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ODA in Japan's Foreign Policy: Changes Characteristics and Prospects

Motoko Shuto

Introduction

The international environment today is undergoing two major changes of an unprecedented nature. First, the economic concern, which pursues the increase in productivity and wealth, has become the top priority of policy-makers in both capitalist and socialist countries. The progress of US-Soviet dialogues in the past three years was primarily due to the economic motives of each government, and in most socialist countries similar changes of policies, to introduce some aspects of a capitalistic system, have emerged since the mid-80's, or since the late 70's as in the case of China. This means that the key issue of international relations has shifted from the ideological rivalry to economic progress or revitalization, and pragmatic problems such as economic development or prosperity seem to become common goals of policy-makers in any country irrespective of the political system.

Second, related to this, the notion of security has expanded to include non-military sectors since the 1970's. While it is open to question that military power has lost its all political significance, at least security now can no longer be thought only from the aspect of coping with the military threat; the aspect to maintain stable economic development is now fundamental to the notion of security.
These two points are unlikely to change in the foreseeable future and consequently it can be said that policies concerning economic relations will increase in significance still more in the 1990's. If so, considering the budget of Japan's ODA (Official Development Assistance) which is estimated to become the largest in 1989\(^1\), it must be a political as well as economic issue how and for what goals or ideas Japan is going to perform its aid policy.

Starting with these perceptions, this paper consists of the following three parts: first, how Japan's economic cooperation has been linked with its foreign policy in a historical point of view; second, what characteristics Japan's ODA have had particularly since the late '70s; third, what kinds of problems have to be improved. In conclusion some prospects in the 1990's will be suggested.

For the sake of convenience, an outline of Japan's ODA is shown in the Note.\(^2\)

1. **Changes of Japan's policy of economic cooperation**

   (i) **Preliminary period**

   The period after the effectuation of the San Francisco Peace Treaty in 1952 until 1965 can be summarized as a preliminary stage before the start of economic cooperation in full scale. There were three characteristics of this period.

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1. Japan was estimated to become the largest aid donor in the FY1988 budget, for it was US$9.99 billion, while that of US was US$8.65 billion. US aid performance, however, increased by 35\% of the previous year and reached a little upward of $12 billion, remaining to be the top donor. This was primarily because the US carried out the aid programs agreed before the previous year. *Nihon Keizai Shinbun*, 1989, May 26, p. 5.

2. Japan's ODA can be separated into two major categories; bilateral and multilateral cooperation. In the category of bilateral cooperation, there are two patterns; grants (gratuitous capital cooperation, technical cooperation) and direct loans (project loans, commodity loans, financial loans and other loans). The category of multilateral cooperation is contribution to international organizations.
First, as it was the urgent task of Japan’s foreign policy to conclude bilateral war reparations treaties, objectives of aid policy entirely converged to the countries in Southeast Asia. The first war reparations treaty was signed with Burma, which had not attended the San Francisco Conference, in 1954, followed by the treaty with the Philippines in 1956, with Indonesia, which had signed but had not ratified the Peace Treaty, in 1958, and with South Vietnam in 1959. On the other hand, with the countries which had suffered damage by the Pacific War but had renounced their rights to demand war reparations, quasi-reparations agreements were concluded with Thailand in 1955, with Laos in 1958, and Cambodia in 1959.3

Second, conclusion of these treaties led private sectors in Japan such as construction and machinery industries to obtain new markets for their products. This means what Yoshida Shigeru, who had been Prime Minister since 1946 until 1954 except during June, 1947 to October, 1948, had once implied came true. He wrote in his memoir, ‘‘In case we conclude war reparations agreements with Indonesia and other nations, special attention must be paid so that we can create close economic relations concerning supply of foods and raw materials for our people and creation of our market. Unless these are promised, war reparations have no sense.’’4 This reflects the basic idea of Japan’s government on war reparations at this time. And the policy-mechanism of war reparations as well as the basic idea such as this remained unchanged even after 1965 when the amount of yen loans began to exceed that of war reparations.

Third, during this period key governmental organizations for aid policy were established. The Overseas Economic Cooperation Fund

3. After 1965, the similar agreements of economic cooperation were signed with the Republic of Korea (South Korea) in 1965, with Singapore and Malaysia in 1967.
(OECF), which has been, since 1975, the sole agency of direct loans grant-element of which is more than 25%⁵, was formally established in 1961. The idea of founding this organization came from the Liberal Democratic Party in 1959, to which the Ministry of Foreign Affairs, Ministry of International Trade and Industry (MITI), and the Federation of Economic Organizations (Keidanren) quickly responded. Then, the cabinet succeeded in legislating the bill through the Diet in 1960.⁶

Also, in terms of technical cooperation, the Overseas Technical Cooperation Agency (OTCA) was formally founded in 1964, into which previously separated Associations for technical cooperation were absorbed. The general unification of the authorities in charge of technical cooperation, however, was not realized until 1974 when JICA (the Japan International Cooperation Agency) was set up.

(ii) 1965-1973

The year 1965 was a turning point of Japan’s ODA policy. This was the outcome of rapid economic growth since the mid-50’s, which was made possible by active introduction of foreign credits from the World Bank, for instance, and utilizing war reparations for promoting exports. It is worthy of mention that the amount of foreign aid drastically increased after 1965 and that the major share of economic cooperation had shifted from war-reparations to direct loans since 1965.⁷

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5. OECF started to extend direct loans in 1966. At this time, Export Import Bank of Japan, which was renamed in 1953 two years after its predecessor had been founded, was also engaged with the similar service. Since July in 1975, however, service of extending direct loans was divided between this Bank and OECF, making the latter in charge of direct loans whose grant-element is more than 25%. OECF, OECF Annual Report 1987. 1988, p. 98.


7. The sum of the war reparations paid in 1965 was $62.8 million, while that in 1964 was $57.8 million. On the other hand, the bilateral loans disbursed in 1964, $49.1 million, increased to $114.9 million in 1965. Trade Promotion Bureau of MITI, Keizai Kyoryoku no Genjyo to Mondaiten (The Present Situation and Problems of Economic Cooperation) 1966, Tsusyo Sangyo Tyosakai, 1966, pp. 41-42.
Objective characteristics common in this period were as follows;

Direct loans were directed preponderantly toward the countries of Southeast Asia. This coincided with the emphasis in the annual Diplomatic Blue Books of the Foreign Ministry during this period, which expressed that it was one of the primary diplomatic goals to support active economic development in Asian countries, particularly in Southeast Asia. This means, in other words, economic development of Japan was thought to be closely linked with that of the Southeast Asian countries.

Some diplomatic initiatives were taken, for the first time after the end of the Pacific War, by the Sato administration toward institutionalization of economic cooperation in Asia. The foundation of the Asian Development Bank, the preparatory and the first meetings of the Inter-Governmental Group on Indonesia, the proposal to hold a Ministerial Conference for Economic Development of Southeast Asia were among those initiatives.

Yet, the basic framework of Japan’s foreign policy at this period was exactly the copy of the Asian policy of the US, that was, above all, containment of Asian communism. Therefore, some cases of Japan’s new economic commitment can be better understood as an aspect of assisting and sharing the American financial burdens, such as Japan’s commencement of yen loans to South Korea and Taiwan in 1965.

(iii) 1973-1977

The change of ODA policy after October, 1973 was essentially the passive response toward the two external events, the first Oil Crisis and the protests on the streets in Thailand and Indonesia in the early 1974 against the economic “over-presence” of Japan.

There were two major changes in Japan’s ODA policy in response to the Oil Crisis. One was the change of behavioral pattern. The government hastened to show good will to the oil-producing countries
in the Middle East so that the label of "unfriendly country" would be removed from Japan. Considering Japan received more than 78% of imported oil from the Middle East at that time, it was no wonder that the government reacted quickly. In November, the Chief Cabinet Secretary announced pro-Arab diplomatic principles. In the following two months, two special diplomatic missions visited eight, sixteen countries respectively in the Middle East, offering economic cooperation. The other change was that, as a consequence of these unusually quick diplomatic efforts, the share of non-Asian recipients of direct loans increased to 18% of $384 million in 1973. Compared with 4% in the previous year, it was a drastic increase.

These two changes meant that it has become, since then, the explicit purpose of Japan’s foreign policy to secure a stable supply of energy and that economic cooperation was utilized as the only available diplomatic card for that purpose.

Prime Minister Tanaka’s visit to the Southeast Asian countries marked another change. Soon efforts were made to improve conditions of direct loans, and they were in general rather softened in 1974. In order to wipe out the image of Japan’s ODA, which had been widely held so far, that official loans and private sectors were interconnected closely, efforts to proceed united loans also began. In retrospect, Tanaka’s visit brought a new cognizance of ODA policy in a sense that it was the only diplomatic measure available to Japan to recover and maintain good relations with Southeast Asian countries.

8. *Wago Gaiko no Kinkyo* (Diplomatic Blue Book), Ministry of Foreign Affairs, Printing Bureau of the Ministry of Finance, Tokyo, vol 18, no. 1, 1974, p. 120.
9. The condition of the loan on average before 1973 was as follows: 4.13% of interest, 20.4 years for repayment period and 6.2 years for deferment period. In 1973, however, they were softened by a large margin: 3.55% of interest 24.3 years for repayment period and 7.7 years for deferment period. *Ibid.*, pp. 120-121.
(iv) 1977-up to present

Japan's ODA policy seems to have entered a new stage since the late '70s. Though it is not easy to mark off the period clearly, for already in 1975 the issue to expand ODA was discussed in the cabinet, it seems to be proper to divide the stage in 1977, in the sense that the long term plan started from FY 1977. Objectively, the outstanding characteristic since then is the surprising increase in the amount of ODA. It would not be an exaggeration to say that to increase its amount has become the aim in itself for the ODA policy. What deserves special attention is that this tendency up to present does not come out of a deliberation as to how ODA should commit itself to the problems of development of the other nations, but primarily out of Japan's consideration to keep good relations with the United States. And the ODA policy was found to be the most proper way to appeal Japan's contribution. Here the economic cooperation policy was made the central measure to recycle Japan's huge trade surplus which was the main cause of American displeasure.

Let me look back briefly how the increase has been accelerated since 1977.

| The first intermediate goal of ODA, set in 1977 |

This was the 3-year plan to double the disbursement of ODA. In other words, the disbursement of ODA in 1977, $1.4 billion, should be doubled by the end of 1980. Actually, this goal was almost fulfilled in 1979, for the disbursement of 1979 reached $2.6 billion, and that of 1980 exceeded over $3.3 billion.

| The second intermediate goal of ODA, set in 1981 |

This was the 5-year plan to at least double the sum of disbursement in the past five years (1976-80), which was $10.68 billion, by the end of 1985. To achieve this goal, it was necessary to expand more extensively direct loans on bilateral base and contributions to international financial organizations. As a result, at the end of 1985, the sum of the previous five years reached $18.07 billion.
The third intermediate goal of ODA, set in 1985

This was the 7-year plan (1986-92) to reach more than $40 billion by the end of 1992. In order to reach this figure, it was announced that all possible efforts would be exerted to expand grants and technical cooperation, to raise the rate of performance of yen loans as well as to improve their conditions.

The disbursement of ODA in 1987 reached $7.5 billion, more than five times of that in 1977, and in the budget of 1988 nearly $10 billion was appropriated. Because the government had every intention of increasing an appropriation for ODA, and also because the exchange rate of yen had sharply risen, the goal of this 7-year plan was estimated, in 1988, to be fulfilled four years earlier.

Therefore, in June, five days before the 14th Summit in Toronto, the Ministers of concerned agencies discussed the new plan, which was acknowledged by the cabinet meeting the same day as the fourth intermediate goal.

The fourth intermediate goal of ODA, set in 1988

This is the 5-year plan (1988-92), in which the total sum of disbursement during the past 5 years (1983-87), $25 billion, should be at least doubled, the quality of yen loans should be improved, and the pattern of ODA should be made more multiform and flexible.\(^{10}\)

In this process of rapid acceleration, from $0.3 billion on average in the late ’60s to $11 billion in FY 1989, the appropriations were decided first, then the way to distribute them had to be found. This necessarily required grants and loans to be expanded. In other words, it was a process in which the increasing budget of ODA continuously required the government to reconsider and renew the idea of economic cooperation policy, and not to the contrary.

\(^{10}\) *Waga Gaiko no Kinkyo* (Diplomatic Blue Book), vol. 32, 1988, pp. 118-124.
2. Characteristics of ODA in Japan’s foreign policy

Based on these historical developments of Japan’s ODA, some characteristics are consistent and others are relatively new according to the increase of its appropriations. One of the two consistent characteristics is that the share of bilateral loans is very large; that of 1987 by disbursement is 57.11 The other is that Southeast Asia, particularly the ASEAN countries, has been the largest recipient by region; the share of grants and loans of the ASEAN countries 1987 reached 20%, 41% respectively.

Even the new policy of ODA decided in May 1987, intended to “recycle” more than $20 billion, has been taken primarily toward Southeast Asian countries (Indonesia and the Philippines) and South Asian countries (India and Sri Lanka). This tendency seems that it will continue for a while in the future, for yen loans become less attractive to non-Asian countries because of the rise of yen.

In July, 1989, when the seven Western leaders met in Paris, Japan promised that it would “recycle” $65 billion for development assistance, during the coming five years. As it includes $10 billion pledged in 1986 to international financial organizations and $20 billion to “recycle” over the next three years which was pledged in 1987 at the Summit meeting12, $35 billion is the really newly pledged amount at the Paris Summit. Though this may seem a very generous attitude, actually almost all the monies are not grants but new loans. If the $50 billion of ODA in the fourth intermediate goal is added to this $65 billion, even after the overlapping account is deducted, about $100 billion is to be funded to the purpose of development assistance abroad.

11. ibid., p. 412.
12. More than 91.9% of this total was already committed by June 1989. Saburo Okita, “Quiet Strength of Japan’s Economy in the 1990’s” (the title is originally Japanese and this English title is this writer’s translation), Ekonomisuto, August 22, 1989, p. 20. See also Saburo Okita, “Japan’s Quiet Strength”, Foreign Policy, Summer 1989, p. 143.
The new characteristic is that the political intention has become explicit in some cases. While any ODA policy must have its political intention at any time, it has never been officially expressed until the 1980's in case of Japan's ODA policy. The idea of "comprehensive security" was first used officially in 1980, and in the Diplomatic Blue Book of 1980 it was mentioned that the government had decided to increase its assistance, "from the perspective of security in a broad sense", to Pakistan, Turkey and Thailand, which were expressed as "countries bordering areas of conflict" in the edition of 1981. This perception was based on the sudden change in the situation surrounding these countries: the Soviet military invasion in Afghanistan, the upheavals in Iran, both in 1979, and Vietnam's military invasion in Cambodia at the end of 1978.

The remarkable change of figures in the List 1 shows that political purposes were expressed by means in ODA.

List 1. Change of Japan's ODA according to its political perception

<table>
<thead>
<tr>
<th></th>
<th>1977</th>
<th>'78</th>
<th>'79</th>
<th>'80</th>
<th>'81</th>
<th>--'83</th>
<th>--'85</th>
<th>--'87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>28.7</td>
<td>46.8</td>
<td>168.3</td>
<td>112.4</td>
<td>117.7</td>
<td>72.7</td>
<td>93.3</td>
<td>126.6</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>6.0</td>
<td>4.8</td>
<td>11.8</td>
<td>0.4</td>
<td>-0.09</td>
<td>0.09</td>
<td>n.d.</td>
<td>-0.04</td>
</tr>
<tr>
<td>Turkey</td>
<td>5.6</td>
<td>5.0</td>
<td>4.0</td>
<td>5.3</td>
<td>51.4</td>
<td>25.4</td>
<td>26.0</td>
<td>162.3</td>
</tr>
<tr>
<td>Thailand</td>
<td>51.8</td>
<td>103.7</td>
<td>179.8</td>
<td>189.5</td>
<td>214.4</td>
<td>248.1</td>
<td>264.1</td>
<td>302.4</td>
</tr>
<tr>
<td>Vietnam</td>
<td>12.5</td>
<td>28.5</td>
<td>38.7</td>
<td>3.7</td>
<td>0.9</td>
<td>0.7</td>
<td>0.5</td>
<td>0.2</td>
</tr>
</tbody>
</table>

(Source: Diplomatic Blue Books of each year, Ministry of Foreign Affairs)

Another case in which the budget increased drastically in the '80s, but the category of "comprehensive security" has been carefully avoided, is the ODA toward South Korea. The amount of Japan's economic cooperation, $4 billion, which was decided just prior to Prime Minister Nakasone's visit to South Korea in 1983 was not the sum of appropriations of the projects but the total amount agreed beforehand for the coming seven years, probably without considering a concrete plan for disbursement.

The process of how this amount was settled is not clear and even among the key ministers a concord of understanding seemed to be missing. While $4 billion consists of $1.8 billion yen loans and $2.15 billion credits by the Export Import Bank, the annual national income per capita of Korea had already exceeded in 1978 the basic criteria for a recipient of yen loans, which is one thousand dollar per capita. This unclear process and content of the commitment caused the criticism that it was political "economic cooperation" primarily to support the Chun Administration. Indeed, at the end of FY 1988 in which the disbursement was supposed to be completed, more than half of the $4 billion remained undisbursed, and more than 40% of the disbursed commitment was concentrated in the province where President Chun was born.

This sudden huge commitment toward Korea was primarily due to then Prime Minister Nakasone's purpose of improving relations with Korea, which had been aggravated by the textbook issue in the previous summer. Considering that this agreement was reached one month after his inauguration, this may be said to be the case in which Prime Ministerial initiative was the key motive.

14. Foreign Minister Abe stated $4 billion was not a promise but an intention and called this commitment into question before the Diet Budget Committee. Korean spokesperson, however, said "we see it as a commitment not an intention" in an interview with D. Yasutomo. Dennis Yasutomo, The Manner of Giving: Strategic Aid and Japanese Foreign Policy, D.C. Health and Company, Lexington, 1986, p. 54.
3. Policy-making process and institutional problems
   (i) policy-making process

   In terms of bilateral economic cooperation, officially the process of making a concrete plan starts based on a request for cooperation from the government of the country desiring the cooperation of Japan. This "request-first" principle had not changed up to now.

   The request reaches Japan's government in most cases through the embassy of Japan in the recipient country. In many cases, however, the Japanese private sector such as business corporations takes the initiative in planning the projects and suggest the recipient government to render the request to Japan's government.

   Based on the request, in case of direct loans, four concerned agencies, the Ministry of Finance, Ministry of Foreign Affairs, MITI and the Economic Planning Agency, discuss the plan, and if necessary for the sake of the discussion other concerned agencies also join. After a rough consensus is made among these agencies and the cabinet's support has been obtained for the plan, an official document is exchanged between the two governments. In case of grants, on the other hand, the Ministry of Foreign Affairs is solely in charge of its planning before it renders the plan to the Cabinet meeting.

   In this process, three characteristics can be pointed out. First, the cabinet meeting is the final decision-maker of Japan's ODA policy. This means the bureaucrats dominate the decision making process of

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16. Besides the Cabinet Meeting, there were a couple of meetings set up. Ministerial Meeting for external economic cooperation was formed in 1969, which was reorganized in 1975 then abolished in 1977. The advisory organ to the Prime Miniter on external economic cooperation was formed in 1961 and reformed to consist of civilians only in 1969. The latter, though actively presented proposals to streamline the administrative system of economic cooperation in the early '70s is no longer working. To say the least, it is hard to tell to what extent the advices of this body have been reflected in the ODA policy. Matsui, op.cit., p. 87, p. 164.
ODA, both in terms of planning and appropriations for ODA. In terms of the planning process, the administration of economic cooperation proceeds by holding conferences of the four concerned agencies.

In terms of appropriations, that for ODA in the draft budget of every year is made by summing up the individual budget presented by the concerned agencies. There are now sixteen agencies concerning the budget-making of ODA. Budgets for grants and contributions to non-financial international organizations are presented by and included in the annual budget of the Foreign Ministry, though some grants of particular purposes are included in the budgets of other Ministries. Budgets for loans are included in those of the Ministry of Finance.

Here is the principle of incrementism typical of bureaucracy. The amount of each budget is decided based on that of the previous year. In case of bilateral ODA policy, as it reflects diplomatic relations directly, the amount of any direct loan is hardly likely to be cut suddenly, unless there is an intentional political purpose to do so. On the contrary, if such a drastic increase or decrease happens, there must be a very high level decision, often Prime Ministerial, in order to surpass bureaucratic routine work, as the case of $4 billion assistance to South Korea mentioned earlier.

Then the annual draft budget is presented, as a whole, to the Diet for legislative approval. The details of the appropriation are hardly known to the Diet. Moreover, the exchange of an official note does not require the approval of the Diet.

Second, while externally the Ministry of Foreign Affairs is the agent of ODA, domestic policy-making is subject to discussions among four agencies, and the intricate jurisdiction tends to raise rivalry over jurisdiction among Ministries, and over the issue of budget between the Ministry of Finance and the other concerned agencies.

For example, in case of OECF, while its supervisory agency is the Economic Planning Agency, its appropriations are included in the
general accounts of the Ministry of Finance. Also the budget for ODA is hardly clearly distinguished from Other Official Assistance in the budget allocated for the agencies which are engaged with both categories of assistance, such as OECF and the Import Export Bank of Japan.

Furthermore, the rivarly between MITI and the Foreign Ministry was revealed for the initiative and the supervision of ODA policy: MITI in the context of promotion of exports, the Foreign Ministry from the aspect of foreign relations. The rivarly between these two Ministries is partly seen in the fact that each has published a white paper on economic cooperations. MITI has published the annual report. *The Present Situation and Problems of Economic Cooperation*, for thirty years, and the Ministry of Foreign Affairs started to publish *The Present Situation and Prospects of Economic Cooperation* in 1977. (Both reports are written in Japanese, and the titles are translations of this writer.)

Third, this process has had a tendency to reflect the intention of business sectors, particularly in case of direct loans for big projects and commodity loans when the domestic market for such a commodity is saturated.

Business sectors which anticipate allocation of the ODA budget for export of their plants or materials try to make approaches to the influential politicians and to the responsible agencies. Consequently these agencies tend to speak for the private sector in making a ministerial decision. In other words, business sectors and certain politicians play a role as pressure groups to the agencies.

This is, in a sense, a legend of the war-reparations system. Also, this means there has always been a fair chance that a bribery case happens in the decision making process of ODA. The recent sharply increasing budget of ODA is likely to increase the possibility of breeding graft.

However, the government not only passively responds to these approaches of business sectors, but also sometimes financially and
technically supports the direct investment abroad of these business sectors. Financially, the Import Export Bank of Japan, which is a governmental bank, makes loans for their projects and the government guarantees the investments from losses by establishing an insurance system, such as Investment Insurance or Export Insurance. Technically, JICA assists these projects by sending its experts for feasibility survey.

This close relation between the governmental agencies and business sectors has been relatively weakened because the share of grants has increased and the tying condition has been decreased.\(^17\) This, however, does not mean that ODA has ceased to be a lucrative policy toward business sectors in Japan.

(ii) institutional problems

A. governmental level

One of the big institutional problems in carrying out the ODA policy is a shortage of personnel. In the fourth intermediate goal of ODA set in 1988 mentioned earlier also points out the necessity for increasing the number of personnel, particularly experts of development policy and area studies.

According to the public opinion poll surveyed by the government in 1989, as to Japan’s way of contribution to the world economy, 37.2% picked up “sending or accepting experts and engineers”, and 26.9%}

\(^{17}\) See the following list.

| Japan’s bilateral ODA, by net disbursement, (Smillion). |
|---|---|---|---|---|---|---|
| grants | 805.18 | 993.44 | 1063.91 | 1184.79 | 1703.21 | 2221.10 |
| loans | 1562.15 | 1431.80 | 1363.48 | 1372.13 | 2142.99 | 3026.53 |

Source: *Waga Gaiko no Kinkyo* (Diplomatic Blue Book), vol. 32, 1988 (Dec.), p. 411. Concerning the tying condition, all the loans agreed in FY1986 were untied, among which 52.3% was “general untied” loans, 47.7% were “partially untied” which are practically identical with tied loans. However, the explicitly declared “tied loans” have decreased to almost 0% since 1981.
indicated "cooperation in the technological sectors", both of which were well over the figures of "capital loan" (14.3%), or "grants of capital or materials" (11.2%). Also, this poll reveals that nearly 60% are negative toward the plan to double the amount of ODA within the coming five years. The largest support, 34%, came to "the present amount is enough". This outcome may be understood that many people think it necessary to pay much more attention to the way of cooperation rather than to statistically increasing figures of its appropriations.

The number of personnel working in economic cooperation proper has little increased, while the net disbursement since 1977 until 1987 has increased more than five times by dollar. (see the List 2)

List 2. Numbers of personnel in charge of ODA and cases of ODA

<table>
<thead>
<tr>
<th></th>
<th>FY 1977</th>
<th>FY 1987</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. number of personnel</td>
<td>916</td>
<td>1396</td>
</tr>
<tr>
<td>Economic Cooperation Bureau (Foreign Ministry)</td>
<td>97</td>
<td>124</td>
</tr>
<tr>
<td>Overseas Establishments</td>
<td>54</td>
<td>146</td>
</tr>
<tr>
<td>JICA</td>
<td>579</td>
<td>867</td>
</tr>
<tr>
<td>OECF</td>
<td>186</td>
<td>259</td>
</tr>
<tr>
<td>B. disbursement of ODA ($ million)*</td>
<td>1424</td>
<td>7454</td>
</tr>
<tr>
<td>C. disbursement of ODA per one personnel ($ million)</td>
<td>1.555</td>
<td>5.340</td>
</tr>
<tr>
<td>D. number of cases of ODA</td>
<td>312</td>
<td>710</td>
</tr>
<tr>
<td>grants</td>
<td>46</td>
<td>264</td>
</tr>
<tr>
<td>loans</td>
<td>32</td>
<td>264</td>
</tr>
<tr>
<td>technical cooperation by projects</td>
<td>86</td>
<td>159</td>
</tr>
<tr>
<td>development survey</td>
<td>148</td>
<td>248</td>
</tr>
<tr>
<td>E. number of cases of ODA per one personnel</td>
<td>0.341</td>
<td>0.509</td>
</tr>
</tbody>
</table>


* figures are by the calendar year, 1977, 1987.
(Source: *Waga Kuni no Seifu Kaihatu Enjyo* [Japan's ODA], edited by Economic Cooperation Bureau (Foreign Ministry), vol. 1, Oct. 1988, p. 254.)
As the list 2 shows, actually a very small number of personnel has to carry out all the programs concerning ODA. Considering the total disbursement in the budget of FY 1989 reaches $10 billion, if the number of personnel is exactly the same, one person has to be responsible for more than $7 million a year. It would be extremely difficult for this small number of personnel to fully grasp the actual needs for development, to supervise thoroughly the process of performance, in the recipient countries. Frankly, they are almost in a situation in which it is all they can do to discover projects and to set the allocated budget in it. Naturally, this busy task has bred lots of waste in the past decade.

The efforts to improve the shortage of professional personnel for ODA policy have just begun, though precisely speaking are not yet realized at present.

The Foreign Ministry announced its plan to set up a graduate school, International Development University (this writer’s translation), to bring up experts of development assistance by the middle of 1990’s, and as a preparatory step the founding body is to be established within FY 1989. Soon, apart from this plan, MITI also announced its plan to foster experts of economic assistance. It says MITI plans to set up a foundation sponsored by the business sectors and to start a research & training course at the graduate level at the Institute of Developing Economies (Tokyo), both in FY 1990, and eventually a graduate school is scheduled to be set up to absorb the research & training course, managed by the foundation mentioned above.

Though in the short term of less than five years from now, the way to foster experts is different, for the Foreign Ministry’s idea suggests to carry out the plan in cooperation with the Institutes abroad, while MITI plans to make use of the existing facility in Japan, the idea of these two ministries in the long term is basically the same. When the plan of each ministry is solidified, it will be necessary to adjust these plans.

B. local government level

Local governments have engaged in their original projects of technical cooperation, apart from participating in the ODA-based technical cooperation of the governmental level. In 1971 when the central government started to subsidize these projects, only three prefectures accepted 20 trainees in all, the number of trainees newly accepted by local governments has increased from 247 to 360 from 1981 to 1987, in which nearly 48% came from Latin America and 46% from Asian countries.²¹ As this figure shows, projects by local governments were initially intended to accept and train children of Japanese emigrants to Latin American countries. Now, they are no longer limited to that purpose only, and trainees come also from the Middle Eastern and African countries. Accordingly, the amount of subsidies has increased more than seventeen times since FY 1971, to well over 500 million yen in FY 1987.

Besides, local governments help to accept JICA-based trainees and to send experts or youths abroad by the governmental projects. These activities of local governments have so far complemented or originally contributed to the economic cooperation policy of Japan, and their roles will become still larger.

However, there seems to remain the key problem in exchanging experts abroad. It was partly because the share of technical cooperation including the sending of experts was rather small in ODA compared with that of direct loans that technical cooperation has not been very active, particularly the sending of personnel abroad by the private sector has not been enthusiastic. Its fundamental reasons, however, probably lie in the social structure of Japan, whose basic system is the lifelong employment with the seniority system. This social structure has a marked tendency to

make overseas service for public purpose such as technical cooperation an obstacle to promotion. While experts have been mostly sent by the public organs, as the need of technical cooperation grows, new policies will be required in order to facilitate the activities joined by the private sector, for most of human and technological resources in Japan actually belong to the private sector. For example, a preferential taxation system for corporations which are engaged in external technical cooperations or foreign-aid grants might help to change the situation, though this kind of consideration is hardly heard in the discussion of tax-reform now in process.

C. Non-governmental organizations

Non-governmental organizations have their own merits to support efforts for development in the foreign countries. They can work at the very grass-roots level, often with lesser costs than ODA, more flexible activities and more immediate effects can be expected to these works. Though the historical background of NGOs is considerably short in Japan compared with that in the European or American NGOs, since the late 1970's Japanese NGOs have been actively engaged in development assistance abroad including rescue activities of refugees.

According to the figure of the Foreign Ministry, there are about 270 NGOs in 1987 which are in some way engaged in development assistance, 109 of which have performed assistance equivalent to 2.37 billion yen from their own accomodations.\(^{22}\)

In 1987, these NGO activities may have entered the new stage. Though there had been no regional nor nation-wide association of NGOs, in June, 1987, the NGOs in the Kansai area (Western Japan in and around Osaka, Kobe and Kyoto) organized an association for international cooperation, and in October those in the Kanto area (Eastern Japan in and around Tokyo) also set up a center to promote

\(^{22}\) ibid., p. 265.
activities of NGOs. Gradually, the system of collaboration among NGOs have been organized since only a few years ago.

The government declared in the fourth intermediate goal of ODA that collaboration between NGOs and ODA shall be strengthened in the field of technical cooperation. As its one step, the Foreign Ministry started the new system to subsidize the NGOs which have been engaged in humanitarian assistance in developing countries, since FY 1989. In late August in 1989, the Japan International Volunteer Center, which has been engaged in the medical and social activities in and around Cambodia, was selected to be the first NGO to which this system is applied. Though it may be a tentative system at present, it means that a structurally fresh approach is about to begin in ODA policy now.

(iii) problems of evaluation

The necessity of evaluation has been indicated in public documents. However, a systematic evaluation started after the Committee for Evaluation of Economic Cooperation was formed in the Economic Cooperation Bureau, Foreign Ministry, in January, 1981.

Based on a general plan, made by this Committee, of evaluation activities of the year, the methods of the evaluation are decided. According to the Committee there are four patterns of evaluation: evaluation by research team sent by the Foreign Ministry (Foreign Ministry’s Evaluation); by Japan’s embassies or other diplomatic establishments abroad (Overseas Establishments’ Evaluation); by JICA or OECF (Carrying-out Organs’s Evaluation); and by private experts assigned by the Foreign Ministry (Third Person’s Evaluation). Since FY 1982, these evaluation surveys have been put together every year and annually published as The Report of Evaluation for Economic Cooperation (The


120 million yen was appropriated as a subsidy to activities of NGO in the budget of ODA in FY1989. “Shunsuke Iwasaki”, NGO no Tyosen (Challenges of NGOs), Sekai, October 1989, Iwanami Shoten, p. 71.
title is translated by this writer. The original title is Keizai Kyoryoku Hyoka Hokokusho).

The Administrative Inspection Bureau of Management and Coordination Agency also started to survey the performance situation of ODA in 1987. Its result as to grants and technical cooperation was published in September, 1988, as part I of Present Situation and Problems of ODA (this writer's translation), while its results with regard to loans are published in 1989.

For all of these recent efforts to check the performance situation of ODA, so far the range and scope of these surveys are far from comprehensive, both in terms of the number of activities or countries where research works have been done (see List 3). While the surveys are concentrated in the ASEAN countries (see List 4), among those surveys there are not a few overlapping cases, while there are many ODA projects not yet evaluated.24 Furthermore, particularly concerning the evaluation reports of the Foreign Ministry, there is no getting around the impression that the basic tone of the remarks is consistently close to complacency, saying that "while some problems remain, generally our economic cooperation has realized the anticipated results, and they have contributed to promotion of economic, social development and public welfare of the recipient countries".25

The report of the Administrative Inspection Bureau, on the other hand, sounds more objective and gives severe remarks against the evaluation of the Foreign Ministry. For example, it indicates that as to the same problems discussed in every annual report, their causes and concrete measures to solve them must be examined thoroughly, and that among those evaluated cases few mentioned the details of pre-evaluation

activity, adding that in most of them it is not even clear whether or not there was a pre-evaluation activity.26

It is both necessary and obligatory for the government to properly equip the evaluation system in terms of range, means and substantiality, for the behalf of the tax-payers.

**List 3. Evaluation surveys of economic cooperation**

A : the number of countries where surveys were made  
B : the number of surveys

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* abbreviations:  
  1. Foreign Ministry’s Evaluation,  
  2. Overseas Establishments’ Evaluation,  
  3. Carrying-Out Organs’ Evaluation,  
  4. Third Person’s Evaluation.

* Overlapping accounts are deducted.

List 4. Evaluation surveys in Asian Countries

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Total 65 78 60 73 91

sum of the year 90 103 98 139 174

(Source: ODA no Genjyo to Kadai, Management and Coordination Agency, 1988, p. 305.)

Conclusion: prospects of Japan’s ODA in its foreign policy

Japan’s ODA has increased its political and diplomatic function since the ’70s and is likely to increase its significance in foreign policy in the foreseeable future.

What has been the political, diplomatic function of ODA policy, then?
First, it has had two diplomatic functions toward the United States. One was to show both the American government and the Congress the facts of Japan’s efforts to share the responsibility to maintain the free world, and the other was to decrease its trade surplus. Concerning the latter, the huge trade surplus actually belongs to the private sector, while the state budget has had a heavy deficit. Thus, the government has made policies to absorb and make use of the surplus capital.

Second, the American request or pressure has not been the only factor of Japan’s policy of economic cooperation, though it has been the key factor for the LDP which has been the ruling party since its formation in 1955 to coordinate its values in foreign policy with those of the American government. Particularly after the first Oil Crisis in 1973, the new element has been added to its ODA policy, based on Japan’s own intention to keep good foreign relations. That intention, which has been vaguely called “comprehensive security” since 1980, basically comes out of its own national interest. To sum them up, there are three points.

1. To secure the supply of natural resources. In Japan, where except for rice the rate of self-supply of most basic foods is around 10% and more than 99% of oil depends on export, it is indispensable to keep the external supply of natural resources. ODA is, in this context, utilized to secure it structurally by supplying the recipient with necessary accommodations. 2. To keep the external environment stable and peaceful. As a society vulnerable to the external situation, stability of the environment is crucial. Recently thousands of Chinese came to Japan by boat pretending to be Indochinese refugees, which would not be stopped in the situation in which their average monthly income can be earned in a day. Regionally or globally, an uneven distribution of wealth causes social unrest. ODA, in this sense, can be the way to mitigate the uneven distribution. 3. To provide profitable official means for domestic private sector. In this sense, ODA certainly meets the policy to “shift to a domestic-demand-led economy”
Besides these crucial and egocentric, by nature, "national interests" which are realistically prescribed by the government and the leading private sector, ODA also helps to express the political will by increasing or freezing its amount. In this sense, ODA has been the silent but explicit diplomatic tool of Japan's foreign policy, and this tendency seems to be strengthened as Japan was put under the necessity of joining in the economic support toward the East European countries such as Poland and Hungary at the Paris Summit in 1989, while at present there is no institutional framework to carry out this kind of economic cooperation based on political considerations.

For all of these considerations as to "national interest", they are hardly what "ideas" should be, because the vision which Japan's ODA pursues is not yet clear except in vague expressions. It is another problem whether Japan's ODA policy has fulfilled its declared purpose of "development assistance" after all.

As its absolute amount increases, and as the ODA policy becomes more and more an important instrument of Japan's foreign policy, its substance must be improved with a solid system of evaluation and by introducing new methods such as the co-financing system with NGOs. While there remain many institutional and political problems of the ODA policy, if they are carefully improved, the ODA policy will be worthy of a potential new model of foreign policy to contribute to the growing interdependent international relations, in which the notion of security is no longer based solely on military power but on universally shared economic and social purposes.