

Japanese Development Aid to ASEAN Member States in the 21st Century

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In Japan, most people are familiar with the English expression Official Development Assistance (ODA). Undoubtedly, Japan's aid to the developing world is among the major developments of modern global economic relations. During the last third of the 20th century, Japan established itself as an aid superpower, and a kind of international division of labor was formed, where the US came to be responsible for military-strategic aspects of the order in the developing world, and Japan was in charge of the financial aspect.¹

Since 1979 until 2008, the Peoples' Republic of China (PRC) was the favorite addressee of Japanese aid, receiving a total of \$45 billion through economic cooperation. However, by 2008, this economic aid relationship practically ceased, excepting in the environmental area.² On the other hand, the countries of Southeast Asia, which began to obtain assistance from Tokyo much earlier than the PRC (starting in the 1950s), have been Japan's favorite recipients to this day.

This article deals mainly with the new developments in Japan's ODA to Southeast Asia since the beginning of 21st century, i.e. since Japan lost its

1) Rozman G. 2004. *Northeast Asian Stunted Regionalism: Bilateral Distrust in the Shadow of Globalization*. Cambridge University Press. p. 33.

2) See Kovrigin E.B., 2012. «Thirty years of Japan's official aid to China (the 1980s-2000s)», *The Seinan Law Review (Fukuoka)*, vol.43, No.2.

status as the principal donor.

The following classification of motives for international help prevails in the literature:

1. Economically motivated aid, aimed at the donor's material benefit,
2. Politically motivated aid, e.g. engagement of recipient nations or securing goodwill of their governments, and
3. Strategic aid, such as aid aimed at the fight against global Communism in the 20th century or Islamic extremism in the early 21st century.

More often than not these motives are intertwined.

Depending on the prevalence of the above motives, certain researchers distinguish four models of ODA, i.e. American, Japanese, Swedish and French aid.³ Japanese assistance (despite positive changes towards humanitarian motives) is still seen as concentrating mainly on commercial or, more precisely, neo-mercantile purposes.

Taxable population needs to be aware as to whether its money (which could be usefully expended at home) is effectually spent abroad or not.⁴ In practice, two discourses of ODA are obvious – the humanitarian dimension and considerations of Japan's own benefit.

Humanitarian motives are based on the presumption that developing nations

3) Schraeder P. 1998. Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French and Swedish Aid Flows. *World Politics*. V.50. pp.294-323.

4) Togo K. 2010. *Japan's Foreign Policy 1945-2009: The Quest for a Proactive Policy*. Leiden-Boston: Brill. p.317.

are suffering from socio-economic hardship and, therefore, a rich nation like Japan is obliged to help poorer countries, just as it was helped by International Monetary Fund and the USA during the period of post-war reconstruction.

On the other hand, considerations of self-benefit are rooted in the belief that, in helping the developing world, Japan should ultimately act in its own interests. Apart from the purely economic benefits originating from such types of ODA as repayable loans, Japan contributes to the creation of a stable society in recipient countries and hence it reinforces its own national security. Besides that, the financial and technical support also familiarizes Japan with the economy and political culture of the recipient countries, which is important for the needs of Japanese diplomacy and private corporations.

There is probably another major incentive for aid-giving – the issue of Japan's national prestige. In the post-WWII period, especially in the wake of total decolonization of the developing world, both the status and international ranking of industrial nations came to be determined by the degree of their help to the newly liberated countries. It is not accidental that former metropolitan countries, which are interested in maintaining close ties with their former colonies, are currently among the leading donors of ODA.

Estimating the Size of Japanese Aid – Difficulties with Quantification

In the times of rapid economic growth, it seemed reasonable for Japan to allocate a part of its huge trade surplus for the needs of economic aid. However, during the 'lost decade' (1990s and the early 2000s), the volume of free financial resources significantly decreased. As early as 1997, Prime Minister Hashimoto Ryutaro announced that, from then on, the volume of assistance to developing nations would be cut by approximately 10% per

5) 2005. Fifty Years of Japan's ODA. Tokyo: Ministry of Foreign Affairs. p.10.

year.⁵ Since then, the reduction in the cost of economic cooperation practically occurred under all numerous Japanese Liberal Democratic Party (LDP) Cabinets, until the short reign of the Democratic Party (2009-2012) and again after the return of Liberal-Democrats to power in late 2012.

After 2001, Japan was overtaken by the US and by major European countries such as the UK, Germany and France. As of 2013, Japan occupied just the fifth largest place in terms of expenditures on ODA, which is hardly prestigious for the former aid superpower. The data on the decreasing amount of allocations on soft loans and grants is presented in Table 1 (Appendix).

From the figures in Table 1, the downward trend in Japan's aid seems obvious. However, there are doubts among researchers whether a great economic power like Japan allocates only slightly more resources to development assistance than small European advanced nations.⁶ International statistical data officially includes in development assistance only transfers when the so called grant-element reaches at least 25%. In some of numerous aid programs, carried out by Japan, grant-element stands at the level of 18 to 20%, which is below international standards. But even though Japan, to some extent, necessarily enriches itself through its own aid, life in the recipient countries without Japanese aid would be much poorer. This type of quasi-aid is not accounted for by international statistics and, therefore, it is detrimental to Japanese prestige.

However, there exists another important factor which is seen as dragging down the officially declared volumes of Japan's transfers to developing nations. For decades, Japan has been allocating billions and billions dollars in the form of yen *loans* for this purpose – their size being much greater than

6) Edstroem B. 2012. Japan's ODA Still Going Strong. Policy Brief (Stockholm). p. 1-2.

the cumulative amount of *grants* (grants include technical assistance as well).

Since the late 1990s, these loans began to mature and increasingly return from developing countries to Japan, with interest. In Japanese official statistics, loan repayments are deducted from the sum total of new transfers in a given year. As a result, a yearly outflow of loans may be less than the inflow of funds returned. In this situation, it might seem that country does not provide aid but, quite on the contrary, that it ‘clips coupons’ from previously issued loans. This paradox is almost entirely a Japanese phenomenon. In the ODA of other member countries of G7, such as the US or UK, the share of loans has traditionally been much lower than that of Japan. Thereafter the share of their grants, which were not to be repaid, by default has been much higher.

For example, in 2004 the volume of Japan’s bilateral assistance (net aid) amounted to \$8922 million, including return of funds. If the returned funds are excluded from calculation, the amount of gross aid would reach \$14, 407 million. In the 2008 fiscal year, these figures were \$9720 million and \$15, 491 million, respectively. Therefore, if returned funds are excluded, the size of Japan’s *new* transfers to the developing world is comparable with the volume of similar American transfers, which makes Japan the second biggest donor in the world.

In divulging minimal official statistics, the Japanese government takes into account changes in the opinion of Japanese public, which has increasingly demanded a more prudent use of financial resources. Until recently, the Cabinet Offices conducted opinion polls on Japan’s foreign policy, including economic cooperation.⁷ According to their results, popular support for foreign

7) Ohno Izumi, «Japan's ODA policy and reforms since the 1990s and role in the new era of development cooperation», Journal of International Development Cooperation, KOICA (Seoul), 2013, No.4, p. 73.

assistance dropped sharply since the early 1990s. In 1991, 42% of respondents supported the expansion of aid, but by 2004 this figure dropped to an insignificant 14%. (Although by 2008 this amount again rose to 30% and, in some experts' opinion, the new upward trend can be explained by Japanese people's uneasiness for the country's rollback to a secondary position in aid-giving.)⁸

Mainly due to the Government's concern for the country's benign image since the early 2000s, the size of grants has already been somewhat exceeding the volume of yen loans (in the 21st century, on the average, grants accounted for 54% and loans for 46% of the total bilateral aid, as can be seen below).

The ratio between grants and loans in Japan's bilateral ODA

Year	2004	2005	2006	2007	2008
Yen loans	45.9%	42.8%	42.0%	48.7%	47.2%
Grants	54.1%	57.8%	58.0%	51.3%	52.8%

Japan's Official Development Assistance White Paper (Tokyo: Ministry of Foreign Affairs), various issues.

A certain shift from the Japanese cooperation model, prevailing in the previous decades, is obvious. However, since the mid-2000s, the aid authorities began including compensation for bad private loans for Highly Indebted Poor Countries (HIPS) with Japanese foreign grants. Whether these financial transactions can be defined as a real development aid is another issue, as they can be equally treated as helping Japanese private creditors.

The Japanese Model for Economic Cooperation

The Japanese model of economic cooperation, which differs significantly from

8) 1996. Japan. Development Cooperation Series. p.8.; 2010. Japan. DAC Peer Review. p. 48.; The Japan Times, 1999, 31 August; The Japan Times, 2004, 19 October.

the Western model, began to fold in the 1960s. The Japanese model originated in the post-WWII reparations, paid out in the 1950s by Japan to the victims of its wartime aggression. (Almost all of them would later merge into the ASEAN group of countries.) Spirit of ‘help for self-help’ has become the motto of Japanese ODA, reflecting the nation’s own experience and working ethics, i.e. to borrow money, produce goods or services at the expense of these funds, generate profits and repay the money to the creditor.⁹ (In theory, Japanese approach is closest to the concept of developmentalism).

In the 1960s, against a backdrop of its economic success, Japan joined GATT, IMF and OECD. Meanwhile, the United States intensified its struggle against the world Communism – both in way of military force (the Vietnam War) and providing aid to its allies. However, it was getting increasingly hard for Washington to allocate funds to both purposes simultaneously. New donors were needed for buttressing the cost of confrontation between Communism and the West. In the Asia Pacific region, the best choice was Japan, which, from the US point of view, was itself interested in providing assistance to its neighbors, hoping to improve its image of a military aggressor.

Southeast Asia was a region where the so-called triad of ‘foreign trade - private direct investment – ODA’ began to emerge. In this framework, economic assistance served as a springboard for Japanese business expansion. Within Japan, the conviction that both recipient developing nations and Japanese private firms would benefit from ODA has strengthened. On the whole, unlike OECD Western neighbors, which followed the concept of basic human needs, developed by A. Maslow¹⁰, Japan mainly adhered to the principles of developmentalism, with obvious benefits for itself.

9) Togo K., p. 331.

10) Abraham H. Maslow (1908-1970) was an American psychiatrist best known for creating “Maslow’s hierarchy of human needs”.

Establishing the Asian Development Bank (ADB) in 1966 became a major milestone in Japan's reach for the coveted leadership role in the Asia Pacific. The elites of Japan had dreamed of seeing the country not only as a donor of bilateral ODA, but as a leading participant in the international financial system. However, to the disappointment of Miki Takeo's cabinet, ADB's headquarters was placed in Manila, Philippines, instead of Tokyo. Nevertheless, all successive governors of the Bank came exclusively from Japan's Ministry of Finance.

In response to American pressure in the early 1970s, the Japanese Cabinet, led by Sato Eisaku, significantly increased concessional transfers towards anti-Communist regimes in Southeast Asia. The US withdrawal from Indochina left a significant power vacuum in the region, which could not be filled by any other country except Japan. An American researcher wittily named new Japanese payments to Southeast Asia nations 'aid to the US aid'.¹¹ Instead, President Nixon promised to return Okinawa under Japanese jurisdiction (indeed, in 1972, Okinawa formed the 47th prefecture of Japan).

For a long time, Japan had been unable to develop a coherent strategy and philosophy of aid-giving to the region. After the nation got rid of the negative effects of the first energy crisis (1973-1975), it was time to designate a new emphasis in relations with the Southeast Asian region. In this sense, an official tour of Prime Minister Fukuda Takeo in ASEAN countries in 1977 became a turning point in Japan's policy. ASEAN leaders simply demanded a significant increase in assistance to their nations' development. Ultimately Fukuda agreed to establish a special relationship between his country and the region, which became known as the Fukuda doctrine, or Manila doctrine.¹²

11) Pharr S. 1993. Japan's Defensive Foreign Policy and the Policies of Burden Sharing in: Gerald Curtis (ed.), Japan's Foreign Policy. New York: M.E. Sharpe. p. 251.

12) 1977. Yomiuri Shinbun, 1 August.

After 1977, financial assistance came to be treated as a ‘grease’ for maintaining friendly relations with the ASEAN member-states, in particular with Indonesia. For many years after this Japan was destined to be the principal donor of financial resources to Southeast Asia countries. From Japan’s viewpoint the ultra-high proportion of Southeast Asia in the disbursement of aid has been a natural bias determined by the needs of national security (see Appendix, Table 2). Japan became an indispensable source of financial resources for the ASEAN members. For example, in the early 1990s the amount of Japanese aid to Indonesia was over 20 times than similar aid transfers from the United States.¹³

Nevertheless, Southeast Asian nations soon confronted a formidable competitor for Japanese aid – the Peoples’ Republic of China. China pushed Indonesia into the second place and for many years remained the primary beneficiary, consuming more than 10% of the total annual amount of Japanese aid.¹⁴ At that time Japan was at the peak of its economic power, and it could afford large monetary transfers to both China and ASEAN countries.

Towards the end of the 1990s both the share and volume of funds intended for Southeast Asia started rising again. Japan’s new attention towards this region stemmed from the entry into ASEAN of impoverished nations such as Vietnam, Laos, Cambodia and Myanmar, whose outdated infrastructure was to be pulled up to the level of “older” ASEAN member-states. In addition, the trend to anti-diversification was caused by the need to rescue the countries of Pacific Asia (Indonesia, Thailand, Malaysia and Republic of Korea) from an unprecedented financial crisis which attacked them in 1997-1999 and threatened Japan’s own interests.¹⁵

13) Borthwick M. 2007. *Pacific Century: The Emergence of Modern Pacific Asia*. Boulder: Westview Press. p.530.

14) Kovrigin E.B. 2012., p.36.

15) Hook G. et al. (eds.) 2005. *Japan's International Relations: Politics, Economics and Security*. London-New York, p.242.

An Uneasy Choice: ‘Considerations of Use’ or a Humanitarian Approach

Meanwhile at the junction of the 20th and 21st centuries, the Japanese leadership was challenged by two opposite tendencies, which were mentioned earlier – the considerations of use and the humanitarian approach.

By then, Japan’s formal economic cooperation with developing countries has almost completely untied. In other words, Japanese companies, to their disappointment, could not expect that they would automatically participate in various projects implemented abroad and funded by the Japanese loans and grants. They insisted that their government would give cooperation with Southeast Asian nations a more visible Japanese ‘face’ or presence in the region.¹⁶ Finally, Tokyo’s authorities met the requirements of private business by designing major special yen loans for the overseas projects, in which Japanese firms would be engaged.

Simultaneously, another so-called humanitarian discourse began to make its way in Japan – a motivation that in previous years had been strong in words, but weak in deals. Spending taxpayers money on countless infrastructure projects abroad began to cause growing domestic criticism and there was an increasingly growing pressure from the OECD, where Japan had not yet outlived the image of a ‘aid profiteer’. In addition, the program of Millennium Development Goals (MDG), adopted by the UN in 2000, worked in the same direction, putting purely humanitarian goals (such as eradication of poverty and starvation in the developing world) first.

Japan needed a new impressive initiative to buttress its somewhat fading image in the world. As a result, a noticeable slogan has developed within the

16) Iokibe M. 2003. ODA as a Foreign Policy Tool. Japan Review of International Affairs.No.2, p.106.

Japanese elite - 'human security' as an important objective of the national foreign policy. In 2003, politics for the sake of human security were formalized in the new revision of ODA Charter. The concept of human security has combined concepts of 'freedom from want' and 'freedom from fear'.¹⁷

The new initiative has demonstrated a partial retreat from developmentalism as a traditional base of Japanese economic cooperation. Thereafter, when it came to ODA, the country's numerous Cabinets have had to maneuver between two opposing discourses – developmentalism and human security, i.e. between pressure from outside and from Japanese business community.

The goal proclaimed by Charter-2003 proved to be worthy but at the same time obviously controversial. On one hand, Japan claimed to put its aid at the service of all humankind, and refused to further use it as a tool of economic expansion. On the other hand, under pressure from Japanese business, the benefit to Japan itself was declared to be of paramount importance. It was hardly possible to soundly combine both principles, and Japanese Cabinets have had to maneuver between the two discourses when it came to the question of foreign aid.

Nevertheless, the uneasy shift 'from things to people' (another term for the new paradigm) continued. The ratio between newly allocated loans and grants has been changing in favor of the latter. Basically, Japan has always preferred its soft (yen) loans to grants, as the need to repay loans was seen to increase the sense of ownership on the part of indebted countries and made them choose the outmost priority projects.¹⁸

17) Kurusu K. 2011. Japan as an Active Agent for Global Norms. The Political Dynamism behind the Acceptance and Promotion of "Human Security". *Asia-Pacific Review*. V.18. pp. 118-122.

18) Nishigaki A. 2000. A New Phase in Japanese Economic Cooperation. *Asia-Pacific Review*. V.7 p.59.

In recent years, the annual sums of Japan's grants indeed began exceeding the volume of loans. However, by the logic of Japan's Foreign Ministry, one cannot evaluate the quality of ODA only on the ratio between grants and loans. The main indicator is the extent to which Japanese aid helps to achieve socio-economic progress in the aid-recipient nations. During the initial period of state-building, when aid from the outside is required for national survival, pure grants are supposed to be the most acceptable form of transfer. With growing economic progress, when the partner-state becomes able to repay debts, the share of loans should be gradually raised and annual interest should be increased. For example in 1997, when Vietnam belonged to a group of very poor nations, free subsidies amounted to 57% of Japanese transfers to this country. By 2004, when the Vietnamese 'perestroika' already gave tangible results, the share of grants to Vietnam fell as low as to 29.1% of all aid. Meanwhile, in the same year, Japan's ODA for much poorer Cambodia and Laos consisted of 99% grants.

Japan ranks last among the 22 member-countries of Development Assistance Committee (DAC) when it comes to the share of grants in ODA flow (DAC average figures are 87 - 88 %). In this way, the Japanese way presupposes that optimal results can be achieved by a well thought-out combination of loans and grants, depending on the economic situation in every recipient country. Besides, the terms of Japanese loans cannot be considered an overly burdensome for debtors. However, outside Japan, this peculiar approach is frequently perceived as an apology for loans at the expense of grants. From the viewpoint of many people in the West, humanitarian aid and loans (with annual interest) are not the same.

There have been tangible changes in the structure and destination of loans. For decades, when building infrastructure objects in Southeast Asia,

Japanese planners had tended to pay particular attention to transportation infrastructure. They explained this tendency by claiming that low level of development in transport routes is the main barrier to foreign trade with developing nations. On the other hand, Japan's aid for the development of social infrastructure, such as welfare, education or environment protection played a relatively subordinate role.

Against this background the increasing of share of Japanese funds designed for environment protection overseas since the late 20th century seemed like a favorable change. For most Asia-Pacific nations, their own investment in ecological projects is a lower priority than sustained economic growth. Meanwhile environmental degradation is not only detrimental to their peoples' health but also, in certain cases, poses a problem to national survival. For example, the island state of Kiribati is literally submerging in the ocean and its inhabitants had to relocate to the central island of Tarawa (which is also in danger from sinking).¹⁹

Japan itself is directly affected by the international environmental protection problems – for example, the microscopic dirt particles PM 2.5 brought by winds from China to the Western part of the Japanese archipelago. That is precisely the ecological area where Japan is really capable of showing leadership in the APR. ODA Charter-2003 overtly proclaimed that solving ecological problems is the main target of Pacific-Asian cooperation.

Geographic Dimension: Back to Southeast Asia?

As Table 2 (Appendix) shows, the share of Southeast Asian nations in Tokyo's foreign assistance for the last 10 to 15 years has been uneven for varying reasons. However, this share fluctuates around 30-40%, which is

19) The Japan Times, 2013, 6 September.

unprecedentedly high by OECD standards.

The ASEAN bloc is an extremely heterogeneous grouping within which different processes are taking place. Its most advanced member-states continue to mature and already can provide assistance to their less successful neighbors. Because of this, by the middle of the 2000s, the volumes of Japanese new transfers to Thailand, Indonesia, and the Philippines almost halved in comparison with the early 1990s. Wealthier Singapore and Brunei have been removed from the list of recipients many years previously.

On the other hand, there appeared new contenders for Japanese money. Countries such as Vietnam, Laos, Cambodia and Mongolia have proclaimed their market orientation. In addition, densely populated Burma (Myanmar) returned to civilian rule after 2010 and ceased to be perceived a rogue state. An extremely low starting level of each of the mentioned nations naturally turned them into supplicants for funds from Tokyo. The interests of Japanese private corporations to invest in this region, underdeveloped in terms of infrastructure, are working to the same effect.

Out of these countries, Vietnam and Burma (Myanmar) are of particular interest.

Among Asian nations, Vietnam occupies a very important place in terms of population and wealth of natural resources, to say nothing of its strategic location. In 1979, in the wake of Vietnamese occupation of Cambodia, Japanese aid to the new Communist nation was frozen in accordance with American anti-Communist position. In later years, Japan may have regretted this decision, which was politically unwarranted and economically detrimental for Japan itself. After the Socialist Republic of Vietnam (SRV) joined the ASEAN in 1995, Japan's authorities came to realize that Japan's own interests

require a drastic increase in aid to Hanoi government, first of all for upgrading its outdated infrastructure. The ‘great leap forward’ took place. Numerous Japanese governments inked agreements on the construction of a new railroad between South and North Vietnam, the high-tech industrial facilities zone, nuclear power station, and many other important projects. In terms of volume, Japanese aid to Vietnam became greater than the volume of its aid to China. In 2007, Vietnamese president Nguyen Minh Triet paid tribute to Japan, announcing that its assistance had amounted to one third of all concessional receipts from abroad.²⁰ In early January 2015, Japan’s infrastructure minister attended ceremonies to commemorate the completion of a new terminal at Hanoi international airport which was constructed with Japan’s ODA, as well as connecting road leading from the center of the capital to the airport.²¹ Currently, progress in Vietnam, when compared with the neighboring countries, is visible to the naked eye, wherein a significant contribution of Japanese ODA is undeniable.²²

From political viewpoint, the least suitable addressee for Japanese assistance was Burma (Myanmar), because for decades it had been ruled by a harsh military junta. It received but a thin trickle of Japanese funds during the 1990-2000s, destined only for small concrete projects. It seemed absurd to render major support to a rogue government, being fully aware that the aid would not reach general population.

However, when Burma embarked on the path of democratic reforms in 2010, it was immediately embraced by the international community, including Japan.²³ Japan forgave Burma’s debts amounting to 3.8 billion dollars and

20) The Japan Times, 2007, 27 November.

21) The Japan Times, 2015, 3 January.

22) For a detailed analysis see Izumi Ohno “Vietnam as a “*monozukuri*” partner with Japan” in (ed.) Kansai in the Asia-Pacific: Towards a new growth paradigm, 2013, p. 15-25.

23) Simonia A.A. 2013. Myanmar: The Arena of a "Big Game" for Political Influence in Asia. World Economy and International Relations (Moscow), No.10.

resumed providing new yen loans. Special attention is being paid to the Thilava special economic zone in southern Burma, where Japan played the role of a major investor (consortium of Marubeni, Mitsubishi and Sumitomo). Myanmar will almost certainly become a part of Japan's manufacturing chain in Southeast Asia but this nation's infrastructure is so outdated that it will take a considerable time to pull Burma up to the average level of ASEAN 'older' member-states. On the sidelines of ASEAN Summit, held in Nay Pyi Taw in 2014, Prime Minister Abe confirmed his predecessor's promise and offered President U Thein Sein \$258 million in soft loans to help the country's development projects.²⁴

The cases of Vietnam and Burma demonstrate that a 'developmentalist' approach necessarily remains an important ingredient of Japanese strategy towards its poorer partners. At the same time, Japan does not underestimate environmental problems while providing assistance. In this context, the major infrastructure and ecological project in the Mekong River Basin, where interests of five nations (including Thailand and Vietnam) mingle together deserves special attention.

Japanese private firms dream of lucrative opportunities in the Mekong region and rely on government's assistance to this area which can facilitate their investment. Indeed, the government promised to allocate about 600 billion yen (approximately \$7 billion) to the region in 2013-2015. The previous Prime Minister Noda earmarked as many as fifty seven local projects, including high-tech facilities such as the use of satellites for natural disaster management. In accordance with the new Japanese discourse, attention is also being paid to 'human security' in the countries facing the Mekong Basin. For example, the next Japanese leader Abe promised Myanmar a series of non-repayable grants

24) China Daily, 2014, 13 November.

totaling 10 billion yen for the needs of those national minorities against whom the military junta had waged wars before the start of democratization.²⁵

Japan is facing growing competition from the PRC in the Southeast Asia region, including competition in the realms of ODA. China is prepared to give a seemingly unlimited aid to any regimes in the developing world in pursuit of its fuel and raw material interests. Under these conditions, Japan's difficult dilemma is not to lose Southeast Asia and, simultaneously, to prevent flaring up the flame of Sino-Japanese political rivalry in the region.

In Conclusion

Japan continues to be the primary aid donor for many countries. It plays a dominant role in twenty seven Asian and Pacific recipient countries, including new ASEAN member-states (Vietnam, Cambodia, Laos and Burma (Myanmar)), as well as for India, Sri Lanka and several island states in South Oceania. In terms of gross aid (not taking into account debt repayments of matured loans), Japan remains the leading donor to all older ASEAN members as well. Japanese ODA's contribution to the maintenance of peace and stability in the region surely cannot be disregarded. Active economic cooperation has enabled Japan to strengthen its credibility in Asian countries and lessen the memory of its historical aggression in the 1930s-1940s (with the exception of South Korea and China).

Since the start of the 21st century, the pendulum of public opinion swung from former enthusiasm to a more cautious and critical approach to spending taxes and private savings abroad. It seemed that the Japanese ODA began to lose its significance in favor of Free Trade Agreements (FTAs) and Economic Partnership Agreements (EPAs). However, it soon became clear that the

25) The Japan Times, 2014, 5 January.

assistance would still be needed, despite numerous trade pacts concluded between Japan and developing nations. Moreover, these agreements have often been accompanied by additional assistance packages. Apparently, in the short term an increasing share of Japan's transfers will be used for leveling economic disparities between 'older' and 'new' ASEAN member states.

In recent years, Southeast Asia has become a field of struggle for engagement between Japan and China. Weakening financial support of ASEAN from Tokyo would nearly automatically lead to China's growing influence. As such a shift surely does not meet the interests of Japan, Southeast Asia (alongside India) in the near future is likely to remain a priority for Japan's economic cooperation.

There is also a considerable potential for eradicating poverty in Japan's partner-states in the person of non-governmental organizations (NGOs), based in Japan. However, revitalization of the NGOs implies a partial transfer of bilateral connections to a grassroots level in the ODA-receiving states. Meanwhile, some of these governments are not interested either in the involvement of foreigners (including the Japanese) in solving of internal social issues, or in direct connections between local communities and foreign organizations. In all probability, the fresh Japanese approach (i.e. NGOs growing activities) will have to face an appreciable opposition from other nations, not limited to Southeast Asian countries.

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In conclusion, we cannot ignore a major new twist in the Abe administration's policy. So far, Japan has not delivered military-related aid to developing nations. However, in 2014, the Japanese government made a decision to use a certain part of its aid for military support of foreign states, despite the fact

that ODA Charter (2003) expressly prohibited the use of economic assistance for military purposes and during international conflicts, and required the government to monitor military expenditures of recipient states and their arms trade. In the light of government's new approach, major amendments were expected in the forthcoming revision of the Charter. In February 2015, the Japanese Cabinet approved a new revision of the document, even changing its title from 'ODA Charter' to 'Development Cooperation Charter'. One particular clause of the document has drawn the attention of mass media – that is, Japan's "ability to extend aid to the armed forces of recipient countries on condition that the aid would be used only for nonmilitary purposes".²⁶

As of 2015, only non-lethal fields of military aid are envisaged (for instance, training troops of recipient nations, transfer of patrol boats for the Coast Guard, etc.). In the nearest future, the mentioned kind of assistance is destined for a limited number of countries such as Vietnam and the Philippines which have maritime disputes with China over navigation in South China Southeast Asia and which support Japan in its conflict with China over the Senkaku Islands. However, one cannot exclude the possibility that, over time, the character of such aid will undergo changes and it will be delivered to other nations and may even be used during hostilities. The Ministry of Foreign Affairs strongly refutes this interpretation,²⁷ but suspicions that something may go wrong persist, as the flow of critical publications from all over the world has demonstrated. Formally, Japan has the right to provide foreign military assistance like other major donors, but the new political twist could undermine respect that Japan has deserved by giving strictly non-military ODA to developing nations. Inter alia, 'militarization' of cooperation would

26) The Japan Times, 2015, 19 February, "Aid that could foment conflict".

27) The Japan Times, 2015, 8 March.

automatically reduce the share of financial resources needed for social and economic progress in the recipient nations, and it may play a role in destabilizing the APR in general, and Southeast Asia in particular.

Appendix

Table 1. Dynamics of Japan's Official Development Assistance

(Billions US Dollars)

Fiscal years	1999	2000	2001	2002	2003	2004
Total assistance, (US\$ billion)	15,302	13,508	9847	9283	8880	8922
Bilateral ODA, (US\$ billion)	10,498	9640	7452	6726	6014	5956

Fiscal years	2005	2006	2007	2008	2009	2010	2011
Total assistance, (US\$ billion)	8584	8358	7747	9720	9551	11,021	10,831
Bilateral ODA, (US\$ billion)	5899	7430	5840	6939	6250	7428	6511

Compiled from 'Japan's Official Development Assistance White Paper' (Tokyo: Ministry of Foreign Affairs, various issues). All assistance includes bilateral aid plus Government's contributions to international financial organizations (multilateral aid)

Table 2 . Japanese ODA to the Southeast Asian Nations in the 1980s – 2000s

Fiscal years	1985	1990	1995	1998	2000	2002	2004	2009	2010	2011
Volume of aid to ASEAN countries (US\$ millions)	800	2299	2229	2356	3126	1748	897	4144	4089	3489
Share of ASEAN countries of total Japanese ODA (%%)	46%	56%	39%	44%	59%	43%	35%	43%	27%	32%

Compiled from 'Japan's Official Development Assistance White Paper' (Tokyo: Ministry of Foreign Affairs, various issues).