

## New thinking redefines Japan's foreign aid policy

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**F**oreign aid is a key instrument of international engagement in Japan's foreign policy toolkit. Although Tokyo is no longer the world's top aid donor that it once was in the 1990s, it still is one of the leading ODA (official development assistance) donors within the Organisation of Economic Cooperation and Development.

With the stagnant economy, depleting government revenue and increasing national debt, the foreign aid budget has shrunk considerably over the past several years making Japan the world's number four aid donor in 2015. However, foreign aid remains an important national government enterprise with close to a US\$10 bn annual budget.

It is not just the aid budget that has changed. What has changed even more remarkably over the years is Tokyo's thinking behind foreign aid.



**Figure 1.** Image Credit, Asian Studies Association of Australia

In the 1980s, when Japan became an aid superpower, criticisms mounted both internationally and domestically of the mercantile nature—devoid of philosophy—of aid money that often flowed into the private accounts of corrupt political leaders in Asia and into aid projects that created severe

environmental damage. A Japan that was trying to establish itself as a world economic

leader responded with alacrity by issuing its first ODA charter in 1992. The charter was revised in 2003, setting out aims and objectives for Japan's foreign aid. Even though implementation was uneven, they were nevertheless useful guides on which to judge Japan's ODA.

The 2003 ODA charter was revised in 2015 with a change in the title from ODA Charter to Development Cooperation Charter. This charter has a much broader reach than the previous ODA charters.

Although the new charter maintains some of the key aspects of the previous charters, such as human security, poverty alleviation, health, women's welfare and so on, it has introduced some new and controversial agendas as part of its aid program. Two of those are aid to support the Abe government's idea of **Japan's Proactive Contribution to Peace**, and aid in the pursuit of the national interest.

### **New possibilities**

While previous charters clearly kept military or defence-related activity outside the aid zone, 'proactive contribution to peace' opened new possibilities, including the use of the aid budget for non-combat military purposes to help maintain global peace. To this end Japan has, for example, recently provided surveillance ships to Vietnam's coastal guard as part of its aid package to that country. Japan has also offered a similar package to the Philippines. The strategic orientation of such aid packages is obvious as both Vietnam and the Philippines have maritime disputes with China and are worried about China's flexing of its military muscle in the South China Sea.

Using its aid budget, Japan now also offers educational opportunities for military personnel from Southeast Asian nations through Japanese educational institutions. These mid-career military personnel spend an extended period in designated Japanese institutions learning history, politics, diplomacy and international relations. The idea to provide education in liberal arts is based on the premise that a good understanding of history and international relations will make these military personnel appreciate the benefits of peace and the disastrous consequences of war.

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Japan's renewed focus on Southeast Asian countries can also be noted through the latest ODA white paper, released in April 2016. In view of Japan's standoff with China in the East China Sea and Beijing's relentless and assertive claims in the South China Sea, Japan actively promotes the notion of freedom of navigation of sea lanes and aims to develop a network of like-minded nations in the region. To achieve Japan's objectives of the rule of law, maritime security, cybersecurity and peace-building measures, the white paper notes the importance of Southeast Asian nations as partners.

Although building networks of like-minded nations is nothing unusual in Japan's postwar foreign policy history, what is rather remarkable is the use of its aid budget for activities that are broadly military in nature, even though not directly for combat purposes.

The use of aid to bolster its national interest is another key policy change in Japan's ODA objectives. While national interest implicitly guided Japan's aid policy in the past, it is the first time that it has been **explicitly stated in a government document** and defended by the Ministry of Foreign Affairs and Japan's aid agency, the Japan International Cooperation Agency (JICA). JICA's current president, Shinichi Kitaoka, in a **recent journal article**, notes that 'national interest boils down to safety, freedom, and prosperity of the Japanese people ... and for the country to be respected by the international community'.

## **Business links**

Japan's aid money is thus not just linked to the contribution of global peace but is now increasingly tied to the notion of 'prosperity of the Japanese people'. One means of creating prosperity is through linking Japanese business and contractors to the nation's aid projects.

The trend began sometime back through a new scheme of tying called Special Terms

for Economic Partnership (STEP), which improved Japanese firms' procurement inside the government's ODA projects. Commercial interest has clearly returned to its original salience in aid policy objectives in response to Japan's long-term economic downturn, while Japanese companies are seeking profitable business opportunities overseas. ODA projects have always offered that attraction to Japanese businesses.

With Japan's new emphasis on 'quality infrastructure', 'quality growth' and 'quality partnership', aid money is now increasingly linked to Japan's technology, design and construction. Although the details are not yet in the public arena, the Abe government has made a new commitment to India to construct a bullet train to run from India's financial heart, Mumbai, to its commercial and port city of Ahmedabad, in Prime Minister Modi's home state of Gujarat. This mega project, initially estimated to cost close to US\$15bn, is to be funded largely through Japan's ODA budget.

Large ODA commitments in recent years to countries like Vietnam, Indonesia and India present significant business opportunities for Japanese companies. Within the top five recipients of Japan's gross aid, these nations account for roughly one-third of the total ODA budget.

As in the early years of Japan's aid program, large aid projects offer Japanese companies an entry to these emerging markets where prospects for economic growth and market expansion are immense. But these nations have more than just economic appeal to Japan; they are also significant strategically.

While Japan has redefined its aid orientation to serve its geostrategic and national interests, largely due to the changes in the global geostrategic environment, especially in the wake of China's rise, Tokyo also remains strongly committed to the conventional aid philosophy and puts significant financial and human resources into social and humanitarian issues confronting developing societies in Asia, Africa and elsewhere. To this end, it has wholeheartedly participated in the **United Nations Millennium Development Goals** (MDGs) program and proudly boasts of its role in reducing poverty and improving health standards in developing countries.

Tokyo has now also given its full support to the new UN **2030 agenda for Sustainable Development Goals**, which has much bigger and wider coverage of global issues than did the MDGs.

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