

Japanese aid's balancing act

Quality – and yes, quantity too

Japan is feeling the tension, amid calls to increase the volume of its aid, between benefitting economically from its aid initiatives and adhering to global standards of development cooperation.



When the precipitous drop in Japan's ranking among aid donors – falling from first to fifth place over the past decade – is mentioned in Tokyo these days, it is usually within the larger context of the country's decline. The main

features are well known and much lamented. Japan's public debt-to-GDP ratio dwarfs those of other advanced industrial nations and is second only to Zimbabwe's. Its economy is perpetually in the doldrums, each whiff of resurgence soon overwhelmed by daunting employment or stock market reports. And its ageing population faces a declining birth rate. All of this, of course, has taken place in the shadow of a rising China, which is a far more visceral presence for Japan than for the United States or Europe.

All of this matters for the future of Japanese official development assistance (ODA). There is no strong 'anti-ODA' group in the Japanese parliament, the Diet, and aid retains broad emotional appeal for most Japanese. After all, the legitimacy of successive Liberal Democratic Party (LDP) governments in Japan was premised both on the country's post-war economic 'miracle' and on strict limits on the country's remilitarization.

In this sense, Japan's presumptive contributions to the rest of the world – peace and development – emanated in part from a political-economic model that was widely accepted and extolled by actors across the party spectrum. Aid has been controversial in Japan only with occasional aid-related

summary

- When former Prime Minister of Japan Junichiro Koizumi decided to extend massive aid packages to Afghanistan and Iraq in 2003, he punctuated a shift in aid away from the search for economic growth and towards other policy priorities.
- But Japan has slid from first to fifth place over the past decade among aid donors, a decline usually placed in the larger context of the country's economic demise.
- Japanese authorities are therefore performing a balancing act, trying to maintain Japan's aid contributions while remaining vigilant about budget deficits.
- Japan is also trying to retain its particular identity as a model of development while adhering to global standards of development cooperation.

scandals and, tellingly, with Japanese assistance to China that continued despite violent anti-Japanese protests in China as well as China's own emergence as an aid donor.

The reduction in Japanese aid has not been driven by a popular rejection of ODA but rather by the merciless arithmetic of chronic deficits, and particularly by the budgetary hawks in Japan's Ministry of Finance. If anything, the appeal of aid has broadened in recent years, with a more capacious and, in some ways, strategic stance of the government towards ODA and with a wider set of actors involved, from non-governmental organizations (NGOs) to defence policy makers. But it has also become a good deal shallower, with much of the appeal symbolic and emotive rather than concrete and committed.

Japanese aid authorities now face a particularly vexing set of dilemmas: maintaining or increasing Japan's aid contributions while remaining vigilant about budget deficits; collaborating effectively with other aid donors while seeking specific diplomatic benefits for Japan; and retaining the

By **David Leheny**, Henry Wendt III '55 professor of East Asian studies at Princeton University, New Jersey, USA. He is co-editor, with Kay Warren, of *Japanese Aid and the Construction of Global Development* (Routledge, 2010).



Reuters / Michael Caronna

Sadako Ogata, president of the Japan International Cooperation Agency (JICA) in Tokyo, and former UN High Commissioner for Refugees, April 2009.

country's particular identity as a model of development while adhering to global (often read in Japan as 'Western') standards of development cooperation.

And they face these challenges in two terribly uncertain environments: an Asia-Pacific region increasingly in China's shadow, and a Japanese political system marked by intense economic and electoral constraints.

JICA-ization

The Japanese government's reorganization of its aid apparatus to concentrate authority in the hands of the ministry of foreign affairs (MOFA) and Japan International Cooperation Agency (JICA)) is in some ways the culmination of a long process of aid consolidation. Although some Japanese aid is still handled by a wide array of ministries and agencies engaging in specialized projects, there is no longer the crucial organizational division between export credits, loans and technical cooperation.

With MOFA now playing the key coordinating role and JICA managing the technical details of most of Japan's development assistance, aid policy is more centralized than it has ever been. Particularly under the highly visible leadership of Sadako Ogata, the former United Nations High Commissioner for Refugees and a key international proponent of 'human security' initiatives, JICA has adopted an organizational identity that had thus far eluded Japanese ODA.

It has, however, been a contested revolution, and only partly because of recalcitrant foot-draggers in agencies sidelined by the shift in power to JICA. Indeed, what Japan lacked in a strong central organization in its overall ODA initiatives, it made up for with its distinctive aid flavour: a heavy emphasis on loans, often focused on infrastructure, frequently criticized as tied and generally supportive of Japanese industrial initiatives.

Japanese aid emanated both from post-war reparations agreements with East and Southeast Asia and from export

promotion schemes that sought to turn wartime compensation into markets for Japanese goods. Even as these reparations agreements had run their course, officials in Japanese ministries connected with different sectors of the economy kept a close eye on where aid might be provided in goods or with certain specifications that prioritized the skill sets and comparative advantages of major Japanese firms.

As pressure particularly from other donors to 'untie' aid became more intense, much of Japan's 'economic cooperation' involved the development of infrastructure – roads, telecommunications, water and sewage, for example – designed in part to attract investment to developing countries. In practice, of course, the assistance went largely to areas in the Asia-Pacific region that were the focus of Japanese firms' investment plans, and with construction handled by Japanese companies.

For many, this linking of public capital to private initiative was simply shrewd development economics. Indeed, resistance to 'aid reform' had largely come in the form of those who extolled the merits of the Japanese or, later, 'East Asian development model'. After all, given the overall economic growth rates of aid recipients (not to mention Japan itself), it is unsurprising that many Japanese aid specialists would arrive at the conclusion that the outcomes of Japanese aid schemes – largely focused on Asia-Pacific countries like China, Indonesia, Thailand and Malaysia – were superior to those of the American and European efforts in Latin America, sub-Saharan Africa and elsewhere.

Without growth, nothing is possible

Against neoliberal emphases on the market, adherents of this model have largely emphasized the crucial role that technically skilled state leadership would have to play in guiding economic growth. Indeed, at the peak of Japan's aid power in the 1990s, Japanese development specialists played a heavy role in drafting the World Bank's 1993 report *The East Asian Miracle*.





Road construction in Afghanistan, financed by the Japanese government

This fascinating book – something of a Rorschach test for political economists – simultaneously extols the World Bank's preference for markets and limited states while lionizing the putative East Asian model's reliance on strong states with unrivalled discretionary authority over the pace, direction and priorities of economic development.

Against the proponents of broader aid goals for sustainable development, gender equality, public health and other missions, Japanese supporters of a 'pro-growth' stance have made a simple argument: without growth, nothing else is possible.

And so the fights over aid in Japan are in part over what kind of country and leader Japan is supposed to be. For the NGOs (and their left-leaning supporters) that have played an increasing role in aid, Japan is no longer the stodgy economic machine that generated high rates of growth without encouraging personal freedom, gender equality or social progress.

For many politicians, Japan is no longer the bureaucrat-led country unable to consider aid as part of a larger strategic vision. And aid officials themselves debate over whether Japan should be a 'responsible' member of a transnational team of donors focused on multilateral coordination and targeting poverty alleviation, human security or sustainable development, or whether it represents a distinctive model, demonstrating the continuing salience of growth as the first step toward broader development. The debates are, in short, about much more than aid.

China and the limits of Japanese aid

Perhaps unavoidably, China looms large in these discussions. Long the top recipient of Japanese aid, China has been used as an example to Japanese audiences of both the best and worst aspects of ODA. On the one hand, China's meteoric rise could demonstrate both the potential efficacy of aid as well as the East Asian development model that links state capacity to private investment.

On the other hand, anti-Japanese protests and widespread opprobrium in China left many Japanese with the sense that

China was insufficiently grateful to Japan for its assistance. If aid could not even buy good will, and might, in the worst-case scenario, strengthen a potential adversary, what was the point of offering it in the first place?

China's own aid to Africa and Southeast Asia at a time when it still received forms of Japanese assistance seemed only to enhance the view that aid to Beijing was a sucker's game, with the Chinese government using its own financial resources to buy diplomatic benefits that could destabilize Japan's own foreign relations.

One consequence – other than some parliamentary calls to end aid to China – has been a widespread demand that Japanese aid policy be developed strategically. But strategy means different things to different people. When Junichiro Koizumi, prime minister of Japan from 2001 to 2006, encouraged the coordination of ODA at the cabinet level, he sought in some measure to make aid part of the government's diplomatic priorities.

His decision to extend massive aid packages to Afghanistan and Iraq in 2003 in effect punctuated a shift in aid away from the anodyne and persistent search for economic growth and towards other policy priorities. Strategy, in this case, meant a broad diplomatic and security strategy, in which ODA might play several roles: helping post-conflict regions, strengthening ties with the United States and showcasing new roles and missions for Japan's military.

Strategy could also mean coordination to serve goals widely shared across the global aid community. JICA's leadership under Ogata has emphasized the importance of Japan's participation in multilateral institutions (though Japan's aid still focuses heavily on bilateral assistance), and many members of JICA are deeply committed to the kinds of concerns – on environmental protection, gender equality and the reduction of poverty – that have long animated the activities of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD).

Formal ODA organizations, think tanks, and institutes

- Japan International Cooperation Agency (JICA) www.jica.go.jp/english/index.html: Primary government organization for aid coordination and distribution.
- Japan Fund for the Global Environment www.erca.go.jp/jfge/english/index.html: Founded in 1993, coordinates many of Japan's domestic and global environmental efforts, including support to NGOs.
- GRIPS Development Forum www.grips.ac.jp/forum-e/index.htm: Research group run at the National Graduate Institute for Policy Studies, focusing largely on Japanese ODA.
- Institute of Developing Economies - Japan External Trade Organization: (IDE-JETRO) www.ide.go.jp/English/index.html: Formerly focused on the Asia-Pacific region, IDE-JETRO pursues research projects primarily on economic, political and social development initiatives overseas.

NGOs

- Japan Platform
www.japanplatform.org/E/index.html: Overarching network, affiliated with the Japanese ministry of foreign affairs, designed for NGOs that receive Japanese ODA support for their activities overseas.
- Peace Winds Japan
www.peace-winds.org/en/: Large Japanese NGO focused largely on humanitarian relief and peace-building efforts. Has an American branch based in Seattle.
- Japan Center for a Sustainable Environment and Society (JACSES)
www.jacs.org/en/index.html: an NGO whose monitoring reports take a watchdog role towards Japanese ODA, emphasizing environmental implications of development plans overseas.

But strategy might also mean a ‘win-win’ scenario for the Japanese economy, in which Japan’s own economic rebound is linked to development overseas. This reflects in part the persistence of growth-oriented views in Japanese aid debates, particularly insofar as these suggest that aid should make areas more attractive for private investments that are judged to be the core for sustaining long-term prospects in developing nations.

The vagaries of public support

And herein lies the central tension for Japanese aid: the perceived lack of public support. Of course, opinion polls generally show that the Japanese view ODA positively, and, with the important exception of vocal criticism of China a few years ago, there are virtually no political gains for candidates espousing an anti-aid line. But development assistance is a relatively low priority, one that has to compete for attention with a rickety public pension system, chronic unemployment and a lagging birth rate – problems the national budget, already deeply in the red, is expected to solve.

Despite calls from overseas and within Japan to increase its overall aid volume, this is hardly the time to expect even Japan’s bolder leaders to spend their limited political capital on fighting with budgetary hawks over ODA figures. The long-ruling Liberal Democratic Party fell from power briefly in 1993 but climbed back over a fractious set of opposition parties by late 1994 and had a remarkable resurgence under the personally popular Junichiro Koizumi from 2001 to 2006.

Largely ineffective prime ministers followed, with the LDP finally losing to its primary opposition party, the Democratic Party of Japan, in 2009. The new and charismatic prime minister, Yukio Hatoyama, entered office with high hopes and wide popularity, but the party’s initial efforts to wrest control away from the bureaucrats on whom the LDP had long relied ended up souring relations with the ministries while doing little to help the country’s most pressing economic problems.

When an embattled Hatoyama stepped down in summer 2010, the party turned to the highly intelligent and

progressive Naoto Kan, who is at best unproved in his ability to tackle major problems, and who faces major challenges within his own party, let alone with the opposition LDP. He has signalled an intention to focus primarily on reducing the government deficit through a combination of tax hikes and spending cuts, both of them painful options for voters. A substantial increase in aid, despite some of Hatoyama’s promises and Kan’s apparent interest in it, seems absurdly far-fetched in the near future.

Indeed, if aid were to rebound, the political push would likely have to come from the business community that has in many ways been sidelined by the government’s efforts to align aid practices with global expectations. It is not that they oppose aid to support environmental efforts, to promote gender equality or to heal post-conflict regions. But for years, many Japanese businesses saw clear connections between their own economic plans and the tools the government used to promote East Asian model-style initiatives elsewhere, with heavy doses of infrastructural investment and an eye on national growth.

The issue, then, is not really opposition to aid, but rather lukewarm support for it when a shrinking economic pie demands that one set painful priorities. Despite the hopeful calls in the OECD peer review and MOFA’s own report, it is hard to see how even demonstrations of aid’s effectiveness can generate real enthusiasm among Diet members for larger commitments.

Many of the same intellectual and cultural transformations that have shaped the worldviews of Japan’s aid officials have permeated Japanese society more broadly as well. Women’s rights, environmental conservation and the reduction of poverty are all understood as arenas in which Japanese aid can and should make a difference. Japanese are, broadly speaking, proud of their country’s accomplishments in all of these areas, but none has come close to matching the post-war drive for economic growth as a unifying national goal.

For decades, Japanese ODA retained broad public support because it could be understood as a form of generosity that reflected the wisdom of Japan’s own experiences – one that contributed to the rapid growth witnessed around the Asia-Pacific region and that paid a number of bills in Tokyo as well. As Japanese aid quality improves, at least as understood by its fidelity to principles held by many other aid donors and multilateral organizations, it may be increasingly difficult for even its most fervent supporters to defend its quantity. ■

-
- Arase, D.M. (1995) *Buying Power: The Political Economy of Japan’s Foreign Aid*. Lynne Rienner.
 - Leheny, D. and Warren, K. (eds) (2010) *Japanese Aid and the Construction of Global Development*. Routledge.
 - Yasutomo D.T. (1986) *The Manner of Giving: Strategic Aid and Japanese Foreign Policy*. Lexington Books.

📖 A longer version of this article, including references and citations, can be found at www.thebrokeronline.eu