Chapter I

Introduction

Japan’s Official Development Assistance (ODA)\(^1\) plays a very significant role in the country’s foreign policy and over the decades, it has become an important tool for securing its national interest. The nature and emphasis of Japan’s aid policy has been changing in order to realise the new necessities and objectives emerging from time to time.

After the end of the Cold War, a series of national and international issues emerged which compelled Japan to diversify its ODA policy in a new global power structure. In 1992, an ODA Charter, consisting of four important aid principles mentioning the directions and conditions of disbursing aid, was introduced for the first time in the country’s aid history.

It is mainly during the post Cold War period that Japan began to focus much more on "soft aid" in order to address global issues such as environment, population, public health, women and children etc. "Soft aid" is defined as assistance for “human resource development and institutional building in economic and social development”. It involves providing information and knowledge, often in forms such as training and policy advice, as opposed to ‘hard aid,’ involving provision of physical construction and equipment (MOFA 1994). In economic parlance, “soft aid” is commonly known as concessional aid, and it consists of a low interest rate with a longer period of repayment. In the post Cold War period, however, the connotation of the terms of Japan’s aid policy becomes larger. In recipient countries, for the very first time, the role of NGOs and civil society as important agents of this "soft aid" policy for development at the grassroots level was understood. NGOs and civil society in particular, applied pressure on the government to shift its emphasis from “hard” to "soft aid". Transparency, efficiency, structural reforms and better co-ordination of various ministries and institutions were considered essential in this direction. It was

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\(^1\) Official Development Assistance is defined by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) as grants and loans that are 1) undertaken by the official sector; 2) made with the promotion of economic welfare and development as the main objective, and 3) given on concessional terms of at least 25 percent grant element (OECD 1995: 114). The term ‘grant element’ is defined by Katada (2002) as “[referring to] the financial terms of aid commitment, which takes into account interest rates, maturity, and grace period (the interval to the first repayment of the principal). The higher the grant element, the closer it is to pure grant” (Katada 2002: 330).
also considered a suitable response to the growing criticism of its traditional aid, which was overburdened by infrastructural and production based "tied aid"\textsuperscript{2} policy. Japan visualised an important role, not only for the UN peacekeeping efforts but also to assist democratisation and the market-oriented economy, particularly in the East European countries. Similarly in 1997, another important objective of Japan's ODA was to extend support to countries affected by the Asian financial crisis. Japan's "soft aid" policy is thus seen as an important 'tool' for securing its national interest in the world.

**Rationale or Significance of my Study:**

There is a need to do a research on the "soft aid" policy of Japan because it is considered as a significant development in the country's aid history in the post Cold War period and occupies a vital role in its foreign policy. Japan's "soft aid" policy is still understudied. "Soft aid" presents as many challenges as promises. "Hard aid" on the other hand, is more tangible and has received far greater scholarly scrutiny than "soft aid". However, "hard aid" has its own limitations and counterproductive consequences as an instrument of foreign policy. The material available on Japan's "soft aid" policy is scanty, and to a large extent, does not focus on the concerned title. Japan diversified its ODA policy after the end of the Cold War due to a number of national and international factors, hence it would be very significant to know the reasons for this change in the traditional aid policy of Japan and as far as Japan's foreign policy is concerned, how far it was successful in achieving its objectives.

Japanese critics as well as many other aid critics are generally of the view that the ODA was not very successful in achieving its objectives. When regional tensions still abound and a number of countries are being equipped with modern weapons including nuclear ones, why was Japan continuously disbursing aid when the country itself was in the midst of prolonged depression and its budget was running into heavy deficit? Some are of the view that Japan's ODA was self centered, exploitative, wasteful and destructive and therefore required considerable reforms through rethinking aid rationale, while others felt that aid criticism was biased, ill-informed and out of date. The latter hold the view that the ODA was a principal pillar of Japan's future role in the world and therefore played a constructive role in this regard.

\textsuperscript{2} "Tied aid" refers to financial aid in which a recipient country must use the donor's products and technologies and hire the donor country's companies for aid projects.
These questions are not only significant in terms of some key issues of Japan’s foreign policy, but are equally important in understanding the interface of the socio-economic dimension of the developing countries. This study - “Japan’s Development Aid: A Study of “Soft Aid” Policy, 1992-2001” could be a meaningful contribution to the academic world, since Japan’s "soft aid" policy was a significant development in the post Cold War period and it has not been properly dealt with and focused upon by any of the major works on this subject.

**Objectives of this Study:**

The main objectives of pursuing this study are as following:

a) Why did Japan emphasize on "soft aid" in the post Cold War period and what were its objectives?

b) What factors emerged which contributed to the introduction of "soft aid" policy in the post Cold War period?

c) To analyse the importance of "soft aid" in the foreign policy of Japan. What kind of role it could play in realising Japan’s political and economic aspirations in the new global power structure. Has this substantially improved Japan’s image as a responsible member of the world community?

d) To analyse the quantity of aid disbursed in the specific projects between the years 1992-2001 and to check its impact in some of the major countries.

e) What are the important issues, interest groups, structural problems and deciding elements in the decision making and implementation of the “soft aid” policy of Japan?

f) How far has Japan taken care of the underlining principles of its ODA Charter of 1992 in disbursing aid?

g) To analyse how the "soft aid" policy of Japan could be made more useful and result oriented.

**Hypotheses:**

Some hypotheses of my study are as follows:

i) Japan’s foreign aid policy is reactive to ‘gaiatsu’ (U.S. pressure).
ii) Mercantilism plays an important role in protecting Japan's national economic interest through its ODA policy.

iii) Humanitarian concerns play an important role as per the principles of the ODA Charter of 1992.

iv) There has not been any significant improvement in the recipient countries due to Japan's "soft aid".

v) Japan's political aspirations are closely linked with its "soft aid" policy.

vi) Japan's "soft aid" policy is not solely aimed towards developing the recipient countries.

Methodology:

This research used descriptive, comparative, and analytical methodologies to infer results. Comparative methodology is useful because it gives valuable information about the Japanese ODA policy and its emphasis, in comparison to other Development Assistance Committee (DAC) members of the Organisation for Economic Cooperation and Development (OECD). It gives important information about Japanese ODA's quantity and quality with respect to other donors, sectoral and regional allocation, "hard aid" vs. "soft aid", "tied aid" vs. "untied aid", and the emphasis of its aid in different periods as per the emerging needs etc. This methodology is again useful in order to describe and analyse it in totality. Descriptive methodology is especially useful while dealing with aid allocation in different sectors or in different countries. Analytical methodology is useful in dealing with case studies and overall assessment of the impact of Japanese aid.

Chapterisation:

Chapter 1: Introduction: A brief description of the role of ODA in Japan's foreign policy, the definition of "soft aid", rationale or significance of the study, objective of the study, hypotheses, and methodology of the study.
Chapter II: Theoretical and Empirical View: The different theoretical and empirical views related to Japanese aid policy.

Chapter III: A Brief History of Japan’s ODA Policy: 1954-1991: A brief description of the history of Japan’s ODA Policy from 1954 to 1991. This chapter makes an attempt to understand the evolution of the Japanese ODA policy, objectives and major policy decisions since its inception in the 1950s.

Chapter IV: Japan’s Development Aid: 1992-2001: The different factors responsible for the change in Japan’s aid policy in the post Cold War period. The post Cold War rationale of disbursing aid, more diversification of Japanese aid policy, new challenges and directions which emerged in the 1990s, and ODA policy making and implementation bodies.

Chapter V: Japan’s Official Development Assistance Policy: Structural Impediments and Emerging Concepts: The different organisational and structural problems; bureaucratic fragmentation in implementing Japanese aid especially “soft aid” policy. Also includes new orientations and initiatives in Japanese ODA policy, human security concept and the implementation of social development related projects.

Chapter VI: Global Challenges and Japan’s “Soft Aid” Policy: This chapter makes an attempt to understand and analyse Japan’s “soft aid” policy in dealing with different global challenges like environmental, health and medical care, Women in Development, basic education, food and energy, natural disasters etc. The environmental impact of Japanese loan aid in energy sector development in Indonesia and the Philippines has been given special attention in this chapter.

Chapter VII: “Soft Aid” Policy: Development, Shortcomings and Role of Japanese Non Governmental Organisations: The main objective of this chapter is to understand the historical development of civil society and Non Governmental Organisations in Japan, their strengths and weaknesses, NGO advocacy and activism, mobilising public opinion, influencing government decisions, and their role in “soft aid” policy formulation and implementation.
Chapter VIII: Japan’s “Soft Aid” Policy in Action: Case Studies of China, Indonesia and Bolivia: An attempt at understanding Japan’s “soft aid” in three countries: China, Indonesia and Bolivia in the 1990s. Also included is the effectiveness of Japanese “soft aid” to these countries and some important issues in aid to China in the context of its nuclear tests, Taiwan Strait Crisis and naval activities in the East China Sea.

Chapter IX: Summary and Conclusion: A brief summary of the thesis, this chapter tests the hypotheses and offers recommendations to make Japanese ODA more effective before concluding it.