

## **A Bureaucratic Politics Approach to Japan's Official Development Aid Policy: Ministerial Motives and Their Reflections on the Foreign Aid Expenditures, 1960s-2000**

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*This paper challenges the existing studies on Japan's Official Development Assistance (ODA) policy making, which have assumed that the Diet or Prime Minister is a key ODA decision-maker and argued that Japan's motive in increasing foreign aid spending was subject to the politicians' interests. Contrary to this position, the author argues that the primary ODA decision-making power in Japan has resided not with the politicians but with the bureaucracy.*

*This study identifies the four primary decision makers (i.e., ministries) that exert influence on Japan's ODA policy prior to 2000, all of whom operated from different ODA motives, and sees these actors as interest maximizers. The analysis focuses on the Ministry of Foreign Affairs, which is mainly concerned with security and Japan's image in the eyes of other donors; the Ministry of International Trade and Industries, whose interests were commercial; the Ministry of Finance, which focuses on budget stringency; and the Economic Planning Agency, which had more comprehensive and various interests. According to the author's data analysis, the historical trend of Japan's ODA expenditure pattern reflects the ups and downs of ministries in decision-making power (e.g., MITI's diminishing power vs. MOFA's increasing influence), which was caused by the inter-ministerial battle over the foreign aid policy.*

**Keywords: Official Development Aid (ODA), Bureaucratic Politics, Ministerial Motive, Humanitarianism, and International Pressure**

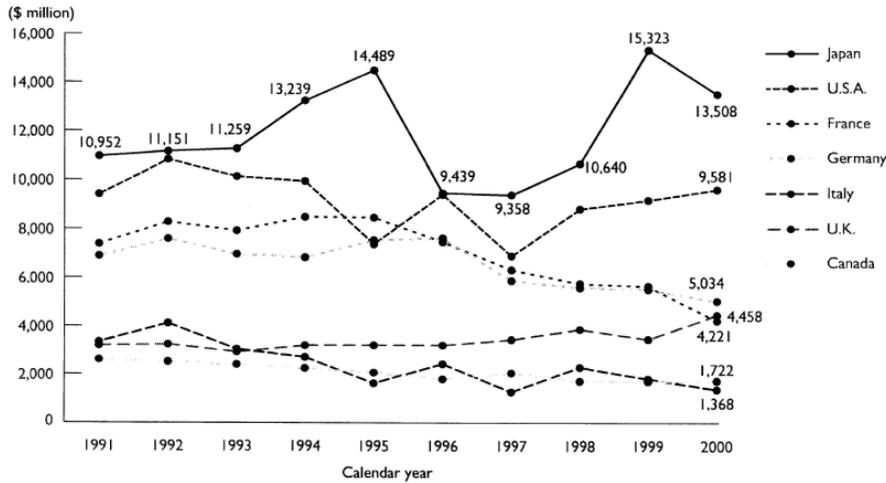
### 1. INTRODUCTION

My initial motivation to write this paper comes from the fact that "Japan is the top donor" in terms of Official Development Aid (ODA)<sup>1</sup> spending (see Figure 1).<sup>2</sup> In 1995, Japan offered over \$14,000 million to developing countries, almost twice as much as the second largest donor, the United States, who provided about \$7,000 million. Although Japan's

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<sup>1</sup> Foreign aid can be defined as "government-sponsored flows of resources made available on concessional terms to foreign governments." In other words, it involves a transfer of resources from one country (donor) to another (recipient) in a way designed to assist the latter's development (see Rix 1980: 14). The term, foreign aid, is formally called official development assistance (or ODA) by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).

<sup>2</sup> In addition to Japan's effort to magnify ODA expenditures, such as consecutive ODA doubling plans, the appreciation of the yen since 1985 (e.g., whereas in 1980 the U.S. dollar was comparable to 291.49 Japanese yen, the exchange rate in 1989 was 137.96 yen to the dollar: see Japanese Government 1992: 93) and the drop in U.S. foreign assistance in response to budgetary red ink all helped Japan become the top donor.



Source: Economic Cooperation Bureau in Japanese Ministry of Foreign Affairs (thereafter MOFA), *Japan's ODA: White Paper 2001* (2002).

**Figure 1.** Trends in Major DAC Countries' ODA (Net disbursement basis).

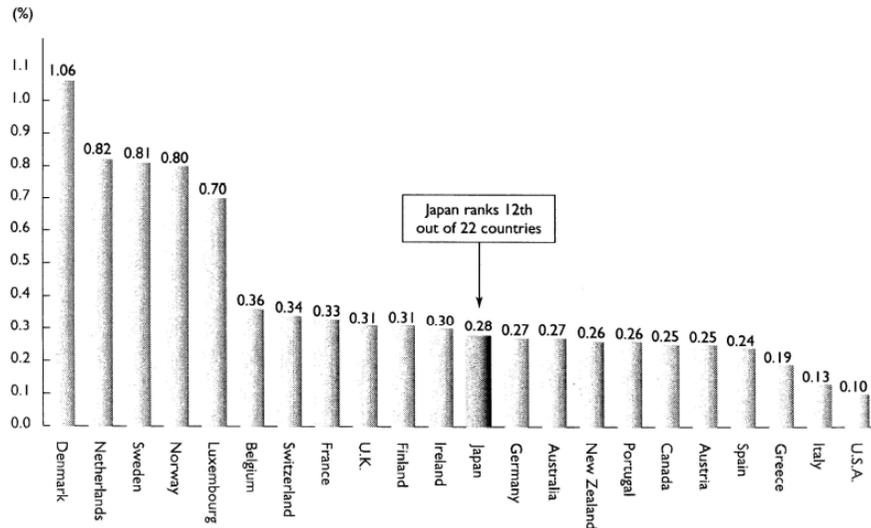
ODA/GNI (Gross National Income) ratio<sup>3</sup> (see Figure 2) is still far lower than that of other ODA donors (e.g., ranked 12<sup>th</sup> out of 22 countries in 2000), its top donor status is particularly remarkable. Twenty years ago, noting the selfishness with which Japan pursued its economic profits (i.e., driving exports while protecting home industries),<sup>4</sup> the German Chancellor Helmut Schmidt quipped, “The Japanese have only one halfhearted friend [and that is] the U.S.” (Pyle 1992: 202).

The key question guiding this study is: how could such economically rational nation become the top-donor? Beyond this, what was Japan's motivation for expanding its ODA spending? With respect to Japan's expansion of ODA spending, who were the main players? What were their motivations? And how were those players' motivations reflected in ODA policy? My research is an attempt to answer these questions.

In this paper, I review some of the important literature that tries to explain Japan's ODA expansion. Emphasizing “bureaucratic politics” as a primary mechanism of the ODA expansion, I then examine the distinctive approaches of four bureaucratic actors – the Ministry of Foreign Affairs, the Ministry of Finance, Ministry of International Trade and Industry, and Economic Planning Agency – towards ODA policy making. I will try to identify how the different approaches or motives of the four ministries had been reflected in various aspects of Japanese ODA over the past decades, with a focus on their influence on ODA policy. As the names of these ministries indicate, this study narrowly focuses on the transitions of ODA policy concerning inter-ministerial battles before the Hashimoto government reform in January 2001. This is because the structure of Japanese central

<sup>3</sup> The ODA/GNI ratio is generally considered to be indicative of a donor state's commitment to recipients' social welfare and economic development (see Hook 1995: 149).

<sup>4</sup> Japan's huge surplus resulting from trade with other nations in the 1980s reinforced this image.



Source: Economic Cooperation Bureau in MOFA, *Japan's ODA: White Paper 2001* (2002).

**Figure 2.** ODA/GNI Ratios of DAC Member Countries (2000)

government (in turn, that of ODA policy making) was substantively changed after the reform.<sup>5</sup> Thus, study of the ODA policy post the Hashimoto reform is beyond the scope of this research. The post-Hashimoto reform will be left to the future researchers.

## 2. LITERATURE REVIEW AND AN ALTERNATIVE EXPLANATION

Although Japan had already become an ODA donor in the 1950s, its aid policy was not considered an important part of its foreign policy until the 1970s. At that time, Japan stood second behind the U.S. in terms of total ODA spending. Since this time, many researchers have tried to investigate the causes of Japan's ODA expansion. In this section, I discuss a select array of dominant arguments – notably the promotion of Japanese exports, humanitarianism, international pressure, and foreign policy instrument –, critically evaluate them, and suggest an alternative explanation, which is bureaucratic politics.

### 2.1. The Promotion of Japanese Exports

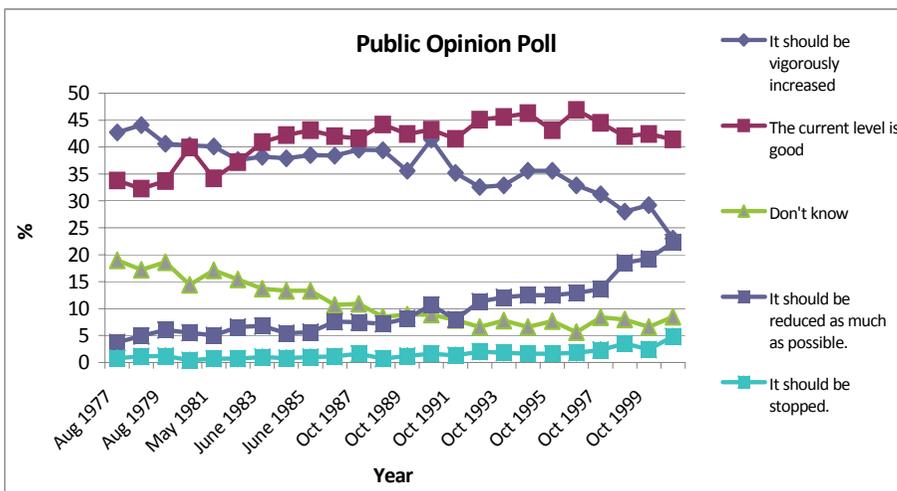
Most scholars (Zhou 1991; Arase 1994; Hook 1995; Fujisaki et al. 1996) agree that

<sup>5</sup> After the Hashimoto Governmental Reform, MITI was renamed Ministry of Economy, Trade, and Industry and EPA became a part of the Cabinet Office organization. More importantly, the Hashimoto Reform restructured the Japanese government in a way that strengthened the power of Prime minister and his cabinet so that the traditional sectionalism by ministries (i.e., lack of coordination between bureaucracies) was minimized. In other words, January 2001 was a turning point in terms of the power structure in Japanese government.

Japanese foreign aid had always been explicitly tied to the promotion of Japanese exports, particularly between the 1950s (war reparation payments started in 1954) and the 1980s. That is, Japan used the reparation for the promotion of exports (i.e., for building or augmenting the purchasing power of developing countries, especially Asia, which was a huge potential market for Japanese products). For instance, by the late 1980s Japan had a US \$40 billion trade surplus with its East Asian neighboring countries, many of which were primary recipients of Japanese ODA (Hook 1995: 175). Japan’s ODA was also characterized as a tool to create a “horizontal division of labor” (Zhou 1991: 347) with developing countries and to secure raw materials, especially after the oil crisis of 1973.

**2.2. Humanitarianism**

The humanitarian motive is the opposite of “the promotion of Japanese exports” perspective. Scholars with the humanitarian perspective argue that the Japanese government is a benevolent one, while those with “the promotion of Japanese exports” approach tend to see the government as a selfish one. One scholar within this group, Lumsdaine (1993) argues that Japan’s rapid ODA increase was motivated by its “moral responsibility for poverty.” Furthermore, the author points out the important role of high public support for expanded foreign aid (e.g., according to Figure 3, up until early 1990s 35-45% of Japanese people thought “ODA should be vigorously increased”), which was in fact mobilized by the Japanese government’s concern over, for example, the African famine (Lumsdaine 1993: 118). Thus, the Japanese government’s moralistic perception, i.e., compassion for the disadvantaged, ultimately had led to the increase of ODA spending.



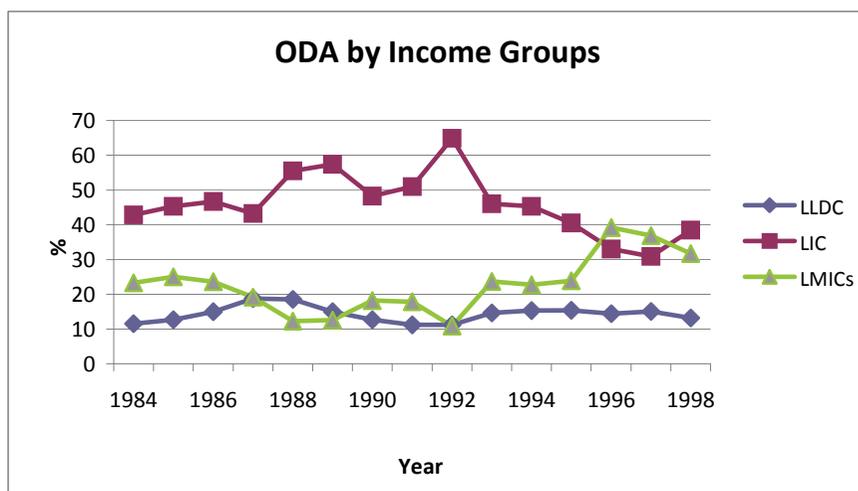
Source: Economic Cooperation Bureau in MOFA, *Japan’s ODA: White Paper 2003* (2004).

**Figure 3.** Public Opinion Poll on Future Economic Cooperation.

### 2.3. The Promotion of Japanese Exports v. Humanitarianism

In order to find out a more satisfactory variable between the “promotion of Japanese exports” and “humanitarianism,” Steve Chan (1992) ran a statistical analysis. In his study, he employed the following variables: “recipient’s GNP per capita,” “recipient’s GNP,” “the amount of Japanese exports (to each recipient),” “recipient’s export of fuels, minerals, and metals,” etc. as independent variables, and the amount of the ODA that was delivered to recipients as dependent variable (all data are as of 1987). According to Chan’s multiple regression analysis, the “GNP per capita” variable appears statistically significant and its coefficient had a negative sign- i.e., the lower the recipient’s GNP per capita, the more ODA spending that goes to the nation. Furthermore, the other independent variables – “the amount of Japanese exports” and “recipient’s export of fuels, minerals, and metals” – were not statistically significant. Consequently, Chan (1992: 11) suggests, “the poorer developing countries have tended to receive more aid resources from Tokyo.” Thus, he asserts that in Japan’s ODA policy making, “humanitarianism has played a much more important role than has mercantilism” (Chan 1992: 14).

However, according to my examination, Chan’s statistical analysis appears as problematic at least with regard to two points. First of all, the negative association between “GNP per capita” and the dependent variable is not sufficient to conclude that Japan’s ODA comes from humanitarian motivation. For instance, if Japan’s ODA policy is really humanitarian, ODA expenditure for the poorest countries, such as LLDC (Least among Less Developed Countries: Per capita GDP \$699 or less), should be much higher than for other



Notes: \* LLDC - Least among Less Developed Countries (Per capita GDP \$699 dollars or less; also, population 75 million or less; and usually countries that are at an especially early stage of development); LIC - Low Income Countries (Per capita GDP \$699-\$766); LMIC - Lower Middle Income Countries (Per capita GDP \$766-3036).

Source: Edited by the author based on Data in various issues of MOFA, *Japan's ODA Annual Report*.

**Figure 4.** Japan’s Bilateral ODA Allocated by Income Groups.

developing countries. But, according to Figure 4, while Japan's ODA to LLDC was between 10-20%<sup>6</sup> during the 1980s and 1990s, that to other developing nations, such as LIC (Low Income Countries: Per capita GDP \$699-\$766) and LMIC (Lower Middle Income Countries: Per capita GDP \$ 766-3036), was around 65-75% during the same period. The fact that most of LIC and LMIC are Asian countries indicates the "export promotion" motive might still be a critical factor affecting the increase of ODA amount. In fact, in 1987, the year of data used in Chan's analysis, the top ten recipients of Japan's ODA were all Asian countries, including Indonesia, China, India, and Korea, except for Mexico, which was 4<sup>th</sup> and Turkey, which was 10<sup>th</sup>. The argument for Japan's lack of a humanitarian ODA motive is further supported by Hook's contention based on his data analysis, that "no significant statistical relationship between ODA flows and social welfare conditions (i.e., humanitarian concerns) within recipient states was found" (1995: 144).

Moreover, there might be some suspicious multicollinearity problems among the "recipient's (total) GNP," the "Japanese exports (to recipient)," and the "recipient's export of fuels, minerals, and metals." For example, it is possible that the greater the developing nation's GNP, the larger the country's population (i.e., potential market, such as China, Indonesia, and India), the greater the nation's purchasing power (e.g., Korea), and the greater the country's natural resources (e.g., middle east countries). Such positive multicorrelation between the variables could compromise Chan's conclusions from his regression analysis.

#### 2.4. International Pressure and Foreign Policy Instrument

In addition to the humanitarianism and economy oriented export promotion (or "mercantilism") perspectives, the international pressure perspective offers another important explanation. Scholars with this perspective argue that Japan has rapidly expanded its ODA since the late 1970s because of pressures imposed by Western countries. In other words, according to these scholars, the U.S. in particular, which experienced huge trade and budget deficits during 1980s, urged Japan to increase ODA expenditure so that the Japanese government could share the financial burden for collective global security with other Western countries (Shinsuke 1982; Akira 1985; Orr 1989; Zhou 1991; Hook 1995). In fact, Japan's considerable economic success during the 1960s and 1970s enabled the nation to accommodate such pressures<sup>7</sup> through a series of doubling plans for the periods 1977-1980, 1981-1985, and 1985-1992.

While scholars with the foreign pressure perspective think that Japan accommodated to the international pressure passively and unwillingly, Pyle (1992) argues that the nation utilized the ODA as a foreign policy instrument to increase its global influence. In other words, he argues that "neo-conservatists (*shin-ho-shu-shu-gi-sha*)" (e.g., former Prime Minister Nakasone) during the 1980s actively supported Japan's increase of ODA expenditure because they thought it could attain recognition as a global power.<sup>8</sup> Thus, according to Pyle, the role of ODA in Japan gradually shifted away from a vehicle for export

<sup>6</sup> For example, in 1990 the ratio, 16%, was far less than that of Sweden (considered as a donor that commits to recipients' humanitarian concerns and welfare), 34%, in the same year (OECD 1991: 214).

<sup>7</sup> Japan's responsiveness to U.S. pressure is partly viewed as the price of U.S. military protection of Japan through the bilateral defense treaty.

<sup>8</sup> It is well known that Japan is currently trying to get a permanent seat in the United Nations' Security Council particularly appealing to its status of "top donor" in terms of ODA spending.

promotion toward a broader foreign policy instrument.

Although the two explanations – international pressure and foreign policy instrument – seem distinct from each other, they are actually interconnected or the boundary between the two is blurred. For example, even if Japan initially increased its ODA expenditure due to international pressure, it quickly learned that increased ODA enhances its influence in international society. Thus, as time goes by, Japan's motivation to increase ODA reflects its hope to enhance international influence rather than to accommodate to foreign pressure. On the other hand, Japanese politicians may explain to their people that the nation's increased ODA expenditure helps to enhance Japan's friendship with recipient countries and its international influence. But, by saying this the politicians may try to cover or obscure a deeper and underlying motivation to increase ODA, which is foreign pressure, knowing that the Japanese people would be unhappy or would oppose to ODA if they are informed that their tax go to other nations due to foreign pressure. In brief, the two explanations should be seen as co-existing rather than exclusive of each other.

### 2.5. Alternative Approach, “Bureaucratic Politics”

Each of these four explanations – export promotion, humanitarianism, international pressure, and foreign policy instrument – provides plausible reasons for the rapid expansion of Japanese ODA over the past decades. However, we do not know which explanation is better than others, as implied in my criticism on Chan's statistical analysis. Also, many scholars with such perspectives advocate their own argument *exclusively*. They exclude other variables in their explanations of Japan's ODA expansion, scholars with humanitarianism, for example, ignore the existence of export promotion motivation. But, I would argue that all of these explanations may co-exist in Japanese government's ODA policy-making.

Furthermore, these existing explanations cannot answer questions like “Who are the actors?” or, “Who practically enacts the ODA expansion using these motives, the Prime Minister, the Diet, or the Bureaucracy?” None of the explanations specify any ODA decision-maker. They just implicitly assume that politicians, such as the Prime Minister and/or Diet, are practical ODA decision makers just as in other donors' cases (e.g., the United States, in which the Congress is very active in foreign aid policy: Orr 1989: 140). In order to figure out the ODA decision maker, we need to investigate where the actual decision-making power resides in the Japanese government.

There have been several scholars, such as Tsuji (1958), Itoh (1980), and Johnson (1995), who argue for “bureaucrats' ascendancy over politicians” in Japan's policy making system. For example, Johnson (1995) suggests that practical policymaking power resides not in the Diet but in bureaucracy. He further argues that “In Japan, despite the fact that the constitution gives this power exclusively to the elected members of the Diet, it is the bureaucrats who actually initiate and draft virtually all important legislation”<sup>9</sup> (Johnson

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<sup>9</sup> The author suggests two reasons for bureaucrats' practical “ascendant position” (Johnson 1995: 140) over the Diet or “the Diet's dependent relationship with bureaucrats” (Johnson 1982: 48). First reason is that the Liberal Democratic Party (LDP), which has been the majority ruling party in Japan's Diet, is actually composed to a large extent of former bureaucrats (Johnson 1995: 123). Given their skills and background in government, the former officials were promoted more quickly to the cabinet level of power within the LDP. Consequently, the influence of former bureaucrats within the Diet has tended to perpetuate and even strengthen the prewar pattern of bureaucratic dominance (Johnson

1995: 123). Although the Liberal Democratic Party (LDP) tried to bring the bureaucracy under party control during the 1960s, its effort did not really change the relationship between the two branches because of the bureaucracy's practical "ascendancy" over the Diet (Johnson 1995: 26).

On the other hand, Muramatsu (1979) argues for "politicians' ascendancy over bureaucrats" in policy making. His reasoning for the argument is that bureaucrats consult with a ruling party before discussion in the Diet and then they make policies, which are in line with the party's objectives. Ichioka (1979) also argues for the politicians' ascendancy stressing the role of *zoku-gi-in* (policy support member of the Diet) who influences the allocation of budgets based on his or her policy expertise.

However, at least in the area of foreign aid policy, it appears that bureaucratic ascendancy is a more pervasive idea than politicians' ascendancy (Choi and Park 2007: 45). It is argued that in Japan's ODA decision making, the role of the bureaucrats is critical while that of the politicians is secondary except for some issues that are widely politicized (Saito 1996: 127, 129). For example, Orr asserts that "foreign aid largely remains the preserve of the bureaucracy" (1991: 21). He argues that even the most active institution on foreign aid in the Diet, the Liberal Democratic Party (LDP)'s Special Committee for External Economic Assistance, does not have as much power as the bureaucracy (Orr 1991: 22) because of its relative lack of knowledge about ODA policy. Even one Diet man who was a member of the committee characterized the committee's power as "almost none" (Orr 1991: 22).

Japanese legislators lacked not only knowledge of foreign aid policy but also interest in it. In other words, there are far fewer domestic constituents who have stakes in foreign aid policy. Constituents at home are more interested in many other policy areas, such as public works, economic policy, and social security. In turn, politicians, who are desperate to be reelected, take less assertive roles in ODA programs than in other areas like "pork barrel" policy. Thus, it is generally acknowledged that there is no *zoku-gi-in* who speaks for and influences the Ministry of Foreign Affairs (Choi and Park 2007: 45). Consequently, they generally deferred to the expertise of the aid to the bureaucracy. Thus, the Diet's role in foreign assistance was limited to marginal involvement, such as approving aid budgets formally proposed by ministries with little debate.

Like the Diet, the Prime Minister did not wield much power over ODA because of his lack of interest in that issue, i.e., aid policy was usually not ranked very high on his agenda (Orr 1990: 23; Rix 1980: 109). But, someone might say that Japan's tradition of "souvenir diplomacy" (*omiyage gaiko*), by which the Prime Minister's overseas baggage often included offers of ODA, is evidence of his influence over ODA. However, the role of the Prime Minister and his cabinet was eclipsed by the powerful ministries. This facet of Japanese government helps to explain why successive Prime Ministers' frequent pledges to diversify the direction of Japanese aid flows and increase its DAC-defined quality standards (e.g., minimum proportions of ODA flows relative to donor GNP, the appropriate recipients of aid, the mode of aid delivery, and the terms upon which aid is extended) were largely unfulfilled (Hook 1995: 143, 160). Consequently, Japanese Prime Ministers rarely initiated fundamental movement in foreign aid policy (Hook 1995: 77).

The Prime Minister and the Diet's lack of influence over ODA policy was in part due to Japanese citizen's relatively high support for the promotion of ODA. In other words, because

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1982: 47). Second, the LDP's persistent internal factionalism facilitates its internal political competition, which leaves the bureaucrats to take policy leadership.

of the Japanese public's high support for ODA policy (according to a public opinion poll by the Prime Minister's Office in the late 1970s, about 75-80 percent of respondents agreed on keeping the current level of ODA expenditure or increasing the expenditure while only 5-14 percent of public disagreed with promoting ODA policy: see Figure 3), the politicians delegated their authority to make the ODA policy to government ministries so that they could focus on other important issues, such as education, medical care, regulation and tax where more conflicts exist among citizens. In fact, the gradual increase of the ODA debate in the Diet in early 1990s reflected decreasing public support during the time period. Furthermore, in the U.S. where the level of public support for the ODA policy is low, aid policy is largely driven by the chief executive and the legislative branch (Hook 1995: 160). In short, there exists a greater degree of delegation of authority by the Japanese prime minister and legislative branch to the administrative branch because of their lack of knowledge and interest in ODA policy, and the Japanese citizens' high public support for the policy.

As discussed above, actual ODA policy-making power resides in the bureaucracy. But, to be more specific, which ministry or agency was in charge of making Japan's foreign aid policy? Was it the Ministry of Foreign Affairs (MOFA), the Ministry of International Trade and Industries (MITI), Ministry of Finance (MOF), the Economic Planning Agency (EPA), or another agency? In fact, none of the ministries occupied sole decision-making authority over Japan's ODA policy. All of the above four ministries shared the decision-making power in foreign aid policy.<sup>10</sup> Japan's ODA policy-making structure is unique compared with other donor countries. For example, the United Kingdom, Germany, Sweden and the Netherlands have an independent ministry which is solely in charge of foreign aid policy. The other donors, such as Australia, New Zealand, Norway, Denmark, Canada and the United States, subsume responsibility for the policy under the portfolio of the Minister for Foreign Affairs (Rix 1980: 84).

Regarding Japan's shared ODA decision-making structure, we may further ask the following questions: "How do the ministries decide ODA policy?" and "Do they coordinate policy making?" With respect to these questions, there is the concept – "sectionalism" (competition among ministries). Sectionalism is caused by the fact that an agency's security and livelihood is dependent on maintaining or expanding its jurisdiction (Johnson 1982: 73-74). Whatever the issue may be, bureaucrats are willing to fight to defend their interests, and such aggressiveness has a marked distortive effect on Japanese governmental policy.

Sectionalism was a fundamental basis of ODA decision-making among the four ministries, which had conflicting views and interests. These ministries tried to reflect their interests in the ODA policy, and fought against each other. Since they attempted to defend their own interests in foreign aid, the ministries often did not share important information about each other's ideas and tasks (Rix 1980: 146). As a result, the ministries and agencies were in friction about various aspects of aid policy such as the best form (or element) of aid, the direction, size, methods, terms of aid flows, the precise objectives of aid, and the nature of relationships between aid and other domestic and foreign policy (Rix 1980: 21). Therefore,

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<sup>10</sup> Initially, ODA decision making was shared by eleven ministries: MOFA, MITI, MOF, EPA, Ministry of Education, Ministry of Health and Welfare, Ministry of Agriculture, Forestry, and Fisheries, Ministry of Transportation, Ministry of Posts and Telecommunications, Ministry of Labor, and Ministry of Construction. However, by the end of the 1950s, only the first four ministries became dominant actors leaving others less important (Arase 1994: 175).

since the ODA decision-making structure was “fragmented,” no one wielded significant leadership in the four-ministry system (Rix 1980: 49). The lack of central control (i.e., sectionalism) was further worsened by an absence of foreign aid legislation (or guidelines) in Japan,<sup>11</sup> which undercuts interministerial coordination.

Overall, in Japanese policy formulation for foreign aid, battles are fought, bargains negotiated, compromises made, and decisions reached largely within the framework of the administrative structure (Orr 1990: 12). As discussed above, Orr (1990)’s scheme, which views the Japanese ODA decision-making process as a “turf battle” (i.e., each ministry attempts to maximize its own interests), is useful in understanding the ODA process. However, Orr does not clearly explain the structure of the “turf battle.” More specifically, he does not answer the following questions: who plays a dominant role in the policy making?; what is the power structure in the four ministry system?; and how has each ministry’s influence changed since Japan became an ODA donor? Thus, while the authors offer rich descriptions of each ministry’s intention with regard to the ODA (independent variable), they do not make an association between the independent variable and its dependent variables (i.e., the degree of each ministry’s influence over ODA decision making and its trend over the past decades). In this paper, I primarily focus on answering these questions.

### 3. BUREAUCRATIC ACTORS

Before we discuss the outcomes of interministerial “turf battles,” it is necessary to explain each ministry’s intention (or interest) to participate in the battles. In this section, I will discuss each ODA ministry’s purpose, typical approach, range of influence, and bureau(s) in charge.

#### 3.1. The Ministry of Foreign Affairs (MOFA)

##### 3.1.1. *General Approach and Motive*

MOFA tends to deal with aid from a general foreign policy perspective, associated with national interests. There are a couple of practices that reflect this foreign policy perspective. First, MOFA uses foreign aid as a tool to foster stable political relations between Japan and the developing countries. That is, MOFA tends to utilize aid as a “diplomatic lever” (Orr 1990: 39) for opening (e.g., reparation payment) or maintaining favorable relationship with recipients. Since the 1980s, however, MOFA’s diplomatic lever approach had been modified as a “foreign policy instrument,” which attempts to enhance Japan’s international status, by “neo-conservatives.” Particularly, in the 1990s MOFA had a strong incentive to use ODA for mobilizing countries that could support for Japan’s joining a permanent member of the UN Security Council (Saito 1996: 133). Second, since 1962 when Japan became an official member of the Development Assistance Committee (DAC)<sup>12</sup> of OECD, MOFA had been responsive to DAC pressure (i.e., “foreign pressure”) to accommodate its quality standards. Thus, possible benefits to Japan’s industries were ostensibly not part of their considerations.

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<sup>11</sup> In contrast, the U.S. government has the Foreign Aid Act.

<sup>12</sup> MOFA participates in DAC meetings as the official representative of Japanese government.

### 3.1.2. *Window for Aid Requests*

MOFA is the official window for all receipts of aid requests from developing countries (Orr 1990: 39). This means that the ministry monopolizes information about the aid requests, which enables it to maintain a dominant position within the four-ministry system.

### 3.1.3. *The Range of Influence over Aid*

Depending on the types of aid (e.g., grants, technical assistance, and Yen loans)<sup>13</sup>, MOFA holds the different degrees of discretion in ODA decision-making.

(1) *Grant Aid*: MOFA shares influence over (multilateral) grants<sup>14</sup> with the Ministry of Finance despite the fact that MOFA has jurisdiction over the implementing agency of grant aid, which is the Japan International Corporation Agency (JICA).<sup>15</sup> MOFA has jurisdiction over multilateral grants for the United Nations while MOF controls grants for international finance institutions, such as Asian Development Bank, World Bank, and International Monetary Fund.

(2) *Technical Assistance*: MOFA monopolizes influence over technical assistance because a) it has the official control over the assistance's implementing agency, which is JICA (i.e., the agency implements technical assistance as well as grants policies); and b) because the technical assistance budget solely goes to MOFA (i.e., the technical cooperation section of the Economic Cooperation Bureau in the ministry: Rix 1980: 165) discouraging other ministries' motivation to fight over the technical assistance budget. But, in a real sense, other ministries' perspectives do affect decision making regarding technical assistance. Although MOFA could exclude other ministries in such decisions (e.g., evaluations on whether or not the proposals are feasible: Rix 1980: 132), it was unable to avoid consulting with the other agencies because it lacked expertise about technical specialties in ODA areas such as mining and industry (Arase 1994: 185), with which MITI was more familiar. Thus, as MOFA allowed interference from or consults with other ministries, different interests or

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<sup>13</sup> It is perhaps necessary to briefly explain each type of aid. Yen loans, which primarily finance economic and social infrastructure projects, are extended on the condition that the principal will be repaid with interest. Yen loans have been a large part of Japanese foreign aid policy since Japan first became a donor. Unlike yen loans, grant aid imposes no obligation of repayment on the recipient countries, therefore, it generally goes to the lesser-developed countries. While yen-loans and grant aid are associated with the provision of financial resource to recipients, technical assistance mainly refers to two-way transferring of human resources. Technical assistance involves dispatching human resources, in-taking developing country trainees, and supplying certain types of technical equipment usually used in training. Since technical assistance is mostly related with basic human needs, its recipient countries are generally those with "the lowest income or countries that have debt serving problems" (Orr 1990: 30).

<sup>14</sup> All types of foreign aid, i.e., yen loans, grants, and technical assistance, come from two forms of sources – bilateral and multilateral. If resources are transferred directly from donor to recipient, we call bilateral aid. On the other hand, when resources go from a donor through intergovernmental organization, (e.g., World Bank, the International Monetary Fund, or the United Nations) to a recipient, we call such transferring of resources multilateral aid.

<sup>15</sup> JICA is the descendant of the Overseas Technical Cooperation Agency (OTCA) established in the same year (1962) as the Economic Cooperation Bureau (of MOFA)'s founding year. Further, JICA presidents have traditionally come from MOFA (Orr 1990: 49). Therefore, MOFA seems to have a strong influence over grants and technical assistance.

perspectives between the agencies over technical assistance had to be compromised.

(3) *Yen loans*: Power over yen loan policy is divided between the four ministries (i.e., MOFA, MOF, MITI, and EPA) with none taking practical leadership (Rix 1980: 49). Thus, MOFA's influence over yen loans was undermined by the four-ministry system (called Interministry Committee Meetings,<sup>16</sup> in which each ministry had a veto power: Orr 1990: 20). Since yen loans comprise a major part of Japan's entire foreign aid expenditure, each ministry had a strong stake in the budget for yen loans. As a result, MOFA's position is not strong enough to lead the committee meetings<sup>17</sup> on yen loan policy.

(4) *Influential or Supporting Groups*: Each ministry approaches foreign aid policy in tune with its own bureaucratic interests, which are usually dictated by its constituency (Orr 1990). But, unlike MITI, which had many interest groups encouraging its aid policy in a way that promoted Japanese commerce, MOFA lacks a real domestic constituency or domestic power base (Orr 1990: 107; Rix 1980: 145; Arase 1994: 198). Instead, it tends to use pressure and criticism<sup>18</sup> from the DAC – for example, demands to expand aid expenditure of the Basic Human Needs or multilateral aid; to “untie”<sup>19</sup>; and to extend more assistance to African countries – as a means to advance its agenda against other agencies.’

MOFA is sensitive not only to foreign criticism or pressure but also to public opinion because its tax revenue, which comes from the people's purse, funds Japan's foreign aid. Accordingly, MOFA frequently takes public opinion polls and shows favorable results in its white papers, to create favorable conditions or public opinion for its aid policy. For example, a MOFA white paper states, “the public apparently accepts the idea that aid is the price Japan must pay for smooth relations in a turbulent world (Orr 1990: 26)”; and “over 80 percent of the respondents in a 1988 survey supported ODA commitments at current or even higher levels” (Koppel and Orr 1993: 7; see Figure 3).

(5) *The Bureau in Charge of Aid*: The Economic Cooperation Bureau develops and coordinates most aspects of foreign aid policy within MOFA. The Bureau was created in 1962, which was just one year after Japan's admittance to the Development Assistance

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<sup>16</sup> The Economic Cooperation Bureau's First Economic Cooperation Division in MOFA officially chaired the system.

<sup>17</sup> The interministry committee meetings were held initially at deputy division director level or at division director level. Proximately the division directors settled one third of cases. The others required a conference of more senior officers. And, very few proposals demand bureau director level meeting (Rix 1980: 141).

<sup>18</sup> Since MOFA represents Japan in DAC meetings, MOFA could be the only one among the four ministries that directly faces DAC criticisms.

<sup>19</sup> The terms “Tied” and “Untied” are some sort of condition, which are usually attached to yen loans and grant aid. More specifically speaking, “Tied” refers to provisions set by the donor, which state that goods and services to be purchased with aid funds must come from particular sources or countries. In Japanese aid, “tied” means the goods and services should come from Japan, especially, Japanese business firms. Thus, tied aid is more likely to accommodate Japanese firms' interests rather than recipients' needs and has been the one of main targets of criticism from other donors. Responding to such criticism, Japanese government has tried to untie foreign aid offering open and universal bidding for the fund so that the procurement of goods and services can be from any source and country including the recipient. However, grants have been rarely untied since their main source is the general account of Japan's national annual budget (i.e., Japanese taxpayer's money) and they are not repaid.

Group, later renamed the Development Assistance Committee: DAC.<sup>20</sup>

### 3.2. The Ministry of International Trade and Industry (MITI)

#### 3.2.1. *Motive and General Approach*

MITI represented commercial aspects of aid (understood as “mercantilism” or “export promotion”), including areas such as overseas markets and raw materials. MITI tried to expand Japan’s overseas markets through ODA’s large-scale capital projects (i.e., tied yen loan projects).<sup>21</sup> That is, MITI was highly skeptical of the basic human needs approach to aid, such as increasing aid to Africa. Further, MITI tried to expand aid especially to Asian countries, which had cheap and plentiful labor, so that the division of labor for Japanese industries could be established in that region. MITI’s another motive for increasing ODA expenditure was to secure raw materials, taking the position that recipient countries should have an abundance of natural resources, particularly oil (Orr 1990: 37). The Middle East was the typical region for which MITI eagerly supported foreign aid.

Unlike MOFA, MITI rarely considered political or ideological aspects of aid in international society. That is, to MITI, being an ally or particular friend of Japan did not mean that the nation was preferred as an aid recipient (Orr 1990: 37). MITI even supported extending assistance to communist countries (Orr 1990: 37) during the cold war era whenever it served Japanese commerce interests, which showed either ignorance or disagreed for political ideology. In addition, while MOFA perceived “foreign pressure” as a means to win bureaucratic battles over aid policy, MITI, in principle, saw the pressure as something that should be dismissed whenever it seemed to damage Japanese industries. MITI’s strong opposition to untied aid, which was forced by DAC countries, in the late 1970s, is a good example. Accordingly, regarding MITI’s protectionistic attitude, it is argued that the basic outlook of MITI was “nationalistic” (Johnson 1982: 80-81).

#### 3.2.2. *Influential or Supporting Groups*

Of all interested parties, business firms show the most persistent commitment to foreign aid policy since they can receive substantial contracts if the policy is carried out in areas that coincide with their financial interests (Orr 1990: 28). The continuous commitment by the Japanese firms was buttressed by MITI. That is, if a major Japanese industry or trading firm was interested in or involved in a certain large-scale aid project, MITI often became an ardent advocate for that private enterprise in the interministerial decision making process (Orr 1990: 36). In turn, because of its commercial emphasis, MITI enjoyed strong support

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<sup>20</sup> Japan’s entry into the DAC, as a founding member, in 1961 took place even before it was admitted into the Organization for Economic Cooperation and Development (OECD) in 1964. In fact, Japan’s motivation to become a member of DAC was to help bring it out of its isolation and promote its membership of the OECD (Rix 1980: 28). Regarding a fact that in spite of its mid-size economic power, Japan was still ignored or even discriminated in terms of international politics in the early 1960s (see Muramatsu et al. 1992: 33), its entrance into OECD could be critical for enhancing Japan’s status in the international society.

<sup>21</sup> In fact, year 1960 version of MITI’s white paper explicitly states that “economic cooperation (Japanese term of foreign aid)” is the mission of the world’s industrial nations not through concessional aid but by extending commercially tied loans and increasing investment overseas. That is, MITI’s aid intention (or motive) was already clear in early 1960s.

from business firms. Thus, the pattern of relationship between MITI and business firms was more like that of close mutual cooperation.<sup>22</sup> Perhaps, such a reciprocal association, to some extent, explains the reason why MITI was in the hub of extensive networks of interest groups (Muramatsu et al. 1992: 95). In short, MITI had a very strong constituency (i.e., business firms), which could serve as an effective means for increasing influence in decisions about yen loan aid.

### *3.2.3. The Bureau (or department) in Charge of Aid*

Unlike MOFA, where a bureau deals with aid policy independently, MITI's aid policy formulation was administered at a lower departmental level, specifically, by the Economic Cooperation Department under the International Trade Policy Bureau. Because this department was positioned in the bureau whose primary goal was to promote Japanese trade (i.e., export), MITI's aid policy was inseparable from Japan's commercial interests.

### *3.2.4. The Range of Influence over ODA*

While MITI exercised virtually no influence over the other categories of foreign aid (even though, as mentioned above, it could intervene into decision making over technical assistance through MOFA's request for technical consultation), yen loans remained the last area in which MITI could wield some clout.

## **3.3. The Ministry of Finance (MOF)**

The Finance Ministry held a special position among the four ministries since it had budget allocation authority<sup>23</sup> as well as the jurisdiction over multilateral grants and yen loan aid which it shared with the other three ministries. Since MOF played dual roles – budget distributor and requester- regarding foreign aid policy, it is important to discuss MOF's ODA policy patterns depending on its different roles.

### *3.3.1. Budget Distributor*

Budget and Finance Bureaus in MOF were most directly involved in distributing foreign aid budget to other ministries (including MOF). The two bureaus took a financially stringent position on aid issues because of its mandate to allocate the limited "budget pie" to relevant ministries. Thus, the bureaus were strongly interested in operating ODA policy efficiently rather than expanding its amount.

### *3.3.2. Budget Requester*

As the other ministries' bureaus did, MOF's International Finance Bureau requests budgets for ODA, particularly multilateral grants (Watanabe and Kusano 1991: 195; Saito 1996: 132), which go to international financial institutions,<sup>24</sup> and yen loans, from the Budget

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<sup>22</sup> In fact, it is said that such mutual cooperation between MITI and the business was the core of Japanese industrial development (Muramatsu et al. 1992: 177).

<sup>23</sup> Because of its budget authority, MOF was characterized as the most powerful agency and it was a general practice or a kind of norm in Japan that former minister of the finance ministry became Prime Minister.

<sup>24</sup> The institutions include the International Bank for Reconstruction and Development (the World Bank), the International Development Association (IDA), the International Finance Corporation (IFC),

Bureau in MOF. Although both the Budget and Finance Bureau approached aid issues from a conservative viewpoint, the International Finance Bureau was very liberal in its approach to aid policy (Orr 1990: 33). For example, the International Finance Bureau's staff was regarded as the international faction (*kokusaiha*) of MOF. At the same time, the International Finance Bureau was quite sensitive to other nations' severe criticism of Japan's huge foreign trade surplus. Thus, partly as a means of mitigating the criticism, the bureau advocated increased aid spending (Orr 1990: 33) especially in multilateral grants and untied aid.

### 3.4. The Economic Planning Agency (EPA)

#### 3.4.1. General Approach and Status in the Four Ministry System

EPA was called the architect of national economic plans because it had guided Japan's economic policies since the late 1950s. However, in spite of such a pioneer role in Japanese economic development, the EPA was considered the least influential ODA policy maker among the four ministries.<sup>25</sup> Further, its agenda about overseas assistance was vague and not coherent (Orr 1990: 20). More specifically, the agency was often supportive of expanding (like MOFA and MITI) and improving foreign assistance (like MOFA, or the International Finance Bureau of MOF in terms of increasing multilateral aid), but at the same time, the agency viewed aid in a way of cost-benefit perspective (like the budget bureau of MOF). Consequently, it often played a coordinating role in the four-ministry system (Orr 1990: 44).

The EPA's inconsistent or conflicting aid approach was caused in part by practices of personnel transfer, called, "amakudari" or "shukko". That is to say, most of the key positions of EPA, including the Coordination Bureau, which was responsible for aid in the agency, were filled with personnel transferred particularly from MITI and the Finance Ministry (Orr 1990: 45).<sup>26</sup> Such transferred personnel tended to remain loyal to their home ministries (Orr 1990: 45) and as a result persistently maintained the views of their previous ministries in

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the Asian Development Bank (ADB), the Inter-American Development Bank (IDB) and the African Development Fund (AFDF). For reference, because of the close liaison between MOF (especially the International Finance Bureau) and the ADB – for instance, the President of the Bank was almost always Japanese who was mostly from MOF (Rix 1980: 129) – multilateral aid from MOF was likely to be concentrated on the Asian Development Bank. In contrast, for example, aid to the African Development Fund was very small mainly because it rarely made recognition of Japan in Africa (Rix 1980: 128).

<sup>25</sup> The reason for the weakness will be discussed in the later part of this section.

<sup>26</sup> Muramatsu et al. (1992: 222-225) see that such interministerial personnel transferring (so called "shukko," through which the personnel permanently moves to another agency), especially a diagonal one (from powerful major ministry to middle or small size agency) is largely part of "amakudari (the descent from heaven: it has been traditionally conceptualized as a practice that high level retired bureaucrats from ministries [annually about 2,000-3,000] are positioned into senior management positions in private enterprises by a special favor)." The authors identifies the interministerial personnel transferring system, i.e., shukko, is aimed especially to overcome "sectionalism" in Japanese government. In addition, according to a survey in 1985, the proportion of transferred managing staffs in EPA is 46 percent, while that of MOF, MITI, and MOFA is 0.5, 3.3, 10.0 percent respectively (Muramatsu et al. 1992: 224). The data, to some extent, implies that the EPA is the main recipient of key officials from other agencies and particularly MOF and MITI are primary senders of the personnel.

regard to foreign aid policy, for example, the promotion of Japanese exports (MITI), or the efficient use of limited financial resources based on a cost-benefit perspective (MOF). Thus, there were various viewpoints over aid policy within the EPA, which made its agenda for foreign aid policy unclear. Furthermore, the traditional (i.e., long-standing) personnel transfer practice in EPA also tended to make the agency's status in the four ministry system weak (Orr 1990: 45; Rix 1980: 90) because it had to rely on the other ministries for key personnel. That is, the effect of such dependence spilled over to the foreign aid system, making the EPA's position subordinate to "the big three (i.e., MOFA, MOF, and MITI)." In short, the EPA was said to have no voice and no philosophy of aid because of its weakest position and inconsistent aid agenda.

#### 3.4.2. Jurisdiction over the Overseas Economic Cooperation Fund (OECF)

OECF, which was the implementing agency of yen loan assistance, had been stationed within the EPA since its creation in 1961, after difficult negotiations between the three agencies (i.e., MOFA, MOF, and MITI) over the lead role of the new implementing agency.<sup>27</sup> In fact, the EPA was able to participate in the four ministry aid system only due to its new responsibility for managing OECF (Rix 1980: 90).

In any case, since the EPA officially held jurisdiction over the OECF, it might seem that it could have had a power base rivaling that of the other major ministries. But, in reality, the EPA was still positioned as the weakest because its "authority" over OECF management (e.g., controlling the hiring and firing of personnel, setting policy guidelines, etc.) was enfeebled by "amakudary" practice in OECF. That is to say, like the EPA the OECF also heavily relied on other powerful ministries' supply of important personnel (i.e., "amakudary" or "shukko"). Since many OECF presidents came from the finance ministry, for example, the MOF wielded considerable power over OECF practices (Orr 1990: 47).

In sum, MOFA and MOF co-hold official jurisdiction over grants while MOFA has sole authority over technical assistance. Also, all of the four ministries compete for yen loan aid. In spite of MOFA and MOF's generally different approaches to ODA, and the directions of aid flows differ, they have one common characteristic: an emphasis on multilateral aid. The above discussion is summarized in Table 1 and Table 2.

**Table 1.** Each Ministry's Official Jurisdiction\* by Types of Aid

	MOFA	MITI	MOF	EPA
Grants	Yes	No	Yes	No
Technical Assistance	Yes	No**	No**	No**
Yen Loans	Yes	Yes	Yes	Yes

Notes: \*Official jurisdiction refers to whether or not a ministry gets budget allocation for each type of aid.

\*\* But each ministry or agency influences technical assistance through consultation with MOFA.

<sup>27</sup> But, the reason why EPA could acquire the authority over OECF was not because of EPA's competitive status but because of its least threatening position (Orr 1990: 45).

**Table 2.** Some of the Key Characteristics of the Four Ministries in Foreign Aid Policy

	MOFA	MITI	MOF	EPA
Motive (or Perspective)	Security Concern, Japan's Image in DAC	Commercial Interests: Promoting Exports.	Stringent as Budget Distributor	Unclear (Various perspectives co-exist)
Some Priorities in Aid	Grant & Technical Assistance, Untied and Multilateral Aid Diversification of Regions	Tied Aid, Nations with Affluent Raw Materials or with cheap and plentiful labor	Multilateral Grants	Unclear
Bureaus in Charge	Economic Cooperation Bureau	Economic Cooperation Department under the International Trade Policy Bureau	Budget, Finance Bureaus (Budget Distributor); International Finance Bureau (Budget Requester)	Coordination Bureau
Influential Factors on ministry's Aid Policy	DAC Pressure, Public Opinion	Business Firms, Public Opinion	Multilateral Organizations' Criticism (MOF as budget requester)	Transferred Personnel's Perspectives ("amakudary")
Influence in the Four Ministry System over Yen Loan aid	Strong (Official Chair, but the leadership is weak)	Fairly Strong (Backed by Interest Groups)	Strong (as Budget Distributor)	Weak (because of "amakudary" from MITI and MOF)
Other Features	"Window" for aid requests; holds authority over JICA			Holds Jurisdiction over OECF

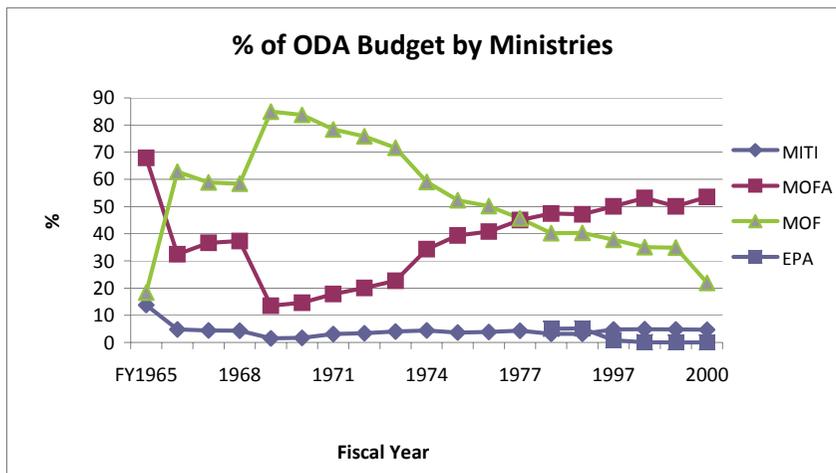
#### 4. ANALYSES OF JAPAN'S ODA EXPENDITURE BY THE FOUR MINISTRIES

In this section, I will analyze different data to identify the degree and transition of ministries' influence over Japan's aid policy.<sup>28</sup> Since the allocation of the budget was characterized as an increase or decline of ministry's power, most ministries strived to increase their share of the budget pie (Orr 1990: 31). In fact, ODA policy making in Japan can be understood from one of Allison (1969)'s three different decision making perspectives: Model III which is known as the bureaucratic-politics one. According to the model, decisions could be viewed as an outcome of bargaining games among different players, such as ministries or bureaucrats, in the national government. By investigating "the perceptions,

<sup>28</sup> Since the EPA's aid intention or motive is relatively unclear, I will put more focus on the vicissitudes of the "big three" (MOFA, MITI, and MOF)'s aid influences.

motivations, positions, power, and maneuvers of the players” one could comprehend a decision making. Generally, Allison’s bureaucratic-politics model is meaningful when it is applied to case studies. Unfortunately, there is not enough information to do a case study of Japanese ODA (particularly yen-loan) policy making involving the four ministries. Sumi (2002: 38-60) argues that because no government record is kept with respect to the bargaining among the four ministries, there is no way for the people to know why and how an aid bill is drafted and passed. Regarding this limitation, the present study uses statistical data to analyze the transitions of bureaucratic power among the four ministries.<sup>29</sup>

First of all, Figure 5 indicates the proportions of each ministry’s ODA budget allocation over the past decades. Simply looking at the transitions of the proportions over the years, it can be said that since 1969, MOFA’s budget proportion has steadily increased while MOF’s has decreased. In contrast, before 1969, MOFA’s budget ratio decreased whereas MOF’s increased (Figure 5). Those contrasting trends were partly affected by rise and fall of

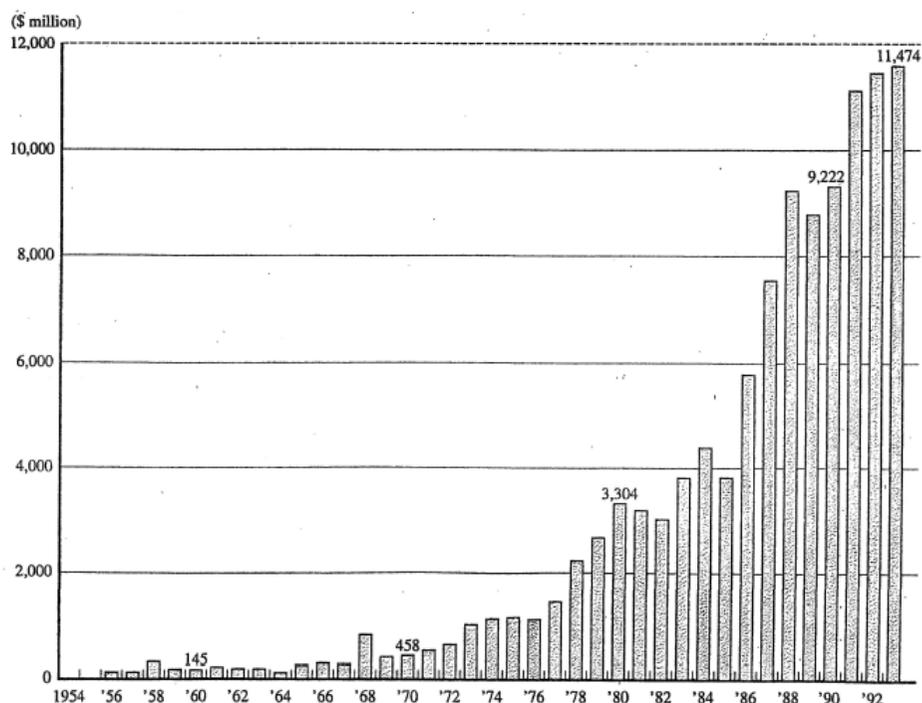


Notes: Data on FY 1978-85 and FY1988-96, and that on many years of EPA were excluded because of their unavailability; Each percentage represents the proportion of each ministry’s aid budget to Japan’s total ODA budget; Budget allocations are based on general account.

Sources: Edited and Calculated based on data in Various Issues of MOFA, *Japan’s ODA Annual Report*; [www.mofa.go.jp/policy/oda](http://www.mofa.go.jp/policy/oda); and Alan Rix, *Japan’s Economic Aid*.

**Figure 5.** The Proportion of ODA Budget by Ministries (FY1965-2002).

<sup>29</sup> Probably because of this limitation, Saito (1996), a scholar who espouses the bureaucratic-politics perspective in Japan’s aid policy, had to run a statistical analysis to test such a perspective rather than do a case study. Moreover, most of data used in this study came from MOFA’s documents. Although it is desirable to use data from various sources such as MOF, MITI and JICA, they did not publish data with which we can identify the results of ODA bargaining process among the relevant agencies. It is probably because MOFA was the official window for all aid requests from developing countries, which probably enabled it to maintain a dominant position within the four-ministry system in terms of monopolizing information about ODA issues as noted earlier.



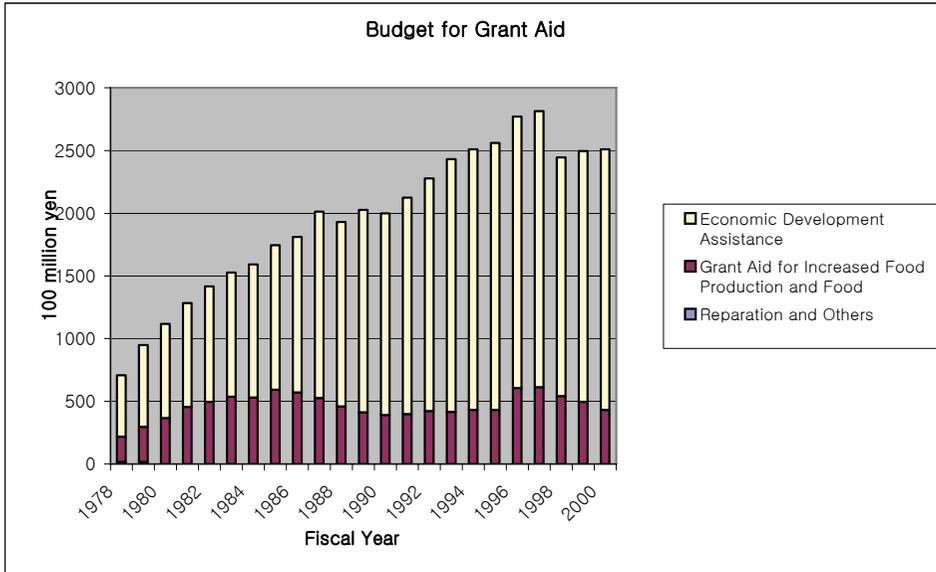
Source: *Japan's ODA Annual Report* by MOFA.

**Figure 6.** Trends of Japan's ODA (1954-1993).

reparation, which was the large part of MOF budget. That is, as reparation period was ending toward 1976, MOF's budget proportion in total ODA (general account basis) had become small making MOFA's proportion relatively large (there are also other reasons, such as increase of grants). MITI and EPA's budget proportions had been very small compared with that of the MOFA and MOF. Based on the data analysis, can we say that MITI rarely affected or succeeded to reflect their interests on aid? Probably, we cannot. For example, despite the relatively stable percentages of MITI and EPA's ODA budgets over the years in Figure 5, their absolute amount of the budgets must be increased as we can infer from the gradual expansion of total ODA spending indicated in Figure 6.

Moreover, although MITI's aid budget occupied very small portion of total aid, its interests were often reflected in other ministries' aid budget as well.<sup>30</sup> For example,

<sup>30</sup> There might be several reasons for the MITI's small aid budget ratio. First, the small proportion might be explained by the fact that aid was only a minor element of MITI's expansive budgetary priorities. (On the other hand, MOFA's aid element has occupied about half of the whole ministry budget.) Thus, MITI's internal and traditional budget structure, in which aid element occupies just small part of its entire budget, might prevent MITI from the expansion of its aid allocation. Second, in part, Japan's budgetary incrementalism, which imposes the limitation of increase on each budget element, could obstruct the expansion of MITI's aid budget. Finally, in general, annual budget



Source: MOFA, *Japan's ODA: White Paper 2001*.

**Figure 7.** Budget for (bilateral) Grant Aid.

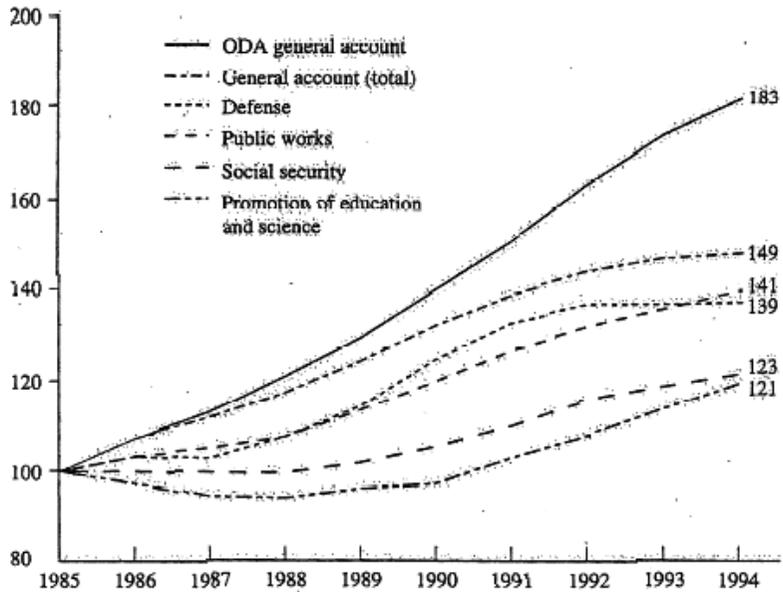
economic development assistance in bilateral grant aid (see Figure 7: the amount of it increased sharply over the years), which was the jurisdiction of MOFA, was also part of MITI's interests since the grant aid was mostly tied, in turn, helped the promotion of Japanese firms. Moreover, it can be assumed that MITI's interests were reflected in MOF's budget for reparation, which was used as an export-promotion lever (Sumi 2002: 128) in the 1950s and 1960s.

Thus, just looking at the proportion of budget allocation of each ministry is not sufficient to identify their real influence over aid policy because of complicated bargaining procedures in which interests could be exchanged between ministries in diverse ways. Therefore, we might have to focus on how each ministry's interests (or intentions) were reflected in various aspects of aid, such as tying status of Japanese aid, and the proportion of technical assistance in addition to looking at the budgetary proportions of each ministry.

According to Figure 6, Japan's total ODA spending increased about 100 times between the mid-1950s and 1992 (its growth rate between 1985-1988 was especially high). Furthermore, the rate of ODA budget increase was considerably steeper than other categories of governmental programs particularly after 1989 (see Figure 8). These trends could be

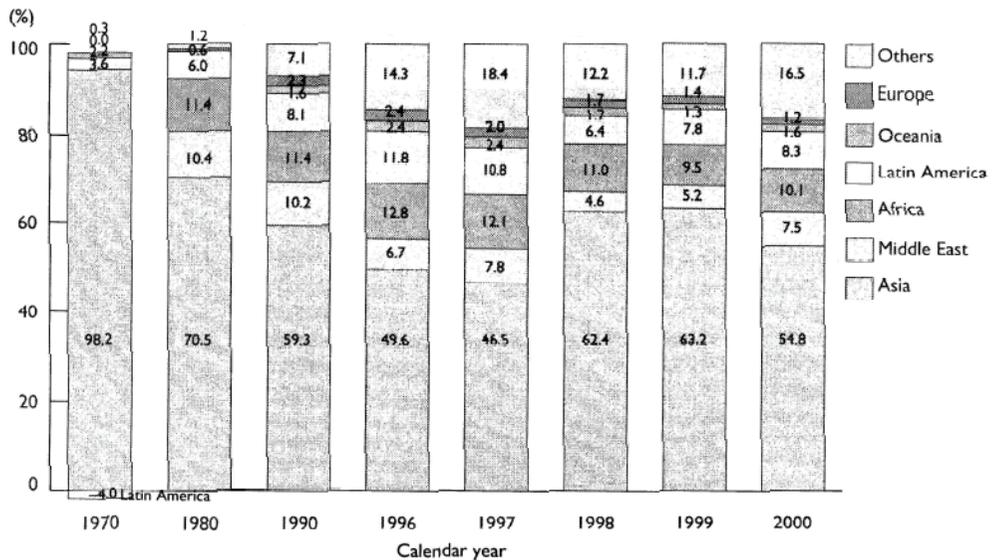
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increase is constrained by a ministry's ability to spend its budget. That is, MITI's smaller post of aid (i.e., department level) than other ministries' (bureau level) could be a restraint for the increase of aid budget. In spite of these structural constraints, MITI's dominant power as a ministry among Japan's agencies, which was supported by concrete client groups, such as business firms, could affect Japan's aid policy by, for instance, insisting tied aid in the bargaining process among the four ministries. Or in exchange for limiting MITI's budget allocation, MOFA might accommodate MITI's interests by increasing the economic development element of bilateral grant, which is under MOFA's aid budget.



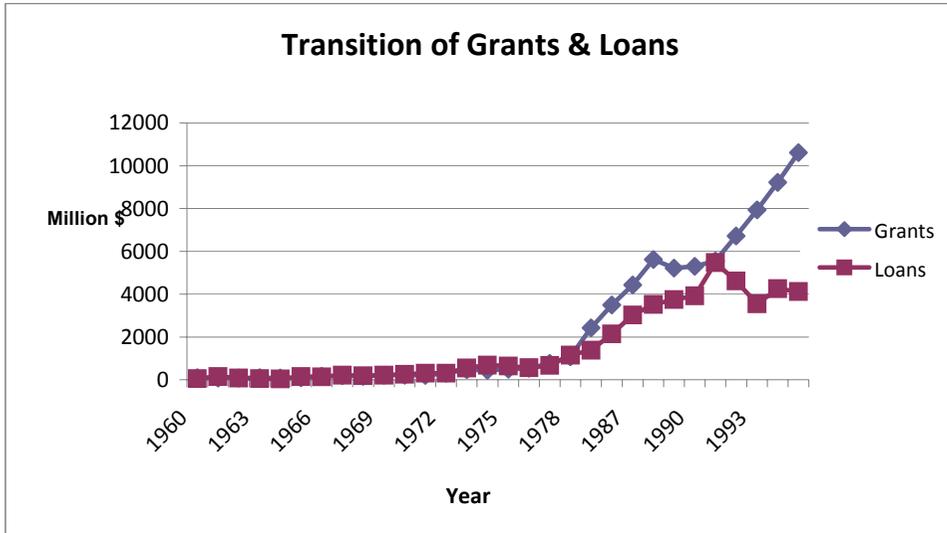
Source: *Japan's ODA Annual Report* by MOFA.

**Figure 8.** Growth Rates of ODA Budget & Other Budgets (Index: FY 1985 = 100).



Source: Japanese Ministry of Foreign Affairs, *Japan's ODA Annual Report* (2001).

**Figure 9.** Trend in Japan's Bilateral ODA (by region).



Notes: “Grants” consist of bilateral grants and technical assistance, and multilateral aid (grants); Loans refer to bilateral loans; Data on 1979-1985 is excluded because of its unavailability.

Sources: Edited by the author based on data in various issues of MOFA, *Japan’s ODA Annual Report*.

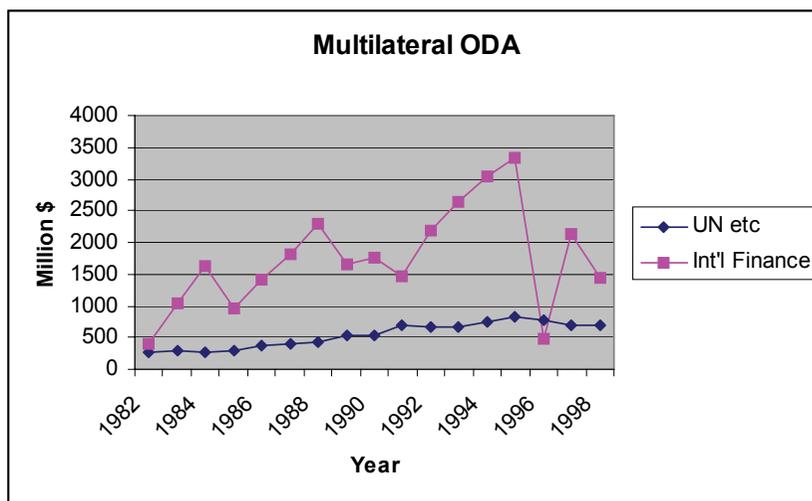
**Figure 10.** Transition of Grants & Loans (1960-1995).

accountable for especially MOFA and MITI’s efforts to increase ODA budget, although their intentions might differ (i.e., MOFA: enhancing Japan’s image in international society; and MITI: promoting Japan’s exports).

Figure 9 indicates that Japan’s ODA recipients had been diversified since 1970. That is, while the proportion of ODA for Asia had decreased (although it increased in 1998 because of financial crisis in that region), aid for other regions, such as Africa and Latin America, had increased since 1970. Further, the ratio of ODA for Middle East had increased to 10.4 % in 1980 and the proportion was maintained in 1990 (i.e., 10.2%), which indicate that Japan’s foreign aid policy played an active role of securing the supply of natural resources (i.e., MITI’s interests). But, it decreased after 1990. Overall, these trends prove that whereas MITI (which had interests of increasing export to Asia and securing natural resources – particularly oil – in Middle East)’s influence dwindled, MOFA’s effort to expand aid to other regions, such as Africa, (responding to DAC’s demand) was successful.

Figure 10 also shows MOFA’s increasing influence over ODA policy. The figure indicates that MOFA (and MOF<sup>31</sup>)’s influences had enhanced in regard to the fact that the amount of grants had started to surpass that of loans since 1985. Figure 11 shows a more detailed picture of this trend regarding multilateral grants. That is, multilateral aid to international finance organizations (MOF’s jurisdiction) had increased more sharply

<sup>31</sup> Grants include multilateral aid to international finance institutions. Therefore, MOF is associated to this category as well.



Edited based on Data in various issues of “Japan’s ODA Annual Report” by MOFA.

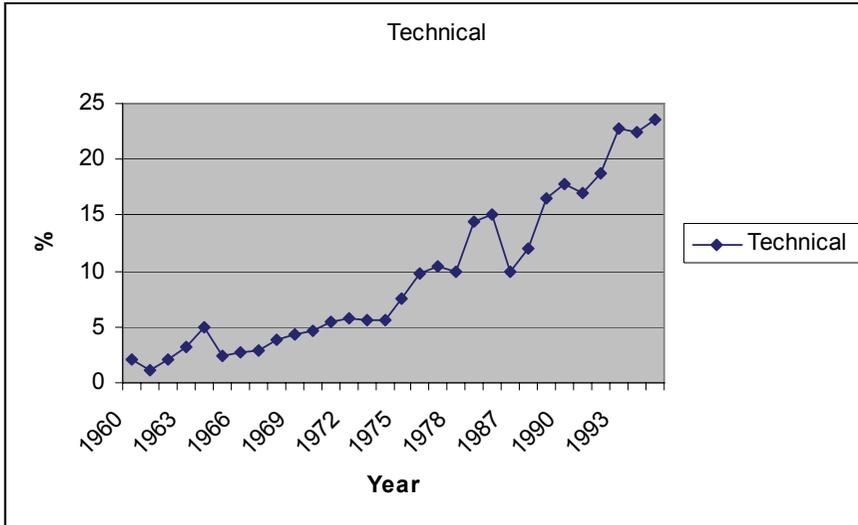
**Figure 11.** Transition of Multilateral Aid (1982-1998).

(although there were up and downs) than that to UN etc (which were MOFA’s jurisdictions). In any case, these data imply that Japan’s ODA had moved to respond to DAC requirements to increase multilateral grants, indicating a “new multilateral activism” (Yasutomo 1995).

While increasing trend of grant aids usually implies MOFA (and MOF)’s heightened status in Japan’s ODA policy-making, it may also indicate the accommodation of MITI’s interests. According to Figure 7, grants for Economic Development Assistance, which might belong to one of MITI’s interests (i.e., the grants are tied), had increased sharply (on the other hand grants for Increased Food Production and Food had not grown a lot) especially since early 1990s. Thus, it is reasonable to say that the increasing trend of grant aids had also (i.e., in addition to fulfilling MOFA’s interests) steadily accommodated MITI’s export promotion interests.

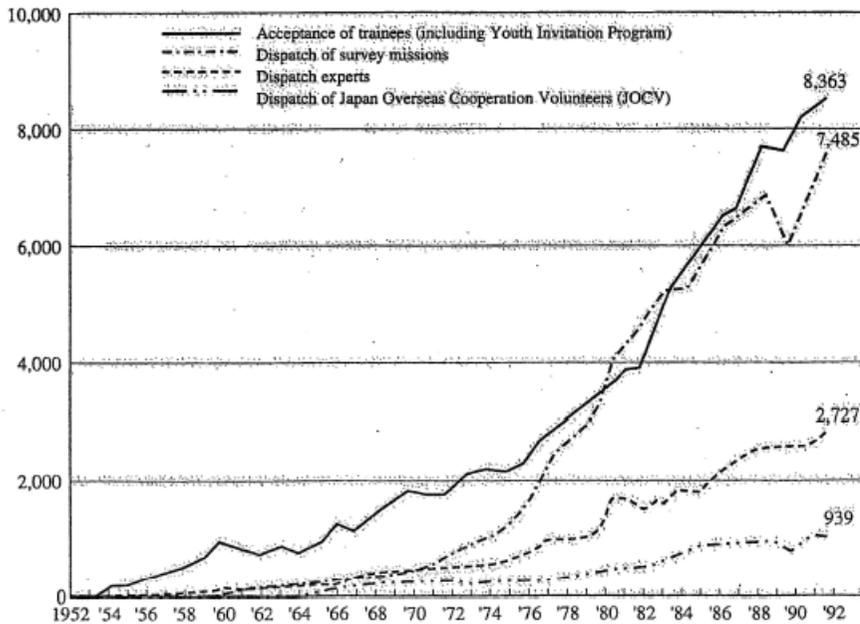
Figure 12 shows that MOFA’s intention to increase technical assistance spending, which was a part of the Basic Human Needs aid, had been realized. In other words, even though the ratio of technical assistance in Japan’s total ODA expenditure was less than 5% until early 1970s, it had become over 20% since 1993. Further, according to Figure 13 technical assistance in terms of human resource exchange sharply increased as well.

While MITI’s interests had been accommodated in terms of increasing Economic Development Assistance grants (i.e., Figure 7), it appears that the ministry’s overall influence on ODA decision- making had been decreased. For example, according to Figure 14 Japan’s ODA had been untied since FY 1972 lessening opportunities for Japanese business firms to win aid contracts (i.e., MITI’s decreasing influence on ODA policy making). Particularly, since FY 1992 tied ODA had been none. In fact, the percentage of untied aid had increased proportionally to the decrease of loan-funded contracts won by Japanese businesses. Moreover, Figure 15 shows that while procurement share by Japanese firms was decreasing (from 65% in FY 1986 to 25% in FY 1995), that by developing countries, which was mostly recipients, was considerably increasing (from 20% in FY1986



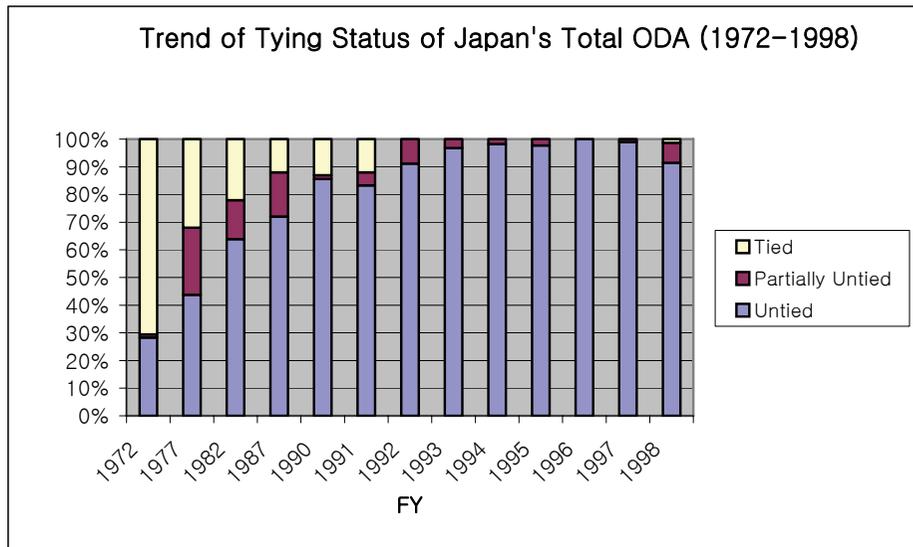
Each percentage represents the proportion of technical assistance to total ODA spending. Calculated and Edited based on data in various issues of *Japan's ODA Annual Report* by MOFA and those in *Japan's Economic Aid* by Alan Rix. Data on 1979-1985 is excluded because of its unavailability.

**Figure 12.** Transition of Technical Assistance (1960-1995).



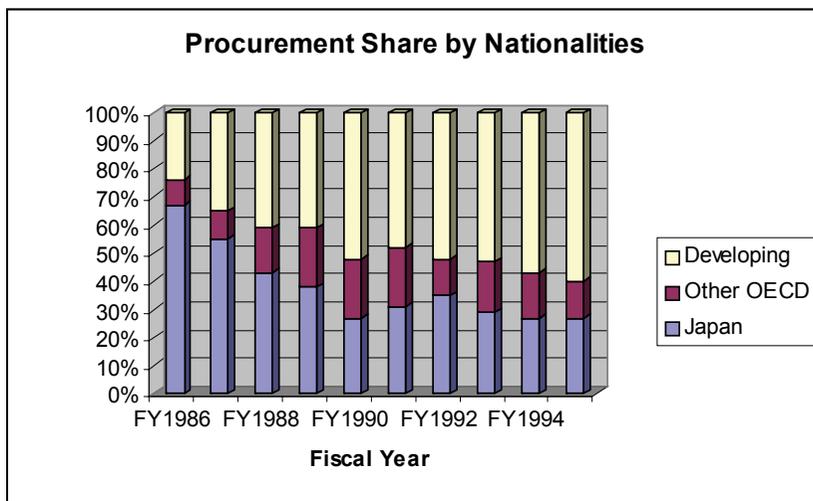
Source: Japan's ODA Annual Report by MOFA.

**Figure 13.** Trend in Japan's Technical Cooperation by Forms of Human Resource Exchange.



Source: Various issues of MOFA, *Japan's ODA Annual Report*.

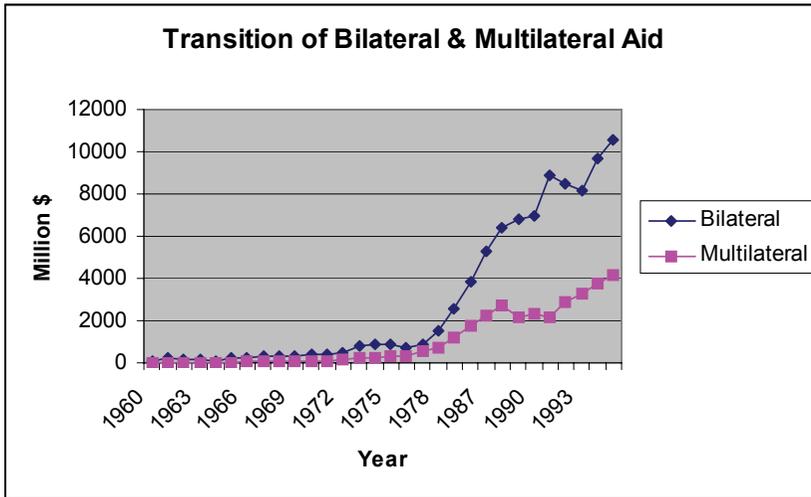
**Figure 14.** Trend of Tying Status of Japan's Total ODA (1972-1998).



Edited based on data in various issues of *Japan's ODA Annual Report* by MOFA.

**Figure 15.** Trends in ODA Loan-Funded Corporate Contracts by Country (FY 1996-1995).

to 60% in FY 1995). Especially, the decreasing rate of the procurement share by Japanese firms was steep between FY 1986 and FY 1990. In other words, these figures reflect MITI's efforts to promote the economic interests of Japanese firms had been discouraged.



Data on 1979-1985 is excluded because of its unavailability.

Edited based on data in various issues of *Japan's ODA Annual Report* by MOFA and those in *Japan's Economic Aid* by Alan Rix.

**Figure 16.** Transition of Bilateral & Multilateral Aid (1960-1995)

Finally, Figure 16 shows the amount of bilateral aid always surpassed that of multilateral aid. Particularly, the increasing rate of the amount is drastic since 1986. This fact may, to some extent, imply that MOFA's intention to use aid as a "diplomatic lever" for maintaining favorable relationship with or stability in particular nations or regions had been embodied, which would be a necessary condition of Japan's security.

## 5. DISCUSSIONS

The primary actors of ODA policy making were different by the type of aid (as indicated in Table 1). That is, all the four ministries were involved in deciding yen-loan aid issues, while just MOFA and MOF participated in making decisions on grants. In addition, MOFA dominated the decisions of technical assistance. Although these ministries had different (official) jurisdiction(s) of ODA decision making, their interests (or motives) were reflected not only in their own jurisdiction(s) but also in various aspects of ODA as analyzed above. According to the data analysis (which tried to see how the power structure of ODA decision making among the four ministries changed), MOFA's influence over ODA decision-making had been increasing (MOF's effect was also considerable regarding the sharp increase of aid to international finance institutions), whereas MITI's had been dwindling (in fact, MITI's declining influence in the aid policy process had been frequently reported: Potter 1993: 208). The accommodation of MITI's interests had been improved only in terms of grants for "Economic Development Assistance." Generally speaking, the decrease of accommodating Japanese businesses' interests, which was MITI's aid motive, and the movement of many aspects of Japan's ODA toward DAC guidelines (e.g., emphasis on untied aid, grants including multilateral grant, and technical assistance) imply that MOFA (and MOF) had

occupied dominant position(s) in the power structure of the ODA decision making. But, it can be said that such influential positions in regard to MOFA and MOF had been supported by international pressures, which came through the DAC and the UN, and international finance institutions respectively. Actually, the transition of Japan's ODA policy just reminds us with an observation that the aid policy in Japan had been characterized as mercantilism, but once the nation became the top donor in 1989, its aid was more likely to be dealt with by political motives (Park 2003).

As a matter of fact, some scholars suggest that political parties (particularly the LDP) gradually began to be more assertive in ODA policy in the 1990s because of the collapse of the LDP's hold over the Japanese government,<sup>32</sup> growing economic problems in Japan, and a succession of corruption scandals<sup>33</sup> (Choi and Park 2007). For example, such corruption scandals led to a more open dialogue about the future of Japan's ODA programs (Hook 1995: 77) in a way in which Japanese citizen raised questions, such as whether aid was not being wasted. Consequently, domestic support for foreign aid faltered in the early 1990s.<sup>34</sup> All of these factors in the 1990s brought about changes in the LDP's stance (which was previously more indifferent in ODA policy). In the 1990s, the LDP continuously suggested efficient and strategic approach to foreign aid policy, the unification of aid implementing systems, and reduction in aid expenditure (Choi and Park 2007: 39).

However, as Choi and Park (2007: 64) acknowledge, the altered trend of ODA policy in the 1990s does not mean politicians' supremacy over bureaucrats in its policy making. In fact, in order to curb the intervention of politicians into the area of administration, ministries like MOFA, which identified signs in the Diet of legislating a foreign aid law, preempted in 1992 by releasing ODA *Daikoh* that incorporated the principles or directions of Japan's aid policy<sup>35</sup> (Hashimoto 1999: 358-359). Furthermore, since the 1990s influential politicians, who used to serve as bureaucrats in MOFA, provided the LDP with expert knowledge on aid policy and influenced on the policy formation by taking ODA associated responsibilities in the party (Choi and Park 2007: 51-52). Overall, these facts indicate that still in the 1990s bureaucrats were active or effective in influencing ODA policy making, and politicians relied on bureaucrats in ODA expertise. Even after the Hashimoto administrative reform (that tried to reduce the reliance of politicians on bureaucrats in policy making), it appears that ministries are continuously the primary actors in ODA policy. That is, the Prime Minister and the ministers of MOFA, Ministry of Economy, Trade, and Industry (formerly MITI), and MOF are the members of the *overseas economic cooperation council*, which was newly introduced in 2006 as the supreme decision making institution for the foreign aid policy. But, it should be noted that the ODA decision making system at least up until 2000 – which was

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<sup>32</sup> The formation of a coalition government in 1999 made the LDP feel that it needed to consolidate its foreign policy stance (Choi and Park 2007: 47).

<sup>33</sup> For instance, a JICA (ODA implementing agency under MOFA) official was arrested in 1986 for taking bribes in return for his support of an agricultural project in Morocco.

<sup>34</sup> According to public opinion polls done by the prime minister's office, the percentage of respondents who answered "foreign aid should be actively promoted" declined from 43.2% in 1990 to 32.6 % in 1993: see Figure 3.

<sup>35</sup> The ODA *Daikoh* incorporated principles of humanism (the improvement of developing countries' poverty), global interdependency (the support of developing countries that contribute to the world's peace and prosperity), environmental preservation (problem that needs to be dealt with by both developed and developing nations), etc. (Park 2003: 391).

characterized as being decentralized, lacking mobility, and having an unnecessarily ambiguous decision making process (Saito 1996: 129; Park 2003: 392) – may have changed to a more controlled and coordinated one, with specific policy directions (with respect to the involvement of the Prime Minister in the overseas economic cooperation council and the introduction of ODA *Daikoh*) since then. Probably because of such changes in the 2000s, the idea to unify ODA decision making, much like the U.S AID, has not been realized despite extensive support from the LDP, a part of opposition parties, and numerous scholars (Sumi 1989: 216; Watanabe and Kusano 1991: 197-198).

## 6. CONCLUSION

Most of the studies on Japan's ODA policy argue that the nation's ODA motive had changed from pursuing commercial interests to accommodating foreign pressure or humanitarian needs of developing countries. These studies assume the Diet or Prime Minister as an important ODA decision-maker. However, my research suggests that primary ODA decision making power in Japanese government resides in the four ministries rather than in the politicians (at least up until early 2000s); and various data on Japan's ODA expenditure reflects the ups and downs of specific ministries' power in decision making over the past decades (i.e., MITI's diminishing power vs. MOFA's increasing influence), caused by the interministerial battle over foreign aid policy. Thus, I argue that the conventional approaches, which simply perceive that Japan's entire ODA motive had changed from one to another, ignore the fact that there had been various motives *co-existing* and competing with each other in the four-ministry system. Therefore, in order to understand Japan's dominant ODA motive, we need to look at the interministerial "turf battle" over the foreign aid policy, and see which actor (ministry) was most influential in the decision-making process. Particularly, it can be said that this study made an advance in explaining how each ministry's influence changed in Japan's ODA decision making using various quantitative data over the decades, which other previous researches of bureaucratic-politics perspective, such as Orr (1990) and Sumi (1996), neglected.

Finally, although my quantitative analysis in this research offers a clear-cut picture of ups and downs of each ministry's influence over the years, for the future research it would be helpful to complement the analysis with qualitative approaches such as case studies. The combination of quantitative and qualitative approaches will enrich research on ODA policy making, providing an inside story about the four ministry system<sup>36</sup>, especially in regard to its bargaining process. But, it is quite certain that data for the case study need to be collected by conducting interviews rather than by investigating government document on the bargaining processes of ODA policy making in Japan's central government, which rarely exists as mentioned earlier.

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<sup>36</sup> It is presently the overseas economic cooperation council.

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