

Why No Politicization in Japan's Aid? : High Inclusivity in Policy Implementation

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1. Introduction

The current policy making process of Japan's foreign economic assistance is politically as dynamic as other foreign economic concerns such as trade, finance, direct investment, and others. This policy making process is aptly described by a variant of T.J. Pempel's argument that "Japanese policy making is far more complex than either nation ("Japan, Inc.," or single spokesman for Japan) would admit and than many of our long-standing impressions about how policy is formulated in Japan can capture" (Pempel, 1987, p.272). The critical difference between the aid issue and other foreign economic problems, however, lies in the fact there is no politicization because of high inclusivity of the aid issue.

From the late 1950s through the 60s, the "Japan, Inc." model can be applied to explain the policy making process in aid. Foreign aid was one of several effective policy instruments to achieve the single national goal of Macro-level economic growth through the expansion of exports and the development of overseas natural resources. However, the Japan, Inc. model faced various challenges such as deregulation, de-bureaucritization, liberalization, internationalization, in the wake of the slow economic growth. These challenges have politicized various kinds of issues such as social secu-

rity, natural environment, the U.S.-Japan Peace Treaty etc, and, as a result, political relations between the ruling conservatives and the opposition, relations with non-Japanese actors, relations within the conservative camp, and the power balance among political institutions have undergone a necessary transformation (Pempel, 1987, p.274).

Nonetheless, Japan's aid issue has followed a different trajectory than other issues. Rather than politicizing the issue in domestic politics, the ministries concerned, mainly the Ministry of Foreign Affairs (MOFA), the Ministry of International Trade and Industries (MITI), and the Ministry of Finance (MOF), were able to succeed in preempting political conflicts by involving traditionally indifferent actors such as the mass public, labor, and late comers in the hierarchy of government ministries.

This paper focuses on domestic politics, especially on the policy making process in the field of Japanese foreign assistance. By focusing on domestic factors, we believe that it is possible to solve a politico-economic puzzle of Japan's aid policy, which has been dismissed by the internationalists: Why does the aid issue rarely get politicized in the political process, like other foreign policies like trade and defense?

Although Japan has reacted to foreign requests by, for example, setting the goal of doubling its amount of aid every five years or so, the aid issue never became the center of debate in the Diet. Parliamentarians, from both the Liberal Democratic Party (LDP) and the opposition parties, have just ceremoniously approved the total amount of the ODA budget without making any questions on fu-

ture use, in spite of the fact that the ODA budget share in Japanese general account equal amounts to subsidies to small and medium-sized enterprises, over which LDP members often confront fierce resistance from opposition parties. As Kent Calder argues, Japan as a “reactive state” has often formulated its foreign policies passively, responding to external pressures, especially from the United States, concerning such issues as the liberalization of trade and capital in the 1960s and 70s, the expansion of military expenditure in the 80s, and the change of macro-economic policy in recent years. Foreign pressures have often triggered the politicization of foreign policies, and have contributed to breaking the domestic political stalemate for the sake of decisive actions. In fact, the issue of foreign economic cooperation also has elicited strong demands from the United States for a substantial increase in Japanese contribution as a part of “burden sharing.” Zbigniew Brzezinski, former National Security Adviser of the United States, proposed that “if Japan was going to hold its military spending far below the level of other Western countries, it should increase its aid to the point at which the sum of the two is 4 percent of GNP” (Japan Economic Journal, November 13, 1987).

2. International Change and Domestic Continuity

Since the Plaza Accord in September 1985 when Japanese yen was abruptly and largely appreciated, many works on Japan's foreign assistance have mushroomed. As these works predicted, Japan's Official Development Assistance (ODA) surpassed that of the United States in 1989 and Japan became the largest aid donor re-

placing the U.S position held since World War II. Most of the works on Japan's foreign assistance since 1985 are preoccupied with the thought of Japan's role in the world as the largest aid donor in economic and strategic terms. Closely examining the quality, quantity, and the geographical distribution of Japan's ODA since its start in 1954, some argue that Japan's ODA reflects Japanese mercantilistic orientation judging from the fact that a major portion of it is directed to Asian countries, Japan's historical sphere of interest, and they conclude that Japan is not yet a leader in international development assistance because the global contribution is so meager (Rix, 1989/90). Others, focusing on the seemingly "strategic" character of the aid, see Japan's aid policy as a "hybrid" that reflects Japan's self interests and the forces of Realpolitik in the world system (Yasutomo, 1986).

Taking a look at the Japanese policy-making process on economic cooperation, students of Japanese politics have observed continuity, namely, bureaucratic complexity. A total of 19 ministries and agencies are currently involved. Thus it is often said that the ability to coordinate the activities of these various organs on a unified basis is sorely lacking. According to Alan Rix, "in assessing Japan's program, the structure and operation of the aid system needs to be considered. It is a decentralised and complex bureaucracy, with no single point of political responsibility. It is poorly coordinated and suffers from cumbersome procedures and tight annual budget processes. In the absence of massive political pressure, it is unlikely to be rationalised or reorganised" (Rix, 1987, p.2). This observation originates from his earlier book, the outstanding one

dealing with Japanese foreign aid from the perspective of domestic policies. In the book, he concludes that “two aspects of Japanese policy making, dominated this study: the vigor of bureaucratic politics of aid in Japan, and the resilience of organizational process” (Rix, 1980, p.269).

However, in terms of international comparison, this observation applies to other developed countries besides Japan. For instance, Koichiro Matsuura, the former director-general of Economic Cooperation Bureau of the Ministry of Foreign Affairs, responds in an interview that “people have suggested, for instance, that we follow the U.S. example of drawing up aid programs by recipient and submitting them separately to the National Diet for its approval. But the United States is the only donor that employs this practice” (Keizai Koho Center, 1989, p.14). Most major OECD countries are conducting their own aid programs through complicated, seemingly bureaucracy-led institutions: In the United States, three departments--State, Treasury, Agriculture--are in charge of policy formulation for foreign economic assistance under presidential control, and seven agencies are involved in implementing policy; Great Britain endows discretionary power with the Ministry of Foreign Affairs and London Chamber of Commerce, and there exist six implementing agencies; Germany has the Ministry of Economic Cooperation, a specialized governmental organization in charge of foreign economic assistance, while there are also six agencies involved at the administrative level; France is said to have the most complicated aid structure involving almost all French Ministries and Agencies like Japan (APIC. 1988, pp. 1-11). Therefore in compari-

son with other advanced countries, we cannot describe Japan's aid system as particularly bureaucracy-dominant, just because the system consists of three ministries and one agency--Foreign Affairs, International Trade and Industry, Finance, and Economic Planning Agency--as a decision making body, and the total of more than ten other ministries and governmental organizations are involved its organization.

In fact, a single focal point cannot play a dominant role in modern mammoth bureaucracy in the field of aid. As Barbara Crane's study shows, there was trans-governmental coalitions among like-minded bureaucrats to make members who have weak sub-units in national systems commit themselves to the agreement of international debt relief initiative. In her study, Germany, which has one single responsible organization for economic cooperation, needed U.K.'s back up to convince German Ministry of Finance of the necessity of international debt relief (Crane, 1985). Foreign economic assistance is such an inter-sectoral issue involving national budget, security, diplomacy etc. that it is not possible for one organization to handle with full responsibility. In the following, we will examine how the Japanese aid system has involved various governmental organizations during its historical evolution in order to implement specific policy goals in respective periods.

3 . Bureaucracy Dominant?

Our consideration of the historical evolution of Japan's aid from its onset through the 1990s will lead us to the concept of high inclusivity of the issue. Ministries concerned, mainly the Ministry of

Foreign Affairs (MOFA), the Ministry of International Trade and Industry (MITI), and the Ministry of Finance (MOF), have made it possible to keep the issue of foreign economic policy from becoming politicized precisely by including all political actors such as politicians, private business, the people, and the labor. It is a myth that the policy making process in the aid issue is a state-led, one dominated by the bureaucracy.

Japan's ODA started with its participation in the Colombo Plan and the signing of the Reparation Treaty with Burma in 1954. ODA took the form of grants mostly as reparations, and the geographical distribution naturally focused on Asia to compensate for the Japanese military invasion of South East Asia during World War II (Kaneko, 1987, p.48). Since Japan's attitude toward the capital transfer was to avoid involvement in the internal policies in recipient countries, we may find the origin of Japan's basic aid philosophy, which persists today as the "request principle (*yosei-shugi*)" (Hasegawa, 1989, pp.2-3). It is obvious, in this first stage of aid evolution, that the MOFA took initiatives to reach a diplomatic settlement on the amount of reparation with the Asian countries. Since then, MOFA has dominated the sphere of grant aid among various ODA components.

The devotion of aid to diplomatic priorities changed in 1958 when Japan started to extend the first economic development loan to India. "Since then development loans have become the major component of Japanese aid and its main purpose was to provide manufacturing plants and machinery. During the 1950s and 60s, Japan undertook the reconstruction and industrialization of its econ-

omy. It had a strong need for measures designed to promote economic expansion that was required to support its growing industrial base. As a result Japan's aid during this period was characterized by efforts to promote exports" (Hasegawa, 1989, p.3). Japan's foreign aid after 1958 was one of several important policy instruments to achieve a policy objective of macro-level economic growth through various foreign economic policies, such as the expansion of exports, the development of foreign markets, the protection of domestic industries, and others.

Following the change in aid objectives from reparation to domestic macro-economic growth, many organizations for administering ODA sprang up since 1958. The South East Asian Development Cooperation Fund was founded in 1958 as cooperation organization inside the Export-Import Bank of Japan. The fund was separated from the Bank and established as the Overseas Economic Cooperation Fund (OECF) in 1961. As for technical cooperation, the International Technical Cooperation Agency was founded along with the Institute of Developing Economies followed in 1959 by the International Training Association for Technology (Kaneko, 1987, pp.48-50). It is this period when the fundamental structure of Japan's ODA was established through fierce competition among MOFA, MOF, and MITI to catch up with the rapid evolution of aid. However, since MITI played a critical role for orienting Japanese business in expanding exports during this period, we can assume that MITI's influence was relatively stronger over aid than the other two ministries. MITI could maintain dense policy networks with industries concerned through administrative guidance, while

MOF could not define its constituency, because the banking sector's capital was too scarce to mobilize as co-financing loans to developing countries. Needless to say, MOFA's authority declined in the aid arena with the rise of the economic policy objective.

Having achieved high economic growth over the 1960s, Japan, as one of the Western allies, came under strong external pressures to comply with international rules and obligations and to assume responsibilities commensurate with its power. In the aid area, "the criticism of export-promotion bias of Japanese aid and program began to increase. At the same time, an international consensus was built against tying procurement conditions to the provision of aid. . . In 1972, Japan extended its first untied loan, and in 1978 it officially declared its support for the principle of the untied aid development loans except in a few special cases" (Hasegawa, 1989, p.4). Nevertheless, this change in the international environment did not cause transformation of MITI-dominating aid regime. The oil crisis of 1973-74 made Japanese policy makers aware of the seriousness of economic security of the state. Thereafter, the development-cum-import strategy, that is, to provide foreign aid to develop natural resources of developing countries and to secure raw material sources for imports to Japan, became the main objective of aid. As a ministry in charge of expanding trade and securing energy and raw materials for industries, MITI could maintain its influence over the manner of implementation of Japanese foreign economic assistance.

In the late 1970s, Japan began to redefine its aid objective in terms of its overall foreign policy, taking the provision of aid to be

part of the cost of maintaining the country's "comprehensive security," the term which was first addressed by Prime Minister Ohira in 1980. In the wake of the December 1979 Soviet invasion of Afghanistan, the Japanese government stepped up its aid to neighboring Pakistan. It also started building its assistance to Thailand and Turkey, which it similarly defined as a country bordering areas of conflict. And in 1981, it declared its intention to strengthen its assistance to those areas which are important to the maintenance of the peace and stability of the world (Inada, 1988, p.95). This policy shift in the distribution of aid can be characterized by Kent Calder's concept of the "reactive state," a policy stance especially endorsed by MOFA which regards U.S.-Japan relationship as an axis of Japanese foreign policy. MOFA believed that the increase in foreign aid to those areas which are important to the maintenance of the peace and stability of the world, as a part of burden sharing with Western allies, effectively contributed to strengthening the relationship. The new security environment that stemmed from the transition from the phase of the first detente to that of the second cold war forced Japan to give up its flirtation with neutralism as embodied in the concept of "omni-directional diplomacy." With the justification of new concept of comprehensive security, it forced Japan to make a seemingly clear-cut contribution to the world peace and security under the U.S. -Japan military treaty. This period corresponds to the first ODA doubling plan from 1978 to 1980. This ODA effort raised Japan's ODA/GNP ratio from 0.20 percent in 1976, to 0.32 percent in 1980. We may call this period the revival of MOFA's influence over the aid regime. It should be noted, however,

that while this alleged strategic aid emerged to fulfill Japan's obligations as a member of the Western alliance following the change in international politics in the late 1970s, economic aid focusing on the export promotion to and the natural resource development in Asian countries has remained the mainstay of Japanese foreign aid policy. In this sense, even if MOFA regained its influence over the aid issue, MITI was also maintaining a crucial position in the aid regime.

During the 1980s, the volume of Japan's aid increased enormously in pace with its record breaking trade surplus. The ten-year increase in aid between 1976 and 1986 was almost threefold in Japanese yen and fourfold in U.S. dollars. In order to implement Japan's intent to cooperate with the international community through recycling the huge trade surplus, substantial increases in ODA were committed through four consecutive plans: the Second ODA Mid-Term Plan (1981-85), the Third ODA Mid-Term Plan (1986-87) and the Fourth ODA-Mid Term Plan (1988-90). All of these four plans, as the first Plan did, have had the objective of doubling the volume of ODA over the previous period and were revised downward from the expected period. In a process of implementing these plans, there emerged another variant in the field of foreign economic assistance. In 1987, the Japanese government decided to recycle \$30 billion mainly through multilateral development banks focusing on debt-ridden countries in Latin America. Also in 1989, prime minister Toshiki Kaifu announced that the Export-Import Bank of Japan would revise downward the \$2.05 billion co-financing with the World Bank and International Monetary Fund (IMF) for the Mex-

ico debt relief plan. Obviously, the main actor which advocated these programs was the MOF, because MOF has been the only focal point among Japanese ministries to access international financial organizations. Only MOF could map out the schemes which combined the increasing ODA, the privately-held huge capital, and the technical expertise of international organizations. As in the case of MOFA, the rise of MOF to the implementing stage of aid, which used to be simply a dispenser of aid budget, did not tilt the balance among the ministries concerned. The consistent 30 per cent share of multilateral assistance among total aid since the early 1970s shows that MOFA and MITI have remained in a critical position in implementing the increasing ODA budget. Actually, both ministries have also been struggling to survive MOF's bold recycling plan in different spheres of foreign economic assistance.

The new Asian Industrial Development (AID) Plan portrays MITI's mercantile motives clearly. A close examination of the AID Plan reveals that MITI still sets the highest priority on economic development in the Asian region for Japan's economic security. The AID Plan, which was proposed by the former Minister of MITI, Hajime Tamura, when he visited Bangkok in January 1987, was designed to combine economic aid, direct investment, and imports in order to help the recipient countries industrialize rapidly. According to a MITI publication, the elements of the New AID Plan can be summarized as follows: (1) cooperation would be extended in the selection and formulation of industrial projects which are most suitable for the recipient countries; (2) financial and technological assistance must be directed toward the development of

the private industries ; (3) the Japanese market should be opened up for the import of manufactured goods from the recipient developing countries, and Japan should help them increase their exports to Japan ; (4) thus, the development promotion of this Plan will go a long way toward building an international division of labor between Japan and Asian countries (MITI, 1987, pp.33-37). Judging from these explanations, nothing new, compared with the aid policies in the 1960s, can be found in the policy except an emphasis upon the development of the private sector in Asian countries and upon the Japanese import of manufacturing goods. In the Plan, the concept of economic security means not only securing the stable provision of raw materials to Japan but promoting, as MITI says, the international division of labor between Japan and the Asian countries in order to accelerate the adjustment of the Japanese economic structure which started with the high appreciation of the Yen in 1985.

MOFA also showed its intent to keep up with other ministries. The Japanese government announced along with the \$30 billion recycling plan its intention to increase its non-project, three-year grants by \$500 million to Sub-Saharan Africa and the least developed countries. Also in 1989 it announced another non-project three-year \$600 million untied grant program to the same region to succeed an earlier \$500 million effort (OECD, 1989, p.167). These were designed to help structural adjustment of African countries, and these funds were not channeled through international financial organizations such as the World Bank and IMF, but were extended through MOFA, which is dominantly in charge of grant scheme in Japanese aid regime. The purpose of these measures was to avoid

the impression of an undue emphasis on Latin American countries in the \$30 billion recycling plan. MOFA's position in the aid regime cannot be threatened decisively by the expansion of MITI and MOF's activities unless Japan gives up the principle of the "comprehensive security."

In sum, the historical evolution of Japan's aid since its onset has shaped the current complex aid regime of three powerful ministries, MOFA, MITI, and MOF, in which each ministry has its own agenda in carrying out the nation's foreign economic cooperation policies. MOFA wishes to maintain a healthy bilateral relationship with the United States and other Western allies and to demonstrate its contribution to the stability of global political and economic security; we term the attitude of MOFA "passive globalism." On the other hand, MITI dreams of building or reconstruction an Asian-Pacific economic rim by guiding manufacturing companies, trading firms, development consultants and others; "mercantilistic open-regionalism." MOF, a relative new actor in this field, is trying to strengthen and dominate Japan's relationship with the multilateral development banks and, at the same time, prevent other Japanese ministries from encroaching its policy turf; "tactical multilateralism." In this context, the rationale for each policy the Japanese government has carried out since the onset of its ODA in 1954 can be derived from the constituency of each ministry. MOFA's flexible diplomacy based on the bilateral relationship with the United States has succeeded in collecting broad support from the people as well as the wide range of private business, in spite of the fact that the ministry does not have a specific constituency in Japanese politics.

MITI, on the other hand, has made full use of its policy network with private business which was forged during the high economic growth era in implementing its policy objectives in aid issues. It is easy for MOF for mobilize the capital of Japan's banking business and to access international financial organizations in carrying out its aid policy, since the area of international finance is so closed to other political actors due to the high vulnerability of financial flow. Therefore, the image of Japan's aid regime is a well-balanced aggregate entity, rather than the bureaucracy-dominating structure without a single responsible body. To keep the balance, two aid formulas have to be maintained. One is the 7-1-1-1 formula, which shows the geographical distribution of Japan's bilateral ODA: 70 per cent to Asia, 10 per cent to Latin America, 10 per cent to Africa, and 10 per cent to the Middle East; another is the 7-3 formula, the allocation ratio between bilateral aid and multilateral aid respectively.

There is no domestic demand to drastically reform the structure, because the equilibrium of the aid system has been stable among the bureaucracy. At a glance, Rix's observation is seemingly true: "A process of slow reform is taking place within the Japanese aid system but this is at the working level, not in the overall structure of the system, and there has been no significant move to reorganize the aid administration in Japan, despite the enormous size of Japan's program, the heavy demands on bureaucratic structures and voices from within and without for this to happen" (Rix, 1989, p.473). However, every policy maker knows that to upset the balance might cause unnecessary domestic political conflict.

The alleged complexity of and the heightened expectations for Japanese foreign economic cooperation have led to a proposal by both political scientists and policy makers in Japan for establishing a single focal point, like the Ministry of Economic Cooperation, in order to change Japan's reputation for selfish, free-rider for the sake of world peace and economic prosperity (Inoguchi, 1985, pp.222-30). In the same vein, the policy makers have also discussed for a long time the possibility of unifying the ministries involved economic cooperation. In 1964, the First Ad Hoc Commission on Administrative reform recommended that the "administration of economic cooperation should be coordinated by the Bureau of Economic Cooperation in the MOFA and should abolish the Economic Cooperation Section of the Economic Planning Agency. This proposal reinforced our observation that the early stage of economic aid was dominated by MOFA, while MITI was gaining power in the field from the late 1950s. MITI's influence was reflected in the proposal which did mention only the abolition of only section of the Economic Planning Agency. On another occasion, the Council of Foreign Economic Cooperation proposed in 1975 that the Cabinet-level Conference on Foreign Development and Cooperation be established, the existing Council be re-organized, etc.

The fact that the Council did not propose, although they considered doing so in a process of the final recommendation, the abolition of redundant sections involved in economic cooperation and the establishment of the Ministry of Economic Cooperation suggests that the aid regime consisting of MOFA, MITI, and MOF was accepted as a necessary body for implementing policy. In the final

recommendation in 1982, the Second Ad Hoc Commission on Administrative Reform articulated more moderately that the coordination between ministries concerned should be encouraged. These long discussions on the administrative reform in the field of economic cooperation has ended up with the setting up in 1988 of a cabinet-level Council for Economic Cooperation, consisting of 14 ministers, a strengthening of staff both in Japan and in overseas representations, and the creation of the Japan International Co-operation System with a view to improving the procurement and maintenance of equipment financed with JICA's (Japan International Cooperation Agency) grants and others" (OECD, 1989, p.167).

4 . High Inclusivity in Japan's Aid

The political equilibrium has been further maintained by including a wide range of non-economic actors in policy implementation. Non-economic actors such as NGOs, local governments, labor unions, and politicians do not sympathize with the idea that Japanese aid policy needs to be directed to realizing national gains. Excluding such non-economic actors deepens the degree, and the probability, of cooperation between the government and business. They have never been involved in policy-making nor have they established collaborative relations with the government, like those between business and government. However, non-economic actors, when they are included, are expected to play, at best, supplementary roles in the implementation of aid policy. Their involvement has become indispensable to implementation of Japan's aid policy, especially when increasing the amount of Japanese capital had to be recycled

to developing countries.

a. NGO

There exists an insurmountable perceptual gap between the government and the NGOs regarding Japanese development cooperation and the roles to be played by voluntary organizations. Government officials universally accept the idea that NGOs should supplement government efforts (JANIC News, no.1, April 25, 1988, pp.5-6 and no.2 October 1, 1988, p.3; Sogo Kenkyu Kaihatsu Kiko, 1990, p.67). In 1987, MOFA's affiliate organization, the Association for Promotion of International Cooperation (APIC), researched the roles played by NGOs among OECD countries and issued a report that suggested building "supplementary" (*hokanteki*) relations between Japanese NGOs and the government (APIC, 1987). On the other hand, Japanese NGOs criticize the government's policy as "trilaterally incorporated (*sanmi ittai*)"--integrating ODA, natural resource development, and export promotion into one set of policy goals--and maintain that development cooperation should contribute to the development of "humanitarian interests on an universal scale." For Japanese NGOs, the government's offers of increased financing, especially since 1988 when the Fourth Mid-term Plan of ODA advocated strengthening NGO activities, have been "unilateral" actions, and the government has never shown any intention to "work together." For example, the NGO proposal to eliminate detailed administrative conditions for project designs and to introduce multiple-fiscal year disbursements to NGO projects never attracted serious attention from the government, because such reforms would

transform existing aid institutions and budgetary systems (JANIC, 1992, pp.8-11; 1990, p.3-4; 1989, p.14).

The arm's-length relationship between the government and NGOs is attributable both to poorly institutionalized communications and to the decentralized structure of Japanese NGOs. Despite the complex and acentric structure of the policy-making process, only MOFA has offered opportunities for policy dialogs between the government and Japanese NGOs. Most ministries want to avoid institutionalizing NGO participation in state policy because they need to use NGOs as cash-dispensers that supplement governmental organizations such as OECF and JICA. Thus, while the Japanese government began supporting NGOs in 1972, when the problem of boat people from Vietnam became controversial, dialog between the Foreign Ministry and Japanese NGOs, was not institutionalized until the mid-1980 s. Official communication began only in 1984, when the Aid Policy Division of the Economic Cooperation Bureau, the MOFA, informally established a forum for policy discussion with Japanese NGOs. In the next year, the informal channel became a formal council, the NGO-MOFA Aid Council (*NGO-Gaimusho Kankeisha Kondankai*), in which MOFA officials, who are specially assigned to NGO matters (*NGO tantokan*), meet Japanese NGO workers regularly and exchange views about Japanese foreign aid policies. The MOFA began intensive financial support of NGOs after the Fourth ODA Doubling Plan, announced in 1988, included strengthening relationships with NGOs as a policy goal. As recognition of NGO activities has increased in international aid regimes, so has government support. A government-sponsored NGO Forum was

held in Tokyo and Okayama in 1993. In 1994, a new division in charge of NGOs and other private aid activities, the Non-Governmental Organizations Assistance Division, was created within the Economic Cooperation Bureau, and three NGO staff members were dispatched to the 1994 UN Population and Development Conference as members of the official delegation (Japan's ODA, 1994, p.227; Asahi Shimbun, August 20 and 26, 1994, 13 th ed., p.3 and p.22). Yet the inclusion of Japanese NGOs in policy implementation has been made possible because of political opportunities created by the internationalization of the Japanese economy, not because of domestic institutional change. Thus the participation of Japanese NGOs has not affected the size or direction of Japanese development cooperation.

The weak centralization of Japanese NGOs at the national level has also kept them outside of the policy community. There are only two umbrella organizations of Japanese NGOs--the Japan NGO Center for International Cooperation (JANIC) in Tokyo and the Kansai Council for International Cooperation (*Kansai Kokusai Kyoryoku Kyogikai*) --- and neither considers the coordination and representation of NGO activities and interests a major objective. They simply serve as "contact points" where individual citizen NGOs can meet and hold conferences. Furthermore, few citizen NGOs are interested in joining the umbrella organizations. For example, JANIC's membership included only 52 organizations and 257 individuals as of 1992 (JANIC News, no.15, January 10, 1993, p.3). There are also no institutional linkages between the NGOs and political parties or labor unions. This lack of centralization makes it

difficult for individual NGOs to raise funds. In 1990, Japanese NGOs raised only \$100 million, while their German counterparts collected \$760 million. As a result, in the early 1990s Japanese NGOs' depended on the government for as much as 40 percent of their current expenses, twice the German ratio; in 1986, 2,400 Japanese volunteers serving overseas were wholly or partly financed by official aid agencies, while only 1,700 Germans were similarly supported. Japanese NGOs' reliance on public money has been remarkably high (Nishigaki and Shimomura, 1993, p.263; Wagakuni no Seifu Kaihatsu Enjo, Jokan, 1993, p.277; OECD, 1988, p.153).

b. Local Government

Like the NGOs, Japanese local governments have played a supplemental role in executing policy. While they have been excluded from policy formulation, they have been indispensable in implementing technical cooperation. Under a 1987 law, the central government pays local governments a major part of the costs of sending officials to developing countries as administrative or engineering experts. Moreover, the subsidies are mainly allocated at the prefectural level, where the central government can exercise its influence more easily than at the city or community level (Furihata, 1995, p.41). The national government feels that local government participation contributes to the international community both directly and through the "internationalization" of Japanese communities. The central government also believes that such cooperation will eventually benefit the local communities. The Ministry of Home Affairs once "guided" local governments to the idea that:

“activities related to international exchanges by local governments... should in principle aim at establishing regional identities as well as promoting regional industries and economies” (Matsushita, 1988, pp.255-90). Local government participation in development cooperation is based not upon social initiatives, but upon state inducement.

c. General Public

The Japanese public's participation in aid policy, if there has been any since the drastic policy change of the 1970s, has also been limited to implementation. The general public contributes chiefly through the postal savings system. The Voluntary Deposit for International Aid program allows Japanese savers to withhold a part of the interest accrued to their accounts and donate it to Japanese NGOs. The number of participants has steadily increased since the program was established by the Ministry of Posts and Telecommunications in 1991. There were 10 million, or 13 percent of 80 million depositors, contributing in January 1993, which was almost as many Japanese as went overseas as tourists that year. In 1991 the program distributed Y 2.3 billion to 185 Japanese NGOs, in 1994, Y 2.5 billion to 197 NGOs, which came to, on average, Y 12 million for each organization. This amount probably dominates the funding of Japanese NGOs, considering that more than 40 percent of Japanese NGOs have capital funds of less than Y 5 million (Kokusai Kaihatsu Janaru, March 1993, p.16; JANIC News no.13, August 25, 1992; Asahi Shimbun, August 3, 1994, 13th ed., p.4.). Due to the postal savings system, contributions by Japanese to developing countries

have been steadily if silently increasing. However, this indirect participation in NGO activities may have resulted in Japan's extremely low per capita contributions to NGOs, only \$0.9 in 1989, in contrast to Germany's \$11.3 (OECD, 1990, p.77).

Outside of the postal saving system, few Japanese involve themselves in development cooperation policy. Almost no Japanese know that the government has hosted an annual "Overseas Economic Cooperation Festival (Kaigai Keizai Kyoryoku Kyochō Undo)" since 1964, or that October 6, the Day of International Cooperation, commemorates the day Japan joined the Colombo Plan of 1954 and launched its official foreign aid policy. And the events, parades, lectures, and exhibitions held in Tokyo on that day do not provide any access to the policy-making process.

In spite of the public's lack of voice, its support for foreign aid policy has been high. Almost 80 percent of Japanese have consistently supported the policy since the late 1970s and agreed that Japan "should promote [foreign aid] further" or "should maintain the current level." The general public agrees that foreign economic assistance is an international public good that works to sustain peace and prosperity. Objectives such as encouraging the "stability of developing countries" and "world peace" were supported by 46 percent of Japanese, surpassing "humanitarian reasons," 40 percent, "transferring Japan's experience," 32 percent, or "diplomacy," 23 percent (Sorifu Naikaku Soridaijin Kanbo Kohoshitsu, 1993, p.17; Imai and Okamoto, 1992, p.47). Thus the general public has never opposed the accelerating liberalization of foreign aid.

d. Politicians

Politicians of the Liberal Democratic Party (LDP) show little inclination to politicize aid policy, because most influential members enjoy the fringe benefits of presiding over bilateral parliamentary friendship committees with major recipients of Japanese ODA. LDP politicians have, in effect, been rent-seekers who take advantage of the complex and costly economic transactions associated with Japanese ODA; they are not policy-makers seeking to limit Japan's systemic vulnerability and obtain national gains. LDP policy proposals, if any, have reproduced the government's policy. Thus, the Special Committee for External Economic Assistance (*Taigai Keizai Kyoryoku Tokubetsu Inkai*), under the Policy Research Council of the LDP, fundamentally agrees with the internationalization of Japan (Jiyu Minshuto Seimu Chosakai, 1993; Jiyu Minshuto, 1992). At least until 1993, Diet sessions, dominated by the LDP, ritualistically approved the total ODA budget while posing a few questions about details, even though ODA accounted for a much larger share of the budget than did subsidies paid to small and medium-sized enterprises, one of the most politicized budget items. The disinterest shown by LDP members in foreign policy in general and economic cooperation in particular derived from the marginal effects of development policy on election campaigns. There are no informal support caucuses (*zoku giin*) for development cooperation, while areas such as construction, commerce and distribution, social welfare, agriculture and so forth, are characterized by the pork barrel politics of daily policy making (Inoguchi and Iwai, 1987, pp.103-112). Some young politicians did call themselves a caucus for eco-

conomic cooperation, but they made no attempt to participate substantially in policy-making. Instead, using words such as “interdependence,” “beyond ideology,” or “Japan as a trading state,” they confirmed the government’s views, and used discussions of economic cooperation policy to prepare for influence in domestic issues in the near future (Kokusai Kaihatsu Janaru, January/February 1989, pp.21-30, 87-90 ; April 1987, pp.96-101).

The most influential politicians maintained constituencies within developing countries receiving large amounts of aid. As many journalists and radical scholars have pointed out, they may use formal or informal bilateral friendship leagues with aid recipients to play intermediary roles between developing countries’ governments and Japanese and foreign multinational companies. As chairmen, they visit developing countries, meet ministers and high ranking officials, receive unofficial requests for financial support for projects, and exert pressure on bureaucrats. It is reported that such intermediation is usually paid for by private companies and governments of developing countries. As of December 1988, most senior LDP members, those elected more than 10 times, maintained overseas constituencies: Indonesia for Michio Watanabe, China for Masoyoshi Ito, South Korea for Takeo Fukuda, Turkey for Shin Kanemaru, the Arab countries and Vietnam for Yoshio Sakurauchi, and Mexico for Masumi Ezaki (Sentaku, April 1989, pp.68-71).

These bosses, however, have had little influence on, or been hardly interested in, foreign aid policies such as the size of economic assistance received by specific countries or the liberalization of tied aid. A MITI official once said, “We get very little interfer-

ence” (Inada, 1989 a, p.196 ; Orr, 1990, p.22). Since no regular channels exist for consultation between politicians and the government on economic cooperation, political pressure has been brought to bear directly on policy-making in only a limited number of cases. A Brazilian case is outstanding as an example of a direct linkage between political gains and the politicization of aid policy. In the late 1970 s, when the “Brazil Boom” emerged in the Japanese business community, the LDP’s Japan-Brazil Agricultural Development Parliamentary League (*Nippaku Nogyo Kaihatsu Giin Kondankai*) pressured the Ministry of Finance to make it possible for JICA to extend direct development financing to an agricultural joint venture of a consortium of Japanese firms and the Brazilian government. The key politician backing the project was Tatsuo Tanaka, whose constituency was in the Yamaguchi prefecture, from which many Japanese had emigrated to Brazil (Kokusai Kaihatsu Janaru, February 1976, pp.10-14). But, unless large electoral gains have seemed likely, most LDP members have maintained a low profile and, while developing overseas constituencies, have not become directly involved aid policy making.

Non-LDP politicians, especially socialists, who have demanded disclosure of the details of development projects have been excluded from both the formulation and implementation of aid policy. And so far, both the low profile of influential politicians and the stable but silent support of the general public for the general direction of Japan’s policy have created no opportunity for opposition parties to politicize the issue in the Diet. The most controversial points raised by the opposition parties have been over the process,

which skips Diet discussions and totally rules out information sharing with political party members (Takatsuka, 1990; Iwaki, 1985). The Socialists have called for streamlining the bureaucracy by establishing a centralized, unitary ministry for development cooperation. Such a ministry, according to Socialist Party members, should be charged with explaining, before Diet members, the details of development projects and obtaining approval for funding for each project, as is done in the United States Congress. The opposition began its challenge in 1974, and several times in the late 1980s, it submitted a bill called "Basic Law for International Development Cooperation" to the Diet. The Japan Trade Union Confederation (JTUC, *Rengo*) joined the Socialists and supported the Basic Law, which calls for labor participation in policy-making (Nihon Rodo Kumiai So Rengokai, 1993). However, attempts to centralize policy-making around the Diet have borne no fruit. Even the opposition victory in the 1989 elections to the House of Councilors and the end of LDP dominance of the Diet in 1993 did not result in passage of the bill.

Further, the government argues that details of projects, especially loan agreements with developing countries, are not international treaties that require the Diet's approval. Project agreements are simply financial contracts based on constructive laws (*junkyo-ho*) that stipulate the legal status of governmental financial institutions such as OECF and the Exim Bank, and, just as private banks must take responsibility for the confidentiality of customer information, the Japanese government cannot disclose to the public any information regarding loan agreements with developing countries (Sumi,

1992).

In the same context, efforts by the opposition to strengthen Japanese authority to audit developing countries' use of Japanese ODA have achieved little success. In 1986, scandals such as aid corruption under the Marcos regime in the Philippines and several incidents of bribery related to JICA procurement procedures increased public scepticism, and the opposition managed to create a special investigation committee. In response, the Japanese government established the Foreign Affairs Audit Division in the Board of Audit to examine the use of ODA and, in 1987, set up the Management and Coordination Agency to inspect the efficiency and effectiveness of aid administration. However, the government has consistently maintained that the sovereignty of recipient countries and Japan's policy of promoting self-help allow Japanese audits of the use of Japanese ODA only if the recipient government approves the investigation (Nakagawa, 1993). In short, the disclosure of project and financial information within the parliamentary system that has been long advocated by non-LDP politicians has been the least plausible of proposed reforms, because it would diminish cooperation between government and business in formulating comprehensive economic cooperation.

To summarize, Japan's aid policy has been formulated and implemented by collective action between the government and business. These arrangements have been stable throughout the postwar era because aid policy-making has been confined to economic actors sharing an interest in achieving national gains, and has excluded those who seek to achieve development values or to obtain

rent from ODA. When international opportunities have been opened for those excluded actors to participate in economic cooperation, albeit limited to implementation stages, their inclusion has constrained politicization of the aid issues in the Japanese policy community.

5. Conclusion

To conclude, we need to answer the question set in the beginning: what political economy model can explain the policy making process in the field of foreign economic assistance? “Japan Inc.” is an inappropriate conception because it fails to explain the high inclusivity of aid issue. “Bureaucratic statism” ignores the reciprocal relationship between the government and private sectors. We can not adopt the “plularism” model either, because the issue does not become politicized in respective policy arenas. As an alternative, we argue that the “societal state” model by Daniel Okimoto best demonstrates the dynamics of Japan’s foreign economic assistance. According to this model, the non-politicized character of aid due to the high inclusivity is part of a generalization that, in Japan, “State and society form mutually reinforcing parts of a whole” (Okimoto, 1988, p.310). He continues that :

“Perhaps Japan can be characterized as a ‘network,’ a ‘relational,’ or a ‘societal,’ state in the sense that government power is intertwined with that of the private sector. The government’s power hinges on its capacity to work effectively with the private sector, with each side making an effort to take into account the needs and objectives of the other. Political power in Japan is thus exercised through a

complex process of public-private sector interaction, involving subtle give-and-take, not frontal confrontation that results in the forceful imposition of one side's will on the other" (Okimoto, 1988, p.314).

In the field of Japan's foreign economic assistance, the distinction between state and society that is useful in examining European case conceals elements of state strength that derive from a structural integration of state and society in Japan. This integration makes it possible for Japan's government to retain vast influence in a reciprocal relationship with business and other private actors even in an era of internationalization and liberalization.

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