutomo (1986,88) suggests that this concentration of economic assistance was intended to show Japan's support for the 1978 Camp David Accords and for President Anwar Sadat's peace initiative towards Israel. The government's interests in Egypt were both strategic and economic:

. . . Japan values Mubarak's Egypt as a leader in the non-aligned world and as a key to peace in the Middle East. Cairo controls the Suez Canal, exports 200,000 barrels of oil per day and functions as a moderate stabilising force in the region (Yasutomo:1986,88).

Oman and Saudi Arabia, of geographical strategic importance, also received increased allocations of aid.

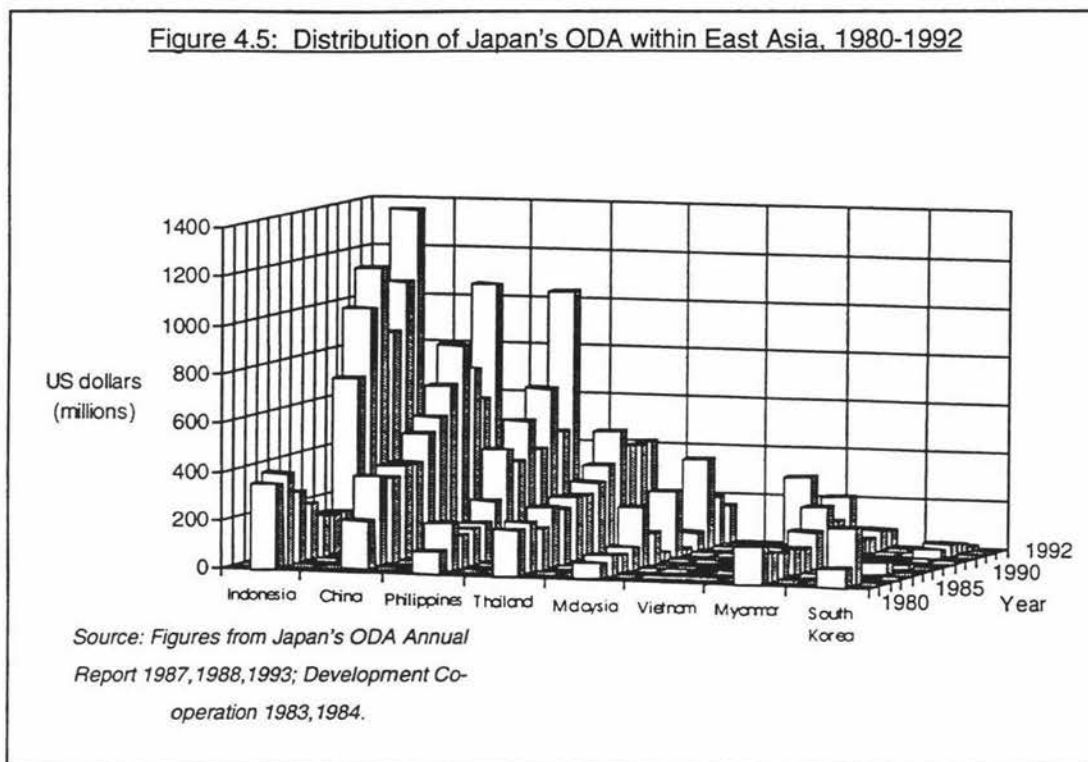
Japanese attention towards northern Africa similarly increased in the early 1980s partly due to strategic concerns. Brooks and Orr (1985,333) note that \$26 million in ODA loans was pledged to Sudan in 1982 as the Nakasone government responded to the threat posed by Libya of destabilising the Sudanese government. Tanzania also received aid funds with strategic overtones with the Japanese government viewing Tanzania as a leader in the North-South dialogue (Brooks and Orr:1985,334).

Aid to Asia

During this period, as the geographical scope of Japanese aid expanded the MoFA formulated a 7:1:1:1 ratio as a principle for the regional distribution of aid. Asia would remain the focus of Japanese aid efforts receiving approximately 70 per cent of total aid disbursements and the remainder would be shared equally between Africa, the Middle East and South America (MoFA:1988,44). This represented a significant development in the aid programme which was directed almost entirely towards Asia until the early 1970s.

Although for geographical, historical and economic reasons Indonesia, the Philippines and Thailand continued to receive large appropriations of Japanese ODA, the pattern of aid-flow distribution within Asia changed dramatically with the emergence of China as an aid recipient

(Fig. 4.5).⁶ China suddenly became Japan's largest ODA recipient in 1981 and remained so for three consecutive years.



As part of Deng Xiaoping's four modernisation policies, the Chinese adopted a policy of economic liberalisation and requested foreign assistance to facilitate this transformation. The first request for aid to a DAC member was made to Japan in 1979 for \$5.5 billion (Lee:1984,114). Several reasons explain why the Japanese government welcomed such a request: the government was keen to improve relations between the two countries due to China's huge economic potential and its close geographical proximity to Japan that made it far more desirable as an ally than an adversary; the Japanese felt that a cultural affinity existed between the two countries and that both shared similar histories; and as the Chinese had not made a claim for reparations after World War Two, the Japanese government considered ODA an appropriate means of compensation and expression of remorse for Japan's belligerence (Story:1987).

Diplomatic considerations, however, forced the government to reduce the amount it finally offered to \$1.5 billion and highlighted the increasingly political nature of Japan's ODA. ASEAN members expressed concern with the government's eagerness to assist a potential economic competitor (Story:1987,23) and Soviet displeasure with Sino-Japanese rapprochement and

⁶ Cambodia and Laos are not included in this figure as, until recently, they received relatively small allocations of Japanese ODA.

similar concern expressed by pro-Taiwanese members of the ruling Liberal Democratic Party in Japan further limited the final amount the government was able to offer (Lee:1984,118).

An increase in ODA to the Philippines, which has consistently been one of Japan's largest aid recipients (fig. 4.5), also had political overtones. The Japanese government responded to a request for assistance made by US President Ronald Reagan during his visit to Japan in 1983 to support the unpopular regime of President Ferdinand Marcos. Thereafter, Japan's ODA to the Philippines incurred much domestic criticism that asserted Japanese assistance was primarily being used to support US security objectives and also to improve the already handsome lot of the Marcos family. Unfortunately, the latter fear proved correct. In 1986, the Subcommittee on Asian and Pacific Affairs of the US House Foreign Affairs Committee revealed that during the 1970s as many as 35 Japanese companies had made payments to the Marcos family. One of these, Sakai industries, paid \$700 000 in bribes to Ferdinand Marcos in 1975 (*Far Eastern Economic Review*.⁷ 7 May 1992,28).

One of the largest Japanese aid commitments in the early 1980s was a seven year loan package to South Korea amounting to \$4 billion. The Korean government's initial request in 1981 was for \$10 billion and substantiated by the security rationale that Korea devoted six per cent of its GNP to defence spending which also benefited Japan (*IRJ*:1982,25). Even though at the Ottawa Summit in 1981 Prime Minister Suzuki had indicated his commitment to peace on the Korean peninsula, the Japanese government was distressed by this explicit request for strategic aid. Despite the articulation of comprehensive security as a national policy, Japanese officials were not willing to overtly link aid with strategic interests on the Korean peninsula. Subsequently, the concept of interdependence was used as the official justification for extension of aid to Korea as 'while aid to Korea is based on strategic reasons . . . [due to public sentiment] the official rationale must remain pacific' (Yasutomo:1986,55). The Korean government eventually surrendered its strategic argument and reduced its request to \$6 billion.⁸

Continued Increase in ODA

After the euphoria of the first successful ODA doubling plan, Prime Minister Suzuki Zenko announced Japan's second ODA doubling target in 1981. This new target involved the disbursement of \$21,360 million over five years (*IRJ*:1984,22). Due to yen devaluation and disbursement difficulties this plan was not fully achieved.

⁷ Hereafter referred to as *FEER*.

⁸ It is highly likely that, because South Korea is a newly industrialising country, aid under this seven year package aid was not extended as ODA. Therefore, this increase is not shown in Figure 4.5.

In the light of budgetary belt-tightening, it seems remarkable that the government was eager to increase ODA spending at such a rapid pace. With a reduction in GNP growth rates from the ten per cent annual average of the 1960s to around five per cent in the early 1980s, governments adopted an austerity policy to improve the budget by reducing social spending. In 1984, for example, spending on social welfare increased by only two per cent and on education by a mere one per cent (*JEI Report:1984*). In contrast, annual increases in ODA spending over the previous four years averaged just above ten per cent (Fig. 4.6, overleaf).

Japan's second ODA doubling plan was also announced during a period of worldwide disenchantment with economic aid in which many other donors scaled down their aid programmes. The term 'aid fatigue' was coined in this period when aid flows from industrialised countries dropped by 6.4 per cent as a consequence of worldwide recession (*IRJ:1983,20*). Aid fatigue was also expressed by the US government with President Ronald Reagan advocating a private sector approach to development that stressed investment and trade as vital to economic growth and down-played the potential of ODA to contribute to recipient nation development (*IRJ:1983,20*).

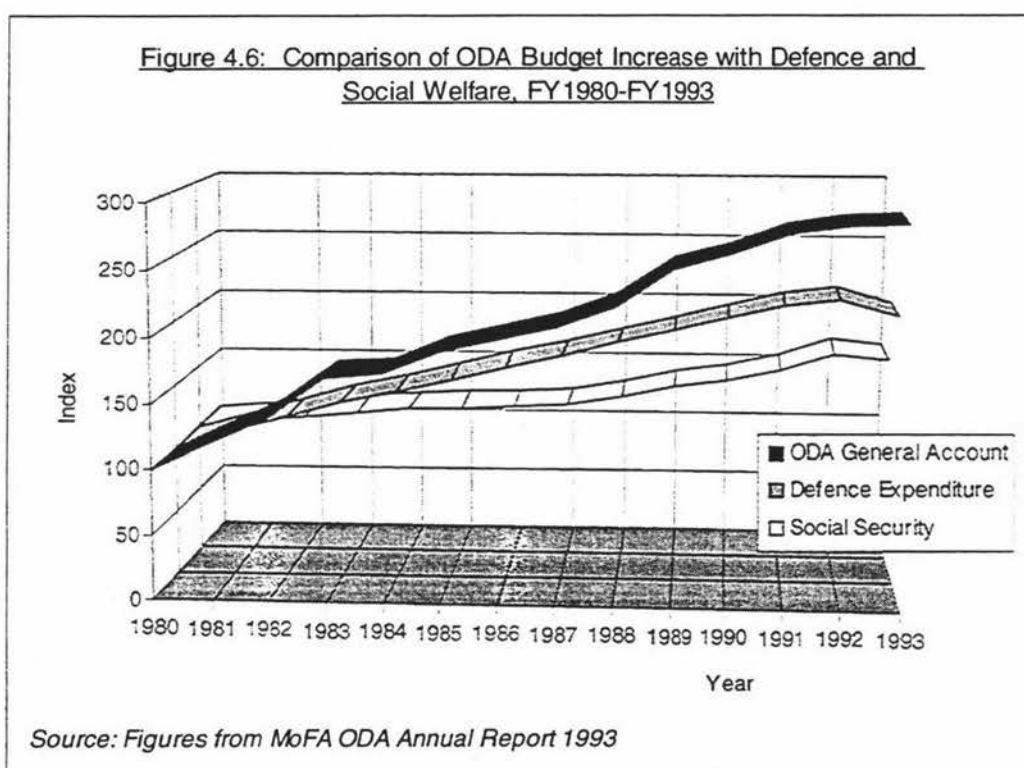
Despite economic recession and 'aid fatigue', the Japanese government had committed itself to developing an internationally acceptable ODA programme. ODA doubling targets were a means of expressing this commitment to other industrialised countries. As part of aid reform, the Japanese government was attempting to incorporate new concepts from the international aid debate into its aid philosophy and practice. At the Cancun North-South Summit conference in Mexico, Prime Minister Suzuki stressed the importance of socio-economic development in developing countries and argued that ODA should play the central role in economic co-operation (*IRJ:1983,20*). Although Japanese aid philosophy had not changed as much as Suzuki's statement suggests,⁹ the Foreign Ministry was not about to relinquish the hard-won reforms to its aid programme such as aid untying, an increase in grants and softer loan terms.

In addition to the government's desire to improve the image of its aid programme, domestic politics were also reflected in the government's decision to continue expanding ODA. The realisation of comprehensive security as national policy required that the government modernise and strengthen Japan's Self Defence Forces. Military spending had been capped at one per cent of GNP by the Miki Cabinet in 1976, however, and public opinion was still firmly against an increase in military outlays (Horsley and Buckley:1990,182). After several years of pushing for an increased military budget, Prime Minister Nakasone Yasuhiro managed to overcome the first obstacle by having the wording of the 1976 resolution changed to limiting

⁹ That is, economic co-operation that benefited both recipient and donor still best described Japanese aid philosophy rather than ODA that suggests a one-way transfer of resources from donor to recipient.

military spending to 'about' one per cent of GNP. Nevertheless, this still posed the problem of how the government was to increase its defence capabilities in the face of public opposition.

At this time, an unofficial agreement among aid bureaucrats and politicians held that annual increases in budget allocations for ODA should exceed increases in defence (Yasutomo:1986,65). By following this policy, the government could then reassure the Japanese public that Japan's contribution to maintaining peace and stability would be based on its economic assistance and not on the military, while simultaneously increasing its military budget. Figure 4.6 follows increases in budget allocations for defence and ODA between FY1982 and FY1993 that indicate the government has adhered to this broad policy. Increases in social welfare are also included to indicate the much larger increases in ODA.



AID PHILOSOPHY

Humanitarian considerations and interdependence

Since the second UNCTAD in 1968, the Japanese government had been aware of the emphasis placed on humanitarian assistance in other aid programmes. Despite this, Japan's aid programme remained dominated by large-scale capital projects. In the 1971 MoFA report on economic co-operation no mention was made of bilateral assistance to meet the basic living requirements of impoverished groups in recipient countries. However, as the basic human needs (BHN) approach to development became a popular issue in the international aid debate in the early 1970s, representatives of the Carter Administration placed increasing pressure on

the Japanese government to address poverty alleviation in its aid programme. US officials took a further step and suggested to their Japanese counterparts that an increase in humanitarian aid could improve Japan's image as an aid donor (Orr:1990,111). In addition, the African drought that began in some places as early as 1981 and continued into the middle of the decade leaving 150 million people, a third of the African population, either starving or suffering from malnutrition, may also have served to increase awareness in Japan of the relevance of the BHN approach.

The concept of humanitarian considerations was formally introduced as part of Japan's official aid philosophy by Prime Minister Suzuki Zenko in January 1981. In a speech in Bangkok he identified four areas that would receive greater assistance: rural and agricultural development; development of new and renewable energy; human resource development; and promotion of small and medium-sized businesses (Brooks and Orr:1985,327). By the mid-1980s, although Japan's aid programme remained dominated by large scale infrastructure and industrial projects, greater attention was being paid to providing BHN-type assistance. The proportion of total ODA allocated to BHN activities increased steadily from about seven per cent in 1977 to over thirty per cent in 1985 (MoFA:1987,59).

The concept of interdependence, that is, that Japan's welfare is inexplicably bound to the welfare of developing countries and vice-versa, which had been a prominent feature of Japan's official aid philosophy since the end of the 1960s, took on new life with the articulation of comprehensive security. Japanese governments, afraid of revealing the strategic component of their aid programme to the Japanese public, replaced the term comprehensive security with the interdependence rationale. While both describe essentially the same concept, the term interdependence is considered more appealing to the Japanese public as it can be used to emphasise economic rather than security interdependence.

Given the rapid rate of ODA increase compared with budget allocations to such areas as social welfare and education, it is understandable that the Foreign Ministry has gone to great lengths to gain public support for the aid programme. In 1981, in order to garner support for increased ODA spending the MoFA published a booklet entitled *Keizai Kyoryoku no Rinen: Seifi Kaihatsu Enjo wa Naze Okonau no ka?*, or *The Philosophy of Economic Co-operation: Why Give Official Development Assistance?*, that emphasised humanitarian considerations and interdependence in answer to this question. The concepts of humanitarian considerations and interdependence have remained at the core of Japan's official aid defence ever since.

SUMMARY

In contrast to the stability of the previous decade, events in the 1970s challenged the assumptions that Japan's economic foreign policy had been based on. The oil shocks and

the proliferation of regional crises during a period of declining US hegemony left Japanese policy makers in little doubt that they would have to take a more active stance in providing their nation's military and economic security. However, Article Nine of the constitution prohibited the government from playing a military role in providing this security so how was it to respond?

In response to the first oil shock, the Miki government sided with OAPEC states and extended aid to restore the flow of oil. Resource diplomacy of this sort, which increasingly dominated Japanese aid flows in the second half of the 1970s, was primarily concerned with reducing Japan's resource vulnerabilities. Similarly, in response to regional crises in the early 1980s, the Suzuki and Nakasone administrations used ODA to promote Japan's strategic interests. By reacting positively to requests for aid from their allies in the Western security alliance, Japanese governments were able to satisfy their major trading partners without making a military contribution. Resource diplomacy and comprehensive security raised the status of ODA to one of Japan's three pillars of foreign diplomacy.

The globalisation and politicisation of Japan's ODA in this period reflected the use of ODA to enhance Japan's economic security and to meet its strategic concerns. However, this overt use of aid to promote Japan's strategic interests was never acceptable for the Japanese public who feared any growth in the power of Japan's military. Consequently, Japan's aid agencies developed an aid rhetoric that disguised strategic aid by using the interdependence rationale. Humanitarian considerations were also formally introduced into Japan's aid rhetoric, partly in response to US pressure, and interdependence and humanitarian considerations remain as the nucleus of Japan's aid defence.

In addition to the globalisation of ODA, aid practice in this period was characterised by a continuation in the overall expansion of aid flows. ODA doubling targets were adopted as a means of enhancing Japan's ODA reputation and were welcomed by both developing and industrialised countries. However, Japan's own economic and strategic interests were also behind these increases. Japanese government sought to appease foreign critics of Japan's trade surpluses by redirecting this surplus through their ODA programme rather than by adopting structural measures to reduce this surplus. Furthermore, an increase in the ODA budget allowed the government to increase defence spending without alarming the Japanese public.

Finally, the interministerial rivalry which characterised the formation of JICA in 1974 was yet another indication that the needs of recipient countries remained low on the government's list of international priorities. In this case it was as much the push and pull of domestic politics as perceptions of Japan's economic and strategic vulnerabilities that shaped this feature of Japan's aid programme.

Chapter Four has shown that many of the developments in Japan's ODA policy and practice in the 1970s and the early 1980s were undertaken first and foremost for the benefit of Japan. Nevertheless, ideological developments that occurred as policy makers gained greater aid experience, combined with foreign pressure insisting Japan improve the quality of its ODA activities, provided an impetus for the government to attune its ODA more to the needs of recipients. Japanese governments avoided the excuses presented by foreign governments suffering 'aid fatigue' and continued to pursue an expansionary aid programme. Policy reform was also emerging as a feature of Japan's ODA and will be discussed in Chapter Six.

Chapter's Three and Four have provided the necessary background from which Japan's ODA can be interpreted in the contemporary period. Chapter Five takes up this challenge and documents changes in Japan's ODA policy and practice after 1985. In a similar manner to Chapter Four, it asks to what degree changes in Japan's aid practice and policy were undertaken to provide more appropriate aid, and to what degree they were undertaken to promote Japan's national interests in a changing international environment.

CHAPTER FIVE

JAPAN'S CONTEMPORARY ODA: RESPONSE TO CHANGE IN THE INTERNATIONAL ECONOMIC AND POLITICAL ORDER, THE DEBT CRISIS, THE FIVE AID PRINCIPLES, AND LEADERSHIP ASPIRATIONS, 1985-1995

INTRODUCTION

Since 1985, change in Japan's aid programme has been so rapid and diverse that not all significant developments can be accommodated in one chapter. Chapter Five continues the task set in Chapters Three and Four to consider what factors have shaped the broad features of Japan's contemporary aid programme. Chapter Six investigates individual policy reforms in greater detail considering the motives behind them and their implications for recipients.

Factors which have shaped Japan's aid programme in recent years can be grouped as those associated with Japan's external relations, that is, changes in the international political and economic order, and those emerging from within Japan's political and administrative structures. Of particular importance in Japan's external relations has been the end of the Cold War and the debt crisis which has enveloped many developing countries. Still other external demands on Japan with implications for its aid programme are associated with the Gulf Crisis, former 'comfort women' and a US administration dissatisfied with Japan's bilateral trade surplus. All of these issues are analysed under separate headings. The articulation of five aid principles is an important feature of Japan's recent aid policy development and is discussed in a separate section. Finally, of the many internal factors which have impacted on Japanese aid practice, international leadership aspirations have grown in significance in recent years and are also analysed.

The structure used in the previous two chapters to identify the emergence of features of Japan's aid programme is considered less suitable for analysing recent developments. As the previous paragraph suggests, rather than analyse these changes under the headings of aid philosophy, policy, practice and administration, topical headings that embrace all these factors and best reflect recent developments are employed.

RESPONSE TO CHANGE IN THE INTERNATIONAL ECONOMIC AND POLITICAL ORDER

COLLAPSE OF THE SOVIET UNION, FORMATION OF THE CENTRAL ASIAN REPUBLICS, AND POPULAR DEMOCRATIC MOVEMENTS

The year 1985 is a useful starting point from which to examine Japan's contemporary aid programme as it was a year of global change that signified a transition in both the expectations that other nations would have of Japan and the international leadership aspirations that the Japanese themselves would have and express through foreign policy. Mikhail Gorbachev's rise to power in 1985 saw the beginnings of reform under *perestroika* which held enormous significance for Japan. Compared to other industrialised nations that warmly welcomed the relaxing of Cold War rivalries, however, the response in Japan has been described as 'glacier-like' (Barnhart:1995,187). Such a lukewarm response was not unexpected as the Japanese had never perceived communist expansion as a threat to their economic or military security to the extent that their American allies had. Furthermore, the Japanese still felt suspicious of their oldest adversaries and did not get caught up in the ideological fervour associated with popular democratic movements of the early 1990s. Above all, however, the Japanese believed that the Soviet Union had illegally captured four islands north of Hokkaido during World War Two, the Kuriles or Northern Territories, and that these should be returned to Japanese possession. Because of this outstanding territorial issue, Japan and the former Soviet Union never signed a peace treaty formally ending the Pacific War.

In these circumstances it was of little surprise that the Japanese government refused to extend aid to the new Russian Federation until the territorial issue was resolved. The government even expressed reluctance to German Chancellor Helmut Kohl's suggestion that Russia be granted full membership status in the Group of Seven (G-7) (*Japan Times Weekly International Edition*:¹ March 28-April 3 1994,3). Japan's tough stance on the Northern Territories issue became so entrenched that Russian President Boris Yeltsin called off visits to Tokyo in September 1992 and May 1993.

Under Western pressure, Japanese attempts to explicitly tie the provision of economic aid to the Russian Federation to the return of the Northern Territories were formally dropped in April 1993. At the G-7 Joint Ministerial Meeting on Assistance to the Russian Federation in Tokyo that month, the Japanese government announced an aid package to Russia of \$1.82 billion and agreed to assist with the rescheduling of Russian external debts estimated at \$74 billion (*Japan Economic Almanac*:² 1993,37). Although the Northern Territories issue remains at the top of

¹ Hereafter referred to as *JTWIE*.

² Hereafter referred to as *JEA*.

the public agenda, it appears the government now recognises that it is in Japan's best national interest to both support economic transformation in Russia and to avoid further antagonising other Western nations by refusing to extend assistance. In a speech at the G-7 summit Prime Minister Miyazawa Kiichi stated:

Russia is now at a critical juncture, with the reform efforts under the leadership of President Yeltsin facing tremendous challenges both politically and economically. . . . The G-7 countries, who share major responsibilities for securing peace and prosperity in the world, must take the lead in rallying the international community in support of the reforms in Russia, as well as in other reforming countries (cited in MoFA:1993c,10).

The creation of the five Central Asian Republics, Kazakhstan, Uzbekistan, Turkmenistan, Krygyzstan and Tadzshikistan, soon after the disintegration of the Soviet Union, posed other demands on Japan's aid programme. The Japanese government had no grievances with these states, however, and in contrast to its reluctance to assist the Russian Federation, the government was one of the foremost proponents of having the former Soviet states included in DAC's list of ODA recipients. At the beginning of 1993, soon after inclusion on this list, Japan began extending ODA to the NICs.

The wave of popular democratic movement that spread throughout Eastern Europe also required responses from Japan's aid agencies. Poland and Romania first received grant aid from Japan in 1989 and were soon followed by Czechoslovakia, Hungary and Bulgaria (MoFA:1993a). Because many other ODA donors were rationalising their aid programmes, this opportunity allowed Japan to extend its strategic national economic interests in Eastern Europe and Central Asia almost unhindered. According to Cutts (1991,60), Japan's national strategic interests in Eastern Europe were,

to integrate Japan's industrial, commercial and financial networks into the economies of Europe for the purpose of heightening Japan's competitive and political abilities to protect and expand market share in the high-growth, high-profit, high-return industries.

In contrast, much of the recent interest shown in Japan for extending aid to the NICs has stemmed from the considerable amount of untapped mineral and oil reserves in Central Asia:

To support these countries' democratic and economic reforms is the official reason for Japan's passionate campaign. But officials do not conceal that Japan is also motivated by self-interest in securing rich mineral resources that these countries possess (JEA:1994,46).

Japanese corporations have been quick to seek advantage of new investment opportunities in the Russian Federation and other reforming countries. In July 1994 alone, the *Japan Times* reported the announcement of two separate ventures by Japanese corporations regarding oil

exploration and refining in the former Soviet Union (*JTWIE*: July 4-10 1994,12; July 25-31 1994,12). In the same month, the Export-Import Bank of Japan announced it would provide an export credit of \$200 million for a project to build a digital microwave system in the Russian Federation to encourage Japanese investment (*JTWIE*: 15-21 Aug. 1994,12).

THE GULF CRISIS

Other than the easing of East-West tensions, the Gulf War was another pivotal international event that challenged Japan's typically reactive foreign policy. The Gulf War, which began with Iraq's invasion of Kuwait in August 1990, posed unique problems for Japan due to its 'peace constitution' which prohibited Japan's Self Defence Forces (SDF) from taking part in peace-keeping efforts. Furthermore, Japan had been the largest bilateral ODA donor to Iraq before the invasion (MoFA:1989) leading to questions being asked in Japan's Diet as to why aid was given to a country that had openly spent so much of its own limited public finances on military build-up. International criticism of Japan's response to the Gulf War was also vociferous and made Japanese politicians and bureaucrats acutely aware of how unprepared their country was for such a regional crisis.

From the outset, the government acknowledged that in relying so heavily on Middle East oil supplies Japan would have to make some contribution to the allied effort in the Gulf War. Initially, however, it was unwilling to underwrite US efforts in the Gulf which appeared too much an explicit tying of aid to military expenditure. Under considerable pressure from other allied countries and the US, the government finally agreed in September 1990 to extend a total of \$2 billion to the front-line countries of Egypt, Turkey and Jordan which had co-operated with the economic sanctions against Iraq. Aid was extended in the form of loans but terms were extremely concessional with interest set at just one per cent and repayment scheduled over thirty years with a ten year grace period (*JEA*:1991,45-46). Under increased US pressure, Prime Minister Kaifu Toshiki announced a further \$9 billion contribution to the Gulf War in 1991 and by the end of the year Japan's total contribution exceeded \$13 billion (MoFA:1992).

Nevertheless, this massive financial contribution was not sufficient to appease foreign critics who described Japan's response to the Gulf War crisis as 'chequebook diplomacy' (Rix:1993,34). In the US, embarrassing questions were asked as to 'why American soldiers should be asked to fight and die to free Kuwait to sell more oil - to Japan' (Barnhart:1995,186). Even in Japan, some questioned whether money could replace blood (Islam:1991,191). The Gulf War thus highlighted Japan's dilemma as an economic superpower but a military juvenile with no constitutional legality for using force to protect its national interests outside its territorial boundaries.

Embarrassed by the dilemma that Japanese politicians and diplomats found themselves in during the Gulf Crisis, Kaifu proposed the 'United Nations Peace Co-operation Law' to the Diet in mid-October 1991. The objective of this bill was to create a 'peace co-operation corps' that would use SDF units for non-military peace-keeping operations. The sensitivity of the Japanese public to military expansion was evident when widespread opposition caused Kaifu's bill to be withdrawn. The necessary legislation to allow Japanese SDF units to serve overseas, the 'International Peace Co-operation Law', was eventually passed in June 1992. Recent governments have acknowledged that if Japan is to be recognised as a world leader and if the nation's security and economic interests are to be protected abroad, they must make an active contribution to UN peace-keeping efforts. Even the leader of the Social Democratic Party of Japan, current socialist Prime Minister Murayama Tomiichi, on July 20 1994 showed support for Japan's peace-keeping efforts (*JTWIE*: 11-17 July 1994,1). This was a dramatic reversal in his party's long and staunchly held-to belief that the SDF are unconstitutional and should be disbanded.

Since the International Peace Co-operation Law was passed in 1992, the Japanese government has sent SDF forces to Cambodia and Mozambique. A battalion of 600 SDF engineers were sent to Cambodia to undertake road and bridge repairs while a 48-member 'movement control team' was sent to Mozambique to co-ordinate technical matters on transportation (MoFA: 26 Sept. 1995a). On August 17 1995, the government also announced that it would send 200 to 300 members of the SDF's medical, sanitary, engineering, supply and transport sections to Zaire to assist Rwandan refugees (MoFA: 26 Sept. 1995a). More recently, the government has been considering a UN request to send peace-keepers to the Golan Heights to assist a Canadian unit monitoring the cease-fire between Israel and Syria.

Despite Japan's recent contribution to international peace-keeping activities, the requirements of Japan's International Peace Co-operation Law are such that troops can only be lightly armed for self defence purposes, cannot be involved in military engagements and can only be sent once a peace-fire is in place (MoFA: 26 Sept. 1995b). Although the government is now able to claim that the Japanese are prepared to share blood alongside their allies to maintain international peace, under these circumstances Japan is no more able to participate in a Gulf War-type crisis than it was before the law was passed. Consequently, ODA remains Japan's primary means of protecting its overseas concerns.

'COMFORT WOMEN'

Japan's inability to satisfactorily respond to the Gulf War was not the only issue in the 1990s that forced embarrassed Japanese politicians to answer with pledges of aid. The issue of the forced prostitution of thousands of Asian women, and some Westerners as well, during World War Two by Japan's imperial army has in recent years caused Japanese governments

particular embarrassment. International attention was drawn to what is now known euphemistically as the 'comfort women' with the release of *50 Years of Silence* in July 1994, a film about a Dutch woman who was subjected to rapes and beatings as a forced prostitute at the hands of the Japanese army. By the middle of June 1993, 27 former 'comfort women' were making claims for compensation in Japan's courtrooms (*JTWIE*: June 7-13 1993,3).

The Japanese government has avoided individual compensation arguing that there are no official documents to substantiate individual claims of abuse. Instead, it has relied on Japan's ODA activities and frequent apologies to its Asian neighbours for Japan's wartime atrocities. In March 1993, Prime Minister Miyazawa Kiichi offered Japan's 'sincere apology and remorse' to Philippine President Fidel Ramos for the forced prostitution of Filipinas during the war (cited in *JTWIE*: March 22-28 1993,3). Similarly, in a visit to China in March 1994 then Prime Minister Hosokawa Morihiro expressed remorse for 'the fact that past Japanese actions, including aggression and colonial rule, caused unbearable suffering and sorrow for so many people' (cited in *JTWIE*: March 28-April 3 1994,5). More recently, in August 1995 the present government announced a package of 'comfort women' atonement measures which centred on a pledge to spend \$1 billion over the next decade on several programmes only some of which directly target Asian women (*KRWE*:1995,R73). In this manner, the government hopes to restore Japan's image as a respectable member of the international community without drawing further attention to an issue that paints the Japanese in an extremely unfavourable light. For the former 'comfort women', however, such a response is only superficial given that, as one top Japanese government spokesperson has agreed,

In some cases, Japan's wartime use of Asian 'comfort women' could be likened to the atrocities committed against women in the former Yugoslavia (cited in JTWIE: June 7-13 1993,3).

JAPAN-US RELATIONS

While Japanese governments have been grappling with new international circumstances as they have unravelled in the 1990s, Japan's on-going relations with the US have remained the centrepiece of its foreign policy. Japan's continued security and economic prosperity requires that Japanese governments maintain harmonious relationships with their US counterparts. In this light, it is understandable that the friction caused by the persistence of Japan's huge bilateral trade surplus with the US is one of the government's foremost foreign policy concerns. Although Japan's surplus with the US had fallen from \$52 billion in 1987 to \$38 billion in 1990, it rose again to \$44 billion in 1992 (*KRWE*:1993,R71).

The government's official defence for this persistent surplus, that Japan is recycling its surplus through ODA to developing countries, has become increasingly less tenable. In 1993, US President Bill Clinton imposed the Super 301 clause that allows sanctions to be placed on

Japan and insisted that the Japanese government set numerical targets for the importation of US goods. In response, the government has undertaken measures to expand domestic demand and improve foreign access to markets. Deregulation in such areas as housing, land, communications, distribution, finance, securities and insurance, as a means of increasing market access for foreign competitors, has been high on the political agenda in the 1990s. Furthermore, under Hosokawa the government promised it would extend finance and other tax incentives to increase domestic consumption of imported products and to implement comprehensive income tax cuts in 1995 in order to boost domestic demand (*Nikkei Weekly*: 30 Aug. 1993,7). Japan's export-led growth strategy on which the nation's economic miracle was founded is thus being tempered by a policy of growth through domestic demand. This highlights both the importance of the US in Japan's foreign relations and the increasing ineffectiveness of Japan's ODA in easing trade tensions.

THE FIVE AID PRINCIPLES

Although international circumstances have changed dramatically since the end of World War Two, Japanese aid philosophy has altered little. The present government continues the legacy of its predecessors by insisting that above all the self-help efforts of recipients are necessary for aid to be effective, that the private sector has a vital role to play in promoting the transfer of finance, expertise and technology, and that ODA should not be viewed as a single entity but as one of many transactions that occur between nations (MoFA: 26 Sept. 1995c). In contrast, developments in aid policy have been far more progressive. The following discussion analyses one aspect of policy change, that is, the incorporation of five principles into Japan's aid rhetoric, asks why these principles have been adopted and to what degree they are realised in aid practice.

Recent developments in Japanese aid policy are best summarised in Japan's ODA Charter which was released in June 1992. Primarily a public relations effort, Japan's ODA Charter provides the most explicit and comprehensive statement of Japan's official aid philosophy and policy. The principles of Japan's ODA Charter are outlined below:

- (1) Environmental conservation and development should be pursued in tandem.*
- (2) Any use of ODA for military purposes or for aggravation of international conflicts should be avoided.*
- (3) Full attention should be paid to trends in recipient countries' military expenditures.*
- (4) Full attention should be paid to efforts for promoting democratisation and introduction of a market-oriented economy, and the situation regarding the security of basic human rights and freedoms in the recipient country (MoFA:1993a,221).*

The protection of basic human rights has been tacked on to the last principle but is a separate principle in itself making the total five principles that the government states it bases the extension of ODA upon.

Environmental conservation is one of several popular development themes which are analysed in Chapter Six and thus the first principle need not be discussed further here. Japan's fifth ODA principle, that the situation of human rights will be considered in developing countries before aid will be extended, has been adopted more because of external ideologies than because of a change in thinking within Japan. Japan's foreign policy has traditionally been characterised by pragmatism in promoting Japan's national interests rather than by ideological sentiments (Calder:1988) and tying Japanese overseas aid to human rights and democracy issues would appear to be a foreign concept for the Japanese. Japanese policy statements have often stressed that the government avoids interfering in the domestic politics of developing countries (MoFA:1991,1992,1993a). Inada (1991,29) also notes 'there was much debate within the government about the wisdom of linking the development of democratisation to the increase of assistance'. At the Houston Summit in July 1990, however, Western leaders declared to 'renew [their] commitment to strengthen democracy, to promote human rights and to provide assistance for the restructuring and development of economies through market forces' (cited in Inada:1991,28). Japanese governments have been forced to accept these principles to maintain the respectability of their international contribution.

The second and third principles are perhaps the most explicit statement by any country that aid will not be used in any way for military expenditure or to support regimes with large military budgets. In contrast to the fifth principle, the two 'non-military' principles reflect the beliefs of the Japanese people rather than being adopted to impress other Western powers. Popular support for a peace diplomacy is evident in resolutions adopted in 1978, 1980 and 1981 by the Foreign Affairs Committee of the Lower House to prohibit the use of aid for military purposes. More recently, Japan's Lower House passed two resolutions in 1988 that 'the Government should take effective measures to forestall any attempts to divert Japan's aid to military purposes or any purpose which would intensify international conflict' (cited in Bloch:1991,76).

Japan's fourth principle, that free-market reforms and democratisation will be considered in the extension of aid, reflects the increasingly prescriptive nature of Japan's ODA. The free market principle has advantages for Japan as the integration of former socialist states in the world capitalist system may both reduce the need for strategic aid and provide new investment opportunities, supplies of raw materials and markets for Japan's private sector. Like the human rights principle, these principles are also strongly supported by US ideological sentiments and hardly ones that Japanese governments can afford to ignore.

The government has been able to adopt the above five principles because of a reduction in East-West rivalries. The Foreign Ministry argues that the end of the Cold War has signalled 'the arrival of an opportunity to implement aid more efficiently and truly make the best use of it for the people of developing countries' (MoFA:1993a,6). Much disagreement can be expected

between aid rhetoric and aid practice, however, and it is important to consider the degree to which these principles are being implemented and what impact they have on developing countries.

The Japanese government first suspended aid to a developing country when Vietnam invaded Cambodia in 1978. Aid was resumed in November 1992 on the basis that 'the return of Vietnam to the international community and the support of its liberalisation policy would contribute to the prosperity and stability of the Asia and Pacific region' (MoFA:1993a,7). The government recognises the great investment and market potential that Vietnam provides and is keen to resume normal diplomatic relations along with other Western countries. Soon after the resumption of aid, the Foreign Ministry announced that \$370 million in concessional credits would be extended to Vietnam as one step in normalising economic relations (*JEA*:1993,37). New private Japanese investment prospects in Vietnam in the middle of 1994 included an industrial park, production at an oil field expected to produce 25,000-35,000 barrels of oil per day destined for the Japanese market, and a liquefied petroleum gas plant (*JTWIE*: June 20-26, 12; June 27-July 30, 12; Aug. 24-Sep. 4, 12; 1994).

Of the many other countries the government has suspended aid to, China has received the most media attention. Aid to China was suspended on the basis of human rights abuses during the massacre of student protesters at Tianamen Square in June 1989. Only two months later, however, continuing aid projects were resumed and in December new pledges of grant aid were made. Prime Minister Kaifu Toshiki also urged other states at the G-7 summit in August 1990 to relax economic sanctions against China. In November of the same year, yen loans to China were resumed on the official basis that exit visas had been granted to dissident leaders, that marital law had been lifted and that the Chinese government had supported the UN resolution imposing sanctions on Iraq (*JEA*:1991,46). Concerns in Japan regarding China were far less ideological, however, and Japanese policy makers were too aware of the strategic and economic significance of China to allow foreign ideologies to interfere with Japan's national interests.

The Japanese government has also suspended and resumed aid flows to Sudan, El Salvador, Sierra Leone, Myanmar, Zaire, El Salvador, Kenya, Guatemala and Malawi on the basis of human rights abuses (MoFA:1993a,8). In cases where Japan's ODA principles conflict with its national interests, however, the government has shied away from applying its aid principles to practice. One such example was Japan's reluctance to join Canada, Denmark and the Netherlands in the suspension of aid to Indonesia after the Dili massacre of November 12 1991 when East Timorese youths were fired upon by Indonesian soldiers. Japan was not the only country whose national interests were deemed to outweigh ideological principles as the US government also refused to suspend aid. In Japan's case, the Suharto regime did not consider the withdrawal of aid likely as it was well aware of the pragmatic nature of Japan's foreign

policy. Soon after the Dili massacre one reporter noted that 'Indonesians routinely assume that Japan will never let political considerations affect aid flows' (*FEER*: 26 Dec. 1991,10).

In yet another case, Japan's fourth aid principle was broken when Peruvian president Alberto Fujimori unconstitutionally dismissed Congress in April 1992. While the US government immediately suspended its \$230 million aid programme and insisted on the restoration of democracy, the Japanese government took no action. Due to his Japanese ancestry and the large number of Japanese immigrants in Peru, President Fujimori has always been popular with Japanese governments which at the end of 1991 pledged \$400 million in ODA to Peru (*FEER*: 7 May 1992, 28).

These examples show that Japan's aid policy remains extremely pragmatic and ideological considerations will only be allowed to influence aid practice when they do not interfere with Japan's national interests.

THE DEBT CRISIS

Since 1985, demands on Japan from developing countries have also increased and required appropriate responses. The response of Japanese governments to the debt crisis, in particular, needs to be recognised both because of the scale of this response and because of the continuing severity of the debt crisis for many of Japan's aid recipients.

By the second half of the 1980s, the Japanese people had rebuilt their country from the ruins of war four decades earlier into the world's largest creditor nation, the world's largest net exporter and the world's largest exporter of capital.³ Conversely, during the early 1980s, many developing countries were experiencing financial difficulties associated with a worldwide recession. Interest rates climbed by up to 20 per cent and world prices for primary products decreased by more than a fifth (Todaro:1989,417-8). Consequently, the leaders of many developing countries called for debt reduction and debt refinancing, which placed world wide attention on the question of how Japan's surplus was to be used.

In response, the government has adopted a number of strategies that have ranged from broad-scale macro-economic measures designed to recycle Japan's surplus to developing countries, to the articulation of debt-relief as aid policy and to regionally-specific debt-relief initiatives. These are examined below.

³ In 1989, Japan was the world's largest exporter with a current account surplus of \$57 billion. By the end of that year, Japan was the world's largest creditor nation and net exporter of capital with external net assets of \$1771 billion and a deficit of \$87.9 billion in the long-term capital account balance of payments (Sakurai:1994,143).

THE JAPANESE RESPONSE

Recycling the surplus

In 1986, the government presented its first programme to recycle Japan's current account surplus to developing countries. This programme drew together private flows, ODA and other official financial flows into one recycling package. Orientated towards multilateral development agencies, Japan's inaugural recycling plan worth \$10 billion included \$2 billion to the Japan Fund of the World Bank, \$3 billion to the IMF's soft loan programme to developing countries and \$3.9 billion to the International Development Association (Ozawa:1989,23). At the Venice Economic Summit in 1987, another \$20 billion was pledged and an additional \$35 billion was added two years later. The three separate plans were incorporated into one comprehensive \$65 billion recycling programme of which the largest components were \$29 billion in contributions and subscriptions to multilateral financial institutions, \$23.5 billion in Export-Import Bank loans, and \$12.5 billion of more concessional loans by the OECF (Yanagihara and Emig:1991,65,66).

The above figures reveal that ODA was a relatively minor component of the recycling scheme. Nevertheless, several initiatives undertaken in the second half of the 1980s indicate that the government believed ODA had an important role to play as a form of debt relief.

Non-project grant aid programmes

The most outstanding of these initiatives are the three Japanese non-project grant aid programmes. The first of these targeted Africa and involved the extension of \$500 million in grant aid to 26 Sub-Saharan countries between FY1987-FY1989 (MoFA:1991,78). The aim of this assistance was to provide budgetary support for recipient governments by freeing up public finances through the procurement of urgently needed imports. For several reasons, this programme was considered a tremendous step forward for the Japanese in extending ODA more attuned to the needs of recipients. Firstly, as the aid was extended in the form of grants it would not increase the debt burden of the least developed countries in Africa.⁴ For the Japanese, this made the financial cost of the programme much higher than similar large-scale Japanese aid pledges which normally are in the form of concessional loans. The programme was also completely untied which allowed the implementing agencies to procure equipment from the cheapest sources available. Again, this increased the real cost of the programme for Japan. In addition, the Japanese government had little aid experience in Africa and decided to use outside agencies to implement the aid programme. The British Crown Agents and the United Nations Development Program were given equal responsibilities as implementing agencies. The practice of using the implementing agencies of other nations was previously

⁴ This was a crucial issue by the mid-1980s due to an extended drought that had begun in some areas as early as 1981 which left over one third of the African population (150 million people) starving or suffering from malnutrition.

unheard of making the programme quite unique. The use of non-Japanese agencies eliminated the possibility of informal tying that the government has often been accused of.⁵

After the successful implementation of the first non-project grant aid programme, a second worth \$600 million was introduced for FY1990-FY1992 and extended to include Mongolia, Peru and other countries in Asia and Central and South America (MoFA:1991,79). At the 1992 Munich Summit, the third of Japan's non-project grant aid programmes was announced covering the period FY1993-FY1995 and worth between \$650 million and \$700 million (MoFA:1993a,117).

IMPLICATIONS FOR DEVELOPING COUNTRIES

The recycling scheme and innovative aid activities, such as the three non-project grant aid programmes, indicate that the government believes it can play an important role in addressing the debt crisis. In particular, the financial cost of the three non-project grant aid programmes to Japan has been much higher than its conventional forms of aid. Conversely, they appear better suited to the development needs of recipients that are mainly heavily indebted countries to whom loan-type aid would only increase repayment obligations and hinder long-term economic growth. For these reasons, Japan's non-project grant aid programmes have been well received internationally. Regarding the first non-project grant aid programme, the Economic Declaration at the Venice summit meeting in June 1987 concluded:

In light of the different contributions of our countries to official development assistance, we welcome the recent initiative of the Japanese Government in bringing forward a new scheme which will increase the provision of resources from Japan to developing countries (cited in MoFA:1987,49).

To fully understand the implications of the recycling scheme, it must be recognised that the government's recycling plan has supplemented the globalisation of Japanese finance, a process that was already well underway by the latter half of the 1980s. In Japan, the rising yen has increased local production costs and the private sector has found itself weighed under by excess industrial capacity. Japanese firms have sought to establish manufacturing plants in low wage cost developing countries and banks have followed on their heels in a process described as 'follow-the-customer' (Ozawa:1989,53). This has encouraged a 'flying geese' pattern of regional development in which comparative advantage has been transferred from Japan to the newly industrialised Asian economies, such as South Korea and Taiwan, then to ASEAN countries and China as production costs in Japan have risen (Shimomura:1994,4). In this manner, Japan's large current account surplus is being recycled abroad in the form of

⁵ See Ensign (1992) for a detailed discussion of aid tying by the Japanese government.

foreign direct investment which offers the potential for transferring technology, expertise and organisation in addition to finance.⁶

While the recycling of Japan's current account surpluses to developing countries has potential benefits, the tying of aid to economic policy may be detrimental to welfare of recipients and to their nations long-term growth potential. Aid as debt relief is only extended to developing countries which are undertaking structural adjustment measures under the supervision of the World Bank and the IMF. Structural adjustment is now commonly used to describe the adoption of macro-economics policies that reduce government involvement in the market place. Structural adjustment usually includes: reductions in public spending in order to reduce budgetary deficits; the emplacement of controls over money supply and credit creation; the shifting of resources from non-financially productive uses to money making ones; trade liberalisation; and the mobilisation of domestic resources through fiscal policies (Alexander:1993,173).

Two important issues emerge regarding the government's support of structural adjustment policies in developing countries. Firstly, the government itself avoids those policies it promotes under structural adjustment and secondly, structural adjustment has been shown to have detrimental effects on the well-being of impoverished people.

In Chapter Two it was noted that Japan's aid philosophy is based on Japan's own development experience. It is thus interesting to note that Japanese governments never pursued the kind of policies that it expects the governments of developing countries to follow under structural adjustment. Japan's development experience is one of active government involvement in private sector development and MITI has been particularly influential in its assistance of strategic industries.⁷ In contrast, World Bank/IMF-type structural adjustment precludes government involvement in the market place. It thus appears somewhat contradictory that the Japanese government so actively promotes this form of structural adjustment. Moreover, with the popular backlash against structural adjustment in developing countries, the government's support of IMF/World Bank-type structural adjustment policies appears even more controversial.⁸

⁶ In 1986 alone, Japanese overseas investment in manufacturing industries increased by 61.8 per cent (Ozawa: 1989,25).

⁷ In the automobile industry, for example, a range of measures that contravene free market principles were called upon: import barriers in the form of a 40 per cent tariff were imposed on all imported vehicles soon after the war; other hidden import barriers, such as the separate inspection of all imported vehicles which created long delays, instead of the accepted practice of inspecting only samples, were also employed; and MITI attempted to reorganise the ten largest car manufacturers in order to take advantage of economies of scale (Horsley and Buckley:1990,157-159).

⁸ The impact of structural adjustment on development will be pursued in greater detail regarding Japanese aid to Bangladesh. At this point, however, it is worthwhile noting a recent example of structural adjustment which has incurred considerable criticism from developing country leaders and aid practitioners. Much controversy has arisen over the enforcement of wholesale free market economics on African countries by the World Bank. Until recently, over 40 sub-Saharan countries subsidised the importation of fertilisers which are essential to the sustainable exploitation of Africa's ancient soils. The insistence of the World Bank that governments abolish subsidies in line with its free market ideals has led to a plummeting in the use of fertilisers. Consequently, food production has dropped markedly and there has been a return to

Given the above arguments, the question of why the government supports structural adjustment in developing countries under World Bank and IMF guidance deserves more attention than that given by most commentators. There are obvious self-serving reasons as to why structural adjustment in developing countries is encouraged by creditor nations such as Japan. As creditors of overseas finance, Japan's private banks and the government seek to gain by reductions in government expenditure in developing countries that improves public finances and enhances the ability of governments to meet their overseas loan obligations. Also, trade liberalisation is a central feature of World Bank/IMF-type structural adjustment and opens up the domestic markets of developing countries to foreign exports and is thus attractive to heavily export-dependent economies such as Japan. The emphasis placed on economic discipline and on self-help efforts by structural adjustment appeals to the Japanese work ethic and is probably another strong factor that engenders government support for structural adjustment. According to the MoFA (1987,33), aid of this sort can be used 'as a carrot and a stick' to induce economic discipline in developing countries.

Finally, it is important that the government's overall response to the debt crisis is viewed as part of Japan's total relations with developing countries. Contributions to development made in the form of ODA must be balanced against other relations with Japan that may add to or alleviate developing country debt. Unfavourable balances of trade and even Japanese ODA itself is responsible for demanding debt repayment obligations in some developing countries. Governments whose overseas debt portfolios include a large proportion of yen denominated debt have had to direct more and more of their public spending towards overseas debt servicing since the Plaza Accord. The significance of this can be understood with appreciation of the yen between September 1985 and April 1987 exceeding 70 per cent (Ozawa:1989,25).⁹ Indonesia is one country where concern has risen over outstanding yen-denominated debts. Sixty per cent of yen loan assistance is now used solely for debt servicing to Japan (Ensign:1992,20) highlighting the importance of observing the net bilateral flow of finance and resources when evaluating Japan's contribution to development in any particular country or region.

REGIONAL AND GLOBAL LEADERSHIP ASPIRATIONS

In the 1990s, Japan's foreign policy remains characteristically reactive, altering to best promote Japan's national economic and security interests as international circumstances evolve. In recent years, however, governments have shown a greater willingness to pursue a leadership

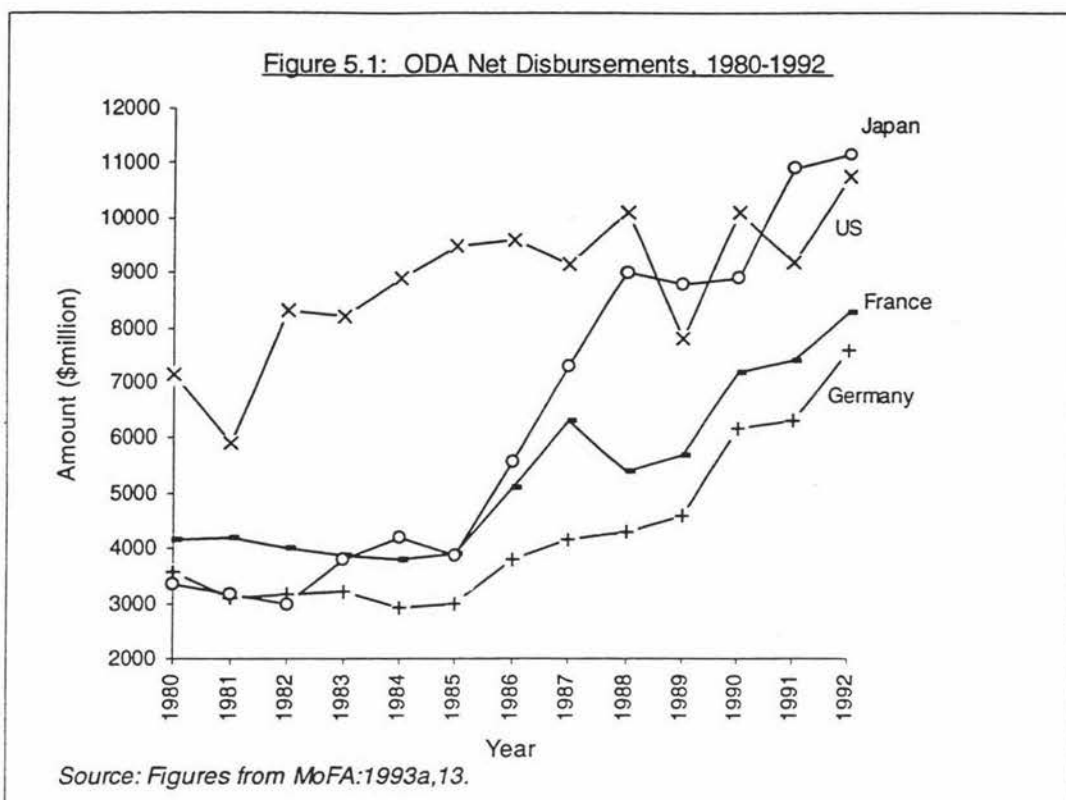
slash and burn agricultural practices, both of which are seen to be detrimental to long term growth. Former World Bank governor, Robert McNamara, vehemently insists that the decline in food production is too grim for even cautious optimism (*International Herald Tribune*: Aug. 19 1993,4).

⁹ See fig. 4.2, Chapter Four.

role in regional and global affairs which has particular implications for Japan's ODA programme. Of late, there has been increased involvement of Japanese in prominent positions in international organisations. Ogata Sada heads the UN High Commission for Refugees, Akashi Yasushi leads the UN Transitional Authority in Cambodia and Nakajima Hiroshi heads the World Health Organisation. Japanese leadership aspirations can also be seen in the manner in which the Japanese government has taken the initiative in establishing international frameworks for reforming countries such as Mongolia. By 1993, three meetings of bilateral and multilateral aid donors had been held in Tokyo as an international response to reform efforts in Mongolia (MoFA:1993a,34). Above all else, however, a desire to be awarded a permanent seat on the United Nation's Security Council is the foremost expression of Japanese leadership desires.

Japan's Foreign Minister Kono Yohei formally declared the government's intention to seek a permanent seat on the UN Security Council to the UN General Assembly on September 27 1994. By the middle of 1995, it appeared Japan would eventually be included in an expanded Security Council alongside Germany and several developing countries still to be decided on (*Nikkei Weekly*: 3 Oct. 1994,4). The fear in Japan that the government's international contribution, which relies almost entirely on its ODA programme, is not sufficient to warrant permanent membership has been somewhat allayed. Both Samuel Insanally, former Chairman of the UN General Assembly, and UN Secretary General Boutros Boutros-Ghali insisted that Japan need not increase its peace-keeping contribution to be included as a permanent member (*JTWIE*: July 25-31 1994,12). It is highly probable that the continued increase in the volume of Japanese ODA is partly designed to impress other UN members that Japan is worthy of a permanent position on the Security Council. To gain acceptance as a permanent member on the Security Council may be the last hurdle for Japan to win international recognition as a world economic and political leader alongside other nations, particularly the US, that the Japanese have felt inferior to for so long.

As an aid donor, it appears that Japan is also seeking to become a leader. ODA doubling targets were the centrepiece of Japan's third and fourth medium term aid plans. By Japan's fifth medium term target covering the period 1993-1997, domestic financial restraints had brought ODA doubling targets to an end. Nevertheless, despite economic stagnation, Japan's most recent ODA target has set the massive goal of \$70-\$75 billion worth of ODA to be disbursed over five years, 50 per cent larger than the previous medium term plan. The government's continued efforts to expand aggregate aid flows, combined with economic recession and aid fatigue in the US, saw Japan overtake the latter to become the world's largest aid donor in 1989. Figure 5.1 follows this remarkable rise.



What appears particularly striking is that this rise has continued in recent years despite economic recession in Japan causing a fall in the national tax revenue for three years running (*The Japan Economic Review*: 15 Dec. 1994,5). Other demands on government finances have also been intense. In 1993, for example, the government announced two fiscal packages worth a total of 19,350,000 million yen designed to stimulate the sluggish economy (*KRWE*:1994,R73). Consequently, in the near future fiscal constraints may temper this dramatic increase in aggregate aid flows but at present Japan's national interests remain a strong propelling force behind Japan's aid efforts.

SUMMARY

Chapter Five has shown that in the contemporary period ODA has retained its importance as Japan's preeminent foreign policy tool. Foreign aid continues to be used to promote Japan's national interests whether they be defined in economic or strategic concerns, or as leadership desires. ODA remains at the core of Japan's foreign diplomacy despite the nation's recent contribution to UN peace-keeping operations. The Japanese public are extremely wary of any military expansion effectively restricting their country's international contribution to ODA. Despite economic and political turmoil within Japan over the last five years, successive governments have reaffirmed pledges to expand Japan's ODA contribution reflecting the immense importance still attached to ODA as a foreign policy tool.

Economic motives continue to be a driving force behind Japan's ODA activities. In the 1990s, Japan's national economic interests are increasingly tied up with the five newly formed Central Asian States, the former Eastern Bloc nations, former socialist countries in Asia as well as the Russian Federation, with their huge promises of mineral and oil supplies and their growing domestic markets. Japan's aid has rapidly increased to these countries in recent years. As a means of placating Japan's trade partners, however, ODA has lost much of its punch. The Clinton administration has become particularly insistent that the Japanese government remove regulations that restrict foreign access to Japan's lucrative domestic market.

The security component of Japanese aid is also readily apparent. Despite the end of the Cold War, regional hostilities remain prevalent and as an affluent member of the Western security alliance Japan is expected to make financial contributions when these arise. Japan's \$13 billion contribution to allied powers in the Gulf War remains a pertinent example of how ODA continues to promote Japan's security interests. In the case of reforming countries, particularly Vietnam, ODA is expected to reduce tensions by encouraging governments to continue with political and economic reform.

The continued increase of aid also reflects a growing desire for a leadership role in world affairs that has emerged as the Japanese have begun to enjoy more affluent lifestyles. It was of enormous significance for Japan's aid administration when Japan overtook the US to become the world's largest aid donor in 1989, a fact which has been proudly included in all major recent aid policy releases. At a regional level, the Japanese government has been at the forefront of efforts to promote aid and security dialogues and Tokyo has become both a regional and an international conference centre. The government's formal claim to a seat on the UN Security Council is another expression of growing leadership aspirations. For the Japanese, a position on the Security Council would be recognition of Japan as a world economic and political leader.

The adoption of five aid principles into Japan's ODA Charter also reflects the dominance of national interest in aid policy making. The human rights and economic and democratic reform principles are included in Japan's aid rhetoric as an attempt to make Japan's ODA programme internationally acceptable and do not reflect ideological development within Japan. In contrast, however, the two non-military principles have strong popular support in Japan and are rare examples of where ideology has entered Japan's foreign policy.

The significance of national interest in decision making regarding aid flows can also be seen in the government's response to the debt crisis. At first sight, Japan's \$65 billion recycling scheme appears exceedingly generous. Under closer scrutiny, however, most of this assistance is not concessional enough to be classified as ODA and the risk that such aid may only serve to increase the repayment obligations of recipients is great. Furthermore, much of Japan's surplus funds recycled as ODA are tied to economic structural adjustment measures that serve

Japan's exporters well but which may be detrimental to recipients. While the recycling plan is being driven by a desire to appease foreign critics and to improve the reputation of Japan's aid programme, however, it does have potential advantages for recipients. The three non-project grant aid programmes that it encompasses are extremely costly to the Japanese and would appear to better meet the needs of recipients than Japan's traditional forms of aid.

Chapter Five has found that in the 1990s more than ever Japan's ODA is intricately tied up with the nation's well-being. Furthermore, this discussion has shown that the shape of Japan's ODA cannot be considered in isolation from Japan's domestic economic and political circumstances, its national and economic security interests, and the international leadership aspirations of the Japanese themselves. Chapter Six will complete this study of Japan's contemporary ODA programme with an investigation into the government's response to the emergence of popular development themes and a discussion of the innovation that has emerged from within Japan's aid administration.

CHAPTER SIX

JAPAN'S CONTEMPORARY ODA: INNOVATION IN AID **POLICY AND PRACTICE**

INTRODUCTION

Since the mid-1980s, innovation in aid policy and practice has been a feature of Japan's ODA activities. Aid reform in Japan's aid programme reflects a number of factors including pressure from other donors and aid recipients, new themes which have emerged in the international aid debate and ideological development within Japan. Some of this reform has been introduced in earlier chapters. What may be termed the traditional indicators of aid quality (that is, grant share, grant element and aid untying) have been documented as Japan's aid programme has evolved and need not be discussed further. Similarly, the rapid increase in total aid flows has been noted in earlier chapters. Other innovations may be classified as those that have been embraced from abroad and those that have originated from within Japan's aid administration and implementation bodies. The former will be discussed under a section on popular development themes, namely women in development, the environment and aid evaluation, while the latter is discussed as reform from within.

In the previous chapters little opportunity existed to analyse the effectiveness and appropriateness of Japanese aid. Official reports have largely focused on the real economic cost of aid to Japan rather than on the impact of Japanese aid in developing countries. Similarly, foreign critics often appear more concerned with burdening Japan, that is, reducing its economic competitiveness, than in insisting that Japanese aid should better reflect recipient needs. This chapter attempts to shed some light on the implications of Japanese aid reform for developing countries by asking whether new forms of aid are likely to better promote development and, in particular, to assist those in greatest need.

To bring together the far ranging investigation of the evolution of Japan's aid programme which has been attempted in the first part of this thesis, the major motives Japanese governments have had for extending aid are summarised in the final part of this chapter. Using this summary, a bridging section is provided to show how these aid motives translate when applied to Bangladesh, the country which will be the subject of the next two chapters.

THE ADOPTION OF POPULAR DEVELOPMENT THEMES

Structural adjustment, introduced in Chapter Five, is one of several popular development themes which emerged during the 1970s and 1980s and that are articulated by the Japanese government as part of its aid policy. Other notable themes include the environment, women in development and aid evaluation. The following section investigates why these themes were incorporated into aid policy, how they are realised in aid practice and what their implications are for aid recipients.¹

AID AND THE ENVIRONMENT

Although environmental degradation associated with rapid industrialisation was widespread in the post-war period, it was not until the United Nations Conference on the Human Environment in Stockholm in 1972 that this issue was placed on the agenda of international politics. Since then, concern for the environment has become increasingly institutionalised with ministries for the environment being established by some governments and through the establishment of the United Nations Environmental Programme (UNEP) in 1972. Environmental issues received their greatest boost into international politics with the publication of the report of the World Commission on Environment and Development (WCED), *Our Common Future*, in 1987. Commonly referred to as the Brundtland report, named after WCED Chairperson Gro Harlem Brundtland, the report outlined the precarious state of the global environment in the 1980s including the alarming trends of desertification, deforestation, the loss of species and biological diversity. The significance of the Brundtland report was not that it proposed any new ideas or concepts, however, but that it brought to the attention of international leaders the need for a more sustainable development, that is, 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED:1987,43).

In the 1990s, the environment has remained high on the political agenda with the growing realisation that local degradation can have global implications, the most notable examples being global warming and ozone depletion. The United Nations Conference on the Environment and Development at Rio de Janeiro in June 1992, the Earth Summit, attended by many world leaders, was evidence of the significance that environmental issues have gained in world politics. At the same time as environmental issues have been popularised in Western countries, international pressure has also been placed on the Japanese government to improve its environmental record abroad.

¹ Each of these issues is highly complex and a comprehensive analysis is beyond the bounds of this thesis. A number of useful conclusions, however, can be drawn from a summary of why and how the Japanese government has responded to these issues.

The Japanese Response

Until the early 1980s, the government gave little consideration to the environmental impact of its aid activities. In the 1984 MoFA annual report on ODA only half a page was set aside for environmental aid compared with 23 pages in the 1993 report. In the latter half of the decade, however, environmental conservation was established as a top priority for Japanese aid. The Japanese felt that amongst industrialised nations they, in particular, had much to offer:

Japan, which suffered from serious pollution problems during the 1960s and 1970s . . . managed to overcome these problems. Taking full advantage of these experiences, Japan is expected to make significant contributions towards coping with environmental problems in developing countries (MoFA:1988,63).

From the late-1980s onwards, Japanese aid agencies have aggressively embraced the concept of environmental conservation. Both implementing arms of Japan's ODA programme, the OECF and JICA, have dedicated entire publications to the importance of preserving the environment.² Furthermore, the OECF and JICA have undertaken internal restructuring and assigned staff explicitly to addressing the issue of environmental consideration in aid implementation.³ The OECF and JICA have also established guidelines for environmental consideration during project implementation.

In addition, both bilateral and multilateral channels have been employed to extend what the government classifies as environmental aid. Several examples of bilateral aid used to prevent environmental degradation and to enhance the environment could be found by the late 1980s: ODA loans were extended to Korea for a sewage treatment plant and an urban solid wastes treatment facility; grants were extended to Peru for improvements in the Chosica city water supply and sewer system; development surveys were undertaken in Ankara, Turkey and Shanghai, China to formulate comprehensive anti-pollution plans; and in relation to technical co-operation, experts were sent overseas to advise on environmental protection and trainees were accepted in Japan from developing countries to study such areas as environmental administration and technology (MoFA:1988,64). By 1989, the government reported that 24.2 per cent of its bilateral grant aid was directed to environmental programmes (MoFA:1991).

In a similar manner to debt relief, the Japanese government has been eager to employ multilateral channels to promote environmental conservation. Japan is the second largest contributor to the UNEP which leads the United Nation's efforts to address environmental degradation. Japan's contribution in FY1992 amounted to \$8 million (MoFA:1993a,188). The

² The OECF has published a booklet entitled *OECF to Kankyo* (The OECF and the Environment) and JICA has published a similar booklet, *JICA and the Environment*.

³ The Aid Study Group on the Environment was established as part of JICA's Institute for International Co-operation.

government has also supported forest conservation through United Nations agencies and contributed to Food and Agriculture Organisation (FAO) projects that have targeted tropical forest protection, such as \$1.3 million for a Forest Resources Investigation Project (1983-1987) and \$800,000 for the Reforestation Project in Tanzania (1986-1987) (MoFA:1988,63). Japan is also the largest contributor to the International Tropical Timber Organisation (ITTO) whose objectives are the conservation and sustainable use of tropical forests. In FY1992, Japan's contribution was about \$11.36 million (MoFA:1993a,188).

The above examples are only a few of many that can be cited by the Japanese government as evidence of its commitment to environmental conservation.⁴ Indeed, in the 1990s environmental conservation remains a top priority of Japanese aid. At the Earth Summit, the government announced its latest goal to expand environmental aid to a total of about \$7 billion between FY1992 and FY1997 (MoFA:1993b,5).

Assessment

Although the government continues to energetically present Japan as a nation with a high degree of environmental awareness and concern, the impact of Japanese aid and trade on the environment in developing countries has not yet been comprehensively addressed. Rix (1993,127-128) finds that:

. . . much work has yet to be done to ensure that environmental impact becomes a major consideration in considering aid requests across the whole Japanese programme, and in ensuring that Japan's environmental aid actually has an impact on alleviating global environmental problems.

Ensign (1992,89-92) is yet more critical in her analysis arguing that environmental degradation associated with Japanese aid, especially aid targeting infrastructure development, is not uncommon. The following is one of several examples Ensign cites to support this claim:

In 1982, JICA provided \$1.5 million in funds for road construction in a forest area of Sarawak, Malaysia. The road, built through a tropical rain forest, uprooted several indigenous tribes. The tribal inhabitants, concerned that the road and subsequent logging operations that resulted from the road were destroying their tropical rainforest, fields and burial grounds, staged a number of protests from 1987 to 1989. The road, however, was completed and the indigenous people relocated (Ensign:1992,90).

The Sarawak example is typical of the type of economic co-operation the government promotes with developing countries. Through this co-operation ODA is used to build infrastructure which attracts foreign investors. Thereafter, Japanese corporations develop

⁴ See MoFA (1993) 173-191 for a comprehensive description of Japan's environmental aid.

trading and industrial links with enterprises and important ministries in these countries to exploit available resources. In the Sarawak case, a Japanese-Malaysian joint-venture company, Limbang Trading Limited, was established to log the tropical rain forest. The production of this enterprise is then exported abroad to Japan or other industrialised countries. Japan imports half the world's tropical timber and over half of this comes from Sarawak (Ensign:1992,90).

From the above example, it appears that the environmental impact of Japan's traditional infrastructure-orientated aid projects receive less attention than the government claims. Those guidelines for environmental impact assessment that have been established are only recommendations and are not enforceable. Environmental aid thus seems to be treated more as a separate sector for aid provision rather than being incorporated into all other sectors (Rix:1993,124-128). Furthermore, what is defined by the Japanese government as environmental aid may often be no more than a reclassification of projects from other sectors. Ensign (1992,191) cites one Japanese official who states that it is easy to reclassify ODA projects by sector. According to this official, many infrastructure projects were reclassified as basic needs projects when these became popular from the late 1970s onwards and reclassification is likely to happen to the same projects now that the environment has become a focus of ODA.

Another important consideration when evaluating Japan's environmental record is the relocation of pollution-prone industries by Japanese corporations in developing countries with less severe environmental regulations. These have included the construction of caustic soda and asbestos factories, which use mercury as a catalyst, in Indonesia and Thailand (Vishwanathan:1993,4). Japan's smelting industries have also been forced off-shore by the environmental concerns of local residents and their relocation has partly been funded by ODA (Kubota:1985,142). Fortunately, these industries have not led to Minamata type diseases but the Bhopal disaster in India in 1984 highlights the potential danger such industries pose to local residents.

One final point that should be made which other analysts have overlooked is that environmental aid may be attractive to Japanese aid bureaucrats as it, in a sense, can be used to remove much of the human element from ODA. Due to a lack of staff and a lack of regional specialists in Japan's aid programme, it appears that aid which minimises interaction with indigenous populations is preferred by Japanese aid bureaucrats. After 1984, the drop in the percentage allocation of Japanese ODA for basic human needs-type assistance, which involves a large amount of donor-recipient interaction, supports this argument.⁵ Although

⁵ Nearly 15 per cent of Japanese ODA was allocated to basic human needs-type assistance in 1984 but this had dropped to 9 per cent by 1988 (Ensign:1992,177).

environmental degradation is a result of human activity, the Japanese government is able to isolate its environmental aid activities from a large degree of interaction with indigenous populations. In a similar manner to other project-type aid, reforestation projects and sewage treatment plants can be established and presented as examples of environmental aid without relying on local industries.

Despite these reservations, the government's support for United Nations agencies appears as a positive contribution to improving environmental conditions in developing countries. Furthermore, the setting of guidelines to preserve the environment in project implementation and the allocation of staff to manage environmental concerns are advances in Japanese aid compared to that of the mid-1980s which gave little consideration to the environmental impact of aid projects. Various deficiencies in the government's treatment of environmental issues in Japan's ODA programme need to be overcome, however, if the government is to fulfil its pledge to use ODA to 'conserve the environment harmoniously, while achieving rapid economic growth' (MoFA:1991,36) in developing countries.

WOMEN IN DEVELOPMENT

Broadly speaking, Women in Development (WID)⁶ is a concept used to direct attention towards the advancement of the economic status of women in developing countries. There is a wide divergence in views, however, as to the meaning and objectives of WID and these will be discussed in regard to Japan's response.

Prior to the 1970s, little attention was paid by development theorists to the role of gender relations in development. Events in both developing countries and in the West, however, encouraged some development theorists and practitioners to consider the multiple roles of women in their societies more carefully. By the 1970s, rapid population growth was seen as a major obstacle to development in many countries and women were targeted in population control schemes (Momsen and Townsend:1987,72). The basic human needs approach to development, which was popular in the early 1970s, also drew attention to the role of women in family life in developing countries. In the West, the growth of the women's movement saw the questioning of gender equality in such areas as employment and access to education. Women's Studies departments were established in many Western universities and enabled the funding for research into women's issues in developing countries.

With a rising awareness to the potential of women to contribute to development, United Nations agencies began to incorporate a WID perspective into their development activities. In

⁶ Many donor governments adopt a wide variety of policy approaches in their aid programmes under WID terminology. Therefore, although the term 'WID' can be regarded as a particular policy approach (which contrasts with the terms 'Women and Development' (WAD) and 'Gender and Development' (GAD)), in this argument it is used as a more general term.

1976, the United Nations Decade for Women was announced. In 1983, DAC published its *Guiding Principles on Women in Development*, which it revised in 1989, and called on donor countries to incorporate WID into their aid programmes. In 1984, the WID Expert Group was established within DAC. WID had thus become a development issue that donor nations wishing DAC approval for their aid efforts could little afford to ignore.

The Japanese Response

In the 1990s, the Japanese government includes WID as a separate part of its aid policy dialogue and argues that it has made 'full-scale efforts to promote the WID concept' (MoFA:1993a,191). Organisational changes, the formulation of WID guidelines and the promotion of WID-specific projects that target women's welfare are presented as evidence of these efforts. Both of Japan's aid implementing arms have promoted WID as part of their aid efforts. The OECF has established guidelines for WID considerations which it claims are now applied to its aid activities (MoFA:1991,151). JICA has appointed a WID co-ordinator and set up a WID specialist training programme. In FY1991, Japan undertook what were classified as 21 WID-related projects and held ten WID-related courses. Most of these projects targeted health and population issues, namely mother-and-child health schemes and nurse training (MoFA:1992,160).

In addition, the government points to Japan Overseas Co-operation Volunteer's activities as evidence of its contribution to WID. Over 1000 women volunteers were despatched to developing countries between FY1988-FY1991, the majority of whom assisted in health-related and education-related sectors (MoFA:1992). The government states that many male volunteers also contribute to aid projects that aim to enhance the welfare of women. The 1992 MoFA *Annual ODA Report* provides the example of a male volunteer who taught landless rural Bangladeshi women handicraft skills and how to sell these goods.

Furthermore, the government can cite contributions to international organisations as evidence of its efforts to promote WID. In FY1991 and FY1992, Japan contributed \$538,000 and \$600,000 respectively to the United Nations Development Fund for Women (UNIFEM) which provides assistance to support the efforts of women to gain greater independence in developing countries (MoFA:1992,163:1993a,193). In FY1992, Japan also contributed \$80,000 to the United Nations International Research and Training Institute for the Advancement of Women (INSTRAW) (MoFA:1993a,193).

Assessment

The nature of the government's approach to WID, and the question of why it has even attempted to incorporate a WID perspective in its aid activities, need to be addressed to understand the implications of the government's WID policy for women in developing

countries. Examples cited by the government of aid activities promoting WID are largely in the areas of health, medicine and population control. The remainder target such areas as rural development and what the government vaguely describes as social development (MoFA:1992,160). The government's WID activities thus focus on what have been classified by Molyneux (1985,232-3) as the 'practical interests' of women, that is, those that fulfil their immediate living requirements. A second type of gender interest is identified by Molyneux (1985,232-3) as 'strategic interests' which challenge the existing power relations that, over time, maintain the subordination of women to men. Strategic interests include such issues as political representation, protection against male violence and equal access to employment (Molyneux:1985,233).

Since the mid-1980s, many grass-roots aid organisations and developing country feminists have begun calling for the empowerment of women (Sen and Grown:1987). They have become dissatisfied with the traditional focus of WID on practical interests, particularly the strong focus on women's maternal roles, and stress that strategic interests are of greater importance to the long-term development of women and their countries in general:

It is not a matter of a few initiatives to 'improve the position of women' while leaving power, authority and status firmly in the control of men. It is a matter, as with all oppressed groups, of empowering them to take control of their own lives, economically and culturally (Barnett:1988,164).

Despite the emergence from within developing countries of a movement that challenges those power structures which constrain the activities of women, programmes that promote the strategic interests of women are absent from Japan's WID activities. This is not surprising as few donors are willing to become embroiled in sensitive debates regarding what some might describe as 'tradition' in developing countries. In Japan's case, however, the ethic of self-help which is at the core of aid philosophy may further impede any possibility of using ODA to challenge the social structures that subordinate women to men. In societies where decision making is dominated by men, women may not always be aware of their strategic interests. In such cases, Japan's request-based approach to development leaves little room for assisting socially disadvantaged women who are unable to challenge their oppression and to ask for outside assistance. Furthermore, the governments of some developing countries attempt to play down the activities of indigenous women's movements. In Indonesia, for example, Papanek (1983,68) claims that a national consensus exists to keep women's concerns out of the political sphere. In such cases where the political voice of women has been effectively muffled, many women are unable to request assistance and therefore fail to fulfil the self-help requirements of Japanese ODA.

The focus of Japan's WID-related aid activities on fulfilling only the short term living requirements of women, combined with the government's self-help ethic to aid-giving, thus

offer little to women seeking greater control over the politics that maintain their subordination. When gender relations in Japan are considered this is not surprising. Given the cultural context that the government's support of WID is framed within, it may even seem contradictory to some that the government bothers to promote WID. When Japan's WID-related aid activities are recognised as those that support the roles of women as home-maker and educator, however, the government's response is easier to comprehend.

The cultural context of Japanese ODA is one in which immense social pressure is brought upon men and women to conform to well-defined gender roles. Just as Japanese social norms once held that women should walk behind and not beside their men, the idealised role of women in modern Japan is one of deference. Although this role is not devoid of power, for example, women usually run the family finances, this should not be taken as a sign of equality in gender relations. Van Wolferen (1989:172-174) makes a number of acute, but by no means exceptional observations, which are useful to highlight the extent of the subordination of women in Japan:

. . . emphasis on the established proper roles of women . . . extends to demurely polite deportment, a studied innocent cuteness, a 'gentle' voice one octave above the natural voice and always a nurturing, motherly disposition. . . Superior intelligence is a liability for girls and women and must be disguised.

Despite the continued oppression of women in Japan, no widespread women's rights movements have sprung up as in the West. Active feminists such as Takako Doi, a prominent member of the Social Democratic Party of Japan, do exist but their voices have failed to stir Japanese women to the point of challenging the gender norms of Japan's patriarchal society.⁷ Furthermore, popular media often attempts to bring into disrepute those few proponents of women's rights in Japan that do exist. Yumiko Janssen, a prominent member of Japan's largest feminist organisation, the International Women's Year Action Group, discusses media portrayal of Japanese feminists:

Before feminism it was called woman's lib, and it was ridiculed. Men made a joke out of the women's movement. The mass media projected an image of the feminist as an ugly and unloved woman who joins the movement out of desperation. They still use this propaganda, so this image is very strong, even today (Condon:1985,72,73).

With the subordination of the traditional roles of women to those of men in Japanese society, a paucity of women's movements in Japan and the domination of aid decision making in Japan and developing countries by men, it is easy to understand why the government shows

⁷ See Johnson (1992) for a detailed account of Doi's attempts to promote women's interests in Japan.

little interest in supporting women's strategic interests in either Japan or developing countries. As to the question of why has the government then bothered to include a WID perspective in its ODA programme, the answer lies in its concern for gaining international prestige for its aid efforts. Rathgeber's (1990,495) conclusion that many governments include WID in their aid policy dialogue as 'a reflection of political expediency [that] should not be interpreted as a sign of fundamental commitment to the improvement of the situation of women', appears particularly applicable to Japan.

It is impossible to realise the full impact of Japan's WID activities on women in developing countries without studying these activities first-hand. The conclusions that this analysis are able to draw are thus limited. Consequently, despite the reservations presented above, many of Japan's WID activities may be considered worthy by their intended beneficiaries. Japan's aid activities that target the practical gender needs of women may also, by bringing women together, encourage them to discuss their strategic interests and later to formulate the means to promote these. These issues will be taken up again in the following chapters with regard to the impact of Japan's aid on impoverished women in Bangladesh.

AID EVALUATION

Aid evaluation became increasingly important in the early 1980s with many donors suffering economic recession. Public spending was brought under close scrutiny and questions about the effectiveness of aid programmes were increasingly raised (Berlage and Stokke:1992, viii). During the late 1970s and 1980s, economic aid was also a target of criticism from both the political left and the right (Riddell:1987) and aid evaluation became an important public relations tool for justifying ODA. At the same time, aid evaluation emerged as a central feature of DAC discussions and was vigorously promoted. The Expert Group on Aid Evaluation was established by DAC in 1983 as a forum for international discussion.

As with many other policies, aid evaluation was only extensively incorporated into Japan's ODA programme after it had been embraced by DAC. Previously, Japan's evaluation activities were limited to MoFA economic impact assessments and evaluations of technical assistance by OCTA. These activities were small and disorganised (MoFA:1987,82). In this respect, Japan was not dissimilar from many other nations to which aid evaluation is a relatively new concept. The 'increasing disappointment over the outcome of various economic co-operation projects' (MoFA:1987,82) and a growing recognition of the importance other donors placed on evaluation, however, prompted the government to improve its evaluation procedures.

The Japanese Response

Most of Japan's progress in aid evaluation has occurred since the early 1980s and particularly after the Expert Group on Aid Evaluation was established by DAC. This group has published several reports and many of its recommendations, including third party and joint evaluation, have been taken up by the Japanese government. In addition, the government claims that all of Japan's ODA projects are now evaluated along the five principles of project evaluation formulated by the DAC group. These principles cover project relevancy, level of attainment of original objectives, impact and effects, efficiency of implementation and sustainability (MoFA:1993a,197).

In the early 1980s, various organisational changes were implemented to strengthen Japan's evaluation structure. In 1981, the Economic Co-operation Evaluation Committee was established in the Economic Co-operation Bureau of the MoFA. In the same year, JICA also established an evaluation committee and the OECF set up a specialised evaluation department. In 1986, an Aid Evaluation Study Group was established by the MoFA and included five non-governmental members to improve the objectivity of evaluation. More recently, joint evaluations with other donors and the employment of third party experts have been used to 'ensure the neutrality and objectivity of evaluation' (MoFA:1993a,196).

Several types of evaluations which decrease in geographical scope from macro-level country evaluations to evaluations of specific sectors to evaluations of individual aid projects are conducted by these institutions. Aid evaluation also varies with stages in the aid implementation cycle. The MoFA usually evaluates projects several years after completion, while the implementing agencies conduct evaluations defined as appraisal, monitoring and interim survey, and post evaluation (MoFA:1993a,195).

The results of evaluations are compiled annually and published in several reports, some of which are translated into English. The OECF publishes the results of its evaluations in *Kansei Anken Hyoka Hokokusho* or *Evaluation of Completed Projects* which summarises project performance for the previous year. A detailed coverage of specific projects, countries and sectors is given in the OECF's *Research Quarterly*.⁸ The MoFA publishes a more comprehensive annual report, *Annual Evaluation Report on Japan's Economic Co-operation*, that presents evaluations by all agencies and experts involved in Japanese aid evaluation. This report also presents recommendations for enhancing the appropriateness and effectiveness of Japanese ODA drawn from these evaluations.

⁸ Neither of these publications appear in English

Assessment

While various deficiencies of present evaluation practices and several conceptual difficulties of aid evaluation have been recognised,⁹ aid evaluation is now broadly perceived amongst development theorists and practitioners as indispensable to enhancing the appropriateness and effectiveness of ODA. The governments of developing countries, however, do not always welcome aid evaluation as it bares their bureaucracy and politicians to outside scrutiny (Berlage and Stokke:1992,2). Nevertheless, several benefits of aid evaluation can be gleaned: aid evaluation can indicate how separate aid projects and programmes fit into the broader context of a nation's development plans; evaluations conducted at various stages over the life of an aid project or programme can also indicate a need for adjustment to ensure the sustainability of the activity; and aid evaluation provides a means to accumulate and improve on past aid experiences (OECD:1986,9-12).

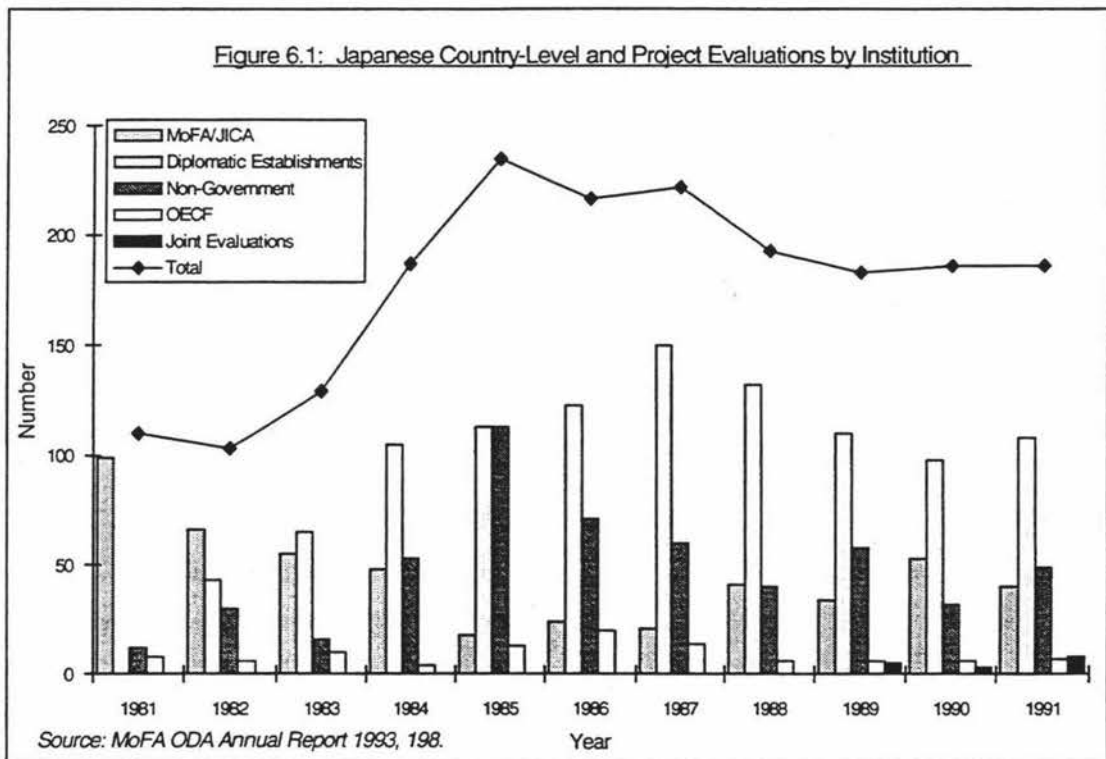
The government's policy on aid evaluation supports the above arguments and in many respects is very progressive. Efforts to promote joint evaluations with other donors and to employ non-government organisations and individuals are a step towards giving greater recognition to the needs and aspirations of aid recipients. Japanese evaluations follow DAC guidelines and cover the entire project cycle providing an opportunity for adjustment to changing circumstances. Country-level and sector analyses provide contexts in which the broad direction of Japan's aid activities and the relationship between separate activities can be understood. Furthermore, the publication of evaluations, some of which are translated into English, provides the Japanese public and overseas observers with a window into Japan's ODA activities. Based on these evaluations the MoFA (1991,5) concludes that 'Japan's aid, as a whole, achieved much, thus contributing to economic development and welfare of the recipient countries'.

The above conclusions, however, are drawn only from official policy statements without a detailed questioning of what Japanese evaluation activities involve and what are the political and personal agendas of those institutions and individuals undertaking evaluations. A comprehensive analysis of Japan's evaluation activities would involve the construction of an idealised model of evaluation and the comparison of Japan's evaluation procedures with this model. In addition, individual aid activities would need to be subjected to evaluation under such a model and compared with the findings of the government's official evaluations. This type of detailed analysis is beyond the scope of this investigation. Nevertheless, a brief overview of government reports does raise some important issues relating to Japan's aid evaluation.

⁹ See OECD (1986).

Figure 6.1 shows the number of evaluations conducted by different institutions of, and employed by, the Japanese government between 1981 and 1991. It indicates that, despite the government's claim that it is making attempts to expand its aid evaluation activities, the number of country-level and project evaluations decreased between 1985 and 1991. No explanation for this trend is readily apparent, though a shortage of field-staff may limit the capabilities of JICA and the OECF to undertake evaluations. Figure 6.1 also reveals that while the government claims it promotes donor co-operation to increase evaluation objectivity, joint evaluations account for less than one per cent of total evaluations. DAC (1986,17) suggests some reasons for the difficulty of conducting joint evaluations:

They tend to require a lot of co-ordination and special skill by consultants to develop recommendations that both parties will accept. Such studies also tend to be limited in the depth of their analysis to a few key variables, and fail to document facts that do not have a marked impact on the results.



Note: Figures may not add up due to repeated evaluations of the same project.

A Japanese report on a joint evaluation with the UNDP of aid projects in Tanzania also concludes that many difficulties confront successful co-operation in joint evaluation:

The results of the joint evaluation were not necessarily satisfactory due to a lack of experience by both parties in such evaluations (Economic Co-operation Evaluation Committee, MoFA:1991, 66).

In contrast, Figure 6.1 shows that third party evaluations (these have been classified as 'non-government') conducted by private organisations and what the government describes as 'knowledgeable persons' are common. It may be suggested that foreign and domestic consultants seeking further employment may attempt to appeal to the government by presenting Japan's aid activities in a favourable light thus diminishing the objectivity of such evaluations. However, no evidence is available to support this argument. Furthermore, government publications reveal that the findings of third party evaluations are not always favourable. An evaluation by a Japanese journalist and an economic commentator of the Borobudur and Prambanan National Archaeological Park projects in Indonesia, funded by a Japanese ODA loan of 2,805 billion yen, found that:

. . . the Borobudur Park provides too small shade to protect the visitors from the heat and sunlight . . . Formerly, in the green area many coconut trees flourished, but due to the Japanese design concept introduced those trees were taken out at the time of construction . . . It may be said that Japan forced Indonesia to undertake the Japanese design concept against their will or that unnecessarily too luxurious facilities are imposed on the Indonesian side by Japan under the name of co-operation (Economic Co-operation Evaluation Committee, MoFA:1991, 80).

The government is thus willing to publish evaluation reports that challenge Japan's aid activities. In order to justify its aid activities, however, the government is also quick to defend itself against such challenges. In the above example, the OECF addressed all criticisms raised in a section appended to the evaluation report. Nevertheless, this form of evaluation report has a particular advantage in attempting to better present the views of both recipient and donor.

Ensuring the objectivity of aid evaluation is necessary to produce evaluation reports that reflect the appropriateness and effectiveness of aid activities. As has been shown above, the Japanese government recognises the importance of objectivity but it is difficult to determine the degree to which this exists in evaluations. Similarly, although the broad direction of Japan's aid policy accords a high status to aid evaluation, a more detailed analysis is required to draw sound conclusions about the nature of these evaluations. In Chapter Eight an attempt will be made to shed greater light on Japan's evaluation activities by investigating county-level, sector and project evaluations that have been undertaken in Bangladesh.

REFORM FROM WITHIN

The previous section presented several sub-themes which emerged in the international debate on development in the 1980s that were later incorporated as part of Japan's aid policy. In contrast, the impetus for other innovations in Japanese aid practice during the second half of the 1980s and the 1990s came from within Japan's ODA administration and implementation organs. One of these has already been discussed in relation to the government's response to the debt crisis. Other innovations can be grouped as those concerning ODA loans and those

concerning grants. The following analysis outlines ODA loan and grant innovation, discusses their significance for aid recipients and places them in the broader context of Japanese ODA policy.

INNOVATIONS IN LOAN-TYPE AID

By the mid 1980s, Japanese aid officials were aware that budgetary constraints of recipients, associated with the debt crisis, hindered their ability to formulate, implement and maintain ODA funded projects. Many new development projects were postponed and the rising value of the yen after the Plaza Accord made Japanese ODA loans less attractive. In FY1986, the total volume of Japan's ODA loans fell by 40.6 per cent (MoFA:1990,78). This posed a considerable threat to the government's attempts to gain international credibility for its aid programme. A flexible response to development problems was called for (MoFA:1991,104) and has resulted in a diversification of loan types into areas traditionally left in the hands of recipients. Rehabilitation Loans, Special Assistance For Project Formulation, Special Assistance for Project Implementation, Special Assistance for Project Sustainability and two-step loans are examples of the OECF's attempts to approach ODA in a more flexible manner.

Until recently, the OECF has argued that after completion the responsibility for project operation and maintenance is completely in the hands of the recipient country. By the mid-1980s, however, the government recognised that serious fiscal problems in many developing countries hindered their ability to repair and renovate ageing social and economic infrastructure constructed using ODA (MoFA:1991,105). To improve the operational efficiency and productivity of such facilities, Rehabilitation Loans were introduced in 1986 and by the end of FY1988, 71.4 billion yen in such loans had been extended (MoFA:1991,105).¹⁰

The introduction of Special Assistance for Project Formulation (SAPROF), Special Assistance for Project Implementation (SAPI) and Special Assistance for Project Sustainability (SAPS) were other signs that the OECF was searching for a more flexible approach to project finance. These three schemes allow assistance to be provided throughout the project cycle from project formulation, to implementation, to completion.

In addition, until the early 1980s the Japanese government upheld the principle that all local costs for aid projects should be met by the recipient government (MoFA:1991,27). During the 1980s, however, a lack of sufficient local currency funds was an often cited reason for project delays and overall financial weakness (MoFA:1988,95; Economic Co-operation Evaluation Committee MoFA:1991,6). The MoFA acknowledged that a shortage of local financing placed highly desirable projects with a high proportion of local costs, such as rural development, at a

¹⁰ Rehabilitation loans have since been renamed 'renovation' loans.

disadvantage (MoFA:1991,104). The Indonesian government, for example, had begun to place priority on projects with minimal local expense (Economic Co-operation Evaluation Committee, MoFA:1988,84). In response, the government introduced a pro-rated financing system in 1989 that permits up to 85 per cent of total ODA financing for a particular project to be used to finance local costs. Previously, the portion of ODA financing that could be allocated to local cost funding was limited to 30 per cent.

Two-step loans were one further scheme the government adopted to facilitate the extension of loan-type ODA. Under this scheme, a Japanese ODA loan is extended to financial intermediaries in developing countries which then lends these funds in smaller amounts to small-scale enterprises. Two-step loans thus provide ODA funds to a large number of small-scale private enterprises in a manner not practical with conventional ODA loans. In FY1989, Turkey received 35.2 billion yen, Brazil 7.1 billion yen and Thailand 5 billion yen under the two-step loan scheme (MoFA:1990,81). In FY1991, two-step loans accounted for six per cent of total OECF loans (OECF:October 1992,8).

INNOVATIONS IN GRANT-TYPE AID

Other than Japan's non-project grant-aid programmes, two innovations in grant-type assistance are notable. In FY1989, the government introduced the NGO project subsidy scheme and the Small-Scale Grant Assistance (SSGA) scheme designed to promote humanitarian development projects and other small-scale projects which fall outside the scope of conventional Japanese ODA (MoFA:1993b,29). The NGO subsidy system provides up to 50 per cent of project costs undertaken by Japanese NGOs. Under this scheme, 500 million yen was extended in FY1991 (MoFA:1991,32). The SSGA scheme provides funds to other organisations active in developing countries such as local authorities, NGOs and medical care agencies. In FY1991, 280 million yen was extended through this channel (MoFA:1991,32).

ASSESSMENT

The above innovations in grant and loan-type aid represent major advances in designing aid policy and practice more attuned to the development needs of recipients. A decrease in public funds in many developing countries, as a result of budgetary austerity associated with structural adjustment, appears the primary reason for the introduction of schemes such as pro-rated local cost financing, SAPROF, SAPI and SAPS. Rehabilitation Loans were similarly introduced as development finance is now beyond the means of many governments. While a desire to improve Japan's image as an aid donor may have been a motivating factor behind these schemes, they also reveal a certain degree of flexibility in Japan's aid policy that bodes well for developing countries.

This flexibility is also found in two-step loans and financial support for NGOs and other grass-roots organisations. The OECF (1992) presented a brief evaluation of the fifth, sixth and seventh two-step loan schemes extended to the Bank for Agriculture and Agricultural Cooperatives (BAAC) in Thailand. These schemes were designed to support the mechanisation of rice and maize farming in order to improve production efficiency and reduce poverty. Under this scheme, 40 000 sub-loans to farmers were identified by BAAC as being suitable for financing. In the main, this finance was used for the purchase of approximately 22,000 cultivators, 4000 pumps and 4000 trucks. At the time of evaluation, the state of repayments was considered very good and overall the OECF rates this project very highly. In its evaluation, the OECF concludes that with interest rates lower and maturity periods longer than commercial loans, its two-step loan system is extremely beneficial for local farmers. While the objectivity of this self-evaluation may be questioned, the advantages of the two-step loan scheme over conventional loan-type aid in extending credit to a large number of low income families is readily apparent.

Similarly, the promotion of NGO activities enables Japanese ODA to reach indigenous communities that may otherwise be overlooked by conventional forms of ODA. Most Japanese NGOs are relatively young, having their origins in the late 1970s when they became involved in assisting Indo-Chinese refugees and providing famine relief in Africa (MoFA:1991,167). Their financial bases have remained weak and their size and number much smaller than those of many other DAC members.¹¹ In providing grants to these organisations, the government notes several strengths of NGO assistance including their ability to provide aid at grass-roots levels, their ability to adapt assistance to local needs and their ability to provide assistance at a low cost (MoFA:1991,167). Other considerations, however, may also have influenced the government's decision to support NGOs. The International Volunteer Savings system introduced in 1991, through which 20 per cent of the after-tax interest paid on postal savings is donated to overseas aid activities, is one reason for increased public interest in NGO activities. The government has frequently stressed the importance of garnering public support for Japan's ODA programme¹² and NGOs may be a means of attracting this support. Furthermore, the government acknowledges the diplomatic value of supporting NGOs:

Japan also took note of the considerable benefits of foreign policy achieved by other major donor countries through SSGA- like grant aid to NGOs and similar organisations (MoFA:1991,77).

¹¹ The amount of aid extended by Japanese NGOs per capita (\$2.20 in 1991) is much smaller than that of the US (\$10.60) and the Netherlands, Sweden, Switzerland and Norway (between \$15 and \$30). The financial contribution of Japanese NGOs was only 1.5 per cent of ODA volume in 1991 compared with the DAC average of 8.5 per cent for that year (MoFA:1993a,302).

¹² See MoFA (1993a).

Nevertheless, regardless of the motivations for extending grants to NGOs and other aid-related organisations, the SSGA and the NGO project subsidy schemes facilitates the extension of ODA to local communities in a manner not possible with Japan's conventional forms of aid.

This analysis of reform from within brings to a close the first part of this thesis. In attempting to present an explanation for the shape of Japan's contemporary aid programme, Chapters Two to Five have highlighted the many contexts that influence Japanese ODA. Contemporary social values, Japan's development experience, national security and economic interests, ministerial rivalry as well as international leadership aspirations have all played important roles in shaping Japan's aid activities. In addition, Chapter Six has shown the significance of popular development themes, promoted through the DAC, on Japan's aid policy. Japanese governments have been forced to embrace themes such as WID and the environment into aid policy in order to retain some credibility for their international aid efforts. Still other reforms reflect ideological development as Japanese aid agencies have gained greater experience in aid extension.

INTEGRATING JAPANESE AID MOTIVES WITH A STUDY OF BANGLADESH

Understanding the relevance and relationships of the many contexts of Japanese ODA is essential to understanding the implications of this aid for recipients. The second part of this thesis analyses the implications of Japanese ODA for development in Bangladesh. This section acts as a bridge between the two parts of this thesis by showing how Japanese motives for giving aid are translated in aid practice in Bangladesh. Table 6.1 (overleaf) presents the motives Japanese governments have had for extending ODA in summary form. As Chapters Two to Six have shown, some of Japan's motives for extending aid have altered considerably over time. In other instances, the same motives have remained but are now submerged between layers of a more guarded aid rhetoric.

Table 6.1: Japanese Motives for Extending ODA

MAJOR MOTIVES FOR EXTENDING AID	EXPLANATION
OBLIGATION AS AN AFFLUENT MEMBER OF THE OECD	Official policy statements often stress that it is Japan's duty to give aid commensurate with its economic strength. Also, the concept of duty is a feature of contemporary Japanese social values
DESIRE FOR INTERNATIONAL RECOGNITION AND TO BE AWARDED HIGH INTERNATIONAL STATUS	The Japanese have long felt that they are in some ways inferior to Western races and believe that they are still to achieve a leadership role in world affairs that is commensurate with their nations economic capabilities. Once Japan is recognised as world political as well as economic leader then the Japanese will have reached the top of their hierarchy of nations.
ECONOMIC MOTIVES: - to promote Japan's exports and foreign investment through procurement orders - as a means of securing supplies of essential raw materials and energy - to maintain good foreign relations that Japan's export driven economy depends upon - as a means of placating foreign critics of its trade surplus	- In the formative years of Japan's aid programme, officials did not attempt to hide the commercial nature of Japanese aid. However, as a result of criticism from other donor nations, a more sophisticated aid rhetoric was developed. Nevertheless, Japan's ODA still serves to promote the nation's business interests through procurement orders of which 35 % were filled by Japanese companies in 1992 (MoFA:1993b,25). - Throughout the history of Japan's ODA, aid has been used to secure supplies of raw materials for Japan's resource-poor manufacturing industries. The government's response to the first oil shock is perhaps the most outstanding of this 'resource diplomacy'. - ODA has been one of the primary means by which Japanese governments have promoted friendly diplomatic relations with their trading partners. Without any legal military capacity, Japanese governments have based their foreign economic policy on the maintenance of cordial relations. - Japanese governments have avoided undertaking structural economic changes which might undermine the foundations that Japan's economic miracle was based upon. Instead, they have chosen to defend Japan's persistent trade surpluses on the basis that this surplus is being recycled to developing countries through ODA. However, this argument is no longer accepted by Japan's major trading partners.
SECURITY MOTIVE	Strategic aid became an important component of Japan's aid efforts with the proliferation of regional crises that threatened the Western security alliance from the early 1980s onwards. In these instances aid was usually given after US requests to countries identified as front-line states against the threat of communist expansion. There is some hope that with the end of the Cold War strategic aid will become less important and more consideration may be given to the needs of recipients.
OTHER MOTIVES OF LESSER SIGNIFICANCE	
<i>To gain hegemony over developing countries</i>	<i>Japan's foreign policy since World War Two has been characterised by reactivity to changing international circumstances rather than proactivity to influence these circumstances.. Given the wariness of Japan's neighbours to its regional leadership aspirations, it is unlikely that Japan will be allowed to greatly influence the internal affairs of other nations.</i>
<i>A strong ideological motive, such as the promotion of democracy or halting the spread of communism</i>	<i>Japan's foreign policy has been described as 'value free' and is extremely pragmatic in its intent to promote Japan's national interests</i>
<i>Emotional commitment or cultural affinity</i>	<i>The Japanese have a sense of cultural affinity with their Chinese neighbours which they identify as having a similar cultural heritage. It is unlikely, however, that such considerations would be allowed to interfere with Japan's national interests</i>
<i>In recognition of responsibility for past grievances</i>	<i>This motive has decreased in importance with the completion of reparation payments. Nevertheless, reparations were extremely important as the foundation stone for Japan's export-led growth policy and many features of reparations remain in Japan's contemporary aid practice and philosophy. Compensation claims by former 'comfort women' have more recently drawn international attention to Japan's wartime legacy.</i>
<i>Humanitarian motive</i>	<i>Compassion is imbued in Japan's contemporary value system though this is seldom expressed in altruistic donation. Although not a strong official motive for extending aid, the number of NGOs and Japanese Overseas Co-operation Volunteers is expanding and the humanitarian motive may play a greater role in the future</i>

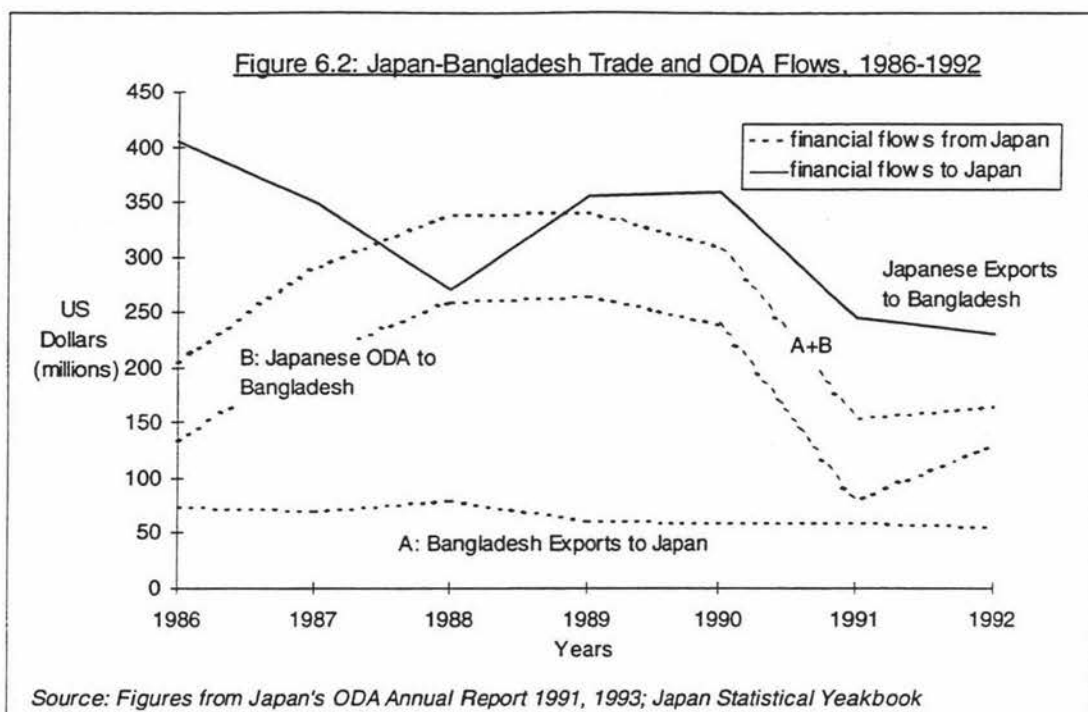
JAPANESE MOTIVES FOR EXTENDING ODA TO BANGLADESH

In official aid documents Japanese governments have never specifically articulated their motives for extending aid to Bangladesh. Nevertheless, these motives can be discerned from Table 6.1. Of the government's motives for extending aid some are country-specific while others apply to the extension of ODA to all developing countries. Motives which are country-specific include economic and strategic concerns, emotional ties and the recognition of responsibility for past grievances. Country-specific motives such as these have not been of great significance in the extension of aid to Bangladesh.

What may be termed the emotional motive for extending aid is weak regarding Japanese aid to Bangladesh. Even though both Bangladesh and Japan are located in Asia, the Japanese generally do not associate their cultural heritage with that of Bengali tradition and hence emotional ties of this sort are weak. The need to extend aid as an expression of remorse for past grievances is similarly of little significance as Japanese forces neither invaded nor colonised Bangladesh. Security motives for extending aid have likewise not been particularly strong. In contrast to West Pakistan, which "was once often cited as the 'showcase' of non-communist development" (Ahmed:1972,428), Bangladesh was never identified as a front-line state against the perceived threat of communist expansion and has thus received little security-related aid.

Bangladesh is similarly of little economic significance for Japan, at least when compared to many other countries. Figure 6.2 (overleaf) shows that although Japan commands a trade surplus with Bangladesh, this surplus is relatively small when balanced against ODA flows. Nevertheless, a trade imbalance does exist which must be considered in any analysis of Japan's contribution to Bangladesh's economic development.

Although the economic motive for extending aid to Bangladesh has not been strong, economic considerations have influenced the form of aid the government has offered. For example, it is not uncommon for bilateral ODA donors to use foreign aid as an opportunity to rid themselves of surplus domestic production and the Japanese government has been no exception. In 1972, the US government imposed restrictions on textile imports from Japan leaving the Japanese with surplus stocks. When, in the same year, the Japanese government offered \$12.5 million in grant aid to Bangladesh, it insisted on tying this aid to the purchase of excess Japanese textiles. Japanese synthetic textiles, however, were not suited to Bengali dress needs and, as textiles rather than yarn, failed to generate employment in the handloom weaving industry (Islam:1981,53-73). The same grant was also tied to the purchase of wagons, tugs and trucks. Japanese officials insisted on specifications of which Japan had surplus supplies even though these were not those most suitable for use in Bangladesh (Islam:1981,53-73).



An important component of the government's economic motive for extending aid to developing countries has been the need to secure supplies of raw materials and energy for domestic manufacturing plants. Bangladesh, whose main export commodities to Japan are seafood and textiles, only supplies Japan with small quantities of raw materials and petroleum. In the aftermath of the first oil shock in 1973, however, the Japanese government began to show an interest in oil exploration in the Bay of Bengal. Islam (1981,65) suggests that until the first oil shock:

Politically, Japan had tended to ignore Bangladesh and had participated only to a small extent in the reconstruction and recovery of the country. It was felt that her desire for oil exploration rights in the Bay of Bengal might be used to stimulate her interest in the territory of Bangladesh At one time it appeared that participation in oil exploration, if not in a reconnaissance survey of the entire area, was a 'sine qua non' of Japan's readiness to assist Bangladesh.

Significant deposits of oil were never discovered and the explanation for why Japan became the largest bilateral donor of ODA to Bangladesh must be found elsewhere.

Although country-specific motives for extending ODA to Bangladesh are not strong, several motives of a general nature are particularly relevant given the extent and depth of poverty in Bangladesh. As an affluent member of the OECD, the Japanese government is expected to extend assistance to impoverished nations. A refusal to extend aid would invite international isolation which the government is keen to avoid. It can be stated quite frankly, therefore, that the Japanese government is compelled to extend aid to Bangladesh and other developing countries. In addition, as part of its foreign policy strategy the government has preferred to

placate critics of Japan's trade surpluses by recycling this surplus as aid rather than by taking steps to reduce surpluses directly. Consequently, Bangladesh and other developing countries have become recipients of large amounts of Japanese ODA.

Another general motive for extending aid that encompasses ODA to Bangladesh relates to the government's desire for Japan to be accepted as a responsible and highly regarded member of the international community. Increasing the reputation of its aid programme through the extension of humanitarian-type assistance to impoverished nations such as Bangladesh is one way the government is attempting to improve its overseas reputation. In particular, by becoming the largest bilateral ODA donor to Bangladesh the government is able to draw greater attention to its international contribution. Also, Chapter Five has suggested that the government is seeking to adopt a greater leadership role in Asia. The extension of aid to impoverished nations in Asia is one means of expressing the government's willingness to fulfil its international duties as a regional economic and political leader.

In contrast, there is little likelihood that the government extends large amounts of aid to gain direct political leverage in Bangladesh. Hegemonic intentions are an unlikely explanation as Bangladesh has little economically to offer Japan, the presence of the World Bank effectively restricts the degree of control individual donors can exert and interministerial rivalries in Japan reduce the likelihood of the government forming a hegemonic foreign policy.

Since the early 1980s, the government's official rationale for extending aid have been the concepts of interdependence and humanitarian concern. The concept of interdependence, which primarily embraces security and economic concerns, has little relevance to relations between Japan and Bangladesh for the reasons outlined above. It is more difficult, however, to assess what influence humanitarian concerns have on the government's aid efforts in Bangladesh. In the past, the Japanese ODA programme has been criticised for its harsh terms which some associate with a lack of charitable values. Chapter Two has argued, however, that the terms of Japanese aid reflect a particular development philosophy based on Japan's development experience which stresses self-help. Furthermore, a strong sense of compassion exists in Japan's contemporary value system though this may seldom manifest itself as altruistic donation which is relatively rare in Japanese social relations. This suggests that the Japanese public most likely feel some degree of pity when popular media brings them pictures of human suffering in Bangladesh. In 1993, a popular Japanese talk-show host was shown during prime-time television to be shedding tears when surrounded by a group of malnourished children in Bangladesh. There is little likelihood, however, of public sentiments reaching aid policy makers in Japan because there is no significant aid lobby in Japan. Moreover, as Chapter Five stresses, Japan's foreign policy is extremely pragmatic and avoids pursuing any particular ideology. Humanitarian issues are less likely to receive attention than economic and strategic concerns in Japan's foreign relations.

The above argument suggests that the government's primary motive for extending aid to Bangladesh is to impress other donor countries and Asian powers that Japan is fulfilling its international responsibilities as an economically advanced nation and that it is a trustworthy member of the international community. Islam's (1981,47) comments of an early Japanese ODA mission to Bangladesh support this conclusion:

The Japanese mission was clearly most interested in projects that might provide resounding evidence of Japanese accomplishments or could serve as a visible symbol of co-operation between Japan and Bangladesh, including hospitals and hotels and, most strikingly, a bridge over the Jamuna. The fact that the bridge would be very expensive and take a long time to complete was apparently not considered to be of great moment: it was thought of as a centre-piece of Japan's development endeavours in Bangladesh.

The government's desire to provide visual evidence that attests to the achievements of Japanese aid remains strong. In August 1993, an OECF official revealed to the author that as effective ODA is particularly difficult to extend to some African nations the OECF often seeks to construct physical infrastructure which, while not always being self-sustaining, may be used as evidence of Japan's international contribution to developing countries.

SUMMARY

The evolution of Japan's ODA programme from the mid-1980s stands apart from that of earlier years for the wide variety and the large number of innovations that were incorporated into aid policy and practice. In general, these innovations appear beneficial for aid recipients and enable the government to continue assisting financially stricken countries and to extend aid to indigenous communities beyond the scope of Japan's conventional aid types. Many reservations have been expressed in this chapter about the nature of individual reforms, however, and it is important to look beyond official policy statements to understand the relevance of aid reform for developing countries.

The impetus for reform in ODA policy has come from both abroad and from within Japan. Several policies have been adopted in response to pressure from the international donor community, particularly through the DAC. Of these, some have found considerable domestic support within Japan while others appear to have been adopted primarily to impress other donor nations. WID is a pertinent example of the latter where no sizeable women's rights lobby exists in Japan to promote the empowerment of women in developing countries. By restricting its WID activities to meeting the practical gender interests of women, the government has overlooked calls from women in developing countries for greater control over their own lives.

In contrast, environmental conservation and aid evaluation are policy areas that have had greater domestic support and have considerable potential to improve the appropriateness and effectiveness of Japanese aid. Japan's contributions to the ITTO and the UNEP are clear examples that the government wishes to improve Japan's international image regarding environmental issues. For its environmental policy to be comprehensively realised, however, enforceable environmental guidelines must become an integral part of all of Japan's relations with developing countries. This has yet to be achieved.

By employing third party experts and undertaking country, sector and project-level evaluations, the government has also attempted to incorporate aid evaluation more extensively into its aid programme. A comprehensive aid evaluation structure has the potential to enhance the effectiveness and efficiency of aid and to transform the lessons of aid experience into improved aid policy. The nature of Japan's evaluation process needs to be analysed further, however, to determine if these benefits of aid evaluation are being realised.

The impetus for many other innovations in aid policy and practice have come from within Japan's aid agencies and reflect a greater willingness by these agencies to become more involved in the implementation of aid activities. Through various schemes, the OECF now finances a wide range of activities throughout the project cycle enabling government's suffering fiscal difficulties to formulate, implement and maintain development projects. Other schemes, such as two-step loans and support for NGOs, allow the government to extend aid to individuals and small communities in a manner not possible with conventional forms of aid.

The final part of this chapter has summarised the various motives Japanese governments have had for giving aid which were discussed in chapters Two to Six. Using this summary, an attempt has been made to uncover the motives behind Japan's bilateral aid programme to Bangladesh. This study has concluded that although Bangladesh is of little strategic and economic significance to Japan, the government does have strong motives for undertaking a large bilateral aid programme. An understanding of these motives is necessary to infer the implications of Japanese aid for impoverished communities in Bangladesh. Chapter Seven sets up the necessary framework by which the effectiveness and appropriateness of Japanese aid to Bangladesh can be analysed.

CHAPTER SEVEN

CONSTRAINTS TO DEVELOPMENT IN BANGLADESH

INTRODUCTION

The objective of Chapter Seven is to develop a framework which can be used to evaluate the appropriateness and effectiveness of Japan's aid activities, or in fact any development efforts, in Bangladesh. As will be shown, Bangladesh is an extremely difficult country to extend effective aid to making it all the more important that a strong conceptual framework is developed to judge the impact of aid activities. To do so, the empowerment approach introduced in Chapter One is used to identify development constraints in Bangladesh often overlooked by mainstream development institutions. These constraints, in turn, are used to modify the empowerment approach to suit Bangladesh's particular development circumstances.

OVERVIEW OF THE STATE OF ECONOMIC AND SOCIAL DEVELOPMENT IN BANGLADESH

To understand Bangladesh's development needs it is useful to start with a brief summary of the present state of economic and social development in that country. In terms of social and economic indices, Bangladesh is one of the world's most impoverished nations. Many of its people confront the numerous faces of poverty as part of their day-to-day survival. In 1992, GNP per capita was \$220 (ADB:1994,15) placing Bangladesh among the most destitute of nations.¹ Due to low real wages, between 1980-1990 78 per cent of the population lived in absolute poverty (ADB:1994,9).²

Related to the inability of many Bangladeshis to provide enough income or to grow enough food to feed themselves and their families is the poor physical health of much of the population. This poor health manifests itself in a high infant mortality rate and low life expectancy. In 1992, life expectancy at birth was 55 years and the infant mortality rate was 129 per 1000 (World Bank:1994,162,214). Bangladesh's health indicators stand in stark

¹ Although, as has been pointed out in Chapter One, GNP per capita is a poor measure of the quality of life, it does indicate that the living conditions of many Bangladeshis are very harsh as most rely on the cash economy for at least part of their livelihood.

² Absolute poverty is defined by the ADB (1994,15) as 'earning an income below which a minimum nutritionally adequate diet plus essential non-food requirements are not affordable'.

contrast to those of a newly industrialising country such as South Korea where in the same period life expectancy was 71 years and the infant mortality rate was 15 per 1000 (World Bank:1994,163,215). Disease that results from malnutrition and a lack of basic health care facilities is also widespread. In the 1970s, 50,000 children were estimated to be going blind each year due to a lack of Vitamin A (de Vylder:1982,8).

Access to education and basic amenities, such as running water and sanitation, are other areas where poverty manifests itself. In 1991, only 47 per cent of Bangladeshis had completed primary school and a mere 34 per cent of adults were literate (ADB:1994,10). Literacy amongst women was particularly low at 22 per cent (ADB:1994,10). Between 1988-1991, access to safe supplies of water was limited to 37 percent of the urban and 89 per cent of the rural population (ADB:1994,13). Over the same period, only 63 per cent of urban dwellers and 26 per cent of those in rural areas had access to sanitation services (ADB:1994,13).

As shown above, the quality of life for many Bangladeshis is extremely depressed. Living conditions for much of the population have declined since independence was gained in 1971,³ highlighting the inability of mainstream development approaches to encourage a broad-based sustainable development. In contrast, the empowerment approach offers an alternative framework to mainstream strategies from which development constraints in Bangladesh can be identified and assessed. The empowerment approach is particularly appropriate as a framework for analysis as it is directly concerned with improving the quality of life of impoverished peoples.

CONSTRAINTS TO DEVELOPMENT

The challenge for this chapter is to construct a framework from which the effectiveness of aid activities can be analysed. This is a difficult task as aid takes numerous forms all of which are vigorously defended as being the most effective by their donors. How, for example, can the attributes of a bridge spanning one of Bangladesh's massive rivers be compared with a rural literacy programme? In Chapter One it was suggested that under the empowerment approach development occurs when political representation of disempowered groups rises, when the living standards of the poor improve, when social equality is enhanced and when present development does not compromise the development choices of future generations. If the lot of the poor is to be substantially improved, it is these ideals of empowerment which must be used as yardsticks to measure the effectiveness and appropriateness of foreign aid, whatever form it takes.

³ The average daily caloric intake of Bangladeshis as a percentage of daily requirements, dropped from 91 per cent in 1965 to 88 per cent in 1988 (KRWE:1994,R62).

For economic empowerment to occur Friedmann (1992) insists that the poor must in turn be politically empowered to gain access to resources. Before they can gain political empowerment, however, the poor must be socially empowered to have the confidence to seek representation in the decision making processes which control their lives. Development strategies in Bangladesh have largely ignored the significance of social and political empowerment to the livelihood of the poor and have instead focused on efforts to increase agricultural productivity. The first part of this chapter attempts to show that social and political constraints are equally important as economic constraints to development in Bangladesh.

According to Friedmann (1992) empowerment must first take place at a local level but:

If alternative development looks to the mobilisation of civil society at the grass roots . . . it must also, as a second and concurrent step, seek to transform social into political power and to engage the struggle for emancipation on a larger - national and international - terrain (Friedmann:1992,preface viii).

Therefore, in the following discussion constraints to development associated with political and social structures in Bangladesh are identified at both national and village levels.⁴

Economic empowerment of the poor is also highly desirable in a country that cannot feed its own population and constraints to economic growth must be recognised when evaluating aid activities. In Bangladesh, constraints to economic growth are commonly associated with human resources, population pressure, the international trading environment, the natural environment and foreign debt. These are summarised under the above headings in the second part of this chapter.

STRUCTURAL CONSTRAINTS TO DEVELOPMENT AND THE EXTENSION OF AID

Numerous studies indicate that structural impediments to development in Bangladesh are at least as important as the more obvious physical constraints.⁵ Structural impediments to the access of limited resources such as aid are expressed in a number of interwoven dimensions concerning wealth, power and custom. At national level, these include bureaucratic and political control and at village level, class and gender relations which combine to greatly influence the direction of aid when disbursed through official channels.

⁴ Hereafter these constraints are referred to as structural constraints.

⁵ See, for example, Quamrul Alam (1989) and Maniruzzaman (1992).

National Level: Relations Between the State, the Military and Affluent Groups as Constraints to Development

During Bangladesh's short history, governments, whether elected or formed by military regimes, have consistently placed the welfare of their members and supporters before those of their country (Maniruzzaman:1992,203-224, Quamrul Alam:1989,49-68). Although national strikes and demonstrations have become frequent symbols of public discontent against this form of rule, each successive government has retained power for at least several years by nurturing positive relationships between the civil and military bureaucracy, industrialists, landowners and other wealthy Bangladeshis. Foreign aid has played an important part in creating and cementing these alliances to the detriment of national development. A study of the failure of national development plans and the misappropriation of foreign aid since independence highlights these structural constraints to development.

Bangladesh's first election in 1973 was won overwhelmingly by the Awami League, led by Sheikh Mujibur Rahman (Mujib) who had organised national resistance against Pakistan during Bangladesh's violent bid for independence. In the economic sphere, the newly formed government nationalised private industries, banks and insurance companies left behind by non-Bengalis who had fled Bangladesh, and limited private industrial investment in line with its socialist ideology. By the middle of 1974, the cost of living index had risen by 400-500 per cent, despite massive injections of foreign aid totalling \$2.5 billion in the first three years of independence (Robinson:1989,218), indicating that this experiment in socialism had proved to be an enormous economic and political failure. A partial explanation for this failure can be found by examining the nature of evolving class relations at this time.

Shortly after independence, the Bengali middle class, that is rich peasants, trading and marketing intermediaries and small-scale entrepreneurs, became the ruling elite. Comprised of people from business and professional middle classes, the Awami League suffered contradictions regarding its socialist goals and private aspirations of its party members. In the 'winner-take-all atmosphere of the post-independence period' (Robinson:1989,218), government officials used the recently nationalised industries to appropriate profits for personal gain and consequently many state-owned industries lost commercial viability (Islam:1979,242). The exploitation of nationalised industries facilitated the emergence of a newly rich class which also profited by acting as both legal and illegal commissioning agents for foreign suppliers of commodities financed by foreign aid (Maniruzzaman:1992,217). The newly-rich, however, invested this surplus neither in agricultural production nor in industry instead choosing to accumulate land holdings and increase conspicuous consumption:

With money in hand the borrowers brought fancy cars, constructed luxury houses and became involved with profitable import trade and other easy methods of earning money (Maniruzzaman:1992,219).

Dissatisfied with the growing economic crisis, military leaders staged a successful *coup* in August 1975 which brought the military to the centre of development planning. Bangladesh's new rulers were able to forge alliances with the civil bureaucracy and rising economic groups due to their affluent social backgrounds. Thereafter, economic policies were framed by these alliances and, in response to pressure from the newly-rich searching for lucrative returns, the government gradually reversed its socialist goals to set out on a path of economic liberalisation.

After another bloody coup in 1982, privatisation was accelerated and development finance institutions were directed to extend credit to the private sector. Bangladesh's dependency on multilateral finance institutions was behind these free market reforms. In the early 1980s, with the ascendancy of conservative governments in the US, Britain, West Germany and Canada, neo-classical economists gained controlling votes in the World Bank and the International Monetary Fund, the world's two most powerful international lending institutions. Thereafter, these institutions, which had guaranteed the foreign debt of many developing countries, insisted that borrower governments set in place programmes of structural adjustment. Bangladesh governments have favoured a policy of economic liberalisation ever since.

Despite the injection of large amounts of capital and the predictions of the neo-classical development model, this reversal in economic policy, from one of a tightly regulated economy to one which gave greater play to the forces of the free market, did little to improve Bangladesh's national well-being. The failure of privatisation to boost economic growth can be seen in the reduction in the growth rate of industrial output from nine per cent between 1974-1978 to below four per cent between 1978-1984 (World Bank:1985,76-77). Furthermore, a study of 39 industries after their privatisation found that only 19 showed an increase in production while 11 showed a decrease, five were closed down and four were unaccounted for (Quamrul Alam:1989,57).

The causes for the failure of privatisation to improve the performance of industrial units and to boost economic growth lies largely in the mutually rewarding relationships established by those who implemented the government's privatisation policies and entrepreneurs who benefited from them. Bangladesh's military regime, relying on support from the newly-rich, hastily devised policies that promoted the latter's financial interests. In turn, industrialists and businesses benefiting from this political patronage did not challenge the military take-over. As an outcome of this alliance, the state neglected to introduce a system to monitor the performance of borrowers and to develop a system of accountability amongst government officials. Consequently, as during the period of nationalisation, in the extension of finance to support privatisation 'Cabinet Members, Opposition political leaders,

bureaucrats, industrialists and traders used corruption as one means to accumulate money' (Quamrul Alam:1989,65). Foreign aid that funded up to 90 per cent of the government's annual development budget was an important source of this finance.

In 1991, a government minister reported that about 80 per cent of projects funded by development finance institutions existed in name only and were no more than a front to gain development funds for conspicuous consumption (Maniruzzaman:1992,219). Once those funds were gained borrowers often felt little compulsion to meet loan repayments. A study of 511 industrial projects financed by development finance institutions found that by the beginning of 1986 only 3.9 per cent had totally repaid their loans and 31.3 per cent had repaid nothing at all (Quamrul Alam:1989,59). In 1991, thirty three directors of nine Bangladeshi private banks defaulted on a total of \$80 million in personal loans after failing to repay loans borrowed from development finance agencies and nationalised banks (*FEER*: 1 Aug. 1991,61). Four years earlier, the government had been forced to set free four of the worst defaulters as 'most of the big defaulters belong to a group of one hundred rich people [many of whom are] members of the ruling party, and are linked with the bureaucracy and the higher ranks of the military' (Quamrul Alam:1989,65). Other defaulters were able to avoid conviction by paying kickbacks to government officials and even the President himself (Maniruzzaman:1992,219).

The government's desire to foster positive relationships with business concerns can also be seen in Bangladesh's food rationing system. The food distributed under this system is mainly supplied by foreign donors as food aid intended for Bangladesh's poor. A World Bank report in 1979, however, found that the main recipients of food aid were the urban middle class who were able to purchase such foodstuffs at 50 per cent of normal free market prices (cited in de Vylder:1982,32,33). The same report also found that the average rural resident received about ten per cent that of urban dwellers in yearly food-grains distributed through public channels and that, in a similar manner, the urban poor received considerably less than the urban middle class. De Vylder (1982,33) insists that the government's need to maintain favour with politically articulate and relatively well-off urban residents is the primary reason for this inequitable and inappropriate distribution of food aid.

Despite the demise of the military regime in 1990 and the return to parliamentary elections in 1991, the relationships established between the state and Bangladesh's affluent classes during the previous two decades remain as a severe constraint to development and the extension of effective aid. Maniruzzaman (1992,215) reports that since independence the percentage of business persons and industrialists in parliament has grown from 24 per cent after the 1973 election to about 59 per cent in the 1995 government. The newly-rich class, acknowledging how their affluence has been created by political influence, are now looking

to have greater direct control over the policy making process. Maniruzzaman (1992,222-223) thus concludes that there is a:

rather bleak prospect for long civilian rule in Bangladesh. A rentier class devoid of any other philosophy than to make money in the easiest way has taken over the powers of the state.

Political instability, which partly reflects widespread dissatisfaction with the nature of relations between government officials and business concerns, is broadly seen as a serious constraint to development in the 1990s. Since December 1994, most opposition members have boycotted parliament, their principle complaint being widespread government corruption. As a result of this state of affairs, the World Bank recently concluded that:

Increasing political uncertainty has created economic uncertainty regarding the pace and timing of further policy reform actions and is adversely affecting Bangladesh's image as a potential host country for foreign direct investment (Reuter,Dhaka: 20 April 1995).

The above argument makes it clear that foreign aid donors concerned that their assistance is used to assist Bangladesh's long-term economic development and that its benefits reach the most impoverished of Bangladeshis must be aware of the nature of relations between the state, the military and affluent groups in Bangladesh. The potential for the misappropriation of aid funds disbursed through official channels remains great. Furthermore, if donors choose to support certain economic policies in Bangladesh they must realise that the effective implementation of these policies depends on the implementing bodies themselves and the nature of relations of exploitation. Donors should note that both a socialist and free market development strategy have been tried in Bangladesh and both have been constrained by the nature of relations between the state, the military and affluent classes.

Village level Social Relations

Class Relations

Rural class relations at the village level in Bangladesh are complex, vertically fragmented and dynamic.⁶ They include continually changing relations between patron and client, large and small landowners, and landowner, tenant farmer and wage labour. The impact of these relationships on development efforts is immense and requires recognition especially from aid donors attempting to extend aid to impoverished Bangladeshis and other disempowered

⁶ Various opinions exist as to the appropriateness of the concept of class in social analysis in rural Bangladesh. Class is used in this study because, as Kramsjö and Wood (1992,10) suggest, the concept of class in rural Bangladesh is useful to describe groups of similar economic standing experiencing similar relations of exploitation but should not be used to imply class consciousness.

groups. Rural class relations can be seen as part of a continuum of formal and informal social and administrative structures that aid, when disbursed through official channels, must pass through. As the previous section has indicated, the potential for the misappropriation of aid when disbursed through official channels is great.

A survey of grass-roots workers⁷ in four government development agencies (Health and Family Planning, Integrated Rural Development Programme, Rural Social Service and Agriculture Extension) uncovered various impediments to development associated with rural class relations (Noman and others:1982). Grass-root workers in the Integrated Rural Development Programme and Rural Social Service identified nepotism and favouritism of the committee members and leaders who have influence on the community as major impediments to the successful implementation of the programme. Grass-root workers in Agriculture Extension also found that local leaders who were directly connected with the programme gained undue advantages from the programme at the expense of the intended beneficiaries.

The above study indicates that the village elite, through their connections with local government, are able to appropriate aid for their own benefit and thus act as an obstacle to the flow of aid to the village poor. When development efforts have failed to give due recognition to rural class relations their effectiveness has been severely hampered. The impact of the Green Revolution⁸ and government efforts to form agricultural co-operatives provide examples of where the village elite have either been the main beneficiaries of development activities by the nature of those activities or by their ability to manipulate these activities to their advantage.

The Green Revolution in Bangladesh has been termed a 'production first' agricultural strategy (de Vylder:1982,85-102) which has focused on increasing land productivity without giving consideration to the distributional effects of increased production. A recent study on the impacts of the Green Revolution in Bangladesh concludes that:

unless the higher income groups are induced to invest in production activities, or their surplus is siphoned off for acceleration of public investment, diffusion of the new technology may lead to further inequality in the distribution of land-holdings and agricultural income (Hossain:1988,118).

Bangladesh's Green Revolution experience includes a polarisation of wealth and land ownership which has occurred as larger landowners control fertiliser and pesticide

⁷ The term grass-roots worker is used in this survey to describe public employees responsible for the implementation of the above mentioned development programmes at village level.

⁸ The Green Revolution refers to the introduction and spread of high yielding varieties of rice and the concomitant spread of modern fertiliser and irrigation technology since the late 1960s.

dealerships and through their local influence gain preference to cheap institutional credit and ensure that power pumps and tubewells are located to their advantage (Hossain and Jones:1983,170).

The Green Revolution has thus augmented a process of landlessness in Bangladesh as those with greater land-holdings have received proportionately greater benefits from increased production. This enables wealthier farmers to accumulate land while less wealthy agriculturists have often been forced to sell their land-holdings, especially when poor harvests leave them with insufficient funds to repay loans necessary for expensive Green Revolution inputs. Furthermore, not only has the introduction of high yielding rice varieties and associated technological inputs failed to improve the living conditions of the rural poor, they have also failed to produce a shift towards a more productive investment associated with capitalist relations of production. Quamrul Alam (1989,50,51) finds that Bangladesh's agrarian structure cannot:

create a productive agriculture because it is already very profitable - for those who are able to exploit rack-renting and money-lending opportunities Agriculture remains backwards as usury and sharecropping continue to be more profitable than agricultural investment. [Therefore] no fundamental structural changes have taken place in the agricultural sector since independence.

In its efforts to increase the spread of Green Revolution technology the government has organised village co-operatives under its Integrated Rural Development Programme (IRDP) and extended credit through these. Although the strengths of co-operative organisation and action in poor villages make such a vehicle for agricultural development attractive, rural class relations in IRDP co-operatives have been a severe impediment to their success. A Government Planning Commission in 1974 found that IRDP co-operatives were dominated by 'the rural elite . . . in conspiracy with the urban elite' (cited in de Vylder:1982,150). The Planning Commission also concluded that:

Leadership in the societies is also dominated by large farmers; medium farmers have some representation, but small farmers are entirely under-represented in the leadership. These leaders enjoy a greater share of benefits but their participation, as measured by contribution of share capital and savings, is relatively low. . . . The benefits of IRDP co-operatives, if there be any, have largely gone into the pockets of big farmers (cited in de Vylder:1982,150).

These examples highlight the importance of introducing equity considerations into the government's production-first development strategy. Aid donors must also realise that, given the nature of class in Bangladesh, simply increasing production will not bring an end to rural poverty and may in some respects aggravate it. As village elite are able to gain unfair advantage of foreign assistance and rural development programmes through their

connections with local government, to raise the living standards of the rural poor aid donors must encourage their political empowerment. It is precisely this political empowerment, which is required for the economic empowerment of the rural poor, that aid donors have shied away from. In a discussion of early attempts by Proshika, an indigenous NGO, to mobilise the rural poor in Bangladesh, Kramsjo and Wood (1992,5,6) recall,

. . . few development agencies (academic, donor and government) really understood the scale of landlessness as the root cause of pervasive poverty and remained locked into trickle-down strategies by concentrating upon the economic development of farmers through enhanced agricultural technologies embodied in the Green Revolution. Few also understood or appreciated the social processes through which landlessness arose and poverty was reproduced in the rural political economy, or that the state was not benign in these circumstances. There was a strong sense that to work with the poor through ideas of empowerment and conscientisation was subversive. . .

Gender Relations

Friedmann (1992) also stresses the importance of social empowerment as integral to any modernisation process which calls attention to the significance of gender relations in development. Gender relations are an important component of equity considerations in Bangladesh that greatly influence access to resources.

The practice of purdah is widespread among Bangladesh's predominantly Muslim population and severely limits opportunities for women to contribute to social and economic development. Often to maintain their households, however, poor women break purdah norms to work in the fields or to visit markets to sell their produce. As it is considered a matter of shame if a husband cannot support his wife and children in full, these income-generating activities are often kept secret and the economic role of women in development overlooked (White:1992,120-141). Yet, when women have been targeted by development agencies in Bangladesh the results have sometimes been astounding. The Grameen Bank, whose proportion of women borrowers exceeds 80 per cent, has had the highest loan recovery rate of all banks in Bangladesh at 98 per cent. In contrast, the recovery rate of the Bangladesh Small and Cottage Industries Corporation, whose borrowers are 80 per cent male and whose average interest rate is slightly lower, has been far poorer at 51 per cent (Chowdhury and Garcia:1993,11). The success of the Grameen Bank points to the great potential of women to contribute to Bangladesh's economic development.

Gender relations in Bangladesh also highlight the importance of social empowerment as an essential step to improved human well-being. Social development that gives greater status to women is highly desirable in rural Bangladesh where violence is not uncommon in marital relationships (White:1992,136-137). Recently, a bill introduced into parliament proposed the

death sentence for men who kill their wives for not offering enough dowry and life imprisonment for trafficking women and children for prostitution. This suggests that the rights of women are receiving greater attention. Earlier this year, however, death threats by Islamic fundamentalists against a woman lawmaker, Farida Rahman, for demanding Muslim women's equal share in parental property, reveal that Bangladeshi society is still dominated by male privilege.

Donors concerned about societal welfare and not just the economic welfare of their target groups must ask difficult questions about the desirability of the present social order in Bangladesh and adjust their development strategies accordingly. A recognition of gender, caste and class relations must be built into their aid activities lest their actions 'reproduce, rather than challenge, the established pattern of male privilege' (White:1992,15) and the potential of women to contribute to national development be overlooked. As with political empowerment, however, aid donors have largely avoided activities to promote social empowerment partly in the fear that in doing so they may be accused of interfering with the values and traditions of recipients.

GENERAL CONSTRAINTS TO DEVELOPMENT

To place Japan's aid strategy to Bangladesh in the broader context of Bangladesh's social and economic development other constraints to development are briefly identified and described below.

Human Resources

Bangladesh's development is not just hampered by the nature of social and economic relations between different classes but also by the lack of business, financial and administrative experience of people within these classes. The dearth of experienced entrepreneurs, managers and technocrats is a remnant of Bangladesh's colonial past, firstly under British and later, West Pakistan administration. Under British colonial rule, Bengali Muslims were discriminated against regarding public administration and economic activities related to the interests of the British East India Company (Murkherjee:1973,402). Similarly, under West Pakistan hegemony, Bangladesh (then East Pakistan) was again governed in the manner of a colony ruled for the purpose of extracting wealth and resources. Large business interests and top governmental and commercial positions were placed in the hands of West Pakistanis (Murkherjee:1973,409). Law and order were likewise controlled entirely by West Pakistani administrators. Consequently, when Bangladesh gained independence in December 1971, as a nation it did not have the necessary human resources, in terms of capable legislators, administrators, experienced business people and financial managers, on which to base a modern economy.

Examples of the lack of human resources and its impact on development can be seen in the findings of a number of recent studies. Sobhan and Sen (1987) found that 60 per cent of loans of the Bangladesh Shipla Rin Sanstha and another development finance institution, the Bangladesh Shipla Bank, were extended for projects in which the owners had no previous business experience. Due to this inexperience, most investors failed to choose viable projects (Quamrul Alam:1989,61). A study by Chowdhury and Garcia (1993) found that over half of 8000 staff employed from FY1981 to FY1985 by the Bangladesh Krishi Bank (BKB), the biggest supplier of agricultural credit in Bangladesh, received no in-house training. This study concludes that 'the deficiency of BKB staff in management of banking and lending operations . . . contributed largely to the six-fold increase in BKB's loan overdues between FY1983 to FY1989' (Chowdhury and Garcia:1993,6). At government level, Maniruzzaman (1992,221) notes that 68 per cent of the members of parliament in 1991 had no legislative experience and concludes that this greatly impairs Bangladesh's short-term development potential.

Population Pressure

The human dimension of constraints to development in Bangladesh also includes population pressure. The absolute size of Bangladesh's population, at 114 million in mid-1992 (World Bank:1994,162), is huge given that its people survive in a country only slightly larger than half that of New Zealand. This immense population pressure, when combined with a rapid population growth that averaged 2.6 per cent per year between 1970-1980 (World Bank:1994,210), places tremendous demands on limited financial and physical resources.

The demands of this expanding population for food and other basic living requirements increases unrelentingly and quickly absorbs any gains in domestic production that development efforts may achieve. Between 1960-1987, the spread of Green Revolution technology led to a doubling of net domestic food production (Chowdhury:1993, 93) but these gains were rapidly consumed domestically by a population that increased almost twofold. This left no agricultural surplus for export and thus undermined the accumulation of valuable foreign currency. Moreover, rapid population growth has meant food must be imported annually and Bangladesh has become one of the world's largest food aid recipients. In 1992, Bangladesh received 1.4 million tons in cereals as food aid (World Bank:1994,168) and between 1960-1987 food imports increased almost fourfold (Chowdhury:1993,93). The need to import food annually places a severe constraint on development by diverting scarce public finances away from activities that may improve Bangladesh's self-sufficiency.

A rapidly expanding population, combined with multiple inheritance of family farms between sons and the resulting division of land-holdings, is largely responsible for a fragmentation of

farm holdings and a decrease in average farm size in Bangladesh. Between 1960-1977, the average size of owned farms decreased from 3.5 to 2.0 acres, those of owner-tenant farms from 4.3 to 3.0 acres and those of tenant farms from 2.4 to 1.5 acres (Wood:1981,11). A decrease in farm size is often the start of a process of increased impoverishment whereby the rural poor are forced to mortgage their land and, when unable to meet debt obligations, are forced into distress sale. As a result of increasing landlessness the number of agricultural workers relying on the selling of labour for their livelihood has rapidly increased. With increased labour supply real wages for agricultural workers, which can be taken as a rough indicator of living conditions, have fallen consistently from 2.66 Taka/day in 1964 to 1.37 Taka/day in 1981 (Chowdhury:1993,101).

While population growth threatens Bangladesh's long-term growth potential and the long-term well-being of its people, it is important for aid donors to realise that the desire to have many children is part of a rational response to a particular set of economic and social circumstances. The poor often have many children because it boosts their income generating capabilities, enables families to better cope with seasonal employment demands, provides security for elderly relatives and allows for the high death rate amongst children (Chowdhury:1993,92,93). Rapid population growth in Bangladesh is largely a function of poverty and thus aid activities which improve the quality of life of the poor must be considered highly.

The Natural Environment

The natural environment also poses many constraints to development in Bangladesh. Broad rivers dissect much of the country and their width and ever-shifting channels make them hard to bridge creating major obstacles to overland communications. Furthermore, environmental constraints to Green Revolution inputs restrict the spread of modern technology thwarting the government's development efforts.⁹ While aid donors and the government are able to at least grapple with these constraints, catastrophic and frequent natural hazards are largely beyond their control.

The efforts of the Bangladeshi people to better their living conditions are constantly hampered by natural hazards, mainly in the form of floods, cyclones and droughts, which frequently exert a huge toll on human life and cause immense damage to property, crops and infrastructure. Natural hazards, combined with population pressure that forces people to live in disaster prone-areas, pose one of the greatest sets of obstacles to development in Bangladesh.

⁹ See Boyce (1987) for a detailed analysis of these.

Over 90 per cent of Bangladesh consists of deltaic lowland formed by alluvial deposits of the Padma, the Bramaputra and the Meghna, three of the world's largest rivers. As an active delta, over one third of Bangladesh floods annually during the summer monsoon (Johnson:1975,28). While the fertile deltaic lowlands owe their origin to the flooding of these large rivers, these same floods can also inflict widespread devastation. In July-August 1974, summer floods drowned several thousand people and destroyed one million tonnes of food grains and from \$10 to \$15 million worth of jute exports (O'Donnell:1984,165-166).

During the summer monsoon, devastating cyclones that form from depressions in the South China Sea also cause huge losses of human life. In 1970, one cyclone is estimated to have killed 200,000 people and another in 1991, at least 131,000 people (*Encyclopaedia Britannica Inc*:1992,402). The 1991 cyclone is estimated to have inflicted \$3 billion in crop and infrastructure damage (Reuter, Patenga: 01 May 1995).

Meanwhile, December and January are almost without rain and many areas are susceptible to drought at this time of year (Johnson:1975,18). Drought in many rice-growing areas in 1994 caused a food shortage that pushed the per kilo price for rice up 60 per cent (*Mainichi Daily News*: 20 Feb. 1995).

Natural hazards will continue to impede development efforts in Bangladesh and their significance needs to be recognised by aid donors and policy makers. Since independence, predictions of economic growth have often been overly optimistic and have failed to give due recognition to the possibility of natural hazards severely retarding development.¹⁰ Recently, the World Bank has suggested that Bangladesh needs to achieve an economic growth rate of over six per cent to reduce poverty (Reuter, Dhaka: 20 April 1995). Bangladesh's economy only grew at a rate of 4.6 per cent in 1994 (Reuter, Dhaka: 20 April 1995), however, and the threat of a natural calamity diminishing this in the near future constantly hangs over the country. Any development or aid strategy, therefore, cannot simply look to steady economic growth to reduce poverty. Given the scale of natural hazards that frequent Bangladesh, such growth cannot be assured. Furthermore, aid donors must recognise that development assistance in the form of concessional loans may become a burden on a country such as Bangladesh if natural calamities hamper increased production that the repayment of these loans depends upon.

¹⁰ The World Bank noted that at the start of FY1988 prospects for growth in Bangladesh looked good and the country 'appeared poised at its best position since the late 1970s to embark on a period of rapid and sustained growth' (World Bank:1988,i). However, during July and September of that year, Bangladesh experienced its worst floods in over thirty years which promptly forced the World Bank to reverse its favourable forecast.

The International Trading Environment

Several aspects of Bangladesh's international trade relations also hamper development prospects. Most notable is the decline in terms of trade that Bangladesh as a primary producer and importer of industrial capital has experienced in recent years. From a base year of 100 in 1977, Bangladesh's terms of trade had declined to 83 by 1993 (ADB:1994,66-67). Between 1973-1983, the buying power of Bangladesh's exports almost halved (Wood:1991,19).

Associated with this decline in terms of trade has been a contraction of about 0.9 per cent between 1985-1992 in foreign revenue from jute exports (ADB:1994,66-67) which have traditionally been the mainstay of the Bangladeshi economy. This decrease in jute revenues also reflects intense competition from oil-based synthetic substitutes and trade barriers in some Western countries which protect domestic jute processors by allowing only raw jute to be imported (Clark:1978,8).

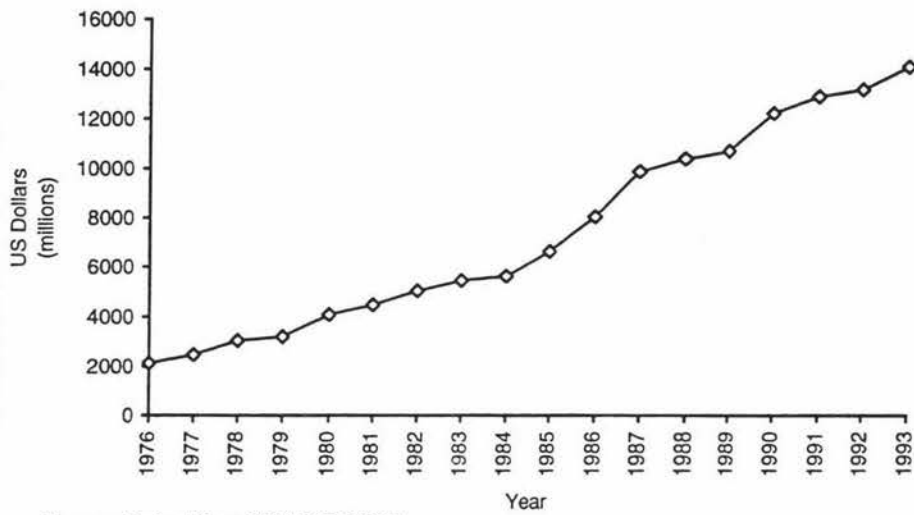
The government's removal of import constraints, a measure undertaken as part of the Structural Adjustment Programme signed by the government under pressure from the IMF and World Bank, is another area in which Bangladesh's development has been threatened by the forces of unrestrained international trade. Many domestic textile mills, battery manufacturers, ceramic units, small machinery and spares manufacturing concerns are facing closure as they are unable to compete with highly sophisticated foreign goods. Between 13-16 February 1995, a three day national strike was called by unions representing jute and textile workers in protest of the government's free market policies. Their primary concern was that by allowing the import of synthetic fibres, domestic jute markets would be destroyed and the jute industry, which sustains 30 million people, undermined (Bangladesh National Workers Federation: 16 February 1995).

Foreign Debt

Since the late 1970s, the government has had to direct more and more of limited public finances to repay foreign debt. Although debt repayments increased over six-fold between 1976-1993, total outstanding foreign debt also increased by the same magnitude (figs. 7.1 and 7.2, overleaf). Few in-roads have been made into aggregate foreign debt partly because a large proportion of repayments only cover interest on outstanding loans (fig.7.2).

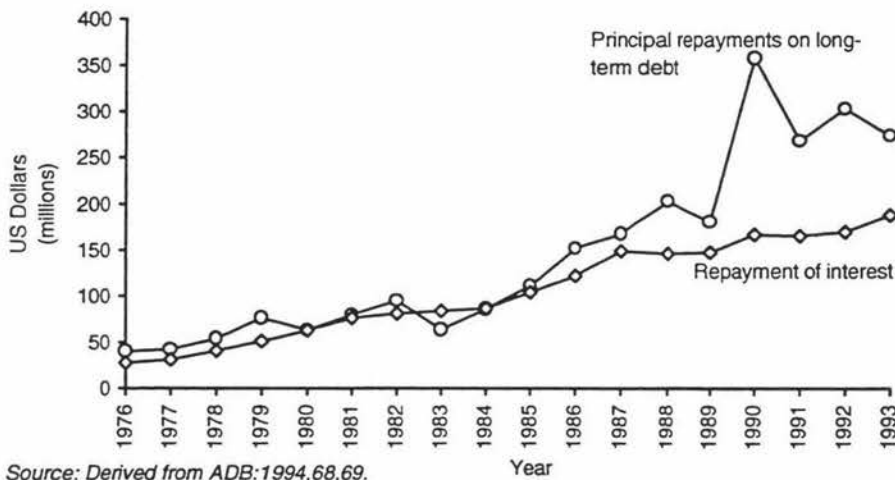
In addition, despite Bangladesh's improved economic performance in the 1990s, the government continues to rely on foreign loans to meet shortfalls in domestic production and the cost of expensive capital imports.

Figure 7.1: Foreign Debt of Bangladesh, 1976-1993



Source: Derived from ADB:1994,68-69.

Figure 7.2: Repayment of Foreign Debt, 1976-1993



Source: Derived from ADB:1994,68,69.

Under the present structural adjustment programme, the government has attempted to improve its current account balance through tax reforms and greater efficiency in tax collection. Although a dramatic increase in foreign exchange reserves shows it has been successful in this endeavour, debt repayment has become a severe drain on new public funds threatening the financial base of Bangladesh's economic growth. In 1992, debt servicing was equivalent to about 18 per cent of current public revenue (tax and non-tax) (ADB:1994, 64,65,68,69). Aid donors and international finance institutions concerned for Bangladesh's long-term development, therefore, must recognise that foreign debt repayments are placing an increasing burden on limited public finances. The human and

economic costs of foreign debt need to be acknowledged if the benefits of economic growth are to remain within Bangladesh where they are most needed.

SUMMARY

Despite gaining independence over twenty years ago, the rulers and governments of Bangladesh have been able to generate only limited economic growth and the benefits of this have largely been restricted to relatively wealthy Bangladeshis. With 40 per cent of the population suffering from malnutrition, Bangladesh continues to be plagued by widespread poverty. Aid donors have also had limited success in ensuring that benefits of development accrue to those in most need of them.

Many obstacles continue to retard Bangladesh's development including internal constraints, such as aspects of the natural environment and a lack of experienced public administrators and entrepreneurs, and external constraints, such as restricted access to overseas markets and declining terms of trade. The above discussion has found, however, that less apparent structural impediments which exist from village through to national level have also been responsible for the failure of national development plans since independence. These impediments are an integral part of Bangladesh's social and political structures which favour certain groups with access to power and finance to the detriment of the poor and of other disempowered groups. Social and economic relations at village level, between village elites, local politicians and administrators, as well as between men and women, and at national level, between the military, bureaucracy, politicians and affluent groups, are such that national development plans have largely only benefited a few wealthy Bangladeshis. In the past, foreign aid has financed up to 90 per cent of the government's annual development budget which makes it extremely important that donors wishing to assist disempowered groups recognise these impediments in their aid strategies. Structural impediments to development are exceedingly pervasive and, as can be seen by the poor management and operation of IRDP co-operatives, often even undermine development activities that directly target the poor.

Since the mid-1970s, successive governments have pursued a production based growth strategy supported by foreign development agencies which assumes that the poor will also benefit from this growth. In contrast, real rural wages have dropped since independence and living standards of the rural poor have declined. The production based growth strategy has been partly responsible for a polarisation of landholdings and wealth and has made the livelihood of many more precarious. While economic growth is necessary in a country that cannot feed itself, it has become readily apparent that equity considerations must become a central part of national development policy.

Furthermore, for aid to be effective donors must step outside the bounds of traditional aid activities which have focused on technical solutions to increase agricultural output. Chapter Seven has shown that a sustained improvement in the quality of life of impoverished Bangladeshis will only take place when they have been socially and politically empowered. Social empowerment entails a process of conscientisation and confidence raising empowering the poor to challenge the structures which reproduce inequality. Political empowerment requires that the voice of the poor gain deserved recognition in national policy making. Economic empowerment is necessary for the poor to gain access to resources which have so far been usurped by those in positions of influence.

Chapter Seven has identified constraints to development in Bangladesh which serve as a framework for determining the impact of aid efforts. Chapter Eight takes up the challenge of analysing the appropriateness and effectiveness of Japan's ODA to Bangladesh by using this framework.

CHAPTER EIGHT

JAPANESE AID TO BANGLADESH: DESCRIPTION AND ANALYSIS

INTRODUCTION

In this chapter, three sources of information are drawn upon to analyse the effectiveness and appropriateness of Japanese ODA to Bangladesh. Firstly, annual publications of the Overseas Economic Co-operation Foundation (OECF), the Japan International Co-operation Agency (JICA) and the Ministry of Foreign Affairs (MoFA) provide an overview of Japanese ODA to individual countries including Bangladesh. From this information, the issues of why particular forms of aid are preferred, why they are concentrated in certain sectors and the appropriateness of these forms of aid to development needs can be addressed. Secondly, evaluations of several Japanese aid projects in Bangladesh have been undertaken by the Japanese government. An analysis of these evaluations may uncover the degree of success Japanese projects have had in meeting their objectives. Moreover, using the framework developed in Chapter Seven, the appropriateness of these objectives to development can also be discussed. Finally, several country analyses of Bangladesh have been undertaken by Japanese aid agencies and are useful for identifying development issues which are considered of importance and, conversely, others that are overlooked. A study of these reports has been left until the latter part of this chapter as they point to future forms that Japan's ODA may take.

OFFICIAL ANNUAL REPORTS

Annual reports of JICA, the MoFA and the OECF provide information regarding the nature of Japanese aid activities in developing countries. From these the type of aid extended, whether as loans, grants or technical assistance, and the sectoral allocation of aid can be identified. The following section analyses Japan's ODA to Bangladesh under these headings.

ANALYSIS BY TYPE

Table 8.1 (overleaf) provides a summary of the government's aid activities in Bangladesh between 1986-1992. As the length and figures of this table indicate, Japanese aid activities

Table 8.1: Japan's ODA Disbursements to Bangladesh, 1986-1992

Duration of Activity	Loan Aid		Grant Aid and Technical Assistance	
	Aid Activity	Amount	Aid Activity	Amount
1986 (onwards)	Chittagong Urea Fertiliser Project	19.2	Replacement of Weather Surveillance Radar	3.44
			Debt Relief	18.30
			Replacement of Medium-Wave Transmitter	2.02
			Power Distribution Project	1.62
			Improvement of Fire Fighting and Rescue Equipment	1.35
			Audio-Visual Equipment to the Institute of Distance Education	0.21
			Increased Food Production	6.49
			Improvement of Medical Equipment for the Institute of Cardio-Vascular Disease	1.64
			Construction of Grain Storage	5.97
			Food Aid	10.81
1986-1987			Improvement of Water Supply	16.76
			Rehabilitation Project in the Flood and Cyclone Affected Area	9.41
1986-1987-1988			Construction of Meghna Bridge	35.35
1987 (onwards)	Sylhet Combined Cycle Power Plant Construction Project Commodity Loan	54.11 104.83	Food Aid	16.56
			Improvement of Safety Services and Motor Transport Vehicles	2.62
			Television Broadcasting to Bangladesh Television	0.32
			Debt Relief	27.93
			Increased Food Production	3.71
			Improvement of Medical Equipment	4.51
1987-1988			Whole Rehabilitation Project of the Terminal Irrigation Facilities in Narayanganji-Narshingdi	4.96
1987-1990			Construction and Rehabilitation of the Sewage System	38.52
1988 (onwards)	Commodity Loan Madhapara Hard Rock Mining Project Chittagong Caustic Soda Plant Rehabilitation Ghorasal Urea Fertiliser Factory Renovation Emergency Commodity Loan	104.72 3.47 16.35 81.44 59.06	Disaster Relief	8.79
			Improvement of Ice Plant, Processing Units and Related Facilities	1.21
			Equipment of Preservation and Conservation of Paharpur Buddhist Monastery	0.30
			Debt Relief	41.20
			Improvement of Mail Vans and Motor Vehicles	0.94
			Technical Assistance	0.03
1988-1990	Jamuna Fertiliser Project	307.92		
1988-1991			Construction of Narayanganji-Narshingdi Irrigation Facilities	24.19
1989 (onwards)	Commodity Loan	69.23	Improvement of Scientific Educational Equipment for Universities	3.32
			Food Aid	10.00
			Debt Relief	71.68

			Increased Food Production	3.08
			Technical Assistance	13.42
1989-1990			Improvement of the Storm Water Drainage System in Dhaka	4.68
1990 (onwards)	Greater Dhaka Telecommunication Network Improvement Project (2)	98.41	Replacement of Medium-Wave Transmitter, Savar	3.07
	Commodity Loan	28.00	Additional Construction of the Library and other Physical Infrastructures of ISPA	2.69
	Energy Sector Adjustment Programme	25.33	Debt Relief	68.87
			Food Aid	8.67
			Cultural Grant	0.33
			Technical Assistance	12.53
			Small-Scale Grant Aid (2 Projects)	0.07
1990 1991 1992			Construction of the Meghna-Gumti Bridge	34.01
1991 (onwards)	Commodity Loan for Cyclone Disaster Relief and Economic Reconstruction	90.37	Model Rural Development Project for Homna and Daukandi Upazila	11.31
			Procurement of G.I. Sheet for Post Cyclone Rehabilitation	2.21
			Supply of Irrigation and Cultivation Equipment to the Co-operative farmers of the Cyclone and Tidal Bore Affected Areas	2.08
			Procurement of Construction Equipment for Cyclone Rehabilitation	1.51
			Establishment of Fish Landing Preservation/Distribution Facilities at Monoharkali	9.96
			Debt Relief	86.47
			Disaster Relief	9.08
			Educational and Cultural TV Programmes to Bangladesh Television	0.35
			Increased Food Production	11.11
			Technical Assistance	15.50
			Small-Scale Grant Aid (3 projects)	0.10
1991 1992			Storm Water Drainage System Improvement Project in Dhaka	11.63
1992			Establishment of the National Plant Quarantine Services	6.42
			Establishment of the Permanent Seamen's Training School	4.95
			Construction of Revetment on the Bank of the Meghna River	8.63
			Debt Relief	105.10
			Increased Food Production	10.77
			Technical Assistance	17.58
			Small-Scale Grant Aid (3 Projects)	0.09
Total	Loan Aid	1062.44	Grant Aid (including technical assistance)	840.41
Percentage		55.83		44.17

Source: MoFA ODA Annual Report 1991, 1993.

All figures converted to US millions at average annual exchange rates.

in Bangladesh have been numerous and have absorbed large amounts of ODA. Bangladesh has been among the ten largest recipients of Japanese ODA since the mid-1970s and was the eighth largest recipient in 1992 (MoFA:1993a,99).

The shares of grants (including technical assistance) and loans of Japan's total ODA to Bangladesh during this period are given at the bottom of Table 8.1 as 44.2 and 55.8 per cent, respectively. Over the same period, the grant ratio of total Japanese aid to all LLDCs¹ was about 68 per cent (MoFA:1993a,102). Japan's grant ratio to Bangladesh has thus been considerably lower than that to other LLDCs and, conversely, its loan ratio has been much higher.²

The Japanese government states that it extends grant aid primarily to cover basic human needs, human resource development and, in the case of LLDCs, for the upgrading of economic infrastructure (MoFA:1993a,109). As Bangladesh is an LLDC with much of its population enduring poverty in their day to day living the question must then be asked, why has the Japanese government extended most of its ODA to Bangladesh in the form of loans?

Explanation for a Low Grant Ratio

Chapter Seven suggests that in Bangladesh the successful implementation of basic human needs projects and human resource development programmes, such as income generating activities and literacy programmes among the rural poor, depends upon a large number of field workers and policy makers with a good understanding of the many social and political structural impediments to development. Such activities require a far greater number of aid staff with local knowledge than large industrial and infrastructure projects whose construction can be contracted to the private sector. Despite the greater commitment of human resources that humanitarian and human resource development projects require, however, they absorb much smaller amounts of aid funds than large industrial projects.

It was noted earlier that Japan's ODA programme suffers a shortage of aid staff and regional experts. In Bangladesh, the Japanese government has about ten residential aid staff compared with the US official aid agency, USAid, which has over ninety staff (JICA:1990). It is highly likely, therefore, that the Japanese government has preferred loan aid as the type of projects funded by loans, in particular large industrial and infrastructure projects, require a much smaller commitment of human resources, are a greater sink for aid funds and can better be presented as show-pieces of Japanese aid in a country where effective ODA is extremely

¹ LLDCs (Least among Less Developed Countries) are countries considered especially undeveloped even among developing countries. In 1993, 47 countries were recognised as LLDCs by the United Nations (MoFA:1993a,xv).

² It must be acknowledged that, although the grant ratio has been low, Bangladesh has been the largest recipient of Japanese grant aid since 1984 (MoFA:1988,1993a).

difficult to extend. Rix (1993,76) also finds that Japan's ODA programme is characterised by a tendency towards '... the "spendability" of projects in order to consume allocated budgets and avoid the grass-roots complications that can entangle smaller projects'.

Another likely explanation for the low ratio of grants to loans lies in the realisation that in Bangladesh the potential for the misappropriation of aid by people in positions of influence is large. It has already been noted that the Japanese government believes the repayment obligations of loan aid enforces economic discipline in developing countries. By extending most ODA in the form of loans it appears the Japanese government hopes to encourage some degree of accountability among Bangladeshi decision makers. Chapter Seven found, however, that many recent examples of influential people defaulting on loan repayments have been recorded which suggests that this aid strategy may be inappropriate.

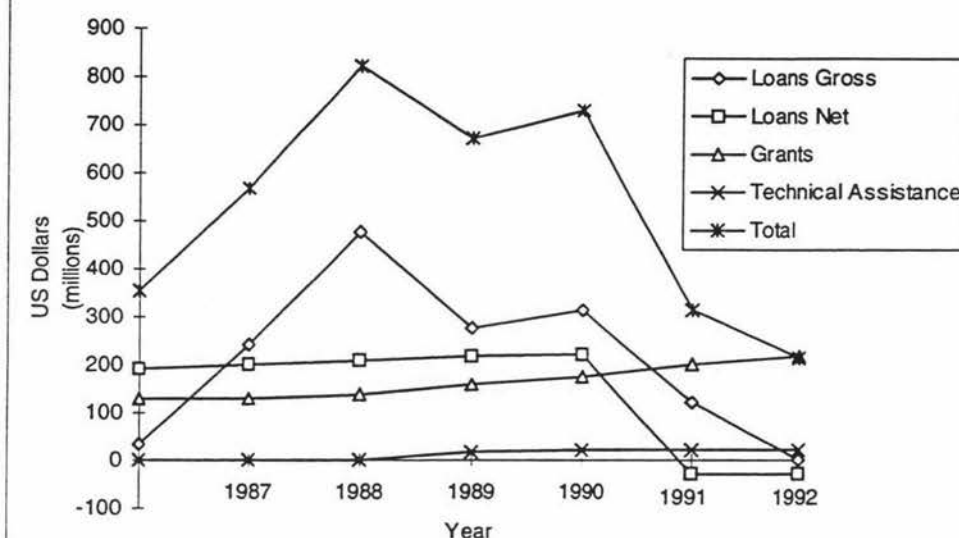
Loans and Debt

An important question that must be asked regarding the large proportion of loan aid is, does this promote development in Bangladesh or does this simply add to public debt? Although the present study cannot hope to answer this question in full, some comments can be made on the basis of available information. Table 8.1 reveals that most Japanese ODA loans have funded activities which are probably expected to generate sufficient financial return to cover the repayment obligations of these loans, such as fertiliser plants and power projects. In this respect, at least, the OECF has shown prudence in the allocation of ODA loans. Furthermore, Japanese ODA loans to Bangladesh have become highly concessional. In FY1991, the OECF extended a commodity loan to Bangladesh for the purpose of relieving the damage caused by the April 1991 cyclone. This loan was untied and the terms were a thirty year maturity, a ten year grace period and an interest rate of one per cent (OECF:1992, 88).

Recent Trends in Japanese Aid Flows to Bangladesh

Each year since 1990, total aggregate annual ODA flows to Bangladesh have fallen due to a rapid decrease in the disbursement of loan aid. Repayments on OECF loans even exceeded disbursements in 1991 and 1992 (fig. 8.1, overleaf). In its 1993 annual report, the OECF neither acknowledges nor attempts to explain this reduction in loan aid. Table 8.1 indicates that this fall has resulted from the absence of commodity loans in 1992 and what appears to be the completion of several large-scale aid projects, such as the second stage of the Greater Dhaka Telecommunications Network Improvement Project and stage three of the Jamuna Fertiliser Project.

Figure 8.1: Japanese ODA to Bangladesh by Type, 1986-1992



Source: Figures derived from Table 8.1

Japanese aid agencies now perceive developing countries to be in different stages of economic development and insist that ODA must be tailored to suit these stages. This belief is reflected in the government's policy of extending aid to LDCs in the form of grants. Japan's Fifth Medium-Term ODA Plan states:

In order to improve the quality of ODA . . . Grant aid and technical assistance will be expanded. . . . Particular attention will be paid to the increase in grant assistance to Least Developed Countries (MoFA:1993a,228).

This belief, combined with overseas criticism of the quality of Japanese ODA, provides the most likely explanation for the recent increase in grant ratio. The relevance of this for development in Bangladesh is discussed below in relation to the sectoral breakdown of grant aid. Technical assistance remains low as a proportion of total aid but is showing a steady rise reflecting the government's policy of increasing this form of aid.

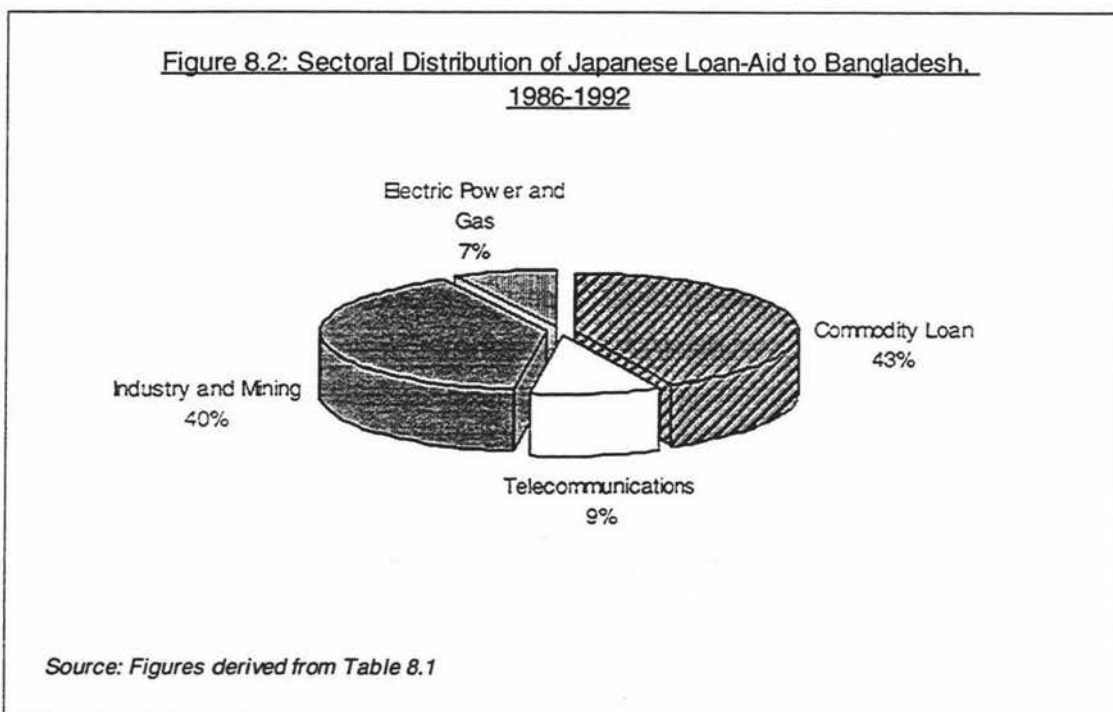
ANALYSIS BY SECTOR

Japanese loan aid is administered by the OECF and grant aid (including technical assistance) by JICA. As JICA and the OECF operate independently and could almost be viewed as two separate donors both forms of aid are treated separately below.³

³ Orr (1990,50) recalls one OECF official lamenting that '... we get better co-operation with USaid than we do with JICA'.

Sectoral Distribution of Loan Aid

Figure 8.2 shows that commodity loans, loans for economic infrastructure (telecommunications, electric power and gas) and loans for industry and mining accounted for all Japan's ODA loans to Bangladesh between 1986-1992.



Commodity Loans and Structural Adjustment

Commodity loans were the most prominent form of Japan's ODA to Bangladesh during this period accounting for 24 per cent of disbursements. In contrast, commodity aid as a proportion of total Japanese aid in 1992 accounted for only three per cent (MoFA:1993a,103). A number of explanations can be used to account for the government's preference for commodity loans as aid to Bangladesh.

It was argued at the end of Chapter Six that the government's primary motive for extending aid to Bangladesh appears to be to impress other donors and Asian powers. Commodity loans are useful in this respect as they facilitate the extension of large amounts of aid with minimal administrative involvement on the part of the donor. In addition to meeting Japan's objectives as an aid donor, however, commodity aid is also generally considered by donors and recipients alike to be conducive to economic development. The imports purchased with commodity loans may be sold domestically to produce additional government revenue or what are known as counterpart funds. Other goods may be those otherwise normally purchased by the recipient government, such as spare parts and replacement items to ensure public projects maintain full

operating capacity.⁴ One additional advantage of commodity aid is that it can be disbursed much more quickly than project aid.

The Japanese government extends commodity loans primarily to the governments of heavily indebted developing countries on the condition that they undertake structural adjustment under the supervision of the World Bank. Chapter Five has pointed out that World Bank-type structural adjustment requires governments to improve their fiscal balances by reducing public spending. Commodity aid, however, provides a source of revenue for governments undertaking structural adjustment that enables them to continue funding their development programmes. The extension of commodity loans to heavily indebted countries may thus be considered expedient but only if they produce economic growth that allows for the repayment of these loans and do not simply add to public debt. As mentioned in Chapter Seven, Bangladesh is subject to natural hazards which frequently threaten the potential for sustained economic growth. Therefore, it is highly probable that foreign debt will continue to accumulate and repayment obligations will increasingly sap limited public finances. The Japanese government might thus consider whether grants would be a more appropriate form of commodity aid.

Japanese commodity loans provide the Bangladesh government with a source of revenue but do they improve the economic-well being of impoverished Bangladeshis and do they enhance Bangladesh's long-term growth potential? For those commodities that the Bangladesh government sells to the private sector the beneficiaries will be those who have access to credit and not the rural poor. In a similar manner to food aid (a form of commodity aid), and for the same reasons, commodity aid is most likely to benefit the politically active middle class on which the government relies for support. The manner in which counterpart funds generated by the sale of commodities are used, will also determine the appropriateness of commodity aid. These counterpart funds will have the same impact on development as any other source of government revenue.

An examination of how effectively government funds are utilised in Bangladesh is beyond the reach of this study. In Chapter Seven, the failure of the government's first four Five Year Plans to attain growth objectives, however, was associated with relations of exploitation between the ruling elite, the military and affluent classes that improved the economic standing of these classes to the detriment of national development. These relations have changed little since the fall of the military regime in 1990 which places doubt on the government's ability or intent to disburse public funds effectively. In recognition of the weaknesses of public administration in Bangladesh, the Japanese government has laid its hopes of more effective government policy and expenditure on the imposition of structural adjustment measures.

⁴ The government no longer ties these loans to the procurement of Japanese goods, though many other donors do (Chr. Michelsen Institute:1986,113-115).

The impact of structural adjustment on development and the poor is thus an important consideration when evaluating Japanese commodity aid. In Chapter Five it was shown that structural adjustment in developing countries has often led to a deterioration in living conditions, especially for disempowered groups, and may have in some instances hindered the potential for long-term development. Chapter Seven found that the removal of import constraints, a measure undertaken as part of the Structural Adjustment Programme signed by the government of Bangladesh under pressure from the IMF and World Bank, has threatened Bangladesh's long-term economic development. Domestic textile and jute industries, the mainstay of the economy, are unable to compete with lower priced imported synthetic fibres and many are facing closure as a result of import liberalisation. A recent example of the negative impact structural adjustment can have is the hoarding of fertiliser by private traders to raise prices. Eight people died in rural protests over fertiliser prices in March 1995 and the Bangladesh government responded by using the army to speed up distribution. Pierre Landell-Milss, the World Bank mission chief in Dhaka, replied to this practical and humane response by insisting that distribution should be left solely in the hands of private traders (AFP, Dhaka: March 30, 1995). From his response, it is clear that in the extension of aid to support structural adjustment the Japanese government must distinguish between the theoretical arguments used to justify structural adjustment and its actual implications for disempowered groups.

Loans for Industry, Mining and Economic Infrastructure

Projects funded by the remainder of Japanese loan aid between 1986 and 1992 can be classified as industry and mining (40 per cent) and economic infrastructure (electric power, gas and telecommunications) (16 per cent). Although the ratios of these sectors vary from those of total Japanese aid flows they are sectors in which Japan's aid administration has experience and has shown a preference for in other developing countries. In particular, much of Japanese ODA is used to fund economic infrastructure projects, mainly in the transportation, power and telecommunication sectors, and this pattern is reflected in ODA flows to Bangladesh. Industry and mining are also sectors generally favoured by Japanese ODA. That the OECF extends loans to sectors which it has experience with in other developing countries invites the question, does the OECF favour these sectors in Bangladesh as it believes that this aid will be the most appropriate or does this reflect inflexibility in Japan's aid programme? Both answers appear valid.

Table 8.1 shows that most of Japan's ODA loans to Bangladesh between 1986-1992, other than commodity loans, have funded fertiliser plants. Fertiliser is a necessary input for the new high yielding rice varieties that are spreading throughout Bangladesh and explains this focus of OECF project lending. The funding of domestic production plants is especially judicious as \$17 million was spent on fertiliser imports in 1992 (United Nations:1993,58). Telecommunications projects have received the next largest allocation of loan aid and are funded on the basis that

they are a necessary ingredient for economic growth. They are also an area in which Japan's private sector has considerable technical expertise and in which the OECF has much experience. About six per cent of all Japanese ODA loans funded telecommunications projects in FY1992 (OECF:1993,17). Other OECF loans have funded a power plant, a caustic soda plant, and a mining project.

The concentration of aid activities on production and economic infrastructure reflects beliefs which have emerged from Japan's successful economic development after World War Two. In addition, however, large-scale public works and industrial projects meet the OECF's need to disburse large amounts of funds while being severely understaffed. Orr (1990,47) notes that the OECF is plagued by an enormous aid 'pipeline', that is, funds which have been allocated to the OECF that are yet to be disbursed, which exceeded total disbursements in 1987 by over fourfold. For the OECF, large-scale and expensive projects can absorb many of these funds.

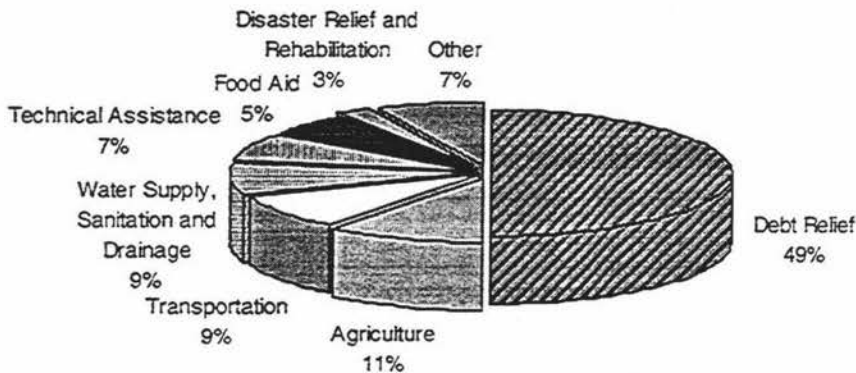
Although such projects may be supportive of a modernisation process, they have little to offer disempowered groups in Bangladesh. The OECF has adopted a top-down approach to development assistance which is predicated on the belief that economic infrastructure is the ultimate ingredient for economic growth and that the benefits of this growth will trickle down to the poor. Chapter Seven has shown, however, that in Bangladesh little foreign aid ever reaches the poor and that social and political development is just as important as economic development for sustained economic prosperity.

Sectoral Distribution of Grant Aid

Grant Aid for Debt Relief

Table 8.1 reveals that Japanese grant aid has funded a wide range and large number of projects in Bangladesh. The most striking feature of the allocation of grant aid is that almost half has been extended as 'grant aid for debt relief' (fig. 8.3, overleaf). Under this scheme, grants are extended to developing countries which they then use to pay for debt owed to Japan. This allows the government to provide debt relief without calling it debt forgiveness which it is opposed to in principle. In essence, however, grant aid for debt relief is a form of debt forgiveness that is extended each year to cover the principal and interest owed to Japan in that year.

**Figure 8.3: Sectoral Distribution of Japanese Grant-Aid to Bangladesh,
1986-1992**



Source: Figures derived from Table 8.1

In Chapter Seven, repayment obligations on foreign debt were identified as an increasingly severe drain on public funds. In this light, grant aid for debt relief is an expedient form of aid. In a similar manner to commodity aid, however, the efficacy of grant aid for debt relief will depend on the manner in which public funds that such aid releases are used.

It should also be recognised that grant aid for debt relief serves the Japanese government political interests well. Direct debt forgiveness cannot be recorded as an aid flow whereas grant aid for debt relief can. With the lowest grant ratio of all DAC member countries, grant aid for debt relief is particularly useful as it allows the government to record a much greater flow of grants without a large commitment of human resources.

Sectoral Distribution of Grant Funded Projects

Figure 8.3 shows that grant aid has funded a wide variety of projects in a number of sectors, the most prominent of which are agriculture, transportation and what the government classifies as social services, that is, sanitation, drainage and water supply. All of these activities are in areas which Japan's private and public sectors have considerable expertise and are perceived as being important for economic development, but how well do they meet development needs in Bangladesh? This is a difficult question to answer without analysing the impact on development of each project in detail. The Japanese government has undertaken evaluations for some projects and these will be discussed in the following section. Some comments of a general nature, however, can be made about the type of projects funded by grants.

It is understandable that agricultural projects have attracted large flows of grant aid given the agricultural base of the Bangladesh economy and that the Japanese have much technical expertise in this sector. Japanese agricultural projects have included agricultural training, projects for increased food production, construction of irrigation facilities, a model rural development project, supply of irrigation and cultivation equipment and establishment of the national plant quarantine services.

In urban areas Japanese grant aid has funded water supply, sanitation and storm water drainage projects. The provision of continuous clean drinking water and the adequate treatment of sewage are appropriate forms of aid to Bangladesh where the health of many Bangladeshis is impaired through of a lack of these facilities. After heavy storms in May 1995, over 400 people died from diarrhoea contracted by drinking contaminated water (Reuter, Dhaka: May 20, 30,1995).

Transportation has also attracted a large proportion of Japanese grant aid which has mainly been used for the construction of bridges and the improvement of roads. Grant aid is appropriate for these activities as they produce no direct financial return. In addition, JICA has also provided grants for the procurement of educational supplies and service vehicles, as well as for the procurement and installation or construction of fishing-related facilities, medical and telecommunications equipment, flood protection and cyclone rehabilitation. Aid reforms discussed in Chapter Five have permitted the extension of 'cultural aid' for the procurement of equipment to help preserve a Buddhist monastery and the extension of 'small-scale grant aid'. Except for a general project of maternal and child health care undertaken in 1990, information was not available for the type of projects funded by the latter form of aid.

In contrast to loan aid projects that primarily take the form of large-scale economic infrastructure and industrial plants, it is apparent that projects funded with grants have been more diverse in scale and by sector. Grant funded projects range from massive bridges spanning some of the world's largest rivers to primary health care programmes at village level. The diversity of projects funded with grants reflect the administration of those grants by the Foreign Ministry which has been at the 'forefront of the aid policy making community in attempting to be innovative with overseas assistance' (Orr:1990,39). This reflects the Ministry's responsibility of co-ordinating technical assistance and Japan Overseas Co-operation Volunteers which brings it into close contact with aid activities at village level.

Since the introduction of small-scale grant aid, village level projects are increasing and indicate a growing awareness of the need to channel aid directly to intended beneficiaries and to bypass official channels of aid administration. The diversification of the type of projects funded by aid to include village level projects bodes well for further aid reform. Overall, projects at village level involve a larger dispatch of aid workers, particularly when in the form of technical co-

operation. These projects are thus more likely to bring aid personnel into contact with local communities on a regular basis and through doing so increase their awareness to political and social development as integral to promoting the sustained economic well-being of the rural poor. Japan's aid programme is often criticised for its lack of regional specialists and village level projects that bring aid staff and volunteers into contact with local communities should be considered highly desirable.

PROJECT EVALUATIONS

The first part of this chapter has described the type and sectoral allocation of Japanese ODA to Bangladesh and attempted to explain why this aid is given and how well it meets development needs. To assist in these tasks, the following section examines the nature and findings of project evaluations conducted by the Japanese government in Bangladesh. In doing so it is hoped that some light may be shed on how successful Japanese aid projects have been in terms of meeting long-term development needs and assisting the poor, who the main beneficiaries are and what some of the deficiencies of these projects and the evaluations themselves might be.

Three evaluations of Japanese aid projects in Bangladesh are analysed below. The first two were conducted by the International Management Association of Japan (IMAJ) and compiled as a single document titled, 'An Assessment Review of Economic Co-operation in Bangladesh' (March 1993). The third evaluation appeared in the 1991 publication of the 'Annual Report on Japan's Economic Co-operation' published by the MoFA. All evaluations were printed in English. Each project and its evaluation is analysed below under the headings of project description, evaluation findings and analysis.⁵

EVALUATION ONE: THE N-N IRRIGATION PROJECT

Project Description

The N-N Irrigation Project's primary objective has been the construction of a model irrigation and drainage system for rural development in the Narayangange-Narushinji region of Bangladesh. A 1000 hectare demonstration unit was completed in 1988 and involved the construction of a circular bank spanning 8.2 km, a water drainage system and a pump centre. Approximately 80 per cent of construction costs were met by the Japanese government, in the form of a grant, and the remainder by its Bangladesh counterpart. If successful, it is anticipated that the project may be expanded to cover an area of 45,000 hectares.

⁵ While it is recognised that there are limits to such an analysis, notably the Japanese government's complicity in the evaluations, it is felt that these evaluations still provide an insight into the success of Japanese projects in empowering disadvantaged groups. Furthermore, these evaluations are useful as they reveal whether the evaluators themselves consider empowerment as essential to development.

Evaluation Findings

The evaluation report has found that the demonstration unit has had a number of favourable effects on local development. Agricultural productivity and stability have improved bringing about an increase in employment and an improvement in the incomes of local farmers. Consequently, farmers have been able to purchase more foodstuffs for their families and some are able to send their children to schools for the first time. In addition, the circular bank has reduced flooding which in turn has improved the reliability of transportation routes. According to the report, as transportation has improved more women are escaping the confines of their households and are seeking employment in urban processing centres.

Regarding future issues, the report draws attention to the need to further improve the irrigation system, to develop a management system to collect fees and to maintain facilities, to monitor the projects environmental impact and to educate local farmers in new farming techniques. With regards to poverty, the report argues that increased incomes and employment opportunities have benefited the poor. The report recognises that the project has created inequalities as farmers owning greater areas of land have gained greater profit. It is suggested, however, that inequalities may be diminished by maintaining public facilities such as schools and hospitals from which everyone can benefit.

Analysis

Overall, evaluation findings are very favourable and suggest that the project has been successful in terms of construction and benefits for participating farmers and their families. This analysis does not question these conclusions but instead focuses on some of the short-comings of the evaluation and the project itself.

The N-N irrigation project must be seen in the broader context of attempts to spread Green Revolution technology in Bangladesh. The appeal of such projects is understandable as the increase in agricultural productivity which they promise is seen as an immediate remedy to Bangladesh's most pressing development issue; how to feed an ever increasing population. In addition, however, commercialisation of the agricultural sector opens up new prospects for trade in farm implements and consumer goods. This may be particularly important for Japan which was the largest exporter of agricultural machinery to Bangladesh in 1982 (United Nations:1982,216).

It is also important to recognise that other demonstration units have been completed elsewhere in Bangladesh. The largest of these was developed in the Comilla region in the 1960s and it would be of value for Japanese project designers to better consider the difficulties experienced by this project. In the Comilla region, project replication outside the demonstration area proved to be the greatest obstacle to project success. Obstacles to replication were not so much a result of technical difficulties regarding such aspects as hydrology and soil types, but a reflection of social constraints

concerning unequal access to wealth and influence. In order to promote the diffusion of Green Revolution technology in the Comilla region, the government depended on the formation of village co-operatives to collect fees for the purchase, maintenance and operation of shallow and deep tube wells and diesel powered pumps. Chapter Seven has shown that the control of these co-operatives fell into the hands of the village elite and either collapsed entirely or otherwise generally failed to benefit the rural poor.

Hence, although agricultural productivity has increased throughout much of Bangladesh, the landless rural poor have been excluded from this development process. The empowerment approach suggests that it is only by including the poor in development strategies that they can gain fuller control over politics that underlie their economic and social deprivation. Despite the lessons to be learnt from the Comilla development experience, the N-N Irrigation Project does not target the rural poor. On the contrary, the evaluation report recognises that wealthier landowners are likely to benefit most from the project. The reports recommendation that schools and hospitals be built to assist the poor avoids the root cause of their poverty, that is, their exclusion from development.

Finally, it should be noted that attempts have been made elsewhere to include the poor in water management schemes. Proshika has argued that the need to control water when dealing with high yielding varieties of seeds provides the landless rural poor with the opportunity to provide a much valued service by rice growers. Their action-based research has involved the extension of credit to co-operatives established by the poor who use this finance to purchase pumps and to hire labour to build irrigation channels and wells. Some of these co-operatives have successfully offered their services to local farmers which has raised both their economic well-being and feeling of self-worth (Wood and Palmer-Jones:1990).

In summary, the scope of the evaluation is broad and the project itself appears to have meet initial objectives. Similar attempts to increase agricultural productivity elsewhere in Bangladesh, however, have shown that the poor will only benefit if they are actively involved in the diffusion of agricultural technology. It is unfortunate that project planners have not recognised the work of organisations such as Proshika in this area as they risk further excluding the poor from the development process.

EVALUATION TWO: PLAN TO ESTABLISH THE AGRICULTURE TRAINING CENTRE FOR WOMEN

The rise of women's issues as an important sub-theme of development since the early 1970s and its incorporation into Japanese aid policy has been discussed in Chapter Six. In Chapter Seven it was noted that women's development in Bangladesh is an integral and crucial part of its social development. It is thus expedient to analyse a Japanese WID project in Bangladesh and attempt to ascertain whether this has raised the economic and social standing of disempowered women.

Project Description

In response to a request from the Bangladesh government, JICA provided 260 million yen in grant aid in 1985 for the construction of an agriculture training centre for women. The training centre was established with the aim of training women from farming villages about lifestyle improvements, health and hygiene, and farming. OISCA, a Japanese NGO, accepted the responsibility of providing training at the centre. For Japanese ODA, this project is distinct in that it combines assistance from the Japanese government and an NGO, and it focuses on women in development. The advantages of NGOs and the importance of promoting WID are often raised in Japanese aid policy statements but there are few examples of such aid in practice.

The five main subjects taught at the training centre are vegetable growing, rice cultivation, poultry raising, fish farming and sewing. Supplementary lectures are given on nutrition, health and hygiene, and family planning. A school dormitory is also provided as courses run up to six months in duration.

Evaluation Findings

The evaluation team's findings, based on questionnaires sent to former and present trainees, are generally favourable. Agricultural techniques learnt at the training centre were used by respondents in their work-place and at home and are associated with increased income. Other former trainees were providing instruction of these techniques in NGOs. Some of the respondents requested, however, that the quality of training be increased and that employment opportunities be provided so they could apply their training. Consequently a number of recommendations were given including that both the Ministry of Social Welfare and Women's Affairs (responsible for administration of the centre) and the Japanese government look for opportunities to employ graduates, that instructors themselves receive training and that the courses be developed to give practical education.

Analysis

Of the projects discussed in this section, the Agriculture Training Centre for Women project is the only project that identifies a certain segment of the population as being socially disadvantaged and targets this group. Under the empowerment approach, attempts to include disempowered groups in the development process are considered highly desirable. Chapter Six has argued that to include women in a process of social as well as economic development, it is particularly important that their strategic needs, that is, a challenging of the social structures and values that maintain their subordination, are addressed. An important question to ask, therefore, is whether WID projects address these strategic needs.

Subjects taught at the training centre, such as sewing and hygiene, do not encourage women to question the social processes and institutions that reproduce their gender subordination. Although these subjects may be of practical worth to participants, they offer little to women seeking greater access to the decision making processes which control their lives. Chapter Six found that Japanese

WID projects and the official Japanese WID perspective supports women's roles as homemaker, educator and care-giver but not as leaders and decision makers.

In addition, in the evaluation no attempt has been made to identify the economic standing of trainees. As women in poor rural households work throughout the day in their struggle to provide enough to adequately feed their families, it is highly improbable that they would attend the training course. Furthermore, as questionnaires were sent to trainees it appears that all participants were literate, and as only 22 per cent of women are literate in Bangladesh it can be assumed that only elite women were trained. Moreover, as the learning of practical income generating activities would be of greater advantage to poor women than elite women, it appears that project planners have overlooked the plight of not just socially but also economically disempowered women in Bangladesh. The evaluation has thus failed to undertake appropriate social analyses to identify what groups of women would benefit most from training.

In summary, although the Japanese government can use the training centre as evidence of its support for the welfare of women in developing countries, there is little to suggest that women are being encouraged to seek a greater influence in the social and political institutions that control their lives. Chapter Seven has suggested that the learning of leadership skills is at least as important as income generating skills for the disempowered in Bangladesh.

EVALUATION THREE: INSTITUTE OF POSTGRADUATE STUDIES IN AGRICULTURE (IPSA)

The IPSA evaluation is different from the other two evaluations presented above in that it was undertaken as a co-operative effort between JICA, USAID and the Bangladesh government. In Chapter Six, it was noted that in its aid policy dialogue the Japanese government has actively pursued co-operation with other donors. Following DAC recommendations, donor co-operation in aid evaluation has been promoted to provide greater objectivity and to enhance the expertise of Japan's aid agencies in evaluation. It may thus be instructive to note if any differences exist between this and other evaluations.

Project Description

JICA's contribution to the IPSA effectively began in 1983 when approximately \$9 million in grant aid was extended for the establishment of a modern physical plant at the Bangladesh College of Agricultural Services. Combined graduate numbers from similar institutions, however, exceeded employment demands and a need for postgraduate researchers was identified. The IPSA project was launched in 1985 with the intention of strengthening postgraduate level education and research.

Funding provided by JICA was used for the construction of many facilities on campus, such as an administration building, library, auditorium, faculty building, student laboratories, classrooms, workshop, student dormitories, cafeteria and medical centre. Later funding allowed for modification of some of these buildings as well as the construction of farm related structures, that is, a farm storage building, a tractor garage, a greenhouse, a nethouse and a threshing and drying floor. Japanese aid was also used for the purchase of sophisticated laboratory equipment, farm machinery and the establishment of a micro computing centre. Technical co-operation has involved the dispatch of Japanese academics, nine on long-term and 26 on short-term tenures, the dispatch of eight Japanese preliminary survey teams, technical guidance teams, and design teams, and the acceptance of IPSA doctoral and post-doctoral faculty members at Japanese universities for a period of research.

Evaluation Findings

The scope of the evaluation itself is extensive and includes suitability of project objectives, equipment, physical facilities and maintenance, participant training, research, technical co-operation (dispatch of experts and teams), and academic and outreach programmes. In most of these areas the project is deemed as being successful and practical recommendations are given where difficulties have been identified. The evaluation has found that the Japanese government has made a major contribution to the project through the provision of grant aid and on-going technical assistance. In turn, the IPSA project is evaluated highly as it supports long-term economic development through agricultural research, technology transfer and post-graduate training. Some points are also raised on the impact of the project on development. The importance of agricultural research and its practical application in Bangladesh's agrarian economy is stressed.

Analysis

The benefits of co-ordination with another donor and the recipient in aid evaluation is immediately apparent. The IPSA evaluation, presented as a 12 page summary report in the 1991 'Annual Evaluation Report on Japan's Economic Co-operation', is by far the most detailed of all three evaluations. The evaluation covers a broader range of concerns in much greater detail than the other two evaluations. Furthermore, participation of the Bangladesh government in the evaluation may have encouraged a more balanced appraisal.

The IPSA project is similar to other projects discussed in this section in that it supports a process of modernisation based on increasing agricultural output. Although the IPSA may make valuable contributions in this area, it reflects mainstream development thinking in Bangladesh which views constraints to development primarily in technical terms. The IPSA was not designed to challenge the many social and political constraints to development that

were highlighted in Chapter Seven. Hence, any gains in productivity resulting from the application of research at the IPISA are likely to accrue to landowners and not the rural poor.

As a research centre, however, opportunities for the study of poverty could exist and the institute does have the potential to contribute to the development of the rural poor. This possibility is augmented by the evaluation team's recommendation that a department of Economics and Rural Sociology be established as rapidly as possible. The evaluation team, at least, does not perceive the solutions to Bangladesh's development solely in technical terms and the inclusion of social, economic and political research at the IPISA may lead to a recognition that efforts must be made to include the disempowered poor in the development process.

COUNTRY EVALUATIONS

The first two sections of this chapter have found that Japanese ODA to Bangladesh is framed within a top-down development model that essentially hands over the distribution of wealth and resources to the free market. The top-down development model predicts that this economic growth will benefit the poor through increased employment opportunities. Chapter Seven has shown, however, that production-based growth strategies in Bangladesh have made the livelihood of many Bangladeshis more precarious and that equity considerations need to be introduced if development is to include socially and economically disadvantaged groups. Despite this growing realisation, the evaluation reports presented above include little or no social analysis to identify the social and economic standing of beneficiaries. In all evaluations no attempt has been made to ensure that disempowered groups take part in, have an influence on and benefit from the process of development. The following analysis of Japanese country and sector reports of Bangladesh, therefore, focuses on whether equity considerations are being introduced into Japanese development philosophy and whether these reports include a study of the social processes and institutions that reproduce poverty.

COUNTRY STUDY OF BANGLADESH, 1989

Content

In 1989, the MoFA undertook a country study of Bangladesh which it later printed as a six page report in the 1991 'Annual Evaluation Report on Japan's Economic Co-operation'. The first section of this report covered a wide range of development issues in Bangladesh including the impact of natural calamities on GNP, the heavy dependence on foreign aid to maintain the present standard of living, the stagnant and closed nature of the economy, population pressure, the high incidence of unemployment, and the lack of investment in industry and infrastructure. Japanese projects were said to be performing well and to be highly appreciated by recipients. Where

technical and financial problems were identified suggestions were proposed for overcoming these. Other recommendations were given including the need for family planning and the need to promote labour intensive technology.

The most striking aspect of the report is that, in contrast to the project evaluations presented above, equity considerations are discussed. The report states that:

Economic development is outstandingly a process of social reform. Social reform inevitably brings about a class of beneficiaries and a class which lose benefit from it. It is needless to say that economic growth which reduces the income gap is more desirable. However, in developing countries it is very difficult to make the both ends meet at the same time and if the economic reform is too rapid it is often accompanied by expansion of a widening gap (p29).

The report goes on to recommend that:

Up to now, economic co-operation tends to have been focusing on technical feasibility in selecting projects and technology to be applied not to considering social impacts of the project such as income distribution. Henceforth we should make efforts to consider more the social impact by setting to work with social and political experts at every stage of the project cycle (p29).

Analysis

Statements regarding equity concerns in this report reveal that at least some Japanese aid researchers have begun to realise that the distribution of benefits generated by development are just as important as producing these benefits. The report, however, stops short of insisting that disempowered groups be included in the development process. Nevertheless, the report's recommendation that social and political experts be employed throughout the project cycle is expedient. In the three project evaluations presented above, evaluation team member lists, when provided, were dominated by economists which may partly explain a lack of social analysis and an over-riding concern for economic growth.

COUNTRY STUDY OF BANGLADESH, 1990

The second country study of Bangladesh was undertaken by JICA in 1989 and printed as a 57 page document in the following year. Its primary objective was to identify constraints to development and make recommendations regarding Japanese aid to Bangladesh. The report does not attempt to evaluate the success of Japanese projects.

Content

The report identified poverty in Bangladesh as a function of unemployment and underemployment that can be addressed at village level through the provision of education and health services, the promotion of cottage industries and agricultural technology, the extension

of credit and the provision of basic infrastructure. To combine and augment village level development, the report recommended that distribution centres and vocational training facilities be established at the sub-district level, and that measures to promote agriculture-related industries be advanced at the district level. Regional economic disparities were also recognised and region-specific development strategies proposed. An attempt was made to integrate urban development in this development model which the report suggests should be encouraged through productive investment and the provision of social infrastructure such as sewage and the supply of clean water.

Regarding development in key sectors, the report stressed the need for: the construction of transport, communication and energy infrastructures; dialogue with the Bangladeshi government to clarify master plans for regional development and to conduct surveys for formulating plans; the enhancement of facilities and infrastructure at export processing zones to encourage foreign investment and to promote exports; assistance in investigation and planning for flood protection and for effective utilisation of energy and natural resources; assistance in basic research for improving agricultural activity; and assistance to improve education and training.

In relation to Japanese ODA, the report recommended that the Japanese government maintain close dialogue with its counterparts to ensure grant aid for debt relief encourages development. In addition, the report suggested that the Japanese government consider an 'offer approach' when projects which are deemed highly desirable have been identified. Finally, the report recommended that the number of resident aid staff members be increased.

Analysis

This report has a number of strengths regarding its theoretical conceptualisation of development constraints. On one plane, development is seen as a process that extends from village through to sub-district, regional and national level. On another plane, key sectors that bridge local, regional and national issues are perceived as critical to development. Using this model, many useful recommendations for more effective Japanese aid have been made. A lack of staff, an insistence on aid requests (which fails to recognise that those equipped to make requests are not representative of all social groups), and the misappropriation of aid funds are all issues deserving greater attention.

Despite these strengths, however, the report is similar to other country and project evaluations of Bangladesh in that little analysis has been undertaken to identify the social and political institutions that have constrained economic development in the past. For example, the failure of privatisation to promote economic development is explained by delays in liberalising trade and finance. Chapter Seven has shown, however, that privatisation has not produced expected

results largely because of the lack of experience of financial and project managers, self-serving relations between the military, bureaucracy and private sector and the overwhelming desire of many affluent Bangladeshis for short-term financial gain. In addition, the nature of relations between influential and affluent classes in Bangladesh has not been recognised when the report claims, 'The key to cultivating a class of bureaucrats . . . lies in expanding education at Dhaka University and Chittagong University' (p12). Higher education will not necessarily produce a class of bureaucrats who will feel more responsible for state welfare than for their own financial self-enrichment.

COUNTRY STUDY OF BANGLADESH, 1994

The most recent country study of Bangladesh was printed as a 138 page report in *The OECF Research Quarterly*.⁶ The report appears only in Japanese and would be approximately equivalent to 200 pages in English.

Content

The primary objective of the study was to describe the effect of structural adjustment on the macro economy and finances in Bangladesh. Taxation reform, the state of private investment, privatisation, state finances and national development plans are all described in considerable detail. In addition, in-depth analyses of the transportation and education sectors and the political situation were also carried out. An extraordinary amount of information was presented for each of these sectors. In a description of the port of Chittagong, for example, yearly statistics since 1977 are given of the number of different size containers leaving and entering the port. Facilities including crane types and berthing capabilities are also recorded and a breakdown of the type of commodities entering and leaving the port since 1980 is given. Similar information is provided for the port of Mongura and the same depth of information is provided for the entire transportation sector including rail, road, and air transport. State finances, the macro economy and education receive similar attention.

Analysis

Although much of the information presented in this report may never be directly used in project formulation, some is already being applied. In the report, the OECF indicates that it is interested in extending aid to promote containerisation, hence the detail provided on existing port facilities. Overall, the detail provided would appear to allow aid agencies to better identify and prioritise potential projects. Furthermore, earlier in this chapter much of Japanese ODA to Bangladesh was identified as a form of budgetary support, either as commodity loans or grant

⁶ OECF (1994) 'Bangladesh Country Sectoral Survey', *The OECF Research Quarterly*, 1994/3, no. 80, 5-143.

aid for debt relief. The discussion of state finances, which covers national plans, budget formulation and government expenditure in great detail, is thus both justified and judicious.

One drawback of the report, however, is that in its decision to focus on macro economics as a tool for analysis it has overlooked important aspects of class relations and value systems that also act as constraints to development. For example, the report accurately notes that structural adjustment in the 1990s has corrected the imbalance in the economy from a macro perspective but has not achieved its primary objectives, that is, an increase in investment and activation of the private sector. Investment is said to be low partly because banks are reluctant to lend to the private sector as assets cannot be confiscated if repayments become overdue. The report does not take the necessary additional step, however, to describe the self-serving relationships between government officials and affluent classes that allow bad debts to accumulate. The report also explains that another reason for low private investment is the long period of nationalised industry which 'cooled' the investment mind of Bangladeshis. In contrast, Chapter Seven has shown that more plausible explanations lie in the greater profitability of non-productive investment activities, such as the renting of land and usury, and in the misappropriation of the profits of nationalised industries for conspicuous consumption by government officials.

Despite these reservations, in contrast to previous country surveys, the 1994 OECF report is commendable for its inclusion of an analysis of the political situation in Bangladesh and its likely effects on economic growth. Furthermore, the report also suggests non-traditional approaches to development aid be adopted when attempting to mobilise the poor. The report commends the efforts of the Grameen Bank in this area. It is unfortunate, however, that the report does not go on to analyse why the Grameen Bank has achieved such success and whether Japanese aid agencies might be able to offer a similar form of assistance. It is surprising that the OECF has not taken a greater interest in Grameen Bank activities as credit extended to the rural poor through the Grameen Bank is effectively a two-step loan of the sort that the OECF actively promotes.

SUMMARY

The task of this chapter has been to shed light on the appropriateness and effectiveness of Japanese aid to Bangladesh. Annual reports of Japan's aid agencies and ministries, project evaluations and country studies have been drawn together in this endeavour. Although this information was taken from a wide variety of sources, it reveals an underlying consistency which reflects both the development philosophy of Japan's aid administration and Japan's national interests.

Annual reports show that Japan's aid agencies favour particular types of aid which are concentrated in certain sectors. Large-scale infrastructure and economic projects, the archetypal Japanese aid project, are characteristic of Japan's aid practice in Bangladesh. The official justification for such aid is based on Japan's development experience and falls within the broad bounds of the modernisation paradigm. Above all, however, these forms of aid reflect Japan's national interests as a donor nation seeking greater recognition from the international community. Large-scale infrastructure and economic projects are not only 'show-pieces' but are also aid projects that are relatively easy to complete. Construction can be undertaken without the complexities of interaction with indigenous communities and provide a large sink for aid funds. By focusing on such projects, Japanese aid agencies are able to disburse massive amounts of aid, despite a lack of regional experts and aid staff in general, and still present Japan as a responsible member of the international community.

Annual reports reveal that aid for debt relief and budgetary support also occupy a large share of Japan's aid to Bangladesh. Such aid is undoubtedly expedient as it provides a source of revenue for the Bangladesh government allowing it to continue funding its annual development budget. The effectiveness of this aid, however, depends entirely on the efficacy of public spending. The Japanese government only extends these forms of aid on the condition that recipients are undertaking structural adjustment. In this manner it is hoped that recipient governments will use limited public finances more productively, although there is little evidence to support this claim. In addition, the Japanese government has failed to distinguish between the theoretical justification for structural adjustment and its potentially detrimental impacts on development in general and disempowered groups in particular.

Other than the above traditional forms of aid, Japanese aid agencies have extended ODA for educational facilities, agricultural projects and social services such as the supply of clean drinking water. The MoFA and JICA have been major proponents for diversifying Japan's aid efforts to better meet the development needs of recipients. Many small-scale projects that the government has begun to fund reflect a growing recognition that disempowered groups must be targeted directly if they are to benefit from Japan's ODA activities. These innovations, however, remain on the fringes of Japan's aid efforts.

Altogether, the three project evaluations studied in this chapter concluded that Japan's aid activities in Bangladesh have been successful and have promoted local development. The yardstick for project success, however, appears in most cases to be based on technical aspects of project construction and management and seldom on the effects of the project on the livelihood of impoverished and socially disempowered Bangladeshis. In spite of recent innovations in aid policy, parts of Japan's aid administration still broadly equate development with economic growth.

Nevertheless, this is not to say that the projects evaluated are not conducive to development as agricultural research, model farms and training centres can all contribute positively to enhanced economic well-being amongst Bangladeshis. There is little evidence, however, to suggest that disempowered groups will benefit from such development unless specific efforts are made to include them in the development process. Apart from the Agricultural Training Centre for Women Project, disempowered groups were not targeted by the projects presented above and were generally paid only minor attention in project evaluations. Most of the projects placed resources in the hands of relatively well-off Bangladeshis in the hope that this would produce economic growth which would benefit the poor through increased employment opportunities. Living conditions of the rural poor have declined since independence indicating the inappropriateness of such a development strategy.

The top-down development model advanced by Japanese aid agencies and ministries has encouraged much detailed economic analysis, as characterised by the three country reports on Bangladesh discussed in the last part of this chapter. Country reports, themselves, appear useful presentations of development issues and have much merit as references for aid policy makers. Overall, however, the three reports on Bangladesh presented little social analysis to identify the economic, social and gender status of the beneficiaries of Japanese aid projects.

Chapter Eight brings to a conclusion the second part of this study which has looked at the effectiveness and appropriateness of Japanese ODA to Bangladesh. Chapter Nine is left the task of bringing together the numerous and varied points that have been covered in this thesis regarding the shape of Japan's contemporary ODA programme and the case study of Bangladesh, and to provide suggestions for more appropriate aid.

CHAPTER NINE

CONCLUSION

INTRODUCTION

In Chapter One, the aims of this thesis were presented as firstly, to find an explanation for the shape of Japan's contemporary ODA programme and secondly, to interpret its implications for recipients. It is recognised that both are immense tasks but this study has, nevertheless, attempted to make a small but significant contribution towards achieving these.

The first part of this concluding chapter briefly reviews the many contexts that Japanese aid is framed within. In doing so, it is argued that a complex array of issues must be dealt with when attempting to understand the type, form and amount of aid a nation chooses to give. A model is presented to help better conceptualise what factors impact on Japanese aid. Major issues arising from the case study of Bangladesh that concern the appropriateness and effectiveness of Japanese ODA are discussed in the second part of this chapter. Finally, the empowerment approach is used to suggest more appropriate directions that Japanese ODA could take to better assist impoverished peoples.

FACTORS SHAPING JAPAN'S ODA

This thesis has shown that numerous factors impact on the type, direction and volume of Japan's foreign aid. Such complexity helps explain the variety of contesting views regarding the nature of Japan's foreign relations and the efficacy of its ODA. Rather than adhering to any particular view of Japan as either a 'free rider', a 'challenger' or a 'supporter', an inductive approach was adopted in this thesis to overcome the controversy surrounding Japan's ODA. Unlike many commentaries, this thesis did not start from the premise that Japan as a state is either inherently evil and largely responsible for many of the world's economic woes nor, on the other hand, that it is an idyllic nation which is victim to unjustified Western criticism. Instead, this study observed that the foreign aid programmes of many donors reflect a variety of interests and beliefs, and proposed that the same could be expected of Japan.

Using this framework, it was suggested that the answer to understanding the shape of Japan's contemporary aid programme lies in recognising the contextual mix that aid policy is formulated within. It is impossible, for example, to interpret Japan's present aid philosophy without understanding Japanese views of charity, development and the relative status of

nations in the world, concepts that are embraced by a cultural and ideological legacy which long predate Japan's rise as an aid donor. Similarly, attempting to explain Japan's present aid activities without recognising the manner in which ODA has been used to reduce Japan's perceived strategic and economic vulnerabilities in the past would lead to an incomplete and unsatisfactory analysis.

Figure 9.1 (overleaf) presents a simple model that attempts to bring together the major factors discussed in this thesis which have shaped Japan's ODA. As this thesis has shown, some of these factors have declined in significance overtime, others have retained their original importance while still others have become increasingly influential in recent years. The following discussion considers the relative importance of these factors and the direction they are taking Japan's ODA in the 1990s.

CONTINUING IMPACT OF JAPAN'S CULTURAL LEGACY AND DEVELOPMENT EXPERIENCE ON ODA

Chapter Two found that beliefs which have emerged from Japan's cultural legacy and development experience continue to impact on aid policy and practice in several discernible ways.

Firstly, due to a world view that places countries along a continuum based on status and influence in relation to Japan, Japanese governments often appear more concerned with impressing Western countries with their aid efforts than in ensuring they best meet the needs of recipients. In Figure 9.1, this desire to impress other donors has been combined with international leadership aspirations as they largely have the same impact on aid policy and practice. A desire to impress other affluent nations is reflected in Japan's huge aggregate aid flows, in an emphasis on projects with show-piece value and in the integration of popular development themes into aid policy.

Secondly, until recently charitable institutions have been rare in Japan reflecting the low significance traditionally ascribed to altruistic donation in Japanese society. Although compassion has an important place in Japan's contemporary value system, the Western concept of *noblesse oblige*, that the rich are obliged to assist the poor, was foreign to the Japanese when their government first embarked on an aid programme. To this day, Japanese officials prefer to view aid in terms of economic co-operation and not as *enjo*, that is, aid as a one way transaction. For Japanese ODA practice, Figure 9.1 indicates this has meant a traditional preference for loans and may also help explain why support for a single aid ministry in Japan has never been strong.

Figure 9.1: FACTORS SHAPING JAPAN'S ODA AND ITS CHARACTERISTICS

FACTORS SHAPING JAPAN'S ODA

Factors declining in significance

--Use of aid to provide national security through promotion of strategic alliances

--Use of aid to promote economic interests

--Historical ties

--Cultural affinity

--Pressure from trade partners to improve bilateral trade balances

Factors retaining same significance

--Beliefs about aid and development stemming from cultural legacy and development experience

Factors growing in significance

--Leadership aspirations/desire to impress other donors

--International pressure to bring quality of ODA in line with other donors

--Ideological development within Japan's aid agencies

--New themes emerging from the international development debate

CHARACTERISTICS OF JAPAN'S ODA

TRADITIONAL CHARACTERISTICS

HUGE AGGREGATE TOTAL OF AID FLOWS

PREFERENCE FOR LOANS

EMPHASIS ON INFRASTRUCTURE PROJECTS

GEOGRAPHICAL FOCUS ON ASIA

EMERGING CHARACTERISTICS

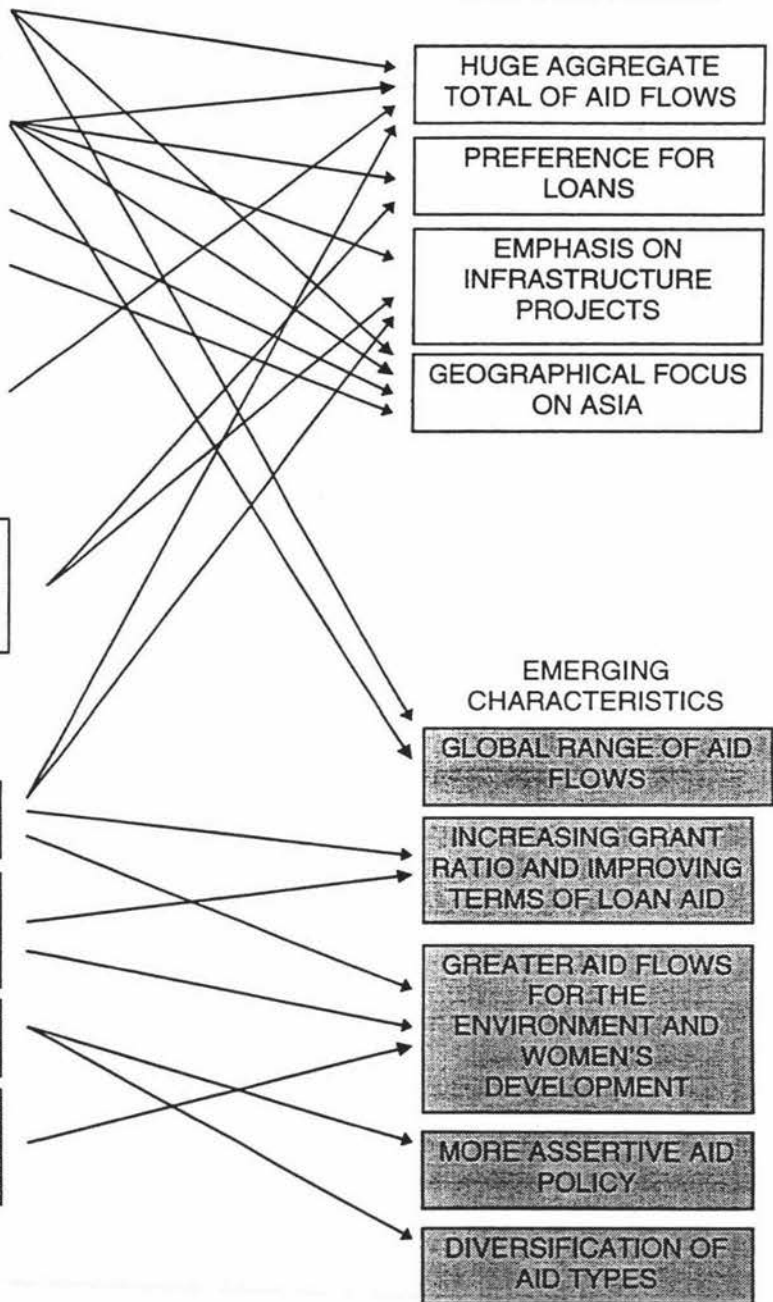
GLOBAL RANGE OF AID FLOWS

INCREASING GRANT RATIO AND IMPROVING TERMS OF LOAN AID

GREATER AID FLOWS FOR THE ENVIRONMENT AND WOMEN'S DEVELOPMENT

MORE ASSERTIVE AID POLICY

DIVERSIFICATION OF AID TYPES



Thirdly, the hard terms which used to characterise Japan's ODA reflects, amongst other factors, the nation's development experience. Japanese governments expect developing countries to adopt a similar model of development which they perceive is based on hard work, self-initiative and frugality. The centrepiece of Japan's aid philosophy is, therefore, the self-help ethic which stresses that the success of development aid depends on the self-help efforts of recipients. In aid practice, large-scale infrastructure projects are preferred as it is believed they provide a necessary foundation on which recipients, through their self-help efforts, can follow a path of modernisation. The private sector, rather than governmental aid, is expected to be the driving force behind this modernisation process.

The above beliefs have been somewhat watered down with the integration of many foreign ideas into Japan's aid programme. Nevertheless, Japan's unique brand of development aid may be enjoying a revival as it remains the only major donor to support an expansionary aid programme.

Further steps to understanding Japan's contemporary aid programme include acknowledging the international and domestic circumstances that features of the aid programme have emerged in. In the historical analysis of Japanese aid this thesis focused on ODA as part of Japan's broader foreign policy. This analysis has found that Japanese aid policy is largely framed by its national interests but also that the aid programme is undergoing a process of reform to better attune aid activities to recipient needs.

A DOMINANCE OF NATIONAL INTEREST CONCERNS IN AID POLICY FORMULATION

Figure 9.1 indicates that Japan's aid programme has been dynamic, changing as the contexts within which it is framed have altered. Nevertheless, this thesis has shown that throughout its evolution, national interest has been the foremost concern in aid policy formulation.

Chapter Three argued that the primary concern of Japanese aid policy makers until the early 1970s was not to facilitate development in recipient countries but to promote Japan's economic and security concerns. In the 1950s, for example, Japanese officials were less concerned with the appropriateness of the goods procured by aid than by use of reparations as a necessary step that would allow Japanese business concerns to re-enter Asian markets. The geographical focus of aid on Asia that emerged from reparations remains a feature of Japan's contemporary aid programme, not because Asia as a region is perceived as being in greatest need of development aid, but because Japan's economic and strategic interests are heavily tied up with the well-being of its Asian neighbours.

The development-import scheme of the late 1960s is another good example of aid given primarily to promote Japan's foreign interests. Under this scheme, aid was increasingly directed towards resource-rich nations in Asia in return for promises of raw materials and fuel required by Japan's rapidly expanding economy, while simultaneously relocating many of Japan's pollution prone industries abroad

In addition, by the mid-1960s large-scale infrastructure projects had become the archetypal Japanese aid project as they allowed Japanese contractors to infiltrate foreign markets and could be completed with minimal interaction with indigenous populations. The tied nature of Japanese aid provided further business opportunities for Japanese firms while an emphasis on loan aid kept the cost of economic assistance to a minimum.

Chapter Four found that Japan's economic and security interests continued to dominate aid decision making from the early 1970s to the mid-1980s. Economic concerns took on a new face with increasing criticism of Japan's persistent trade surpluses from many of its trading partners, especially the US. Japanese governments were reluctant to remove trade barriers and regulations behind which Japan's economic miracle had been forged. Instead, they sought to appease their US critics by pledging greater and greater quantities of aid. Japan's current account surplus was justified on the basis that surplus funds were being recycled to developing countries in the form of ODA. The four aid doubling plans and the recycling scheme of the late 1980s were testimony to the use of aid to appease Japan's trade partners.

The response of Japanese governments to regional crises of the 1970s and early 1980s also helped establish ODA as Japan's pre-eminent foreign policy tool. ODA was used explicitly to regain friendly nation status with Arab states during the first oil crisis and Japanese aid in the rest of the decade was characterised by 'resource diplomacy' in which aid was traded with developing countries for guaranteed supplies of oil.

From the early 1980s onwards, US requests to Japanese governments to provide assistance for pro-Western of strategic importance had considerable impact on Japanese aid flows. In the 1980s, Japanese aid was increasingly directed towards countries identified as important to the Western security alliance in Latin America, Asia, the Middle East and Africa.

A Transition in Motives

Chapter's Five and Six have shown that since the mid-1980s new demands have begun to shape Japan's aid programme. International circumstances have altered with the end of the Cold War, aspirations within Japan are taking new directions reflecting the nations affluence, international pressure on Japan to improve its ODA efforts has intensified while Japanese aid agencies themselves are searching for ways to provide more appropriate aid.

Figure 9.1 shows that the significance of strategic aid is declining, primarily as a result of the easing of East-West tensions. Chapter Five, however, suggested that strategic concerns will continue to play an important role in directing Japan's aid flows simply because Japan has no effective military means to protect its overseas interests. Japan's \$13 billion contribution to allied powers in the Gulf War attests to the manner in which Japanese governments must continue to use ODA to support Western security. Similarly, the government's attempt to tie aid to the Russian Federation to the return of the Northern Territories reveals that ODA can be called upon to promote Japan's strategic interests when needed.

The economic motive for extending aid has also declined in relative importance in recent years. Japan's aid is now one of the least tied amongst DAC members and the proportion of ODA contracts won by Japanese corporations is declining. Furthermore, ODA as a means of appeasing foreign critics of Japan's trade surpluses has lost its punch. Nevertheless, Chapter Five found the economic component of Japan's contemporary ODA remains important as evident in the extension of aid as guarantees for Japanese corporations investing in the Central Asian States and the Russian Federation. ODA was also an important means of establishing normal diplomatic relations with Vietnam which is now attracting considerable Japanese investment.

Figure 9.1 indicates that at the same time as security and economic motives have declined in significance other factors related to national interest have begun to play more important roles in shaping Japan's ODA. Since the second oil shock, the Japanese have begun to experience greater affluence and national goals are now no longer framed solely in economic and security terms. In particular, international leadership aspirations have emerged as an important driving force behind Japan's aid efforts. Japanese leaders feel they too can play a positive part in formulating international frameworks for assistance to specific countries and in negotiation to overcome regional tensions. Above all, however, a desire for a permanent seat on the UN Security Council is the nation's ultimate international leadership aspiration. Figure 9.1 indicates that to be considered eligible for such a position, ODA as Japan's number one international contribution must retain its significance and develop a rhetoric acceptable to Western nations.

Aid Reform

Despite the importance of national interest in shaping Japan's ODA, Japan's contemporary aid programme is not solely designed as a foreign policy device to promote the nation's overseas concerns. Chapter Six has shown that over time, Japan's aid programme has undergone a process of extensive policy reform that needs to be understood to better comprehend the nature of Japan's aid activities. Compared with aid that was primarily extended as tied loans for infrastructure development to other Asian nations in the 1950s and 1960s, Japanese aid in

the 1990s is global in reach, takes numerous forms that are tailored to meet perceived recipient needs, targets areas such as education, the environment, basic needs, social infrastructure and women's issues in addition to economic development, and is almost completely untied and highly concessional. This study has attempted to find an explanation for some of these reforms and to interpret their implications for recipients.

Chapter Six concluded that the integration of environmental concerns into Japan's aid policy was driven by both international pressure and strongly held beliefs that had emanated from Japan's development experience. By including environmental issues in their aid dialogue, Japan's aid agencies could argue that they were sensitive to a development theme that by the end of the 1980s was attracting considerable international attention. Despite its political value, however, environmental aid is supported by a strong belief amongst Japan's aid agencies that they can make a special contribution in this area. In response to severe environmental degradation in Japan associated with rapid post-war industrialisation, Japanese firms developed energy efficient production methods as well as advanced pollution control systems. Japan's aid agencies believe this technology is of value to countries still undergoing industrialisation.

A concern to provide more appropriate aid is also behind new innovations designed to overcome monetary constraints in developing countries associated with the debt crisis. Japan's aid agencies have designed schemes to assist with project feasibility studies, maintenance and renovation. In the extension of debt relief, innovative aid programmes have channelled much needed resources to heavily indebted countries without adding to their debt burden. Japan's private sector is also recycling much of the nation's surplus to developing countries where production costs are lower.

More recently, aid evaluation has been promoted by Japan's aid agencies who recognise the potential of evaluation to improve the appropriateness of ODA. Nevertheless, they also acknowledge that evaluation is needed for aid activities to retain some degree of credibility in the eyes of Western donors. The advantages of extending assistance through NGOs have likewise been recognised and a small-scale grants scheme established to assist their activities. Policy makers also acknowledge the importance placed on NGOs by Western donors as well as the potential of NGOs to garner public support for their aid programme.

In contrast, Women in Development has less ideological support within Japan and has been promoted primarily to keep Japan's aid contribution respectable as new development themes emerge.

To gauge the implications of these reforms for recipients is a difficult task. Overall, the diversity of aid and the greater degree of concessionality presented in Japan's contemporary

aid programme is far more supportive of economic and social development than the restricted nature of Japan's aid activities in the 1950s and 1960s. The implications of these reforms for recipients and disempowered groups in particular, however, need greater attention than that paid by Japanese officials and by most foreign commentators.

When Japanese policy makers point out that Japan's ODA now promotes the welfare of women through the teaching of home economics and family planning, they fail to recognise the importance of empowering women in societies dominated by male privilege. It is precisely this empowerment which many women in developing countries are now calling for. In the extension of debt relief, Japanese officials have failed to question the efficacy of structural adjustment measures which often reduce services to poor communities and open the immature domestic markets of developing countries to fierce foreign competition. Regarding environmental aid, environmental-specific aid projects and unenforceable environmental guidelines on general aid projects are not sufficient to ensure that Japan's aid activities preserve the natural environment in developing countries.

It is clear that if Japanese aid activities are to be effective in promoting social and economic development this process of reform must continue. The potential for giving greater consideration to recipient needs in aid extension has certainly increased since the end of the Cold War. Nevertheless, as Japan's only significant foreign policy tool ODA must continue to support the nation's foreign interests.

The question for Japan's aid policy in the remainder of the 1990s is to what degree will policy makers incorporate foreign ideology to make Japan's aid rhetoric more acceptable and to what degree will they argue that Japan's foreign aid policy should, in fact, be different. Official documents reveal the beginnings of an aggressive defence for Japanese style aid emphasising the role of the private sector and self-help. At the same time, however, if Japanese leaders want greater international recognition and status they will undoubtedly have to continue to support Eurocentric notions of aid in their ODA rhetoric.

THE APPROPRIATENESS AND EFFECTIVENESS OF JAPAN'S ODA

It has been recognised from the outset that to judge the appropriateness and effectiveness of Japanese aid, the second aim of this thesis would be a difficult task. The study of Japanese aid has concentrated heavily on Japan as a donor with little consideration to the effects of this aid on development in recipient countries. Not only is this task limited by a lack of in-depth study of Japan's aid activities, but its complexity is compounded by the widely divergent views on what is appropriate aid or desirable development.

ADVANTAGES OF THE EMPOWERMENT APPROACH AS A TOOL FOR ANALYSIS

To overcome these difficulties, this thesis adopted the empowerment approach to analyse Japan's ODA. Using the empowerment approach, aid is no longer judged solely by the traditional yardstick of economic growth, but instead by quality of life. In particular, the empowerment approach stresses the importance of political and social empowerment of disadvantaged groups so that they gain greater control over the politics and social relationships that maintain their impoverishment. This is indeed a stringent means to evaluate the efficacy of ODA. If ODA cannot even encourage economic growth when directed solely to this end as some would have as believe,¹ how can it hope to begin to challenge the social and political relationships that belie the inequalities which characterise the economies of many developing countries? Is employing the empowerment framework to judge the efficacy of ODA expecting too much? The answer is no. This thesis has shown that it is precisely the questioning of political and social constraints to development that the potential for sustained economic prosperity in developing countries depends upon. Aid donors, however, have largely avoided challenging these constraints instead focusing on economic growth strategies. The inappropriateness of such a one-sided approach can be seen in the detrimental effects that a production-based growth strategy has had on disempowered groups in Bangladesh. The following discussion summarises the findings of the case study of Bangladesh and proposes several recommendations for aid more attuned to the needs of disempowered groups as an integral part of that nation's development.

JAPAN'S ODA TO BANGLADESH

Out of Japan's numerous aid recipients, a study of Bangladesh was considered pressing because of the immensity of human suffering in that country. Moreover, the large number and immense scale of development constraints in Bangladesh challenge many of the assumptions that bilateral aid programmes are founded on. A study of aid to Bangladesh thus provides the opportunity to suggest more effective forms of aid to a country in special need of outside assistance.

Japan's aid activities in Bangladesh are characterised by large-scale economic infrastructure projects and production plants, research and education facilities, food aid, debt relief and commodity loans. These activities, typical of Japan's aid efforts in other LDCs, are justified by a highly articulate aid rhetoric. Large-scale infrastructure projects are justified as essential for economic take-off, fertiliser production plants and agricultural research facilities are deemed supportive of Bangladesh's Green Revolution, debt relief and commodity loans are considered important for releasing public funds for investment in development projects, and the activities of NGOs are believed to direct aid to the most needy. Official evaluations have found many of

¹ Abe (1989), amongst others, argues that outside aid may actually hinder economic development by reducing the need for recipients to save and invest in productive activities.

Japan's aid projects to have been constructed successively giving Japan's aid agencies further ammunition with which to defend their bilateral aid programme.

The Japanese government can also argue that its aid activities in Bangladesh are undergoing a process of reform to better attune aid to development needs. The terms of aid have definitely improved over time and by increasing the ratio of grants to loans the Japanese government has shown sensitivity to Bangladesh's growing overseas debt problem. The flexibility of Japanese aid has also increased with new aid forms funding project rehabilitation, feasibility studies, NGO activities and small-scale projects. Japanese aid to Bangladesh is now totally untied and the government has become a leader in this area. Topical themes such as environmental conservation and women in development are also receiving attention. Environmental considerations were included in project evaluations discussed in Chapter Eight and WID-specific projects are also being undertaken.

Japanese aid officials are thus able to argue that their aid is appropriate to development needs in Bangladesh and is being reformed to make it even more effective. In contrast, however, this case study has found that there is little reason to believe that Japan's immense bilateral ODA programme has or will benefit the poor and other disempowered groups that make up much of Bangladesh's population. The reason for this conflict in beliefs lies in the differences in the development ideology presented in Chapter One of this thesis and the development philosophy expounded by the Japanese government.

A Flawed Development Strategy

Japan's approach to the extension of economic aid reflects the nation's development experience after the Second World War. The development philosophy which has emanated from Japan's development experience is in many respects similar to Western modernisation theory. The setting of economic growth as a national imperative, a high rate of literacy and emphasis on technological transfer and investment in infrastructure are some of the features of this experience which have in turn coloured Japanese aid philosophy and practice. The articulation of this philosophy in Bangladesh can be seen in the manner in which faith is placed in free-market economics to encourage productive investment and in officials to use aid resources wisely. Bridges, telecommunication networks, agricultural research facilities and factories that produce agricultural inputs are funded by Japanese ODA because they are deemed essential to increasing domestic production. Commodity loans and grant aid for debt relief are considered essential to funding the government's development budget.

Japan's particular development strategy regarding Bangladesh could thus be described as a top-down, production-based development approach. This approach provides what are perceived as necessary inputs for increased agricultural productivity which is expected to lead

to a rise in incomes that in turn should increase effective demand. A greater demand for agricultural produce is expected to provide greater incentive to invest in agriculture creating employment opportunities and leading to further improvements in productivity. The production-based development model predicts this cycle of investment-production-consumption will be ongoing and will serve as a platform for economic take-off.

The inability of foreign aid donors and successive governments to raise the living standards of the poor in Bangladesh's 24 year history, however, stands as testimony to the inappropriateness of this development model. Without even considering the inability of a production-based growth strategy in Bangladesh to assist the most needy, this model is seriously flawed. Foreign aid may increase agricultural productivity but Bangladesh's population lacks the purchasing power to demand this increased output. Who then is going to purchase it? It is precisely this lack of effective demand which makes usury and other non-productive economic activities more attractive than productive investment. To overcome this lack of domestic purchasing power, international trade has been seen as the saviour of Bangladesh's poverty crisis and the area sown in export crops such as rice has increased dramatically. While this generates valuable foreign revenue, there is little evidence that the benefits of this trickle down to the poor. Indeed, the great travesty of this development model is that at the same time as Bangladesh exports food to affluent foreign buyers 40 per cent of its population remains malnourished.

In supporting a top-down, production-based development strategy, Japan's aid activities in Bangladesh reflect a major shortcoming. Japan's development philosophy fails to allow for the value systems and social structures of recipient countries to be different from those of Japan. Bangladesh's fragmented class structure, social relations of production and value systems are, in fact, greatly different from those that Japan based its development on after World War Two. A strong sense of nationalism, communal responsibility and duty which characterises Japanese social relations and contemporary value system appears to be outweighed in Bangladesh by a strong desire for personal enrichment. Social relations at village and national level have developed not so much to promote national development but to promote the interests of wealthy and influential groups. People in positions of influence and power are thus able to manipulate aid flows for their own conspicuous consumption. Consequently, the top-down, production-based development strategy is responsible for a polarisation of wealth and landholdings and a rapidly increasing class of landless rural workers.

If constraints associated with Bangladeshi society and politics are so important, why has the Japanese government largely chosen to ignore these? Quite simply, the nature of Japan's aid to Bangladesh is largely defined by national interest and convenience, and not so much by a desire to assist the poor. Although Bangladesh is of little strategic and economic worth to Japan, the Japanese government does have strong reasons for undertaking a massive bilateral

aid programme. By extending large amounts of ODA, the government hopes to impress other donors and Asian powers that it is fulfilling the regional and international responsibilities of an economic superpower. In doing so, it is hoped that attention will be drawn away from less appealing aspects of Japan's foreign relations and that Japan will one day be recognised as world political as well as economic leader.

Despite the massive scale of its financial contribution, Japan's aid to Bangladesh, shaped by national interest and convenience, and justified by a philosophy which places faith in trickle-down economics, has little to offer the poor. The aid evaluations analysed in Chapter Eight, while concluding that Japanese projects were generally constructed successfully, gave little consideration to the social and economic status of the beneficiaries of these projects. Consequently, those in positions of influence who are able to manipulate public funds to their advantage are also most likely to capture the benefits of Japanese funded projects. Even the Agricultural Training Centre for Women Project appeared to be providing a service that was only accessible to elite, literate women. Similarly, Japanese country reports of Bangladesh have extracted economic constraints to development from their social and political contexts, and in doing so have failed to give sufficient consideration to the distributional impact of Japanese aid.

RECOMMENDATIONS

Chapter Seven used the empowerment approach to identify constraints to development in Bangladesh. This approach has found that many obstacles to development exist but are not all fully appreciated by aid donors. When development is narrowly defined in terms of economic growth, development constraints in Bangladesh are usually associated with the physical environment, poor economic planning and practices, a lack of human and physical infrastructure, political instability and over-population. When development is defined more broadly as an enhancement in quality of life, however, constraints associated with unequal access to resources and power are recognised as equally important. From village through to national level, social and political structures in Bangladesh favour certain groups to the detriment of others and a top-down approach to aid extension will only reinforce these structures. Disempowered groups must be directly targeted in aid efforts if they too are to benefit from and have a say in the development process.

How then can Japanese aid agencies extend assistance that improves the social, political and economic lot of Bangladeshis in greatest need? Several NGOs and development agencies have pursued alternative development strategies in Bangladesh in the hope of providing models for a more broad-based development. A brief review of available literature suggests that these approaches have been far more successful in reaching disempowered groups than

mainstream development strategies.² Proshika and the Grameen Bank, both indigenous NGOS, provide outstanding examples of group formation, mobilisation and awareness raising among the rural and urban poor, and women in particular, which have given poor people greater control over the politics and the economics that maintain their impoverishment. Although these organisations extend credit at commercial rates to the poorest of the poor, they have achieved remarkable repayment rates far higher than private lending institutions. Certainly, their experience in development aid has much to offer donors genuinely concerned with the plight of the poor in Bangladesh.

The work of these and similar organisations suggests that disempowered groups can be included in development with the extension of outside assistance. Scope certainly exists for Japan's aid agencies to either support existing organisations such as these or to directly target disempowered groups as part of their own aid activities. Recent reform in Japanese ODA to permit the extension of aid at village level reflects a growing recognition that a top-down development approach excludes large sections of the population from development. Hope thus exists that Japan's bilateral programme may better assist those in greatest need.

The empowerment approach argues that national development is also important. Hence, the empowerment approach acknowledges that Japan's infrastructure projects could have an important role to play in a modernisation process. In an impoverished nation such as Bangladesh, however, this study has suggested that the huge sums of Japanese aid used to build bridges, for example, could be far better used in a process of improving the livelihood of poor communities. Unfortunately, the challenging of political and social institutions that the empowerment approach recommends is fraught with many practical complications that Japanese aid agencies may prefer to avoid. The empowerment of a poor community in Bangladesh requires far more field staff sensitive to social relations of production, customs, beliefs and the aspirations of recipients than a bridge spanning the Jamuna River. At the same time, while a bridge is evidence that Japanese aid has produced something physically substantial, the Japanese public may be less inspired by the achievements of empowerment. This may be no more than a village programme designed to increase the confidence of poor women empowering them to enter the market-place and sell their produce for the first time.

The challenge for Japan's aid programme in the remainder of the 1990s remains much the same as it has been throughout its evolution. Will the needs of recipients be given greater consideration in policy making or must national interest continue to play the pivotal role in aid politics? The inhumane living conditions of the poor in many developing countries throughout the world demand that aid donors, particularly those with the economic might of Japan, make the best use of their aid resources. The empowerment approach points to ways in which

² Such literature includes Mahabub (1986), Alam (1988), Wood and Palmer Jones (1990), Rahman (1991), Lewis, Gregory and Wood (1993), and Chowdhury and Garcia (1993).

Japan's aid can be used more effectively and offers more hope to the poor than mainstream development models.

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