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Japan's Foreign Aid Policy

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Introduction

In June 2023, the Japanese government established a new Development Cooperation Charter. In line with the National Security Strategy (NSS) revised earlier, the new Charter positioned development cooperation as "one of the most important tools of Japan's diplomacy." Japan's Official Development Assistance (ODA) has traditionally been expected to contribute to security and the pursuit of economic gain while responding to the demands of international society, but the new Charter introduced a stronger expectation of the strategic role of ODA. Moreover, in April 2023 a new assistance framework specifically for security was launched separately from ODA. Today, defense capacity building assistance has become well established, and Japan's range of foreign aid policy instruments is expanding, including into the area of military affairs, which Japan has traditionally hesitated to pursue.

This article offers an overview of ODA and other foreign aid policy instruments to advance understanding of Japan's diplomatic and security policies. It focuses especially on the emphasis placed on the strategic dimensions of foreign aid in a changing international society, and also examines the recent development of frameworks beyond ODA.

Developments to date

(1) Outline of Japan's foreign aid

Basic standpoints and features

The 2023 Development Cooperation Charter defines the purposes of development cooperation as (a) to contribute even further to the formation of a peaceful, stable, and prosperous international community under a free and open international order based on the rule of law; and (b) to contribute to the creation of a favorable international environment and the realization of Japan's national interests. It states a basic policy of dissemination and implementation of international norms of inclusiveness, transparency and fairness through non-military cooperation, human security, and equal partnerships with developing countries, and commits to pursuing cooperation in accordance with the three priority policies of "'quality growth' in the new era and poverty eradication through such growth," "realization of peaceful, secure, and stable societies, and maintenance and strengthening of a free and open international order based on the rule of law," and "leading international efforts to addressing increasingly complex and serious global issues."

Japan joined the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) in 1961. According to DAC statistics of 2019, Japan is the fourth largest donor country in the world,

having expended 15.588 billion US dollars on development assistance. In terms of development assistance expenditure per capita of population, Japan ranks 16th in the world, while expenditure as a percentage of GNI is just 0.29%, less than half of the international target of 0.7%. Around one-quarter of these funds comprises contributions to international organizations, while the remainder is allocated to bilateral ODA. Within this bilateral assistance, around 45% is grant aid including technical cooperation, and around 55% is interest-bearing loan aid. In terms of regional distribution, the highest percentage, around 61.1%, is spent in the Asian region, which is geographically proximate and has historical ties to Japan. The largest allocation is to the field of economic infrastructure, which accounts for 52.1% of the total (compared to the DAC average of 16.9%), while emergency assistance (e.g. humanitarian aid) is the lowest, receiving approximately 3.6% (DAC average 14.9%).

From foreign aid recipient to top donor

For the seven years from its defeat in World War II in 1945 until the return of sovereignty in 1952, Japan received aid under the United States' Government Appropriation for Relief in Occupied Areas. After Japan regained sovereignty it received project loans from the World Bank, which built the basis for industrial development and improvement of the lives of Japanese people. This experience became the foundation for the Japanese approach to aid, which upholds the value of supporting partner countries' autonomous growth.

Postwar Japan began providing foreign aid in 1954. The goal at the time was to recuperate Japan's position in international society and improve relations with countries in Asia through postwar reparations. Later, as part of the Cold War, development assistance was required to play a role in halting the spread of communism in Asia. In addition, proactive efforts were made to use tied-aid for export promotion that would advance Japan's own economic prosperity.

Aid programs were also established in the high economic growth period from the 1960s to the 70s, and wartime reparations were gradually replaced by financial cooperation. In 1968 Japan became the world's second largest economy. While its international presence and influence grew, combined with memories of pre-war colonial experiences, Japan's vigorous economic advancement became a source of distrust in Southeast Asia. Japan's responsibilities as an economic superpower were also called into question, and these factors prompted a review of Japan's approach to ODA. As a result, Japan adopted policies to lower the tied-aid proportion and formulated aid approaches more attuned to the recipient countries' population, such as assistance with basic living needs.

While doing so, following the oil

shocks of the 1970s, Japan became more conscious of the need for stable procurement of resources and energy, and the government started to direct its development assistance, previously centered on Asia, toward regions such as the Middle East and Africa as well. Japan subsequently began increasing its supply of aid strategically, and in 1991 became the world's largest donor country, dispensing funds close to twice the value of its development assistance budget today.

Organization

Japan's development assistance budget is spread across all national government organs apart from the Ministry of Defense. The core organ, the Ministry of Foreign Affairs (MOFA), has an International Cooperation Bureau that formulates aid policy and coordinates across all associated ministries and agencies. The key institution for implementation of aid policy is the Japan International Cooperation Agency (JICA), which has centralized responsibility for technical cooperation, loan aid, and grant aid. A Country-based ODA Taskforce is established in each aid recipient country, with Japan's local consular outpost and JICA office forming the backbone of a team that conducts information-gathering and project development activities.

There are two separate structures for the delivery of international emergency humanitarian aid. The Secretariat of the International Peace Cooperation Headquarters within the Cabinet Office is responsible for disasters caused by conflict. It dispatches Self Defense Force (SDF) troops and personnel, and provides in-kind contributions in accordance with the Act on Cooperation with United Nations Peacekeeping Operations and Other Operations (PKO Act). For major natural disasters and humanitarian crises other than conflict situations, under the Act on Dispatchment of the Japan Disaster Relief Team (JDR Act), the secretariat within JICA organizes and dispatches cross-ministerial JDR teams and delivers aid supplies. Moreover, the MOFA has an emergency grant aid scheme to support relief activities for refugees and evacuees regardless of the type of disaster.

In addition, within the Ministry of Defense, International Policy Division is tasked with coordinating cooperation with countries and international organizations other than the United States, and plays the central role in planning and coordinating external military assistance projects such as capacity building assistance. Furthermore, in April 2023, a non-ODA economic aid scheme known as Official Security Assistance (OSA) was launched under the Foreign Policy Bureau of MOFA. OSA is a grant aid scheme designed to provide equipment and support infrastructure development for defense agencies in developing countries.

(2) Development cooperation in the post-Cold War period and its linkage with international peacekeeping operations

Expansion of ODA and shift from quantity to quality

The end of the Cold War brought two major changes in Japan's foreign aid approach. The first was an expansion of the geographic areas targeted by ODA. To uphold regional stability and support smooth transition to a market economy, substantial aid was provided to neighboring Russia which was politically and economically fragile at that time, as well as to former communist states in central Asia and central and eastern Europe. Driven by concerns over the spread of weapons of mass destruction, Japan also provided funds and technical assistance related to destruction and disposal of surplus nuclear weapons. In 1993, the first Tokyo International Conference on African Development (TICAD) was launched. Japan had already been allocating around 10% of its total ODA budget to Africa from the second half of the 1980s, but strengthened its involvement further in the 1990s, compensating for the decline in aid from European and North American donors experiencing "aid fatigue" after the Cold War.

The other significant development was the shift in focus from quantity to quality of aid. As explained earlier, in 1991 Japan became the world's largest donor country (a title it continued to hold until 2000). This position required the government to become more articulate about its aid principles and policies to aid communities and its taxpayers, and in 1992 the first Official Development Assistance Charter (ODA Charter) was formulated. Around the same time, however, Japan experienced an economic downturn, which at the end of the 1990s resulted in the ODA budget being reduced as part of the government's financial rehabilitation efforts. Japan's ODA was required to adopt a focus on quality rather than quantity, including improvement of accountability to the Japanese public and the development of more effective aid programs. One part of this was a review of ODA for China, which was growing in economic power and political confidence, and the government stopped providing yen loans to China in FY 2007.

Peace-building initiatives

Japan also embarked on a program of peace-building in response to the destabilization and unraveling of the international order after the Cold War. This move was in line with the trend in international society at the time, but Japan also had its own reasons for pursuing peace-building. In the Gulf War, unable to provide military assistance owing to constitutional restrictions, Japan instead contributed around 13 billion US dollars in total to the US-led multinational forces. This contribution, however, was not properly acknowledged by international community—an experience still remembered

among Japanese policymakers as "the Gulf Shock." Subsequently, the Japanese government refined its constitutional arrangements and began dispatching SDF troops on activities such as UN peacekeeping operations. In the context of development assistance, too, peace-building was instituted as one of the pillars of Japan's international cooperation from the 2000s, and the government has started to assist post-conflict and fragile countries. For example, in recovery assistance for Afghanistan, which had a strong element to support the United States, Japan delivered a total of 5.791 billion US dollars to projects such as strengthening the government's capacity to maintain order. Furthermore, in post-Saddam Iraq, ODA worked in tandem with the military, providing civil welfare support to complement the recovery assistance operations conducted by units deployed by the SDF. This served as the prototype for collaboration across diplomacy, defense, and development that later became known as the "All Japan" approach.

Shift to more strategic aid: foreign aid policy under the Abe administration

Prime Minister Shinzo Abe's second administration was the longest-running in Japan's history, at close to seven years and eight months (from December 2012 to September 2020). During this period Japan's development cooperation approach changed in two key ways. The first was the export of infrastructure systems designed to connect Asia's growth with Japan's own economy. ODA was given the role of stimulating private sector investment and helping Japanese firms win contracts, but externally, this was justified in terms of respecting the recipient country's economic autonomy and raising its governance capabilities through highly transparent processes. Emphasis was placed on "high-quality infrastructure investment" to distinguish this approach from the opaque aid methods adopted by China. The concept of high-quality infrastructure was also incorporated into Japan's "Free and Open Indo-Pacific (FOIP)" vision and normalized internationally through forums such as the G7 and G20.

The other key change was the rendering of an even clearer relationship between development assistance and security policy. The NSS drawn up in 2013 was positioned as "presenting guidelines for" ODA policy, which had previously been handled separately from security matters, and the NSS included the establishment of structures for provision of support for recipient countries' military forces. In light of this and other developments, the ODA Charter was revised in 2015 into the Development Cooperation Charter, with a stronger emphasis on how international peace and security contributes to Japan's national interest. With regards to the relationship with military affairs, while upholding the conventional principle of avoiding the use of ODA for military purposes and to aggravate conflict, the conditions for application of ODA were relaxed, with

the Charter stating: "In case the armed forces or members of the armed forces in recipient countries are involved in development cooperation for non-military purposes such as public welfare or disaster-relief purposes, such cases will be considered on a case-by-case basis in light of their substantive relevance."

Current conditions and challenges

(1) Responding to new threats

The resignation of Prime Minister Abe was followed by the short term of Prime Minister Yoshihide Suga from the same Liberal Democratic Party as Abe, and then-Prime Minister Fumio Kishida, whose administration was established in October 2021. Traditionally Japan had been strong in the field of international public health including infectious diseases, yet the government was slow to initiate an international response to the novel coronavirus (COVID-19), preoccupied with formulating its domestic response. On the other hand, to counter China's "vaccine diplomacy," the Quad of Japan, the US, Australia, and India established a vaccine supply framework for Indo-Pacific countries, and pursued humanitarian and development cooperation with security partners. Japan also assisted developing countries through the COVAX Facility, and provided Taiwan with around 3.4 million vaccine doses that were surplus to requirements in Japan. This number equates to more than one-third of the doses Taiwan needed at the time, enabling the Taipei government to avoid relying on made-in-China vaccines.

Following Russia's invasion of Ukraine in February 2022, Japan shifted its attitude toward Russia, shelving discussions toward a peace treaty and freezing the Japan-Russia Economic Cooperation Plan agreed under the Abe administration, which had promised to deliver 300 billion yen of Japanese investment in areas such as energy and development of Russia's far eastern region. Japan also imposed sanctions in line with Europe and the US, and is providing Ukraine with humanitarian assistance as well as supplying non-lethal military equipment.

Based on the awareness that the security environment is growing markedly more difficult owing to challenges to the international order by actors such as China, the Kishida government has drawn up policy documentation including a new NSS in late 2022. The new NSS calls for a comprehensive approach to the exercise of national power, across the fields of diplomacy, defense, economy, technology, and information, and indicates that ODA and other forms of foreign aid will be used toward the maintenance and advancement of a free and open international order. The new NSS also explicitly states that "Japan will provide equipment and supplies as well as assistance for the development of infrastructures to like-minded countries" and that "a new

cooperation framework for the benefit of armed forces and other related organizations will be established." Following this, Japan began its OSA program in April 2023. The Kishida government is also showing signs of bolstering development cooperation for the stability of the Indo-Pacific. The Quad leaders' summit held in May 2022 announced contributions of more than 50 billion US dollars to infrastructure over the next five years, along with the launch of an Humanitarian Assistance and Disaster Response (HADR) Partnership and stronger support in the area of non-traditional security. At the Asia Security Summit (Shangri-La Dialogue) held in the following June, Prime Minister Kishida announced the Kishida Vision for Peace, which includes further advancement of the FOIP concept and expansion of ODA.

(2) Future issues

As we have seen, foreign aid is thus gaining in strategic value as a policy tool for Japan, but the challenges going forward are ODA budget and the development of systems for military assistance.

Firstly, it is unclear how much increase in budget can be practically expected to support the expansion of ODA. The government is already planning a major increase in its defense budget, which is to double in five years. Developments such as the weak Japanese yen and energy price rises driven by the Ukraine crisis are directly impacting the Japanese economy, and the squeeze on expenditure will only intensify in the future. Meanwhile, Japan's national debt has reached two times its GDP, making it the worst among all developed countries. It should be noted that Japan's thinking regarding expanding ODA under such conditions is in direct contrast to that of the United Kingdom, which has already formulated a policy of cutting ODA expenditure, formerly 0.7% of its GNI, in light of the pandemic-induced weakening of the country's finances. An opinion poll conducted by the Cabinet Office in 2022 found that over half—54.3%—of respondents believed that Japan's ODA should remain around its current level. The difficulty remains to draw a direct connection between expansion of aid and national interest, and it is unclear how much public support the government will be able to garner for such a move.

The next challenge is the development of structures and systems. The fact that Japan has been providing foreign military aid under the banner of capacity-building assistance since 2012 is still not well understood by the public. Even prior to that, Japan accepted foreign military personnel as students of the National Defense Academy and other educational institutions. Capacity-building assistance projects that provide human resource development and technical assistance directly to the military in developing countries are now recognized among the government officials as an important means of furthering

collaboration with such countries. During the FY 2021 alone, some 47 projects were conducted across 15 countries and one organization (ASEAN), mainly focused on Southeast and Central Asia. Although limited to non-combat fields, these projects extend across a broad range of subject matter, from humanitarian assistance and international aviation law through to submarine medicine. Mindful of China, some of these projects are crafted with strategic intent. Moreover, discontinued SDF equipment can now be used in material cooperation under the "three principles of defense equipment transfer." These principles underpin the recent cost-free provision of Maritime Self-Defense Force training aircraft to the Philippines, and the provision of defense equipment to Ukraine.

Japan did not, however, have a mechanism for supplying new defense equipment to foreign governments, and this has become known as a "gap in the foreign aid scheme." The aforementioned OSA is designed to overcome this problem, but in its initial year, FY 2023, the OSA budget is only 2 billion yen and the projects planned are relatively small-scale, such as provision of communications systems to four target countries including the Philippines. Even if OSA is ramped up in line with its achievements in the future, it lacks the usability of mechanisms such as loan aid and purchasing assistance. Its implementation needs to accord with the "three principles of defense equipment transfer" and the operating policies thereof, which limits its scope of application. Although systems are taking shape, Japan is still new to the field of military aid, and will need to cultivate the understanding of the Japanese public as it works to develop its structures in this area.

Conclusion

This article has outlined how Japan's foreign aid policy, traditionally centered on development cooperation, has shifted in line with three factors: pursuit of economic profit, demands from international society, and contribution to security. Conscious of China's rise, Japan has placed particular focus on security in recent years. This section makes four concluding points in light of this evolution.

The first concerns the strategic uses of foreign aid based on new policy directions. ODA has been charged with the strategic role of maintaining regional stability and international norms, beyond bilateral diplomacy. Capacity-building assistance and OSA are expected to provide means of direct involvement in defense administration and military strategy, which still wield major influence in the governments of many developing countries. Behind these approaches is the intention to counter attempts by countries such as China and Russia to reshape the international order, and they are likely to be applied more often in the future in collaboration with like-minded countries

such as the United States and Australia. It is possible that as these moves progress, Japan's foreign aid will be imbued with new roles and functions.

The next issue is the image of Japanese ODA in international society. Following the Great East Japan Earthquake Disaster of March 2011, Japan received assistance from 163 countries and 43 international organizations. This included many developing countries, something which the Japanese government attributes to the "feelings of trust and gratitude" earned over many years of cooperation at the grassroots level. Bringing security to the forefront and focusing aid on direct national interest may alter the image and reputation of Japan's ODA in the future. Moreover, aid to the least developed countries, which require the most assistance, might decline even further, contrary to global requirements.

The third point is the difficulty of collaborating with countries that constitute the so-called "global south." Many developing countries in Southeast Asia and elsewhere are concerned about being caught in the middle of great power competition between the United States and China. India, while being a member of the Quad, is taking its own approach to foreign affairs and not participating in the West's sanctions against Russia. Likewise, other more advanced developing countries are maneuvering flexibly in an increasingly multipolar international society, seeking to boost their own status and influence. These countries are on a trajectory of economic growth, and foreign aid as a proportion of their inbound capital flows is decreasing. The rise of new donors such as China is placing them in an advantageous competitive environment as recipients. As the emphasis on instrumental relationships grows even more in the diplomatic sphere, Japan can no longer expect to maintain its diplomatic relations and influence through the conventional development aid approach. This is a fact that will require further careful reflection. Many developing countries are cautious about foreign engagements that may lead to interference in internal affairs, and Japan may need to steer carefully between international norms such as basic human rights.

The final point concerns OSA. The separation of the OSA framework from ODA was an effective means of avoiding reputational risks for Japan's foreign aid. However, the three principles of equipment transfer that govern OSA are now the subject of discussion among the ruling parties in Japan's National Diet, including the case of permission to transfer lethal equipment. Future developments in this discussion are not to be missed. It is also conceivable that infrastructure support will be used in the future for the SDF to establish regional supply hubs and activity bases in regions such as Southeast Asia. If that becomes possible, Japan will secure regular military access to the areas in question,

which is expected to contribute to the gathering of intelligence on regional situations, promotion of collaboration with like-minded countries, and multilateral deterrence efforts against China's attempts to alter the status quo by force. It will be crucial for Japan to raise its profile as a credible partner that contributes to regional stability, while taking care to avoid inviting unwarranted criticism of its involvement in the region.

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