

# Japan's New Approaches to Official Development Aid by the Start of the 21 Century\*

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The current article is, to a certain extent, a sequel to the author's paper "The political dimension of Japan's official development aid to the Asia Pacific region", also published earlier in "The Seinan Law Review"<sup>(1)</sup>. The key conclusion of the latter is that lately the "political" vector of Japanese assistance has been gaining in importance as opposed to its "economic" motivation. Moreover, on the part of Japan ODA is increasingly (though not always successfully) being used as an elaborate tool of creating international reality in Japan's own political interests, instead of its traditional "reactive" features. To the author's understanding, a reassessment of Japanese ODA's objectives, tools, and affordable volume has been in place since the mid-1990s and has led to serious qualitative changes.

The new paper deals with some other aspects of Japan's official economic assistance which portray the current and emerging changes in aid's paradigm. In particular, it covers: (a) ODA's serious quantitative and geographical transformation, (b) altering treatment of China as the key aid recipient, and (c) the obviously growing importance of technical cooperation.

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## Changes in ODA's volume and geographical distribution

For more than a decade (except for one single year) Japan has been the number one donor to the developing world — conspicuously outperforming the U.S. The overall volume of the official transfers from Tokyo to developing nations grew from \$1,148 million in 1975 fiscal year (f. e. y.) to \$ 14,720 million in 1995, which means an unprecedented 13-fold increase in 20 years; the yearly record was beaten again in 1999 when Japan dispatched to the capitals of developing countries as much as \$ 15,320 million. By the end of the 20 century more than 150 nations and territories were ranked among the recipients of Japan's aid. For many Asian and Pacific states, Tokyo's grants and "soft" loans have been (or were in the recent past) indispensable source of outward resources.

In the estimates of Hatch and Yamamura, through the late 1980s, Japanese aid represented 15 to 30 percent of the entire budget expenditures of almost every country in Southeast Asia<sup>(2)</sup>. In Indonesia, 31% of total installed capacity of electric power comes from power stations constructed with the help of Japanese loans, relevant figures for Thailand, the Philippines, and Malaysia being 16%, 5% and 46%. In 1999, Japan's ODA enabled about 1.2 million children in 13 countries to study at school and helped provide safe water to 20 million people in nineteen countries<sup>(3)</sup>. Importantly, the terms and conditions of the Japanese aid have undoubtedly improved for the last decade.

七 On the other hand, paradoxically or not, a sharp criticism of actually all aspects of Japanese aid has continuously accompanied its performance. As a Western scholar put it, "all aid donors are sensitive to charges of mis-directed aid or aid approved for the benefit of the granting nation, but

Japan seems to be targeted more than most”<sup>(4)</sup>.

Criticism has been coming from within domestic Japanese sources and other developed donor countries, from international organizations and recipient nations themselves. Such various traits of ODA as its volume, Asia-biased geographical distribution, its too commercial character, insufficient response to environmental degradation, controversial character of loans to China, the small number of foreign students in Japan, disregard of human rights abuse in some recipient nations, ODA's mismanagement by the related governmental bodies, the low share of flows dispatched through multi-national financial organizations, Japanese reluctance to the debt-forgiving, the indifference to the results of aid-giving, the not infrequent failures of aid projects, its meager role in the pursue of Japan's comprehensive interests worldwide, etc. have not been immune from severe though contradictory carping.

Until the middle of the 1990s, development assistance was the “sacred cow” of Japan's budget being actually free of curtailments. Even if allocations for economic co-operation happened to be reduced against a previous year (e.g. in 1981, 1982, 1985, 1989, and 1992 f.years) such reductions were insignificant, and were counterbalanced by added funding in the following year. After 1995, however, ODA figures have acquired a very uneven shape<sup>(5)</sup> :

fin. years	1995	1996	1997	1998	1999
bill. dollars	14.7	9.6	9.4	10.7	15.3

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Actually, the figures for 1998 and 1999 appeared to be much higher than those planned before (because they include the implementation of the

emergency “Miyazawa plan” aimed to help the victims of the Asian crisis), therefore they are somewhat misleading. In reality, as the general trend, Japanese society’s mood leads to a much more provident transfer of resources to the developing world. Japan has indeed entered the epoch of “aid fatigue”.

Since the middle of the 1990s, public opinion in Japan as well as the minds of politicians and scholars have increasingly come out against huge but ill-considered assistance to what used to be called “the third world”. The poll in autumn 1998 demonstrated that those supporting expanded ODA represented a record low (28%) of respondents against 33% in 1994 and 42% in 1991<sup>(6)</sup>. The most notable among the recent relevant documents “The policy recommendations on Japan’s ODA in the 21st century” drafted by four scholars including Kusano Atsushi of Keio University (below: Kusano report) also suggested that it would be unreasonable to expect growth of aid<sup>(7)</sup>.

The proposed curtailment is explained by the aging of population and consequent greater budget deficits, numerous cases of useless aid, the fact that it does not trickle to the poor for whom it had been intended, and so on. Besides, it seems that economically Japan has already built abroad enough infrastructure facilities for the smooth functioning of its foreign private investment. Politically, the Japanese have come to realize that increasing financial flows absolutely do not guarantee their influence in the capitals of developing nations. They have come to perceive as especially ungrateful the behavior of China which has conducted nuclear tests, interfered with Japan’s domestic affairs, and nearly bullied it — despite being the top recipient of the Japanese aid.

The pinnacle came by the very end of the 20th century when one of the leading politicians in the Liberal Democratic party Kamei Shizuka proposed to cut the volume of ODA in 2001 fiscal year by as much as thirty percent. In absolute figures, developing countries would be short of about 5 billion dollars, which could lead to an extra burden on other donor governments and multilateral organizations. After appeals to refrain from such drastic cuts by the UN General Secretary, the World Bank president, and four ASEAN supreme leaders, the budget was reduced by a mere 3 percent. In Japan, it was only the Foreign Ministry which warned that a large-scale ODA reduction could jeopardize relations with Asian nations. Serious differences in the opinions of politicians have been exemplified by the fact that the issuance of ODA White Paper was delayed from October 2000 to March of the next year.

Next time developing countries would not be so lucky. Tokyo is planning to reduce ODA allocations for 2002 f.y by 10.3 percent which would bring their total to as low as \$ 7 billion. Under such severe budget curbs, Japan may well fall from its position as the world's leading ODA donor country. Perhaps, there is no point in being too pessimistic about such developments. As the Kusano report put it, "even with a reduced budget there are numerous ways in which Japan's ODA can achieve even greater results"<sup>(6)</sup>. The message is clear: it is aid quality which is to be improved first because so far this tool has served poorly Japan's national interests.

Let us briefly examine the recent and emerging changes in the qualitative performance of Japan's aid. Of course, the changes underway are perceived differently by the donor country (Japan), other developed donor states, and recipient nations (who can also disagree between themselves).

Since the 1970s, if not earlier, Japanese economic co-operation has been notorious for its geographic partiality, for the bias to the countries which promise maximum economic or political return. Those have been ASEAN member states and (since the early 1980s) the Peoples' Republic of China, the combined share of which has typically fluctuated between two-thirds and three-quarters of the total (Pacific Asia's share in the US official assistance in the 1990s stood at 5 to 6%). Therefore, it has been assumed, other developing areas have been discriminated while Japan was creating and fortifying its "hinterland" in Asia.

Certainly, this kind of criticism is eligible for counter-criticism. After all, Indonesia and China, the principle recipients of Japan's aid are the world's most populated developing nations; both are poor in terms of per capita GNP; both are crucially important for Japan in terms of economic ties. ASEAN countries, other than Indonesia, have also been economically tied to Japan more than to any other developed nation.

The celebrated Japanese scholar and statesman, the late Okita Saburo (despite his noted broad world outlook) wrote in 1989: "Considering Japan's close relations with the other Asian countries, their huge population and immense debt needs, Asia will continue to receive the lion's share of Japan's ODA"<sup>(9)</sup>. Interestingly, there have been observations showing that in terms of ODA Japan has focused on those commercially important countries where the U.S. has the least influence<sup>(10)</sup>.

六七 Nevertheless, in the late 1980s the Foreign Ministry pledged to gradually switch Japan's aid to the poorer areas, such as sub-Saharan Africa, Hindustan Peninsula, and the impoverished nations of Central and South America. Indeed, later aid flow became more geographically diversified

partly owing to the pressure of fellow Western donors, partly due to the economic “maturing” of East and Southeast Asian nations which are naturally fading out from the category of nations to be helped and begin to render assistance to the still poorer nations themselves. In the early 1990s the rich Singapore and Brunei abandoned the “club” of aid recipients altogether, and later Malaysia followed suit<sup>(11)</sup>.

More recently, however, some reverse trends in Japan's aid policy became evident, which could be dubbed as “back to Asia Pacific region”. Japan's internal economic hardships began to require more attention to its most important trade and investment partners in the neighboring region. Secondly, in East Asia there appeared new recipients craving for Japanese money, among them Mongolia, Vietnam, Laos, Cambodia, i.e. those countries which got free from the former Soviet influence or declared their new pro-market orientation. The low starting level of these states has made them natural aid recipients. Japan has already become the largest single donor to their economies.

The “counter-diversification” move has also been promoted by the necessity to come to the rescue of several Pacific Asia's states (Indonesia, Thailand, Malaysia, and even South Korea) amidst the Asian crisis of 1997-1999. Japan's policy during their meltdown is a separate question; here we will simply mention that the bailout was in Japan's own political and economic interests, too.

In 1998 f.y. the aid of Japan, itself in recession, to Pacific Asian countries rose 71 percent from the previous year. The crisis-stricken Indonesia in 1999 received as much as \$1.6 billion, the absolute record in the history of Japan's aid-giving. This nearly incredible increase became possible thanks

to “Miyazawa plan” to apportion \$ 30 billion — with an extraordinary low yearly interest of 0.95% — to help Asian business alleviate the credit crunch. As a result, the share of the region in Japan’s total bilateral aid rose from 46.5% in 1997 to 62.4% in 1998 and to 63.2% in 1999 fiscal year, i.e. returned to the level of the late 1980s. In terms of loans, Pacific Asia’s share grew even much more.

Besides restoring its position as the favourite destination of Japan’s ODA, Pacific Asia has also become a testing ground for some new forms of Japan’s aid-giving, including full-scale comprehensive programs of policy-guiding. Such programs are supposed to coordinate loans, grants and technical assistance rather than “implementing these components separately through separate bureaucracies”. As the Kusano report put it, “Japan gives aid to more than 150 countries... To offer most efficient and best quality aid may require, to put it into extreme form, 150 separate aid policies for these 150 countries”<sup>(12)</sup>. Anyway, by 1998, twenty-one country-specific aid guidelines had been announced or partly implemented by the Ministry of Foreign Affairs, actually all their destinations being Asia-Pacific countries such as Indonesia, Thailand, China, the Philippines, Malaysia, Mongolia, Vietnam and Laos.

Comprehensive plans for East Asian countries are also attempting to bring the government’s initiatives and the interests of Japanese private corporations together. For example, the above mentioned Kusano, in one of his newspaper articles, called for close cooperation with the private sector when it comes to assistance to the developing world. Kumagai Naohiko, a leading person in Mitsui Bussan, wrote: “The government should draw more attention on experience and knowledge of corporations, especially in technologies in which Japan excels internationally, in pollution control,

etc. The government should let corporations do whatever they can in the context of international economic cooperation and limit ODA's role to those that corporations cannot fulfil on their own"<sup>(13)</sup>. The new ODA official policy guidelines (1999) openly admit that the government wants to use foreign aid to give Japanese corporations a wider access to aid projects.

This new move in aid policy is certainly fraught with international criticism as being opposed to Japan's previous plea for untying aid<sup>(14)</sup>. But, as Mitsui's Kumagai put it, "It would be better if ODA projects eventually benefited Japanese corporations (which are also taxpayers)". The new accentuation of East Asian nations in Japan's ODA programs, as well as role-sharing with private business, is surely designed to reflect ODA Japan's national interests in the first place.

### China in Japan's assistance programs

In the Japanese statistics, the Peoples' Republic of China belongs to "Asia". However, a special treatment of China from Japan's ODA-related bodies can not be guaranteed hereafter — unlike that of the enlarged ASEAN member states. An explosive atmosphere has been created lately around the country which used to be the biggest recipient of Japanese aid for the last 20 years. Since the start of Deng Xiaoping's market reforms 10 or more percent of Japan's bilateral aid has been annually flowing to Beijing.

From Japan's standpoint, this "greasing" aid was necessary to restore China as a big market for Japanese exports and as an economic base — as had been the case prior to Japan's defeat in WWII. Assistance was also seen as a means to support the position of pragmatists within the Chinese

ruling class, as an alternative to war-time reparations, etc.

Lavish low-interest loans have significantly helped develop modern infrastructure and transportation facilities in some areas of China. Also, Japanese grants have contributed to the improvement of national medical care, water purification and some ecology related facilities. On the other hand, without financing China for the last twenty years, Japan would have surely not acquired the present prominent positions in China's economy<sup>(15)</sup>.

Japan's political stake in maintaining friendly relations with its giant neighbor was valued so great that even the tragic incident on Tienanmen Square in 1989 which had rallied European and American nations against Beijing, did not actually prevent Tokyo from continuing its massive aid. Equally, Japanese decision-makers shut their eyes to the ruthless persecution of Falun Gong movement members in the late 1990s.

In general, respect of human rights is not Japan's top priority when it comes to choosing between giving or freezing its assistance to developing countries. Usually, things are different with military build-up, but in the case of China, for the most part of the 1990s, its conventional military modernization (contrary to Japan's national security) did not tell on the aid flows from Tokyo. When China conducted two nuclear explosions in 1995, Japan's official reaction was so mild that it could hardly be noticed by China's economy — a token suspension of grants (a mere \$ 92 million). The 1996 blasts did not result in any retaliation at all.

In 1998 f.y. China received as much as \$ 1,158 billion. So, until very recently it seemed that assistance to China was a typical "sacred cow" and

the country was not subject to any “punishment” in the form of ODA cuts in the case of violation of Japan’s ODA Charter. Meanwhile, dissatisfaction with China-bound loans, provided under particularly favorable conditions, was accumulating in Japanese society. As early as in 1995, R. Drifte predicted the possible decline of Japan’s ODA to that nation because of concern over China’s military build-up, Japanese doubts about the true appreciation of aid in China, the aid’s vague effect on the improvement of bilateral relations, etc.<sup>(16)</sup>.

Indeed, \$24 billion of Japan’s grants and loans, given in the last 20 years, have not helped Japan win love and respect among the Chinese because the latter consider them the price Japan has to pay for China dropping its demand for wartime reparations or just because the information on Japan’s ODA is suppressed by Beijing. According to a former Japanese ambassador to China: “Chinese people do not know that Japan is aiding their country, and yen loans are not contributing to friendship... Chinese leaders do not have the slightest idea of in what areas Japan is aiding China...”<sup>(17)</sup>. The opinion polls in China have continually shown that the U.S. is appreciated by the Chinese to a higher degree than Japan.

During his official visit to Japan in 1998, President Jiang Zemin never stopped recollecting Japan’s war aggression and repeatedly demanded a new formal apology for their misdeeds. Not a single word was uttered in connection to Japan’s aid for the previous two decades, and that was a good reason for Tokyo to accuse Beijing for taking aid for granted<sup>(18)</sup>.

In May, 2000 the Mori cabinet’s foreign minister, Kono Yohei — for the first time ever — ventured to tell his Chinese counterpart that Japan would possibly review its aid program because of China’s steep military expenditures.

Possibly, the Chinese authorities failed to understand the ferment that had risen in Japan, as in the summer and fall of 2000, they allowed (if not organized) a series of incursions of Chinese “research” vessels into Japan’s exclusive economic zone. The Japanese mass-media began persistently demanding to stop providing money for the construction of infrastructure objects in China year after year. The vessel incidents led to a temporary shelving of Tokyo’s plans to provide the next special loan to China (17.2 billion yen). At that time the suspension appeared to be a bold political measure.

Shortly before Prime Minister Zhu Rongji’s official visit in October, 2000, China did persuade Japan to provide these 17 billion yen for railway and airport projects but it was only an insignificant part of what is needed by China. In reality, Beijing wants from Japan multi-billion-dollars funding for its new grand enterprise — the Great Western Development Project dealing with economic and social changes in the remote and utterly underdeveloped inland provinces (Xingjiang-Uigur, etc.). The design is not entirely well-intentioned as it would involve a forced relocation of national minorities (Tibetans, etc.) who live there, and would lead to the ethnic assimilation of the local population.

As in 1999, when the World Bank rejected the Chinese plea, Beijing naturally turned its eyes to Tokyo. The Chinese official assessment of Japan’s aid changed overnight though seemingly artificially. Visitors from Japan came to be repeatedly thanked for their country’s generous assistance.

六 Funabashi describes this period as a period of “the diplomacy of gratitude — in anticipation of Japan’s financial support for the development of western regions”<sup>(49)</sup>. After Prime Minister Mori’s threatening words (“tell your people how much Japanese ODA has contributed to China’s economic

development, or else the Japanese people will not be convinced we should continue giving aid”), Zhu admitted he had not sufficiently conveyed to his countrymen the extent of Japanese support and pledged to strengthen those efforts.

During the visit Zhu Rongji expressed his government's acknowledgment of Japan's ODA on various occasions including a special reception for the general secretaries of the three ruling parties (however, he warned the Japanese not to use it as a diplomatic card to draw concessions from China). The visit did not bring the results for which it had been designed. Shortly after the summit, the LDP's Shizuka Kamei made his sensational proposal to drastically cut ODA across the board, and especially to China; he explained his idea by “an awareness within the LDP and the Japanese public that the aid to China disagrees with the original purpose of the ODA”.

Actually, for Japan it is not an easy task to reject China's request altogether, because it would contradict with its repeated declarations that environmental protection and the development of poor inland areas would be the top priorities of its ODA to Beijing in the future. This future was left to be considered by the two teams of experts — one within the Ministry of Foreign Affairs (pro-Chinese) and one within the Liberal Democratic party (anti-Chinese). The first result of discussion soon became clear: since 2001 China was to lose its unique privilege to receive Japan's aid on a multi-year (usually 5-year) basis instead of the single-year arrangements negotiated by Tokyo with other nations. The pendulum of Japan's favoritism has swung from China.

The recent rows concerning Japan's new history schoolbooks, the invitation of Taiwan's Li Tenhui to Japan, and a morbid exchange of import restrictions between Beijing and Tokyo have not contributed to the betterment of Japan's public opinion. In 2001, the author conducted an "opinion poll" among his Japanese students. When asked whether Japan should increase its ODA to developing countries taken as a whole, 52% of the respondents approved of this idea; however, only 36 percent supported the wisdom of increasing assistance to China.

The latest news on the situation around Sino-Japanese aid relations came in January, 2002. The Koizumi cabinet made it public that it might trim yen loans to China by 10 percent to 25 percent (i.e. between ¥20 billion and ¥50 billion) in the current 2001 fiscal year. China is likely to have anticipated the new measure of Japan's government, however, some lawmakers, are demanding a reduction sharply in excess of 25 percent. In that case, according to Japanese mass-media, the reduction might offend or even anger the Chinese authorities, which would probably perceive it as a punitive measure rather than a budgetary constraint<sup>(20)</sup>

### Japan's technical cooperation: Changes underway

In Japanese statistics, the so called "technical cooperation" is a part of "grants" as opposed to loans. Technical cooperation includes expenditures for admission of foreign students and trainees in Japan and placing of Japanese experts (teachers, etc.) abroad to share their experience on the ground. For recipient nations, this kind of cooperation seems to be a most desired kind of assistance as it deals directly with human resource development.

The total share of grants in Japan's ODA is low by international standards and is unlikely to grow in the immediate future as it is rooted in the philosophy of aid. For example, the Kusano Commission's report states that guaranteeing a certain amount of grants every year "will cause countries to lose any desire to help themselves and will indeed lessen their "sense of gratitude" for Japan's assistance"<sup>(21)</sup>. But Japan's record in the area of technical cooperation in terms of money seems to be relatively good. The share of technical assistance in the total sum of aid rose from 7% in 1980 to 16% in 1990 and as much as 26% in 1998 f.y.<sup>(22)</sup>. In 1998, for example, \$2.78 billion was allocated for this purpose. This section addresses the changing Japanese approach to the reception of foreign, predominantly Asian, students, trainees and interns.

Despite the increasing allocations for technical assistance, for the most part of the 1990s the number of foreign guest students of all kinds, instead of growing, was decreasing: from 52,405 people in 1993 to 51,298 in 1998; it slightly increased in 1999 fiscal year — to 55,755 people. By contrast, in the same year the U.S. attracted 490,000, Germany 250,000, and Great Britain - 210,000 foreign nationals as students of all kinds. In a word, Japan lags behind other developed countries greatly. Prime Minister Nakasone's pledge (1983) to increase the number of foreign students to 100,000 by the end of the century proved to be unattainable.

Naturally, Asian nationals comprise the lion's share of those who study in Japan. About 90 percent come from the adjacent countries, the Chinese, Koreans and Taiwanese forming the largest communities (46.5, 21.3 and 7.3 percent in 1999). However, even for Asians Japan is not a popular destination in terms of higher education. According to the Malaysian leader Mahathir, of the 70,000 Malaysian studying abroad, only 2,000 are in Japan

which cannot be assessed as a normal situation<sup>(23)</sup>.

Moreover, even the insignificant figure of 50 to 55 thousand students is misleading as it has little to do with the technical assistance. More than 80 percent of them study at their own (or their parents') expense. In reality, only 8,000 to 9,000 foreign youngsters get scholarships from the Japanese government.

There are various explanations of the barriers against studying in Japan. Authors and the mass-media refer to the reasons such as Japan's prolonged economic slowdown, the high cost of tuition and housing, difficulties in finding suitable accommodation and part-time jobs, problems with mastering the Japanese language, "deep-seated social attitudes and outright prejudice, demonstrated by many Japanese when confronted by substantial numbers of foreign students"<sup>(24)</sup>. The newspapers have revealed that many universities do not provide an environment conducive to education for foreign students, for example, they discourage them from mingling with their Japanese counterparts. In other words, the moral atmosphere in Japan remains somewhat uninviting for many foreign students (though in private universities it seems to be notably better).

Meanwhile, in the opinion of numerous observers, this situation is against Japan's long-term interests. The Japanese-Malaysian Loke Pooi Choon is by all means right to have written in *Asahi* that "accepting foreign students is like a long-term investment to make humanitarian contacts. Such ties would be precious for Japan whose government is eager to enhance Japan's position in the world... students from developing countries could become key people in politics and economics after returning home"<sup>(25)</sup>.

The wisdom of fostering loyal would-be leaders is only one aspect of the problem. Perhaps, more important is the problem of the greying of Japan's population and expected labor shortage. There is the widening consent among observers that without a radical change in its policy towards foreign manpower, Japan is doomed to further lose its international competitive power. As the Korean-Japanese scholar Suh Yong-dal aptly put it, "Japanese prospects as an advanced nation of the 21 century depend on how well it can rise above the barriers of nationalism to welcome foreigners into its midst"<sup>(26)</sup>. Asian and other foreign graduates of Japanese colleges and universities could become a natural part of the skilled workers' pool in Japan.

Lately, there have been successful breakthroughs on the level of private universities. Among them, Waseda's graduate school of Asia-Pacific Studies has become known for its program to produce highly educated people for Japanese business. Kyoto's Ritsumeikan University, in 1999 opened the International Asia-Pacific University as its affiliation in Beppu (Oita Prefecture) which aspires to become "an Asian center for global citizens of the future".

The Japanese mass-media admit that, generally, students' exchange projects sponsored by private educational bodies prove easier, faster to actualize and are not encumbered by bureaucratic red tape, as are government-led projects. However, when dealing with such a strategic problem, government initiatives are critically important, especially when it comes to the matter of funding. An advisory body to the Minister of Education was set up in 1997 to do a fundamental review of policies regarding foreign students in Japan. Its recommendations included instituting semester system, an autumn admission system to accept more students, and — what is

particularly convenient — an opportunity for the would-be students to take entrance examinations in their home countries.

At the end of 1999, the then Prime Minister Obuchi pledged to allocate an extra \$500 million to increase the number of exchange students from Asia supported by Japanese government money. This new program envisaged to accept 10,000 students from overseas annually for five years, thus bringing their total number to fifty thousand. From 2002, foreign applicants will be able to write their exams in English in ten locations throughout Asia. Those who pass exams with flying colours will be granted a special scholarship. Some other privileges have been suggested. Meanwhile, the Foreign Ministry is considering ways to help Asian students find jobs in Japan after they graduate.

Despite some pessimistic forecasts, as of now, the improvement of the educational environment has borne fruit. In 2000, the number of foreigners in Japanese universities and vocational schools grew to more than 64,000, i.e. by 15 percent against the previous year, which has become the biggest increase in a decade<sup>(27)</sup>.

Alongside the general aim of enhancing Japanese influence in Asia, the new approach has some more concrete targets. First, it aims at supporting domestic Japanese universities which face imminent financial hardships due to low birth-rate in Japan. Second, it would help in combating the coming shortage of manpower in the country by choosing talented foreign students for permanent work in Japan. Going by the recent emphasis on technical assistance the Japanese decision-makers seem to be showing again their commitment to increasing the efficiency of aid in Japan's national interests.

## Conclusions

- 1) For decades, huge but not infrequently ill-considered, funds have been flowing from Tokyo to the developing nations while the control over their spending has left much to be desired. The current economic situation in Japan makes the former lavish practice increasingly unsuitable. In the near future Japan's ODA will be gradually diminishing by volume and will be losing its importance as a tool of Japan's economic expansion. The traditional role of economic aid will be shifting to the private direct investment.
- 2) Geographically, the share of Pacific Asia in inter-governmental transfers is likely to be kept on a high level — in contrast to previous expectations. Of course, Japan will continue to give aid-in-grants to impoverished nations elsewhere, but it will be less inclined to yield to the pressure of other donor states in this respect.
- 3) Massive aid to China, Japan's long-term favourite, is no more automatically guaranteed, especially if Beijing continues ignoring Japan's requirements and increasing its military build-up. The growing number of Japanese taxpayers is considering China to be capable of maintaining its economic infrastructure itself. Assistance funds are supposed to be redirected to environmental conservation and improving the standard of living in the poor inland provinces of China.
- 4) Technical assistance which used to be an auxiliary instrument in the system of Japanese international ties has been lately acquiring a weight of its own. The reception of foreign students might serve for fostering (a) the would-be loyal elite in developing countries and (2) skilled man-

power for Japan's own needs in view of the anticipated lack of human resources in certain sectors of the national economy.

The mentioned changes are hardly a revolution in Japan's ODA, they are rather a part of the nation's adjustment to new realities in domestic and international arena. It would be logical if the new Koizumi cabinet supports these reforms. However, the pursuit of greater efficiency and transparency in planning and implementing foreign aid is not an easy task. It is likely to encounter opposition on the part of both Japanese bureaucrats (who got accustomed to the established pattern) and corrupted politicians in the recipient countries (into whose pockets a sizable part of Japan's funds has been reportedly diverted) .

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