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Giving to Get: A Neorealist Explanation of Japan's Foreign Aid Program

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Claremont McKenna College

Giving to Get: A Neorealist Explanation of Japan's Foreign Aid Program

submitted to
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by
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Abstract

Many countries use aid as a political tool, but Japan is unique in that foreign aid is one of its most important foreign policy tools. Drawing from literature on donor motivations for aid-giving, this paper argues that the neo-realist view of aid-giving offers the best explanation for why Japan provides aid. More specifically, Japan's aid-giving is motivated by its pursuit of economic and strategic goals. This underlying motive for aid-giving necessarily impacts how Japan provides aid and how it uses aid to respond to human rights violations in recipient countries.

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Table of Contents

Chapter 1: Introduction & Literature Review	1
Chapter 2: Japan's Economic Interests	14
Chapter 3: Japan's Strategic Interests	29
Chapter 4: Japan and Human Rights Issues in Recipient Countries	44
Chapter 5: Conclusion	60
Bibliography	62
Appendix	74

Chapter 1

Introduction

Japan became an unofficial aid donor in 1954, when it began providing reparations to Asian countries affected by World War II (Leheny, 2010). Japan quickly expanded its aid program beyond these countries, contributing \$50,000 to the Colombo Plan in 1954 and providing its first aid loan in 1958 (Fujikura & Nakayama, 2016; Lancaster 2007). Japan's aid program remained relatively small up until the 1970s, when rapid economic growth and U.S. pressure motivated Japan to expand its program. Japan's aid program continued to expand in the 1980s, and, in 1989, Japan became the world's largest aid provider (Lancaster, 2007). However, its position at the top was short-lived. Due to the depreciation of the yen and a prolonged economic downturn caused by a rapid decline in asset prices in 1990, Japan decreased its aid from a high of \$14 billion in 1995 to \$9.4 billion in 1996. These cuts to aid pushed Japan to second place, and further cuts put Japan in fourth place, where it currently sits today (Jain, 2016).

Although Japan is no longer the largest aid donor, aid is still a major part of Japan's foreign policy, especially since Japan lacks a conventional military (Furuoka, 2006; Yamamoto, 2017). Given the importance of aid in Japan's foreign policy, this paper seeks to provide an explanation for why Japan gives aid. Answering this question will offer insight into Japan's approach to aid-giving and foreign policy more generally. It will also contribute to scholarly understanding of what motivates Japan's aid policy vis-a-vis human rights issues.

Japan appears to have an aid program that is committed to promoting human rights in recipient countries. Following the Cold War, donor countries no longer felt

obligated to support corrupt or oppressive regimes simply because they were pro-Western or capitalist (Moyo, 2010). Consequently, donors began using aid to promote good governance, which included strong institutions, lack of corruption, transparent laws, and human rights protections (Furuoka, 2005; Moyo, 2010).

Japan was criticized in the 1990s for its seeming reluctance to follow this trend and its “mercantilist” aid orientation. In response to these critiques, the Ministry of Foreign Affairs (MOFA) adopted a new Official Development Assistance (ODA) Charter in 1992, which made the promotion of human rights and democracy a key priority (Furuoka, 2005). The fourth principle of the charter states:

Full attention should be paid to efforts for promoting democratization and introduction of a market-orientated economy, and the situation regarding the securing of basic human rights and freedoms in the recipient countries. (Ministry of Foreign Affairs [MOFA], 1992)

Following this revision, Japan imposed 12 negative aid sanctions and 13 positive aid sanctions on recipient countries between 1992 and 2002 (Oishi & Fumitaka, 2003).

Another revision to the charter in 2003 added that the objectives of ODA are to “contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity” (MOFA, 2003, p.1). The 2003 Charter emphasizes the strategic uses of ODA, but the fourth principle of the 1992 Charter was not altered. When the charter was revised again in 2015, it still stated that Japan would pay attention to “situations regarding the consolidation of democratization, the rule of law and the protection of basic human rights” in recipient countries and aim to promote these three conditions (MOFAa, 2015, p.8). The continued commitment to human rights

conditionality expressed in the aid charters suggests that promoting human rights is a major component of the Japan's aid program. However, Japan provides aid to countries like Cambodia and the Philippines with major human rights issues. In the Philippines, for example, President Rodrigo Duterte is waging a "war on drugs" involving the extrajudicial killing of alleged drug dealers and users (Human Rights Watch [HRW], 2017). This paper will show how the discrepancy between Japan's stated ODA principles and its actions are connected to the interests that motivate Japan's aid-giving in the first place.

This paper argues that Japan provides aid in order to secure its economic and strategic interests. More specifically, Japan's aid program is driven by the pursuit of economic growth through trade and economic ties with Southeast Asian countries. The program is driven by the pursuit of strategic interests such as maritime security and maintaining strong diplomatic ties with Southeast Asian countries. Japan's neorealist orientation explains its apparent reluctance to impose aid sanctions on strategically important countries, like the Philippines, when these countries violate human rights. Thus, although Japan may express a commitment to monitoring and promoting human rights conditions in recipient countries, like most countries, Japan prioritizes its relationships with these countries over human rights considerations.

The paper begins with a brief review of the literature on donor behavior and Japan's behavior as a donor. Chapter 2 explains the first element of the neorealist argument: Japan's economic interests. This chapter shows that Japan's desire for economic growth leads Tokyo to direct the majority of its aid to infrastructure development in Southeast Asia. However, while the economic self-interest explanation

for Japan's aid-giving is still relevant, it is ultimately insufficient for explaining Japan's motivations. Chapter 3 explores the second element of the neorealist argument, Japan's strategic motivations. It demonstrates that changes in Japan's aid charter and key legislative changes have expanded the focus of Japan's aid program in order to address security and diplomatic issues. Finally, the paper shows that Japan's pursuit of economic and strategic interests, through relationships with important countries, informs how and when Japan leverages its aid to promote human rights. The chapter also discusses the prospects of Japan leveraging its bargaining power to induce changes in human rights conditions in light of China's rise as an aid donor.

Literature Review

The first step toward understanding why Japan gives aid is examining why countries give aid in general. There is a wide range of views regarding states' motivations for giving aid, but they can be organized into four broad categories of thought: realist, Marxist constructivist, and liberal. In addition, there are a number of empirical studies that identify a range of motivations for giving aid. In this paper, foreign aid, foreign assistance, and ODA will be used interchangeably to refer to "all resources – physical goods, skills and technical know-how, financial grants (gifts), or loans (at concessional rates) – transferred by donors to recipients" (Riddell, 2007, p.17).

Realists argue that, in an anarchic world system governed by self-interest, aid is driven by a state's pursuit of their strategic interests, particularly political and military ones (Schraeder, Hook, & Taylor, 1998). Liska describes aid as a form of economic power that states use to win over uncommitted countries to their "side," thereby improving their position of power in the global system and enhancing their security

(1960). In his analysis of foreign aid motivations, Liska uses qualitative methods to explain the U.S.'s use of aid as a tool for advancing its short-term and long-term security interests. More recent studies, such as the one conducted by Alesina and Dollar, provide quantitative support for Liska's assertions and their applicability to other countries. In their study of bilateral aid provisions, Alesina and Dollar determine that political and economic interests play a major role in states' decisions to provide aid. They also find that colonial past and political alliances are particularly large determinants of aid provision (Alesina & Dollar, 2000). Younas comes to a similar conclusion in his analysis of aid determinants for member countries of the Organization for Economic Cooperation and Development (OECD). He finds that a donor country's trade relations, as well as its political and security interests, have a large influence on its aid allocations (Younas, 2008).

The Marxist view assumes that states base aid provision on their economic interests. There are many schools of Marxist thought, from classical and neo-Marxism, to dependency and world systems theories (Schraeder, Hook, & Taylor, 1998). A common feature of these theories is the characterization of foreign aid as a tool of Western imperialism that dominant states in the global capitalist system use to "control and exploit developing countries" (Liska, 1969; Lancaster, 2007). U.S. foreign aid, for example, is used to open up new markets and provide support for governments that are friendly to the U.S. (Hayter, 1981). According to the Marxist view, aid may bring some benefits to recipient countries, but aid is ultimately provided to advance donors' interests. The Marxist and realist views share a similar perspective on the relationship between self-interest and aid, but differ in their judgement of this relationship. Marxists condemn

the exploitative nature of aid-giving, while realists present it as a natural outgrowth of the anarchic international system.

In contrast to the Marxist and realist perspectives, constructivist or idealist explanations emphasize the role of altruism and humanitarianism in the decision to provide aid (Veen, 2011). Constructivists argue that the core beliefs and identity of donors, which are derived from cultural traditions, inform aid-giving (Veen, 2011). States may provide aid out of a sense of obligation to help poorer countries, guilt over past colonialism, or a generally accepted belief that more advanced countries should help less developed countries with economic development (Veen, 2011). Lumsdaine argues that states, like humans, are not solely motivated by self-interest and desire for power. Rather, foreign aid provision is also shaped by humanitarian and egalitarian convictions (1993). Using data from the OECD on aid commitments, Berthélemy identifies countries that display altruistic aid-giving, meaning they give based on recipient need and merit, and egotistic countries that give based on self-interest (2006). He finds that Denmark, Norway, the Netherlands, Switzerland, Austria, and Ireland are more altruistic in their aid-giving, while Australia, France, Italy, the U.S., and Japan are primarily motivated by self-interest (geopolitical, commercial, financial, etc.) (Berthélemy, 2006). In a similar study, Schraeder & Stokke identifies Norway, Sweden, Denmark, Canada, and the Netherlands as countries that provide aid on the basis of “humane internationalism” (1990). Humane or humanitarian internationalism combines a sense of moral obligation to reduce poverty in developing countries with the belief that a more equal distribution of resources will serve their interests in the long-run (Degnbol-Martinussen & Engberg-Pedersen, 2003). By acknowledging that states may be motivated by both moral

obligation and enlightened self-interest, constructivists co-opt elements of the realist explanation and shield their arguments from being immediately dismissed as unrealistic.

Proponents of the liberal view contend that states use aid to cooperate on problems related to interdependence and globalization. Packerham characterizes aid as both a means to increase cooperation by promoting economic and political development and an instrument of cooperation in and of itself (1973). The liberal view assumes that countries will become more cooperative as trade and finance linkages increase and democratic norms spread (Mingst & Snyder, 2017). Aid is also meant to increase international “public goods” such as containing epidemics and addressing environmental issues (Lancaster, 2007).

Liberal internationalism is another iteration of the liberal view. Liberal internationalists argue that states are motivated by the desire to promote economic and social development in recipient countries; the desire for political stability in recipient countries; and the desire for export promotion (Chenery & Strout, 1966). This strand of liberal thought incorporates elements of the constructivist arguments and, in some sources, the two explanations appear indistinguishable (Sato & Asano, 2008). This paper treats them as separate explanations, as liberal explanations emphasize the desire to promote cooperation and democracy as a motivation for aid, while constructivist explanations emphasize humanitarianism.

Finally, recent data-driven approaches to the question of donor motivations maintain that countries are influenced by a range of motives. Which motives hold more weight differs from country to country. Riddell identifies six categories of motives for giving aid: addressing emergency needs; helping countries achieve development goals;

showing solidarity; achieving strategic interests; helping promote commercial interests of the donor; and historical ties (2007). Veen classifies the goals of aid-giving into seven categories: security, power and influence, economic self-interest, enlightened self-interest, self-affirmation, reputation, duty and obligation, and humanitarianism (2011). Lancaster offers a more concise categorization of motives, arguing that foreign aid is used for four main purposes: “diplomatic, development, humanitarian relief, and commercial” (2007). Similarly, Degnbol-Martinussen and Engberg-Pedersen argue that national security considerations, economic considerations, moral and humanitarian principles, and environmental considerations are the most important motives for aid-giving (2003). These studies do not fall into a specific school of thought, as they do not provide an overarching theory about aid-giving. However, they provide valuable insight into motivations for aid-giving on a country-by-country basis. The studies are especially useful when they comment on the dominant motivations for specific countries, as Lancaster does.

Focusing specifically on Japan, the most popular explanations for why Japan provides foreign aid are as follows: Japan is motivated by economic self-interest; Japan provides aid to bolster alliances and its geopolitical standing; Japan is motivated by both strategic and economic interests; and Japan provides aid for altruistic reasons, namely to promote world peace, human rights, and democracy, and to alleviate poverty. These explanations will be referred to as the economic self-interest argument, the realist argument, the neorealist argument, and the constructivist argument, respectively.

The economic self-interest argument is one of the most popular explanations for Japan’s aid policy post-WWII (Schraeder, Hook, & Taylor, 1998). Proponents of this

view argue that Japan uses aid to encourage trade and investment through infrastructure development (Arase, 1995). The commercial motive for aid-giving was most evident in the 1960s and 1970s when Japanese aid was “tied,” meaning aid recipients could only acquire equipment and services from Japanese companies (Takahashi & Jain, 2000). Researchers such as Ensign argue that, based on procurement statistics, Japan’s aid continued to be commercially driven well past the 1970s (1992). Schraeder, Hook, and Taylor draw a similar conclusion based on their analysis of Japanese aid patterns to African countries in the 1980s. Their study shows a positive relationship between aid and trade levels, indicating that Japanese aid mainly went to countries that Japan traded with or wanted to trade with (Schraeder, Hook, & Taylor, 1998). Arase is another proponent of the economic self-interest argument. He acknowledges that Japanese aid has been used for diplomatic purposes, but argues that aid is primarily meant to serve Japan’s economic and commercial interests (Arase, 1995). Koppel and Orr offer a more nuanced variation on the economic self-interest argument. They contend that the central theme of Japan’s ODA policy is economic cooperation offered to countries of “strategic, economic, or humanitarian” interest to Japan, in order to strengthen these countries’ self-help abilities for industrialization and economic development; strengthen Japan’s economic relations with these countries; and strengthen Japan’s security by reducing international instability and ensuring access to vital resources (1993). Variations on this theme can be attributed to Japan’s specific bilateral relationship with a country, constraints imposed by local conditions, limits on Japan’s capabilities, and Japan’s cautious approach to globalization (Koppel & Orr, 1993).

Realist explanations emphasize Japan's geopolitical and alliance considerations over its economic interests (Sato & Asano, 2008). In their 2000 study, Alesina and Dollar found that countries that voted with Japan in the UN tended to receive more aid. This correlation could indicate UN vote buying, but the voting patterns most likely reflect political alliances. They see this correlation as evidence that strategic considerations are a major factor in Japanese aid allocation (Alesina & Dollar, 2000). Sato and Asano come to a similar conclusion in their analysis of the casual relationship between three types of Japanese ODA and twelve independent variables that were grouped into three theoretical positions (realist, mercantilist, and liberal). Out of the three perspectives, they found that realist factors played the most significant role in aid allocation and that "mercantilist" factors were in decline (Sato & Asano, 2008).

The realist explanation includes the argument that Japan's aid provision is influenced by external pressure (*gaiatsu*) from the U.S. (Orr, 1990). Japan relies on the U.S. for security, and Japanese multinational corporations rely on continued access to U.S. markets. Therefore, it is in Japan's security and economic interests to maintain a positive relationship with the U.S. (Tuman, 2009). Supporting the U.S.'s security and economic agenda through aid provision is one way of maintaining this alliance. Orr traces Japan's use of aid for alliance maintenance back to the "Nixon shock" in the 1970s. Nixon decided to visit to China without consulting Japan, and he imposed a U.S. embargo on soybeans exports, which negatively impacted Japan. These events showed Japan that a) the U.S. would pursue its own interests, even to the detriment of Japan and b) Japan would have to contribute more to the U.S.-Japan relationship in order for its interests to be given more weight (Orr, 1990). In lieu of military resources, Japan used

aid as a tool to improve international development and stability in Asia. Aid allocation also created a more receptive environment for the expansion of Japanese economic activity (Orr, 1990). Proponents of the *gaiatsu* viewpoint cite Japan's decision to give aid to countries like Egypt and Turkey, which are of strategic importance to the U.S., as proof of Japan's continued responsiveness to pressure from the U.S. (Sato & Hirata, 2008). The U.S. and Japan continue to enjoy a strong security and economic relationship, but scholars disagree on the degree to which pressure from the U.S. influences Japan's foreign policy decisions in the post-Cold War era (Potter & Sueo, 2003).

The neorealist explanation emphasizes both economic and strategic interests as drivers of aid-giving (Sato & Hirata, 2008). Hook and Zhang argue that Japan seemed to adopt a new approach to aid in the 1990s that went beyond geo-economic self-interest. In reality, however, Japan continued to provide aid on the basis of its economic and security interests (Hook & Zhang, 1998). They point to Japan's selective use of aid sanctions against countries such as China, India, and Pakistan, which threatened regional stability through nuclear testing, as evidence of the security dimension of aid (Hook & Zhang, 1998). Rix, Lancaster, and Riddell also adopt the neorealist view, but include the preservation or improvement of national image as a key motivation. According to Rix, Japan uses aid to reduce its vulnerability to resource scarcity, foreign criticism, and shifts in the "international economic climate" (Rix, 2010). Lancaster cites an annual ODA report from 1997, which links Japan's aid provision to taking an "honored place" in the international system, as evidence of the relationship between Japan's aid-giving and its national image (Lancaster, 2007).

Jain also highlights the relationship between Japan's aid program and the pursuit of national interests. In the 2000s, Japanese officials realized that aid expenditures needed to be justified to the domestic public in the face of sluggish economic growth and national budget cuts (Jain, 2014b). This new understanding appears in government documents such as the 2003 ODA Charter, which portrays Japan's aid program as something that will serve Japan's national interests and contribute to "peace and development of the international community" (Jain, 2014b; MOFA, 2003). Neorealists do not dispute that Japanese officials may care about issues such as poverty alleviation and human rights or that recipient countries can benefit from ODA programs. They also do not claim that Japan's aid program is only driven by self-interest. Rather, neorealists argue that the pursuit of economic prosperity and strategic interests (security, strategic allies, etc.) is the most salient motivation for Japan's aid-giving (Jain, 2016).

Constructivists argue that Japan provides aid because it feels obligated to contribute to the international community. Aid is seen as a way to contribute to conflict prevention and peace building. Akiko argues that measures such as the ODA doubling plan, the untying of bilateral aid, and the provision of aid to Sub-Saharan Africa indicate Japan is committed to fostering world peace (Takahashi & Jain, 2000). In their study of Japan's aid disbursement to 86 countries from 1979 to 2002, Tuman, Strand, and Emmert find that *gaiatsu* and economic interests are not strong determinants of allocation. Rather, aid is concentrated in poor countries that do not trade with Japan or have oil (2009). Kim and Potter present a hybrid realist-constructivist explanation for Japan's aid, arguing that aid has become both more security-orientated and more concerned with humanitarian issues (Kim & Potter, 2013). The constructivist argument and other explanations are not

mutually exclusive, and incorporating constructivist elements into these explanations could provide insight into Japan's aid provisions to African countries that are not strategically important to Japan.

The following chapters will show that the neorealist view is the most compelling explanation for why Japan provides aid. Japan's aid program is motivated by a combination of economic and strategic interests. The neorealist view also explains Japan's aversion to imposing aid sanctions on strategically and economically important countries.

Chapter 2

Japan's Economic Interests

Japan has a history of using aid to pursue its economic interests, chief among them economic development. Under the San Francisco Treaty, Japan provided reparations to help rebuild infrastructure in Asian countries affected by World War II (Asplund & Söderberg, 2017). Consequently, Tokyo signed reparations agreements with Myanmar in 1955, the Philippines in 1956, Indonesia in 1958, and Vietnam in 1960.¹ Japan's program may have started as reparations, but it quickly became a tool to further Japan's economic development (Arase, 1995). For example, per recipient request, Japan provided reparations in the form of hydropower plants, paper plants, and other infrastructure projects rather than consumer goods (Fujikura & Nakayama, 2016). In order to manage the distribution of these capital goods, Japan instituted a "request-based" system in which Japanese firms in recipient countries would identify a project and present it to recipient governments. The recipient government would then ask the Japanese government to fund the project. Once the Japanese government approved the project, the same Japanese companies would implement the project (Lancaster, 2007). This arrangement helped expand the exports of Japanese companies and led to the production of raw materials such as minerals and lumber that Japan would then import from the recipient country (Lancaster, 2007; Arase, 1995).

In addition to reparations, Japan introduced yen loans and used them, in conjunction with foreign direct investment, to promote exports from infant industries.

¹ The agreements with each country eventually expired - Vietnam and Myanmar in 1965; Indonesia in 1970; and the Philippines in 1976- but these countries remain the top recipients of Japanese aid (Fujikura & Nakayama, 2016).

Japan made a \$50,000 contribution to the Colombo plan in 1954 and its first yen loan to India in 1958 (Fujikura & Nakayama, 2016; Lancaster, 2007). As Japan moved up into the ranks of industrialized countries, the focus of Japan's aid expanded to address issues such as diplomacy and energy security (Lancaster, 2007). Yet, even as the focus of its aid program expanded, economic interests remained the primary focus of the program and remained so throughout the 1980s (Arase, 1995). In the 1980s, aid was used to promote foreign direct investment and facilitate the movement of labor-intensive industries to Asian countries (Arase, 1995). Moving these industries to Asia enabled Japan to import manufactured goods from Asia and focus on developing high-value, knowledge-based industries domestically (Arase, 1995).

While the primacy of economic interests in Japan's aid program diminished in the 1990s, this chapter argues that Japan's aid-giving is still largely motivated by its desire for economic growth. In 2013, the government introduced a strategy of export-driven economic growth as part of its effort to bring the country out of its prolonged economic slump (Yoshimatsu, 2017; Okuda, 2015). The strategy consists of the government providing aid loans to recipient countries, mainly in Southeast Asia, for infrastructure development. Measures such as "tying" loans to Japanese businesses ensure that recipient countries choose Japanese companies to carry out the infrastructure projects. These companies complete the projects using infrastructure systems from Japan, which exports from Japan and, in theory, contributes to Japan's GDP (Yoshimatsu, 2017).² In addition, by improving infrastructure in recipient countries, the companies further facilitate trade

² In this paper, the term "infrastructure systems" refers to the technology and general materials used to create infrastructure such as railways, roads, bridges, ports, airports, and energy structures (Hornung & Reeves, 2017; Ministry of Foreign Affairs [MOFA], 2015b).

between Japan and recipient countries (Wallace, 2018). Assuming that aid allocations are a reflection of Japan's motivations, the fact that the majority of Japan's aid goes toward projects that advance the growth strategy outlined above demonstrates that Japan is mainly providing aid to revitalize its economy.

This chapter contains the following sections. The first section shows that Japan has struggled to grow economically following the bursting of its bubble economy in 1990. It also discusses the government's strategy of exporting infrastructure systems as a means to promote economic growth and why the government chose this strategy. The second section shows that Japan directs the majority of its aid to infrastructure projects in Southeast Asia and explains how this characteristic of the aid program benefits Japan's economic interests. The chapter ends with an examination of and response to the constructivist explanation for Japan's aid-giving.

Japan's Economy

Japan's economic has been struggling since the bursting of Japan's "bubble economy" in 1990. In the 1980s, real estate and stock prices rose rapidly, creating an asset price bubble that inevitably "popped" when prices decreased dramatically (Lim, 2014). According to Hausman and Wiedland, from 1991 to 1996, land prices decreased by 50%, and the Nikkei, the index of Japanese stocks, fell by almost 60% from 1989 to 1992 (2014). The bursting of the asset bubble led to economic stagnation and deflation, which have lasted for two decades (Hausman & Wiedland, 2014). Figure 1 shows that since 1992, Japan's annual real GDP growth has remained below the aggregate of annual real GDP growth of advanced economies (IMF, 2019). Japan experienced a modest recovery from 2002 to 2007, but that was soon wiped out by the 2008 financial crisis

(Tonami, 2018; Hausman & Wiedland, 2014). Then, in 2011, Japan was hit by a tsunami and earthquake that killed close to 200,000 people and caused the second worst nuclear disaster after Chernobyl nuclear accident in 1986 (Feldhoff, 2014; Hausman & Wiedland, 2014). As a result of these disasters, Japan’s annual real GDP growth decreased from 4.2% in 2010 to -0.1% in 2011 (Hausman & Wiedland, 2014).

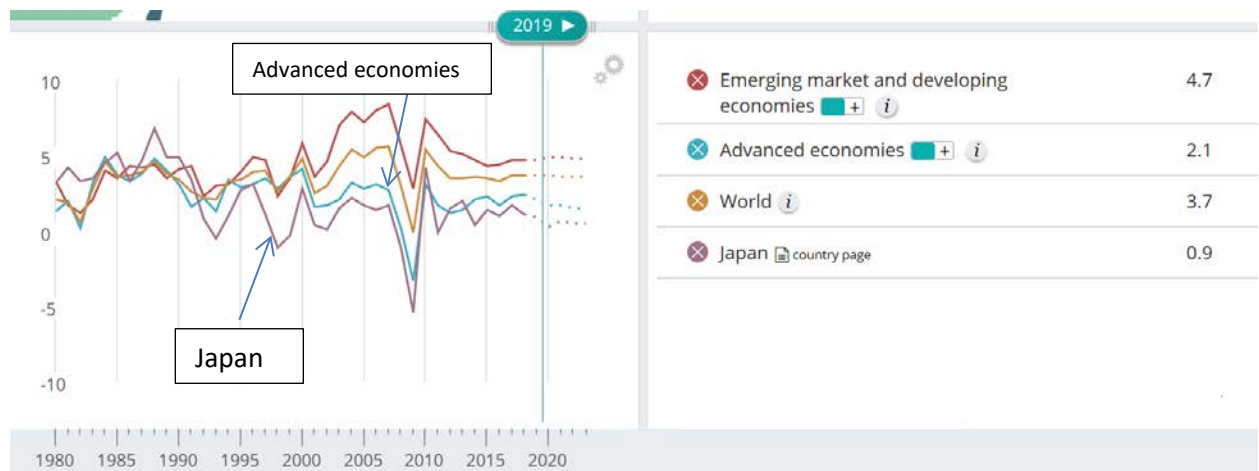


Figure 1: Comparison of Japanese real GDP to real GDP of advanced economies, the world, and emerging markets (1980-2019) (IMF, 2019)

In order to bring Japan out of its decades-long state of slow growth and deflation, the government instituted a three-pronged program called “Abenomics” in 2013.³ The three arrows of the program are loose monetary policy, fiscal stimulus, and structural reforms that promote sustainable economic growth (Glosserman, 2014). The purpose of the program is to increase both GDP growth and domestic demand and bring inflation up to 2%. The 2% inflation rate that the program was supposed to bring has yet to materialize, but Japan has experienced solid economic growth since 2014 (IMF, 2018a).

³ The program is named after Prime Minister Shinzo Abe.

Infrastructure System Export Strategy

Another pillar of Abenomics is economic growth through infrastructure systems exports (Okuda, 2017). The government unveiled the Infrastructure System Export Strategy in 2013, which provides guidelines for “strengthening physical, institutional, and human connectivity within and among regions, including Asia, Middle East, and Africa” through infrastructure development (MOFA, 2018, p.326). It also set the target of tripling infrastructure exports by 2020 (Reuters, 2013). The director-general of the Railway Bureau of the Ministry of Land, Infrastructure, Transport and Tourism explained in a 2017 interview that Japan was focusing on exports of infrastructure systems in order to “revitalize the Japanese economy” and meet global demand for transportation infrastructure (Okuda, 2017). To this end, the government and private businesses have been collaborating to increase exports of infrastructure systems.

It is risky for businesses to take on infrastructure projects because of the large scale and long-term nature of these projects (Yoshimatsu, 2017). To encourage business to take on these projects, the government provides recipient governments with aid loans to finance them (Yoshimatsu, 2017; Okuda, 2015). As part of the conditions for the loans, the Japanese government requires that recipient governments choose Japanese companies to complete the projects (Yoshimatsu, 2017; Wallace 2018). This practice, referred to as “tying” aid, is frowned upon by the aid-giving community, but Japan’s 2018 Diplomatic Bluebook advocates for the use of ODA to “further promote the overseas expansion of Japanese companies,” which presumably includes tying aid (Manning, 2016; MOFA, 2018, p. 271). By tying aid loans for infrastructure projects to Japanese companies, the government ensures that the materials and technology needed to complete the projects are

coming from Japan (Yoshimatsu, 2017). The hope is that the increase in Japanese infrastructure system exports will then contribute to Japan's economic growth (Yoshimatsu, 2017).

Demographic Problems and Economic Growth

The government's focus on export-driven economic growth is informed by predictions about the economic effects of Japan's shrinking and aging population (Yoshimatsu, 2017). Due to low birth rates, the population is expected to decrease by 40% in the next 40 years. This decline in population is expected to cause real GDP to decrease by 25% (IMF, 2018b). Japan's population is also aging. Three-in-ten people in Japan are over the age of 65, and the ratio is expected to increase to four-in-ten over the next 40 years (IMF, 2018a). The combination of an aging society and shrinking population will decrease productivity, consumption, and investment (IMF, 2018a; Yoshimatsu, 2018). The government could use fiscal stimulus to boost consumption, but the increased need for medical services and social security for the aging population will reduce the government funds available to carry out this stimulus (Yoshimatsu, 2017). Because domestic consumption, domestic investment, and government expenditures are unlikely to stimulate economic growth, the government views exporting infrastructure systems as a viable alternative for revitalizing the economy (Yoshimatsu, 2017). The next section will show that Japan directs the majority of its aid toward projects that advance the government's export-driven strategy growth strategy.

Aid for Infrastructure Projects in Southeast Asia

In line with the strategy of the Infrastructure Export System Strategy, Japan devotes most of its aid to economic infrastructure projects. Certain types of infrastructure can be categorized as both economic and social infrastructure.⁴ However, economic infrastructure is generally defined as “infrastructure that promotes economic activity,” such as roads, ports, electricity, etc. (Fourie, 2006, p.531). Social infrastructure is defined as “infrastructure that promotes the health, education and cultural standards of the population – activities that have both a direct and indirect impact on the quality of life” (Fourie, 2006, p. 531). Infrastructure such as schools, hospitals, and libraries are included in this category. Figure 2 shows the sectoral allocation of Japan’s ODA compared to average sectoral allocation from 2005-2014 of countries that are members of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) (Asplund & Söderberg, 2017). Japan devotes more aid to economic or hard infrastructure and services (50%) than other DAC countries (23%) (2017). Twenty-nine percent (29%) of Japan’s aid goes to social or soft infrastructure and services compared to the 56% allocated by DAC countries (Asplund & Söderberg, 2017). Figure 3 shows that in 2015-2016, within the category of economic infrastructure and services, Japan allocated the majority of its \$9.3 billion of net aid to transport, storage, and energy creation and supply (OECD, 2018; OECD, 2016). In comparison, Japan’s humanitarian aid allocation was \$921 million (OECD, 2018). Based on the data presented above, Japan’s aid program appears to be primarily geared toward projects that are likely to require infrastructure system exports and projects that support

⁴ Building houses, for example, can have both social and economic effects. Therefore, housing could be categorized as either economic or social infrastructure (Fourie, 2006).

economic activity in recipient countries. The way in which economic infrastructure can promote economic activity will be discussed later on in the chapter.

Another characteristic of Japan's aid program is its focus on Southeast Asia. The 2015 Development Cooperation Charter makes specific mention of infrastructure development in countries that are part of the Association of Southeast Asian Nations (ASEAN). The charter states that development cooperation will be extended to ASEAN countries to promote the creation of the ASEAN Community and help with the "development both physical and non-physical infrastructure including that which is needed for strengthening connectivity and the reduction of disparities both within the region and within individual countries" (MOFA, 2015). This commitment is reflected in Japan's regional allocations. As mentioned above, the majority of Japan's aid goes toward infrastructure development and, in 2016-2017, 33% of Japanese ODA went to South and Central Asia, while 26.9% went to other Asian countries and Oceania (OECD, 2018). In terms of specific countries, data from the OECD on average gross disbursements of bilateral aid shows that, from 2012 to 2016, Vietnam, Indonesia, Myanmar, Thailand, and the Philippines were consistently among the top ten recipients of Japanese ODA (OECD, 2018; OECD, 2017; OECD, 2016; OECD, 2014). Because the majority of Japan's aid goes to Southeast Asian countries and infrastructure, it follows that Japan is mainly using aid to fund infrastructure in Southeast Asia.

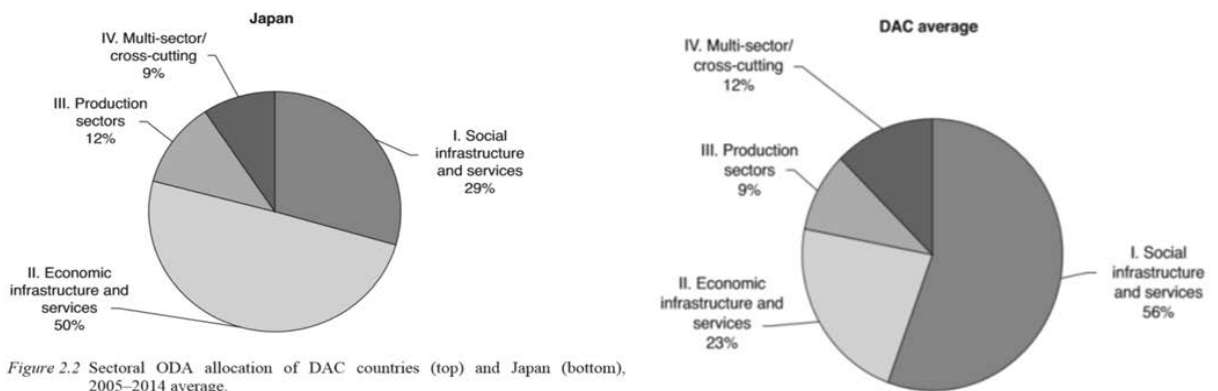


Figure 2.2 Sectoral ODA allocation of DAC countries (top) and Japan (bottom), 2005–2014 average.
Source: OECD Stat.

Figure 2: Average Sectoral ODA Allocation of the DAC and Japan (2005-2014) (Asplund & Söderberg, 2017)

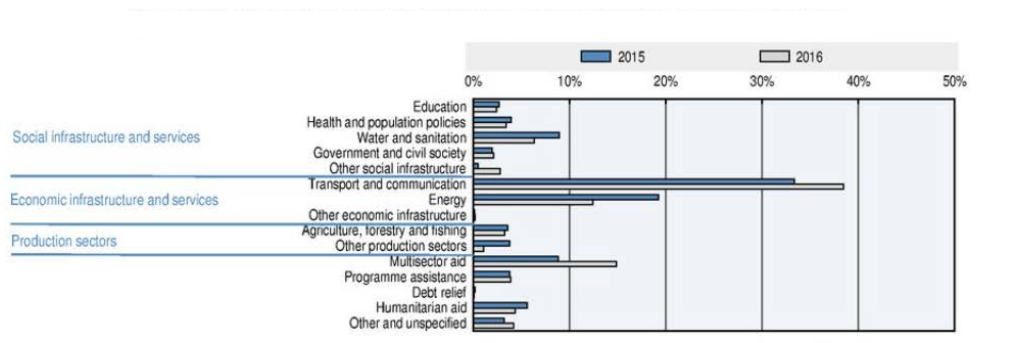


Figure 3: Share of Japan's gross bilateral ODA by sector (2015-2016) (OECD, 2017)

The focus on infrastructure projects in Southeast Asia makes sense in light of Japan's economic relations with countries in the region. Japan not only shares a wartime history with some Southeast Asian countries, it also has strong trade and commercial ties with them. Japan still conducts the majority of its trade with China and the U.S., but there has been a shift in ODA, investment, and trade relations to Southeast Asian countries (Wallace, 2018). Nine of Japan's 15 economic partnership agreements (EPAs) that came into effect in 2017 were with Southeast Asian nations and, after China, Japan is ASEAN's second largest trading partner (Sim, 2016; Wallace, 2018). In 2015, Japan was also the single largest national financier of foreign direct investment (FDI) to ASEAN

(Pacheco Pardo, 2017). The majority of the investment went to infrastructure development (Pacheco Pardo, 2017).

With regard to the top recipients of Japanese aid, Indonesia supplies Japan with natural gas, access to shipping lanes for oil from the Middle East, and foreign direct investment, and the two countries share community ties (Trinidad, 2007). Thailand has been a major aid recipient because stabilizing Thailand was seen as a key factor for maintaining stability in Southeast Asia generally. Thailand has achieved a certain level of political and economic stability, but aid continues to flow there because of Japan's sizable investments in the country (Trinidad, 2007). The Philippines is a priority because of Japanese business interests, the convergence of interests between Japanese businesses and Filipino elites, and Japan's desire to support U.S. policy toward the Philippines (Trinidad, 2007).

Japan also has economic ties with Vietnam and Myanmar, albeit to a lesser degree than with Indonesia, Thailand, and the Philippines. Japan is Vietnam's "third largest investor and trading partner" (Vuving & Do, 2017, p.164). Japan was Myanmar's largest trading partner prior to the military coup in 1988. The coup led to a decrease in the flow of Japanese aid and investment into Myanmar (Hong, 2014). In 2010, however, the Burmese government began loosening economic and political controls. Japan hopes to take advantage of what it views as positive political changes to strengthen its economic and political ties with Myanmar, and aid is part of the larger effort to engage with Myanmar (Hong, 2014). The correlation between the top recipient countries of Japanese aid and Japan's major economic partners ensures that Japan reaps the benefits of the improved infrastructure in these countries.

The Role of Infrastructure Development in Facilitating Trade

By funding infrastructure development in economically important countries in Southeast Asia, Japan is increasing their capacity to trade with Japan (Yamamoto, 2017). When everything proceeds according to the government's plans, Japan's tied aid loans for infrastructure can have two effects. The first effect is an increase in Japanese infrastructure system exports to Southeast Asia. The second effect is an increase in trade due to improved infrastructure. Wallace (2018) succinctly explains the benefits of infrastructure development for trade:

Deploying 'connectivity' infrastructure helps to facilitate in a timely, efficient and cost-effective fashion the movement of natural resources, industrial components and other inputs, human resources, information and, ultimately, finished goods for distribution and sale, between specialized industrial nodes within an economic corridor.

Building roads, bridges, ports, and other forms of economic infrastructure ensures that goods from Japan can be brought into Southeast Asian countries and manufactured goods can be efficiently transported to Japan at a lower cost, thereby facilitating trade between Japan and Southeast Asian countries (Pacheco Pardo, 2017).

In addition to increasing trade, infrastructure development has a political dimension. Private actors are unlikely to invest in infrastructure projects without government-backing, and the process of building and maintaining infrastructure can take years or decades (Moyo, 2010; Pardo Pacheco, 2017). By supporting infrastructure development, Japan is signaling that it is committed to having a long-term economic relationship with Southeast Asian nations (Wallace, 2018). To summarize the two

preceding two sections, Japan's aid program is primarily geared toward economic infrastructure development in Southeast Asia. Because building infrastructure in Southeast Asia contributes to the Japanese government's goal of economic growth through infrastructure exports and facilitates trade between Japan and Southeast Asian countries, it is reasonable to assume that Japan's aid program is strongly motivated by the desire for economic growth. Hereafter, when the term "infrastructure" is used, it refers to economic infrastructure.

One could argue that the overwhelming focus on infrastructure in Southeast Asia does not prove that Japan's aid-giving is solely motivated by the pursuit of economic growth, because there is an acute need for economic infrastructure investment, particularly in energy and transportation infrastructure, in developing countries (Pacheco Pardo, 2017). China, Southeast Asia, and India constitute the majority of this demand (Pacheco Pardo, 2017). The Asian Development Bank (ADB),⁵ which provides financial assistance for development, has a capital base of \$165 billion, but the estimated need for infrastructure investment between 2011 and 2020 is \$8.2 trillion (Pacheco Pardo, 2017). Therefore, assuming that infrastructure development actually benefits countries, Japan's ODA is addressing a need in Southeast Asia. This paper does not dispute that there is an acute need for infrastructure in Southeast Asian countries. However, aid can benefit recipients and still be primarily motivated by a desire for economic growth. Given that the majority of Japan's aid goes toward projects that advance its growth strategy, it is reasonable to assume that Japan's primary goal in giving this aid is the pursuit of economic growth. In addition, Japan has implemented projects that benefit Japan more

⁵ The ADB specifically provides loans, grants, and technical assistance to countries in the Asia-Pacific region (Asian Development Bank [ADB], 2019).

than the recipient country (Furuoka, 2005). For example, according to Arase, in the 1980s Japan used aid to fund the Eastern Seaboard Project in Thailand. The project did not make sense in terms of efficient resource allocation, but it did contribute to Japan's economic goal of moving labor intensive industries to Thailand (1995). These types of occurrences suggest that, in some instances, Japan finances infrastructure that only serves its interests.

Constructivist Counterargument and Response

Proponents of the constructivist explanation for Japan's aid-giving argue that Japan's effort to follow the norms of the DAC of the OECD demonstrates that its aid program is geared toward poverty-reduction (Takahashi & Jain, 2000; Kato, 2016). These norms include the expectation that member countries will devote most of their aid to social and administrative projects in low-income countries and distribute more grants than loans (Lancaster, 2010). In response to criticisms from member countries of the DAC, Japan has worked to modify its aid program to conform to these norms (Jain, 2016)

.⁶ Although bilateral loans continue to make up the largest percentage of Japan's aid, Japan has increased its disbursement of bilateral grants, mainly in the form of technical assistances (Owa, 2017; Arase, 2005). Japan has also allocated more aid to poor countries like Bangladesh and Sri Lanka (Manning, 2016). Even Japan's focus on infrastructure could be interpreted as a sign of its commitment to poverty reduction because economic growth can lift people out of poverty (Lancaster, 2007).

Whether economic growth automatically leads to poverty reduction is up for debate. However, Japan's focus on middle-income countries over least developed

⁶ Member countries of the DAC write "peer reviews" which judge the quality of each member country's program. Other member countries have criticized Japan's program in these reviews (Manning, 2016).

countries (LDCs) challenges the argument that Japan is primarily concerned with poverty-reduction. LDCs are countries that have a three-year average gross national income (GNI) per capital level of less than \$1,025 and low levels of human capital, and are judged to be vulnerable to economic and environmental shocks (UN, n.d.). Because LDCs arguably have the most need, DAC countries typically direct most of their aid to these countries (Lancaster, 2010). In 2016, the majority of Japan's bilateral aid (45.1%) went to low middle-income countries (OECD, 2018). LDCs received 20% of Japan's aid, which was slightly below the DAC country average of 21.9% (OECD, 2018). Out of the top recipients of Japanese aid, only Myanmar is classified as an LDC (UN, 2018). If poverty reduction through economic growth was a major objective of Japan's aid program, Japan would probably direct more of its aid to the most impoverished countries (Pacheco Pardo, 2017). Instead, it directs most of its aid to infrastructure projects in economically important countries.

Conclusion

From the 1950s through the 1980s, aid was primarily used to promote Japan's economic development. The "request-based" system for distributing reparations helped establish Japanese private companies in Asian countries. These companies created infrastructure in the recipient countries, which then lead to the development of markets for Japanese goods (Arase, 1995). In addition to creating markets for Japanese goods, aid also served more indirect economic functions such as enabling access to raw materials, influencing recipient governments to implement favorable trade policies, and contributing to the restructuring of domestic industries (Arase, 1995). Eventually, rapid growth in the 1980s diminished the need to use aid to secure export markets. However, Japan continued

to direct the majority of its aid to infrastructure projects in Southeast Asia in order to promote trade between Japan and countries in the region. Thus, while economic interests are not the sole drivers of Japan's aid program anymore, Japan's aid-giving is still strongly geared toward the pursuit of economic interests. The next chapter will show that the pursuit of strategic interests has also emerged as an important driver of Japan's aid program.

Chapter 3

Japan's Strategic Interests

The neorealist view argues that donor countries base their aid provisions on both economic and strategic interests as the main drivers of aid-giving. The last chapter showed that Japan's pursuit of economic growth motivates its aid-giving. This chapter will demonstrate that Japan's aid-giving is also motivated by the pursuit of strategic interests. The term "strategic interests" can encompass a large range of topics from diplomatic relations to maritime security. In this chapter, "strategic interests" refer generally to non-economic issues related to the well-being of Japan.

This chapter shows that the pursuit of strategic interests has become a major driver of Japan's aid policy. The concept of aid as a strategic tool has its origins in the "comprehensive security plan" Japan created after a series of events shocked Japan economically and politically in the 1970s (Yamamoto, 2017). As a result of these shocks, beginning in the 1970s, Japan used aid not only for economic interests, such as to access raw materials and expand trade, but also for strategic interests, such as to secure energy resources and strengthen diplomatic ties. Eventually, the advancement of Japan's strategic interests became an official part of Japan's aid program beginning in 2003. Revisions to Japan's aid charter and key legislative changes that enabled the implementation of the new strategic direction of aid outlined in the charter show that the pursuit of strategic interests is a major aid objective. In particular, the government revised the aid charter in 2003, placing a greater emphasis on using aid to advance Japan's peace and security. This new language remained in the charter when it was revised again in 2015. Further, in connection with the 2003 revision, Japan established a new aid scheme

in 2006 and enacted legislative changes that allowed aid to be given to foreign militaries. Over the years, Japan has followed through on this new direction through the provision of aid-funded military vessels and coastguard training to Southeast Asian nations. Taken together, these changes show that aid is viewed by the government as a strategic tool.

The chapter begins with a brief history of the shift in Japan's program from a purely economic focus to a strategic and economic focus. The second section explains why the pursuit of strategic interests has joined the pursuit of economic interests as a goal for Japan's aid program, even though it may not be as deeply rooted as the pursuit of economic interests. The third section argues that the shift toward an aid program driven by strategic goals is rooted in Japan's security concerns vis-à-vis China. The fourth section illustrates the fact that Japan has a limited number of strategic tools to address certain security threats posed by China. The final section then lists the policy and legislative changes that have established the pursuit of Japan's strategic interests as a key aid objective. The section also provides examples of the ways in which Japan uses aid as a strategic tool.

History of Aid as a Strategic Tool

From 1954 into the 1980s, Japan's aid program was primarily geared toward pursuing economic interests. However, in the 1970s, the motivations underlying Japan's aid program expanded to include the pursuit of diplomatic goals and resource security (Lancaster, 2007). This shift occurred due to pressure from the U.S. and a series of economic and political shocks during the 1970s related to oil, food, and diplomacy (Yamamoto, 2017).

One shift in the use of Japan's aid occurred in the area of alliance maintenance. In 1960, Japan was admitted to the Donor Aid Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).¹ At this time, Japan's aid provisions were relatively small – averaging around 0.25% of its gross national product (GNP) while the average of all DAC members was 0.50% of GNP (Lancaster, 2007). However, pressure from the U.S. to share in the burden of securing Asia in the 1970s motivated Japan to increase its aid allocations (Lancaster, 2007). Japan could not offer military support to the U.S. because of Article 9 of the Japanese constitution, which forbids Japan from having a military, but Tokyo hoped that aid would supplement U.S. efforts in the region. To this end, Japan increased its aid from \$246 million in 1960 to \$5.8 billion in 1973 (Kim & Potter, 2012). This experience expanded the focus of Japan's aid program to alliance maintenance.

In addition to pressure from the U.S., a series of economic and political shocks during the 1970s caused Japan to shift the focus of its aid program from purely economic goals to diplomacy and security goals (Lancaster, 2007). The first two shocks were an oil shock, when the Organization of Oil Producing Economies (OPEC) instituted an oil embargo in 1973, and a food shock, also in 1973, when President Nixon placed an embargo on U.S. soybeans going to Japan. The oil shock raised the price of oil and showed that unrest in other regions could negatively affect Japan's access to energy and trade and thus threaten Japan's security (Yamamoto, 2017). Consequently, Japan sent a mission with a large aid package to OPEC countries and later to China (for oil) to strengthen diplomatic ties (Arase, 1995; Asplund and Söderberg, 2017). Accordingly, aid

¹ The Development Assistance Committee (DAC) of the OECD is a global aid organization comprised of 29 member countries, the majority of which are Western industrialized countries (Jain, 2016).

was added to Japan's "comprehensive security" strategy, which placed a "greater emphasis on economic and diplomatic means than on military means for pursuing the nation's security" (Yamamoto, 2017; Akaha, 1991, p.324). Turning to the soybean shock, the shortage of soybeans created by President Nixon's embargo, as well as potential future food insecurity, motivated Japan to extend aid beyond its traditional recipients in Asia to countries like Brazil (Lancaster, 2007).² These two shocks drove Japan to place a greater importance on natural resource and food security as a foreign policy goal and to use aid to pursue this type of security (Kato, 2016; Lancaster, 2007).

Another shock that influenced Japan's aid program related to diplomacy. This shock occurred when Prime Minister Tanaka Kakuei's visit to Southeast Asia was met with protests in Thailand and Indonesia (Kato, 2016). The protests were a reaction to the perceived oversaturation of Japanese firms in these countries (Kato, 2016). They were also a manifestation of the anger citizens in these countries felt towards the idea that Japan was only engaging with Southeast Asian countries in order to promote its commercial interests (Lancaster, 2007). One of the effects of these protests was that they led Japan to rethink the practice of using aid to support the expansion of Japanese businesses in the region and its policy toward Southeast Asia in general (Lancaster, 2007). Consequently, the government created the Fukuda Doctrine, named after Prime Minister Fukuda Takeo (Kato, 2016). The doctrine expressed Japan's disavowal of becoming a military power, its commitment to helping foster peace and prosperity in Southeast Asia through development assistance to countries in the region, and its desire for a positive

² There was a possibility of expanding the production of soybeans in Brazil and exporting them, along with other agricultural goods, to Japan (Lancaster, 2007).

relationship with Southeast Asian nations based on “mutual trust and understanding” (Pressello, 2018).

Outreach to Southeast Asia continued under Prime Minister Hashimoto Ryutaro and Prime Minister Obuchi Keizō (Peng Er, 2001). For example, Prime Minister Hashimoto suggested holding Japan-ASEAN³ political summits and bilateral security talks (Peng Er, 2001). Then, when South Korea, Thailand, and Indonesia were suffering from the effects of the 1997 East Asian financial crisis, Prime Minister Obuchi provided a major aid package of \$42 billion (Peng Er, 2001). Prime Minister Abe Shinzo has continued this policy of engagement. During his first year in office in 2006, he visited all 10 ASEAN countries (Sim, 2016). In 2013, he marked the 40-year anniversary of Japan-ASEAN relations by pledging to give \$26.6 billion worth of aid loans over five years (Sim, 2016). Then, in 2016, he pledged to disburse about \$7 billion worth of aid to Cambodia, Laos, Myanmar, Thailand, and Vietnam over three years (Sim, 2016).

The final shock, also related to diplomacy, was President Nixon’s decision to visit China in 1972 and thus end China’s diplomatic isolation (Lancaster, 2007). Japan was not given advance notice of this visit, but it quickly also established diplomatic ties with China after the visit and began providing aid in 1979 (Lancaster, 2007; “After 40 Years,” 2018). The aid program to China eventually became Japan’s largest program (Lancaster, 2007). This program funded economic infrastructure projects, poverty reduction, and human resource training in China for 40 years before ending in 2018 (“After 40 Years,” 2018). Japan viewed this aid through both an economic and a political lens. On the

³ ASEAN stands for the Association of Southeast Asian Nations. ASEAN was formed in 1967 and its current members are the Philippines, Laos, Cambodia, Myanmar, Vietnam, Singapore, Malaysia, Brunei Darussalam, Indonesia, and Thailand (U.S. Department of State, 2019).

economic side, aid-funded infrastructure projects would help make trade easier between the two countries. On the political side, Japan's help would create a better relationship between the countries and lead to a Chinese foreign policy that was compatible with the existing global order (Suzuki & Wallace, 2017). As a whole, the shocks described above forced Japan to place a greater importance on aid as a tool for promoting Japan's diplomatic and security goals (Yamamoto, 2017).

Centering of Strategic Interests

Although Japan views aid as a strategic tool, its use in this context is not as deeply rooted as its use as an economic tool. This circumstance is due to the origins of the aid program and the general nature of Japan's post-WWII focus on economic growth. From the outset of the aid program, aid policy was controlled by the Ministry of International Trade and Industry (MITI)⁴ and the Ministry of Finance (MOF), which were concerned with business interests. As a result, aid was primarily used as a tool to advance Japan's economic development (Yamamoto, 2017). In addition, some researchers argue there has been a cultural taboo on public debates about military issues (Yuri, 2003). The taboo is exemplified by the fact that, up until the early 1990s, Japan was one of the few developed countries where there was a dearth of security-related courses in universities (Yuri, 2003).

The shift in the aid program toward strategic pursuits is a more recent phenomenon. It was only in the 1990s that the country began pursuing a more active foreign policy. Yamamoto provides a concise overview of the evolution of the government's view of foreign policy. He argues that up until the 1990s, the Heisei Kenkyūkai faction in the ruling Liberal Democratic Party (LDP) was the dominant

⁴ The MITI was reorganized to the Ministry of Economy, Trade and Industry (METI) in 2001 (METI, n.d.).

faction. The faction was more concerned with economic growth and supported the Yoshida Doctrine, which committed Japan to a strategy of using economic means to achieve political power and leaving issues of security to the U.S. (Arase, 1995; Yamamoto, 2017). The Yoshida Doctrine extended to Japan's use of aid (Yamamoto, 2017). However, the loss of power of the Heisei Kenkyūkai faction due to electoral system reform created more space in the government for political figures who wanted to focus on developing Japan's foreign policy (Yamamoto, 2017). Consequently, political activity surrounding foreign policy increased (Yamamoto, 2017). As a result of the increase in political activity surrounding foreign policy, aid policy started to be used as a political tool. For example, Japan suspended grant aid to China in 1994 in response to China's nuclear weapons tests (Takamine, 2006).⁵

The emphasis on foreign policy was then deepened and expanded by the Seiwa Seisaku Kenkyūkai (seiwakai) faction of the LDP, which rose to power in 2001. The seiwakai faction was committed to moving away from the Yoshida Doctrine and instituting new diplomatic and security policies (Yamamoto, 2017). Under Prime Minister Abe, the government has continued to prioritize diplomatic and security issues through his proactive national strategy. The strategy has led to measures such as overturning the ban on arms exports introduced in 1976 and re-interpreting the constitution's "peace clause" to expand the definition of self-defense (Furuoka, 2016).

⁵ While the aid sanctions were not uniformly implemented for strategic reasons, the decision to sanction China was most likely a result of changing perceptions of China's military modernization (Takamine, 2006). In the early 2000s, mainstream Japanese policymakers and specialists did not see China's military capabilities as an immediate threat. Nevertheless, the possibility of China becoming a threat in the future and the belief that Japan was indirectly advancing China's militarization through aid provisions convinced policymakers that Japan needed to use its aid to discourage "disruptive" Chinese military behavior (Takamine, 2006, p. 445).

With regard to aid specifically, Prime Minister Abe has sought to expand the role of aid in security beyond “comprehensive security” (Yamamoto, 2017). One product of this effort is the argument for using aid as a strategic tool that is included in the 2013 National Security Strategy (NSS). The NSS states that in order to facilitate the “strategic utilization of ODA,” Japan will develop a system that “enables assistance to potential recipient organizations that cannot receive Japan’s assistance under the current schemes” (Kantei, 2013). The inclusion of aid as part of Japan’s national security strategy shows that the government views aid as a strategic tool, joining the long-standing view of aid as an economic tool.

Japan’s Security Environment

The shift toward an aid program driven by strategic goals is also a reflection of Japan’s security concerns in the Asia-Pacific region. Among Tokyo’s chief security concerns are North Korea’s nuclear weapons program, an increasingly assertive China, and the security of energy and resource imports. These concerns are exacerbated by both the U.S.’s seeming disinterest in its security commitments in Asia and China’s efforts to impose costs on U.S. intervention in the region (Suzuki & Wallace, 2018).

China, in particular, is seen as a threat to Japan’s resource and general maritime security. In 2009, China distributed a note to all UN members declaring the country’s sovereignty over islands in the South China Sea (Yamamoto, 2017). The note and change in slogans have been accompanied by increased Chinese activity in the South China Sea and East China Sea. Specifically, China seized Mischief Reef and the Scarborough Shoal from the Philippines, which are located in the South China Sea (Horowitz, 2015). Also, in 2014, it began constructing islands in a disputed area of the South China Sea (it has

completed seven of these islands). China then ignored the Hague's 2016 ruling that denied its claims of ownership of territories in the South China Sea (Pei, 2018). In the East China Sea, China has increased naval activity near the disputed Senkaku/Diaoyu islands (Lubin, 2019). China has also established an air defense identification zone (ADIZ) over the East China Sea that overlaps with Japan and South Korea's respective ADIZs (Pei, 2018). Japan views these numerous actions as part of China's strategy to enforce its territorial claims (Yamamoto, 2017).

Further, Japan fears that China's territorial claims in the South China Sea will threaten the sea lines of communication (SLOC) – trade routes used to bring goods to Japan – located in these waters (Bowers & Grønning, 2017; Yamamoto, 2017). Seventy percent (70%) of Japan's oil travels close to the territories China wishes to claim (Peng Er, 2001). Therefore, China's potential enforcement of claims to territories in the South China Sea could place Japan's trade routes under China's control (Bowers & Grønning, 2017).

Japan's Other Strategic Tools

Japan has a limited number of strategic tools, in addition to aid, to address China's actions in the South China Sea, which means that Japan must use all of the resources at its disposal to advance its security in this region. Japan is unique in that it cannot take advantage of the tools that countries traditionally use to preserve their security. When Japan was defeated and occupied in World War II, the U.S. occupation force prioritized demilitarization and democratization. This translated into the creation of a new constitution that removed Japan's ability to wage war and maintain a military (Masaru, 2009). Article 9 of the constitution states:

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized (Chapter II, Article 9).

While Japan's military powers were forfeited by Article 9, Japanese leaders interpreted the article as permitting Japan to exercise its right to self-defense (Bowers & Grønning, 2017). Based on this interpretation, Japan instituted an "exclusively defense-orientated policy" (Suzuki & Wallace, 2018). Japan would only attack if it was attacked first, and Japan's attack would be limited to repelling the threat (Suzuki & Wallace, 2018). The Self-Defense Force (SDF) was created in order to carry out this defense, but its abilities are limited. The SDF cannot engage in offensive operations or support other countries' military activities (Bowers & Grønning, 2017). Although Japan is unable to project force abroad, successive security laws have led to incremental shifts in Japan's defense capabilities (Bowers & Grønning, 2017). For example, Japan's security laws were amended in 2015 to allow a limited right to collective self-defense (Yamamoto, 2017). In addition to the SDF, Japan relies on U.S.-enforced maritime security, international norms, and the law of the sea to secure itself (Bowers & Grønning, 2017). The U.S. remains the main source of Japan's security, and the two countries share concerns about China's actions (Bowers & Grønning, 2017). These concerns are reflected in the revised bilateral Guidelines for Defensive Cooperation, which affirms their commitment to meeting challenges posed by states, i.e. China, that try to violate sovereignty and challenge the

status quo (Hornung & Reeves, 2017). While Japan and the U.S.'s interests are aligned, with China imposing costs on U.S. action in the Asia-Pacific region (Pei, 2018) and U.S. forces dispersed in other regions (Bowers & Grønning, 2017), Japan must use all available tools to secure itself, including aid. The next section will show that the pursuit of strategic interests has become a key part of Japan's aid program through changes in the aid charter and legislative changes.

Aid Charter Changes and Legislative Changes

The emphasis placed on the use of aid to pursue Japan's national interests in the 2003 ODA Charter, the use of quasi-military aid, and further emphasis on the use of aid in this context in the 2015 Development Charter demonstrate that advancing strategic interests has become an important part of Japan's aid program. The aid charter is the foundation of Japan's aid program, as it outlines the "philosophy, basic policies, and priorities" of Japan's aid program (MOFA, 2015; Okaniwa, 2015). Therefore, changes in the charter signal changes in the direction of the program. As revised, the 2003 charter states that the "objectives of Japan's ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity" (Ministry of Foreign Affairs [MOFA], 2003). The revised charter's explicit commitment to using aid to advance Japan's security and prosperity is a departure from Japan's previous approach to aid. As outlined above, in line with the Yoshida Doctrine, aid was used to support Japan's economic development through infrastructure development in recipient countries (Arase, 1995; Yamamoto, 2017). The economic advancement of other countries facilitated trade and gave Japan access to raw materials (Arase, 1995). This approach was reflected in the lack of mention of national interest or

security in the 1992 ODA Charter (Jain, 2014). Japan also avoided placing any political conditions on its aid, in order to have economic relations with as wide of a range of countries as possible (Yamamoto, 2017). The 2003 revision represents a shift in the nature of Japan's aid program from a purely economic focus to an economic and strategic focus (Yamamoto, 2017). As described further below, the MOFA revised the aid charter again in 2015, but the 2015 revised charter still emphasizes the strategic purpose of aid.

The commitment to using aid as a strategic tool expressed in the 2003 version of the aid charter is reflected in Japan's use of aid to support militaries of Southeast Asian nations. In the late 1990s and early 2000s, there was an increase in piracy involving Japanese ships in the South China Sea. The number of cases rose from 8 in 1995 to 31 in 2000 (MOFA, 2001). In order to address this issue, Japan created the new aid scheme of "Grant Aid for Cooperation on Counterterrorism and Security Enhancement" in 2006, which involved providing aid-funded equipment and training to improve maritime law enforcement capabilities (Yamamoto, 2017). A year after establishing this program, Japan gave three patrol boats to Indonesia to combat piracy in the Strait of Malacca. This provision was the first time Japan had used aid to provide military vessels (Yamamoto, 2017). Then, in 2014, the government lifted the ban on exporting military equipment (Yamamoto, 2017). Building off of this change, the government also allowed aid to be used to advance Japan's interests and contribute to international peace (Bowers & Grønning, 2017). Then, the government lifted the restriction on the provision of aid to foreign militaries (Bowers & Grønning, 2017). The provisions are allowed as long as they promote peace contributions, international cooperation, or Japan's security (Hornung & Reeves, 2017). Prime Minister Abe defended these legislative changes

arguing that they enabled Japan to support ASEAN countries in their efforts to “safeguard the seas” and ensure freedom of navigation (Abe, 2014). Subsequently, Japan provided the Philippines with an aid loan for the purchase of 10 patrol vessels in 2013 and promised to provide 2 new vessels in 2016 (Sim, 2016; Yamamoto 2017). It also promised to provide 6 refurbished vessels to Vietnam in 2014 (Yamamoto, 2017). In addition to military equipment, Japan has given aid to increase the capacity of coastguards in Southeast Asian countries.

Japan’s more recent contributions to Southeast Asian militaries are part of Tokyo’s efforts to influence disputes in the South China Sea and secure its trade routes (Bowers & Grønning, 2017). A number of countries have territorial disputes with China. For example, the Philippines, Vietnam, Brunei, Malaysia, Taiwan, and China all claim ownership over the Paracel and Spratly Islands (Castro De Cruz, 2017). At least one nation, Vietnam, has engaged in naval skirmishes over the Spratlys with China. Japan has directed the majority of its quasi-military aid and coastguard training to the Southeast Asian countries engaged in disputes, especially the Philippines and Vietnam (Bowers & Grønning, 2017; Yamamoto, 2017). The Japanese government contends that coastguard training is non-military assistance because the coastguard helps with law enforcement (Yamamoto, 2017). Nevertheless, increasing coastguard capacity enables Southeast Asian countries to devote more resources to monitoring and countering the activities of Chinese militias (Yamamoto, 2017). China uses these “maritime militia” to secure its maritime and territorial claims, some of which encompass Japan’s trade routes (Erickson & Johnson, 2015). Thus, by increasing the capacity of Southeast Asian countries to

counter these activities, Japan is indirectly securing its trade routes and thus using aid as a strategic tool.

The 2015 Development Charter reaffirms the emphasis on the use of aid as a means to advance Japan's national interests. Like the 2003 charter, the first paragraph of the 2015 charter states that Japan's national interests are intertwined with the condition of the international community. Therefore, as a "Proactive Contributor to Peace," Japan must work with other countries to tackle global challenges (MOFA, 2015, p.2). The document also states that development cooperation, i.e., aid-giving, advances Japan's national interests, which include maintaining the "peace and security" of Japan, increasing prosperity, preserving stability, and maintaining an international order rooted in universal values (MOFA, 2015). Both the 2003 and the 2015 charters establish a link between Japan's national interests and aid provision. Japan's aid is supposed to help developing countries with economic development and humanitarian issues, but the ultimate goal is the advancement of Japan's strategic interests, i.e., "security and prosperity."

Conclusion

The use of aid to promote domestic economic growth has been a long-standing feature of Japan's aid. Under the Yoshida Doctrine, the focus of aid was non-military projects like infrastructure development and educational programs (Hornung & Reeves, 2017). However, through revisions to the aid charter, the pursuit of strategic goals became a key focus of Japan's aid program. The new direction for aid outlined in the charter was then reinforced by legislative changes that allowed Japan to use aid to

contribute to maritime security and other strategic initiatives. Consequently, Japan directs aid to security-related projects like capacity-building for the Vietnamese coast guard.

Chapter 4

Japan and Human Rights Issues in Recipient Countries

The previous chapters showed that the neorealist view of aid-giving provides the best explanation for why Japan gives aid. Japan provides aid loans for infrastructure in Southeast Asia as a means to promote exports and, by extension, economic growth. In addition to pursuing economic growth, Japan's aid program is driven by the pursuit of strategic goals like securing Japan's maritime environment. This explanation for Japan's behavior as an aid donor can also be used to explain Japan's record of using aid to address human rights issues in recipient countries.

This chapter argues that because Japan's aid decisions vis-à-vis human rights violations are also driven by economic and strategic considerations, Japan tends not to impose aid sanctions on strategically and economically important countries. When it does sanction these countries, it usually does so because of domestic and/or international pressure. Also, it will remove the sanctions as soon as possible, even when there have been no substantive improvements in human rights conditions. These actions indicate that when Japan is given the option of either responding to human rights violations or protecting its interests, like most countries, it will choose to protect its interests. This chapter does not argue that economic and strategic interests are the only factors that motivate Japan's actions vis-à-vis human rights. Factors such as historical relationships and culture can also influence Japan's actions. Rather, the chapter demonstrates that Japan's economic and strategic interests significantly influence its behavior vis-à-vis human rights.

The chapter is organized as follows. The first section explains how aid can be used as a political tool. The second section discusses Japan's commitment to human rights in general. The third section provides an overview of human rights conditions in Japan's top recipient countries. Then, the fourth section shows that Japan applies sanctions selectively in accordance with its economic and strategic interests. The fifth section provides alternative explanations for Japan's behavior. Finally, the chapter ends with a discussion of the implications of the neorealist explanation for the future of Japan's human rights diplomacy. While the question of whether aid is an effective political tool is a necessary discussion, it will not be addressed in this paper.

Aid as a Political Tool

Before discussing Japan's actions vis-à-vis human rights violations, it is necessary to understand how aid can be used as a political tool. As a major aid donor, Japan has leverage or bargaining power over recipient countries (Maswood, 2001). Bargaining power can be defined as "the degree to which an actor is able to influence the expectations of its opponent in a way that is beneficial to the interests of that actor" (Slantchev, 2005, p.4). Japan has bargaining power over recipient countries that rely heavily on its foreign aid. Japan could exercise its bargaining power over recipient countries by threatening to reduce or withdraw aid in response to human rights abuses. In an ideal scenario, if Japan's threat is credible, then the recipient countries will stop the human rights abuses out of fear of losing aid.

Although Japan theoretically has the power to induce policy changes in other countries, how Japan actually leverages its power is far more complex than the previous hypothetical situation suggests. Nevertheless, the main point is that aid sanctions can be

used as a political tool. A common tactic is the imposition of “negative aid sanctions,” which involves diminishing or taking away aid when a recipient country enacts policies the donor does not like. Donors can also adopt “positive linkage,” which entails increasing aid when a recipient country makes desirable changes in the eyes of the donor (Furuoka, 2005). While aid sanctions are not the only way to respond to human rights violations in recipient countries, it is a tactic that Japan has used in the past. Considering that aid is one of Japan’s major foreign policy tools and it can ideally be leveraged to affect human rights conditions, it is valuable to examine how Japan wields this tool (Watanabe, 2001).

Japan’s Commitment to Human Rights

A plausible explanation for why Japan does not cut aid from countries with human rights violations is that Japan does not care about human rights. However, robust human rights protections in Japan; Tokyo’s adoption of human rights documents; and the content of the Japan’s 2015 Development Charter indicate that Japan does care about human rights. Freedom House ranks Japan as “free,” meaning political rights and civil liberties are generally well protected (Freedom House, 2018b). In addition, individual rights are guaranteed in the constitution; Japan is a member of the Commission on Human Rights; and it ratified the International Covenant on Social, Economic and Cultural Rights and the International Covenant on Civil and Political Rights in 1979. It also joined the Commission for Human Rights in 1982 (Watanabe, 2001). Japan’s Development Charter also mentions human rights, stating that “Japan will give priority to assisting developing countries that make active efforts to pursue peace, democratization, and the protection of human rights”(MOFA, 2015, p.2). Like any industrialized country,

Japan still has room for improvement, particularly when it comes to LGBTQ rights, gender rights, treatment of immigrants, and treatment of disabled people. It also lacks a national human rights institution (Human Rights Watch [HRW], 2019). However, overall, Japan has a strong record of promoting and protecting human rights, at least domestically (Watanabe, 2001).

Human Rights Conditions in Recipients of Japanese Aid

Despite Japan's commitment to human rights, Freedom House ratings indicate that Japan's aid program favors countries with mild to serious human rights issues. Vietnam, Indonesia, Myanmar, Thailand, and the Philippines have been top recipients of Japanese ODA for a number of years (OECD, 2018; OECD, 2017; OECD, 2016; OECD, 2014). When evaluating rights conditions in these countries, Freedom House uses a one-to-seven scale to rate the level of political rights and civil liberties in the country. Higher numbers represent worse political and civil conditions (Furuoka, 2005).¹ For example, Vietnam and Thailand have high scores for political rights because there are "few or no political rights because of severe government oppression, sometimes in combination with civil war" in these countries (Freedom House, 2018a). The Philippines and Indonesia have fairly robust protections for political rights and civil liberties. Myanmar falls between the two groups. Indonesia is the only country with a good score for political rights. Freedom House also provides a rating called the "Freedom Rating" based on the

¹ Freedom House's political rights and civil liberties indices do not explicitly measure human rights conditions in each country. Some researchers separate political rights and civil liberties from discussions of human rights, while others argue that protection of the economic, social, cultural rights that are encompassed in the phrase human rights is a prerequisite for political freedom (Maswood, 2001). Japan has adopted a comprehensive view of human rights. It views economic, political, civil, and social rights as being intertwined (Maswood, 2001). Therefore, in a chapter about Japan's approach to human rights issues, it is reasonable to use political freedom and civil liberties as proxies for human rights conditions.

average of the political rights and civil liberties scores (Freedom House, 2018a). Freedom House classifies Vietnam, Thailand, and the Philippines as “not free.” It considers Myanmar and Indonesia to be “partially free” (Freedom House, 2019). These ratings indicate that although Japan is committed to human rights principles generally, it is willing to support countries with average to extremely poor human rights environments.

How Japan Uses Aid to Respond to Human Rights Abuses

When Japan feels compelled to respond to human rights issues in recipient countries, it prefers to use “positive linkage.” As mentioned above, there are different ways to leverage aid to induce political changes. One method involves taking away aid in order to punish countries (negative sanctions). The other method, positive linkage, involves rewarding countries for positive improvements, thereby “linking” aid to good behavior. The Japanese government admitted that it prefers positive linkage for several reasons (Nikitina & Furuoka, 2008). According to the government, positive linkage is a more “practical and effective” method of inducing change than negative sanctions (Nikitina & Furuoka, 2008). In addition, negative sanctions can backfire, and they can create the impression that Japan is trying to impose its values on other countries (Furuoka, 2006). Another reason given is that undesirable and desirable conditions can exist in the same country and undesirable actions may be a product of a country’s domestic security needs. Therefore, it is not Japan’s place to only pay attention to negative actions and immediately suspend aid (Nikitina & Furuoka, 2008).

A criticism of the positive linkage approach is that continuing to provide the same reward, in this case aid, for positive behavior may reduce the incentive to improve policies. As aid continues to flow in, recipients become less appreciative and the appeal

of instituting good policies decreases. Once this occurs, the donor loses leverage over the recipient (Furuoka, 2006). Japan's approach may seem effective in the short run, but it could ultimately be diminishing its bargaining power. The effectiveness of positive linkage aside, Japan's affinity for positive linkage has not stopped it from using negative sanctions.

Neorealist Explanation for Japan's Actions

Japan's track record for sanctions shows that Japan tends to apply positive linkage across all regions, but disproportionately imposes negative sanctions on countries that are not strategically or economically important to Japan (Furuoka, 2005). In order to prove this assertion, it is necessary to examine Japan's history of using positive linkage and aid sanctions. From 1986 to 2002, Japan used positive linkage in 13 cases: the Philippines (1986); Nicaragua (1991); El Salvador (1991); Madagascar (1991); Peru (1992); Zambia (1992); Guinea (1992); Mongolia (1992); Cambodia (1992); Central Asian countries in USSR (1992); Vietnam (1993); Myanmar (1995); and South Africa (1997) (Furuoka, 2005). When the military junta in Myanmar released then political prisoner Aung San Suu Kyi, for example, Japan sent bilateral grants to rebuild a nursing school. The grants were a reward for Suu Kyi's release and meant to encourage further desirable changes (Furuoka, 2006). In 12 other instances, however, from 1986 to 2002, Japan cut or reduced aid to recipient countries in response to human rights issues in recipient countries. Tokyo has sanctioned Myanmar (1988), China (1989), Kenya (1991), Zaire (1991), Malawi (1992), Sudan (1992), Sierra Leon (1992), Guatemala (1993), Togo (1993), Zambia (1993), Niger (1996), and Cote d'Ivoire (2000) (Furuoka, 2006; Furuoka, 2005). In more recent years, Japan has imposed aid sanctions on Myanmar (2003) (in response to Aung

San Suu Kyi being arrested for a third time); Guinea (2008) (because of a coup d'état); and Madagascar (2009) (after a military- supported government was established) (Shimomura, 2016).

Japan was expected to impose sanctions on Indonesia (1991), Thailand (1991), Peru (1991), and Cambodia (1997). Not only were there significant human rights violations occurring in these countries, but Japan had just instituted a new aid charter that committed the country to directing its aid to countries that respected human rights (Furuoka, 2006; Nikitina & Furuoka, 2008). In the case of Cambodia, Japan helped improve the political situation without resorting to aid sanctions (Nikitina & Furuoka, 2008). However, imposing sanctions against Indonesia, Thailand, and Peru would have been consistent with the new mandate of the charter (Furuoka, 2005).

Japan's selective use of sanctions makes sense when viewed through the lens of economic and strategic interests. With the exception of Peru, Japan had few economic and political ties with Latin American countries in the 1990s and early 2000s (Katada, 2001; Furuoka, 2006). Guatemala and Haiti were not major trade or strategic allies while Peru was seen as a "pro-Japan" nation (Furuoka, 2006). Japan also had weak ties with the African nations it sanctioned compared to Asian countries. For example, in 1990, Japan exported \$197 million worth of goods to Kenya (one of the countries it sanctioned) and imported crude materials equal to \$4 million (Okuizumi, 1995). In the abstract, these figures suggest that Japan conducted a large amount of trade with Kenya. However, Japan did not trade much with Kenya compared to its trade with Indonesia. In 1990, Japan's exports to Indonesia, for example, totaled \$5,052 million, and it imported \$979 million worth of crude materials from Indonesia (Okuizumi, 1995). These trade figures

show that, unlike Kenya, Indonesia was a major trading partner and source of raw materials for Japan in the 1990s. The examples of Kenya and Indonesia are a reflection of the general difference in importance of Asian and African nations to Japan.

An alternative explanation for Japan's actions is that Japan was applying sanctions to countries with poor human rights records and the majority of those countries happened to be in Africa. However, Freedom House data shows that, at least with respect to Asian countries, there were Asian countries with poor human rights conditions that Japan could have sanctioned. In 1991, Indonesia and Cambodia both had an unfavorable Freedom House score of six, and Vietnam had an even more unfavorable score of seven (Furuoka, 2005). Similarly, in 1991, Kenya and Zaire had a score of six, and Sierra Leone had a score of seven in 1993.² Japan did not impose sanctions on Indonesia or Cambodia, and it employed positive linkages for Vietnam (Furuoka, 2005). In contrast, it promptly suspended aid to Kenya, Zaire, and Sierra Leone (Furuoka, 2005). Despite the similarity between human rights conditions in Asian and African countries, Japan chose to primarily impose negative sanctions on African countries. Therefore, Japan's willingness to sanction African nations probably had more to do with Japan's lack of relationship with these countries than the concentration of human rights issues in Africa.

Given Japan's strong ties with the Asian countries it did not sanction, it is reasonable to assume that the desire to maintain ties with these countries contributed to Japan's reluctance to impose sanctions. Aid sanctions could have negatively affected Japan's relationship with important countries. When states impose sanctions on a recipient, it sends a signal that the sanctioning state is unhappy with the recipient's

² As mentioned previously, Freedom House uses a one-to-seven scale with higher numbers representing worse human rights conditions (Furuoka, 2005).

behavior and it wants the behavior to change. The recipient country may object to having another state interfering in domestic issues and, as a result, the countries may become less friendly towards each other. This weakening of relations could then lead to a breakdown in trade agreements or military partnerships. The desire to avoid these scenarios most likely influenced Japan's decision not to impose sanctions on important countries. In addition, aid can be used to gain influence in a country (Nielsen, 2013). Therefore, Japan may not have withdrawn aid in order to preserve its influence in recipient countries.

Japan's tendency to cave to pressure to impose sanctions, but then remove sanctions to important countries, even when there have been no improvements in human rights conditions, further demonstrates that Japan is more committed to preserving its relations with these countries than improving human rights (Furuoka, 2005). Japan had strong political and economic ties with China and Myanmar in the 1980s. Relations with China were a major priority for Japan. Not only is China geographically close to Japan, the two countries had historical ties and China was providing Japan with raw materials (Katada, 2001; Okuizumi, 1995). Japan cut aid to China in 1989 following the government crackdown on protests in Tiananmen Square. Japan then resumed aid in 1991 (Furuoka, 2005). At the time of the sanctions, Japan was China's largest aid donor (Watanabe, 2001; Katada, 2001). With regard to Myanmar, Japan cut aid in 1988 following a military coup. Prior to the military coup, Japan and Myanmar enjoyed a close political and economic relationship. There were strong ties between political elites stretching back to before WWII, and Japan considered Myanmar to be a solidly "pro-Japan" state (Watanabe, 2001; Furuoka, 2006). Japan was also providing 60-70% of Myanmar's aid in the late 1980s (Hong, 2014). Despite these ties, in 1988, Japan cut aid

to Myanmar in concert with other donors when the Burmese military seized power and committed human rights violations (Furuoka, 2006). However, the following year, Japan established relations with the new government, the State Law and Order Council (SLORC), and partially resumed grant aid in 1995 and yen loans in 1998 (Watanabe, 2001; Furuoka, 2005).

In both cases, Japan resumed aid even though there appeared to be no improvements in human rights conditions (Furuoka, 2005). Japan suspended aid to Myanmar in 1988 when Myanmar had an unfavorable Freedom House score of seven. Myanmar still had the same score when aid was partially resumed in 1995 (Furuoka, 2005). Similarly, when Japan suspended its aid to China in 1989, China's Freedom House score was a seven. China still had a score of seven when Japan resumed its aid in 1991. To be fair, the resumption of aid to China may have been tacitly accepted and followed by other countries, so Japan is not alone in its inconsistent policies (Sato & Asano, 2008). In any event, Japan's willingness to resume aid, even though human rights conditions had not improved, suggests that the economic and strategic benefits of maintaining good relations outweighed Japan's opposition to human rights abuses.

Japan's decision to impose sanctions on China and Myanmar despite its close ties could indicate that Japan is willing to put human rights considerations above its strategic and economic interests. However, Japan's behavior before and after it imposed the sanctions suggests that Japan was mainly responding to international pressure, rather than internal convictions. Although the coup in Myanmar and subsequent human rights violations were not widely publicized, Japan faced pressure from the U.S. to take a hardline stance on the military government (Hong, 2014). The Japanese Ministry of

Foreign Affairs (MOFA) promoted a harsher policy that aligned with the U.S. (Hong, 2014). Because MOFA represents Japan on the international stage, it is targeted by countries seeking to put pressure on Japan (Yamamoto, 2017). Its advocacy for an approach that aligned with U.S. interests indicates that at least a portion of the government was susceptible to outside pressure. In contrast, Japan's economic ministries advocated for a softer policy because of Myanmar's potential as a source of trade and investment (Hong, 2014). Ultimately, Japan adopted a measured stance. It suspended aid to Myanmar, but it maintained contact with the government. It also did not impose economic sanctions on Myanmar, and it allowed Japanese companies to continue to engage in trade and investment in the country (Hong, 2014). The use of both pressure and engagement allowed Japan to align itself with western donors, but continue to reap the advantages of relations with Myanmar. Sanctions send a message of discontent, but other forms of engagement can soften that message.

Japan adopted a similar approach to rights violations in China in 1989. The Communist Party of China's crackdown on protestors in Tiananmen Square was widely publicized by outlets like CNN, cementing China's image as an anti-democratic, anti-human rights regime (Watanabe, 2001). Western donors responded to the government crackdown by immediately suspending arms sales and high-level visits. Japan, in contrast, had a mixed response. It did suspend its aid to China, but it portrayed the suspension as a temporary response to chaos in China and made no mention of human rights or democracy-related issues (Katada, 2001; Watanabe, 2001). Also, MOFA announced that Japan wanted to maintain good relations with China (Furuoka, 2006).

Japan's middle-of-the-road approach reflected its desire to maintain relations with China, but also act in concert with other democratic countries. On the one hand, Japan did not want to be isolated by other countries or go against the U.S.'s plan of imposing sanctions (Katada, 2001). On the other hand, it did not want to isolate China or damage Sino-Japanese relations (Watanabe, 2001; Katada, 2001). As a result, it took steps (the message from the MOFA to the Chinese government and the exclusion of mentions of human rights issues) to signal that its aid sanctions were not a true rebuke. Based on Japan's subdued approach, it is not farfetched to argue that if there had not been intense international pressure to impose aid sanctions, Japan most likely would not have implemented them.

Alternative Explanations for Japan's Behavior

Japan's historical relationship with many aid recipients in Asia could also explain Japan's aversion to using aid sanctions. Japan occupied or fought against aid recipients like China, the Philippines, and Cambodia during WWII. Because of its past aggressions, Japan feels that it lacks the legitimacy to criticize Asian countries for human rights abuses (Furuoka, 2005). Consequently, Japan tries to avoid interfering in domestic affairs in recipient countries (Asplund and Söderberg, 2017). However, Japan has used aid sanctions in the past, which suggests that Japan is not completely restricted by its wartime legacy.

In addition to the historical explanation, some researchers argue that the interests of the domestic business community restrict Japan's ability to impose aid sanctions. Researchers like Kastumata contend that the business sector is a major supporter of Japan's current ruling party, the Liberal Democratic Party (LDP). As a result, foreign

policy is designed in part to benefit that sector (Katsumata, 2006). Aid sanctions could disrupt economic ties with countries, which would hurt the business sector. In order to protect business interests, Japan does not impose sanctions (Katsumata, 2006). This domestic politics explanation is not mutually exclusive with the neorealist explanation for Japan's actions. The neorealist view includes the idea that economic and strategic interests drive aid-giving. Therefore, the argument that business interests, which are part of the larger category of economic interests, restrain Japan's human rights diplomacy could be a part of the neorealist explanation.

Implications for Japan's Future Human Rights Diplomacy

The neorealist argument can help explain Japan's past actions, but what are the implications of this explanation for the prospects of future action against human rights violations? If Japan's response to human rights violations is influenced by its economic and strategic interests, then it is unlikely that it will impose sanctions on Southeast Asian countries. As this paper has shown, Japan directs most of its aid to Southeast Asian countries because they are strategically and economically important (Bowers & Grønning, 2017; Okuizumi, 1995). Because these countries are important sources of trade and diplomatic relations and Japan does not want to jeopardize its relations with them by imposing aid sanctions, it is unlikely to respond to calls from organizations like Human Rights Watch to leverage its aid to improve human rights conditions in Cambodia, for example (Adams, 2019).

On the other hand, Katsumata disputes the idea that imposing aid sanctions would harm Japan's relations. He argues that Southeast Asian countries are unlikely to sever economic relations with a developed country like Japan over aid sanctions (Katsumata,

2006). Indeed, Japan's low international profile belies its major power status. It is one of the largest economies in the world, and it is a major aid donor in Asia (Maswood, 2001). Because countries are unlikely to sever ties with a major trade partner, Japan could probably impose aid sanctions without badly damaging its relations. Coupled with Japan's tendency to respond to international pressure, this argument presents a more optimistic view of Japan's willingness to impose sanctions. However, assuming influence is a zero-sum game, the rise of China as an alternative source of aid and general competitor with Japan in Southeast Asia arguably does mean that aid sanctions could harm Japan's relations.

China's Effects on the Cost and Utility of Aid Sanctions

China's presence as a major aid donor that is unconcerned about human rights conditions in recipient countries reduces the effectiveness of aid sanctions and increases the costs of imposing aid sanctions for Japan. Prior to 2008, China was not a major aid donor. From 2000 to 2008, China's total aid allocation, concessional and non-concessional aid, was \$68.3 billion. Its average annual aid commitment was \$7.59 billion per year (Pei, 2018). In 2009, however, its annual allocation increased to \$38 billion and, from 2009 to 2014, it provided a total of \$54.1 billion in concessional and non-concessional aid (Pei, 2018). The China Development Bank and the Export-Import Bank of China now provide more aid than the World Bank and five regional development banks combined (Pacheco Pardo, 2017). In addition to providing large amounts of aid, China does not appear to take human rights conditions into account when allocating aid (Takamine, 2006).

Whereas Japan at least gives lip service to promoting human rights in recipient countries, the majority of China's aid goes to autocratic or semi-autocratic regimes (Pei, 2018). China's willingness to ignore human rights issues reduces the effectiveness of Japanese aid sanctions, because if Japan decides to impose aid sanctions for human rights violations, countries can turn to China as a new source of no-strings-attached aid. For Asian countries, their willingness to gravitate closer to China will be influenced by factors such as whether they have territorial disputes with China and the depth of their relationship with Japan. The Philippines, for example, is currently engaged in territorial disputes with China, and it has strong economic ties with Japan (Cruz De Castro, 2017). Therefore, the Philippines is unlikely to cut ties with Japan if Japan imposes sanctions in response to President Duterte's drug war. At the same time, President Duterte has moved the country closer to China, and the country began receiving aid from China for infrastructure in 2016 (Jennings, 2017). Therefore, if Tokyo decided to impose aid sanctions, China could serve as an alternative source of aid for the Philippines, thereby diminishing the effectiveness of the sanctions.

Not only does China's aid policy (potentially) diminish the effectiveness of Japan's aid sanctions, it also increases the costs of imposing aid sanctions for Japan. Japan wants to strengthen its strategic and economic relations with ASEAN countries in order to create stability in the region and balance against China's influence (Bowers & Grønning 2017). Aid sanctions could hinder Japan's efforts to forge these relationships and inadvertently push countries toward China. Further, Japan is concerned that China will replace Japan as a major aid donor in Asia as a part of a wider effort to diminish Japan's regional status and influence (Hornung & Reeves, 2017). Thus, China's presence

as an alternative aid donor reduces the appeal and effectiveness of aid sanctions, and by extension, the likelihood that Japan will impose them on important countries.

Conclusion

How Japan leverages its aid vis-à-vis human rights violations is a product of an aid policy driven by Japan's economic and strategic interests. There is no way to know for certain why Japan acts a specific way, because governments can misrepresent their actions and actions can be interpreted in multiple ways. Nevertheless, the potential driver of Japan's actions is reflected in Japan's sanctions records. In order to avoid damaging its relations with strategically and economically important countries, Japan tends not to cut or reduce aid to these countries. Japan's tendency to use positive linkage in ASEAN countries while using negative aid sanctions for unimportant countries is proof of this. If Japan does impose sanctions, they are meant as more of a warning than a punishment and quickly removed even when there have been no improvements in human rights conditions (Furuoka, 2005). Factors such as international pressure can increase the likelihood that Japan will use aid to promote human rights. However, even international pressure may not be enough to push Japan to prioritize human rights in other countries over its own economic and strategic interests. Japan's tendency to privilege its interests over human rights considerations, coupled with the presence of China as a major donor, makes it unlikely that Japan will leverage its power as an aid donor to promote better human conditions in Southeast Asia.

Chapter 5

Conclusion

The term “aid” implies a humanitarian or selfless act of giving. Like most countries’ aid programs, Japan’s aid program is motivated by a number of factors, from the desire to reduce poverty, to the desire for prestige. This paper argued that out of the various explanations for why Japan gives aid, the neorealist perspective provides the best explanation for Japan’s actions as a donor. Japan’s aid-giving is primarily motivated by economic and strategic interests. As a result, when it comes to promoting human rights using aid, Japan’s other interests will win out against its commitment to human rights.

Further, Japan provides aid in a way that promotes its own interests over the needs of recipient countries. However, Japan does use its aid to help recipients. For example, when Japan funds infrastructure projects in countries like Indonesia and the Philippines, successful projects produce roads, ports, and bridges that reduce the cost of trade and make transportation easier for citizens of those countries.

Whether the economic and strategic focus of Japan’s aid program actually hinders the effectiveness of Japan’s aid is a separate question that could serve as a starting point for future research on Japan’s aid program. Future researchers could also try to determine which type of pressure is the most likely to induce Japan to impose aid sanctions on important recipient countries.

A final point regarding the chapter on Japan’s use of sanctions vis-à-vis human rights is as follows. The chapter argues that Japan’s decisions regarding when to reduce or cut aid to countries are strongly influenced by Japan’s pursuit of economic and strategic interests. The chapter concludes that Japan is unlikely to leverage its aid to

improve human rights conditions in Southeast Asia. This statement naturally contains a normative judgement: that Japan should use its bargaining power as a donor to induce changes in other countries. While it is the author's opinion that Japan can and should act in this way, other scholars may rightfully challenge this opinion.

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Appendix

There are different ways to classify the types of aid Japan provides. This paper uses Furuoka's classification, which identifies four types of aid: bilateral loans, bilateral grants, bilateral technical assistance, and multilateral aid (Furuoka, 2006). Below is a brief description of each type of aid for reference.

Bilateral Loans

Bilateral loans or yen loans are loans provided directly to recipient countries at low interest rates. They can be repaid over a long period of time (Okuizumi, 1995). These loans primarily finance infrastructure projects in “the land transportation (construction or improvement of roads, railroads, and bridges), marine transportation (construction or improvement of harbor facilities), and electrical power (power stations and transmission lines) sectors” (Okuizumi, 1995, p. 378). Loans can be divided into two categories, project loans and non-project loans. As the name suggests, project loans go toward specific projects that promote economic or social development (Furuoka 2006). Non-projects loans, in contrast, are for general improvement of macroeconomic conditions in recipient countries. The majority of Japan's bilateral loans are project loans (Furuoka, 2006).

Bilateral Grants

Bilateral grants are a form of aid that recipient countries do not have to pay back. These grants typically go towards basic necessities such as agricultural development and medical services, as well as education and research (Okuizumi 1995). Grants can be divided into two categories: general grants and technical assistance. General grants mainly go toward projects in social and cultural sectors (Arase, 2005). Technical assistance, on the other hand, helps transfer

technological expertise and development techniques to professionals in recipient countries (Furuoka, 2006).

Bilateral Technical Assistance

Technical assistance can take the form of sending volunteers and experts to recipient countries, bringing trainees from recipient countries to Japan, conducting development studies, sending Disaster Relief Teams to disaster-stricken countries, and engaging in “project-type” technical cooperation (Okuizumi, 1995, p.102). DAC countries are encouraged to provide more grants than loans, because grants do not have to be paid back and they contribute to poverty reduction (Lancaster, 2010).

Multilateral Aid

In addition to bilateral loans and grants, Japan provides aid through its contributions and subscriptions to multilateral institutions like the World Bank (Okuizumi, 1995). Multilateral institutions get funding from multiple governments and use the money for purposes that benefit multiple countries. The level of a contribution is decided from year to year, but a subscription is a fixed amount (Furuoka, 2006).