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“Japan’s ODA and East Asian Regionalism: Towards a Regional Approach?”

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INTRODUCTION

We live in a “world of regions” (Katzenstein). It is rather a banal statement but in a world which also is being increasingly globalized, it connotes a basic paradox of the present time. It is thus often referred to as “new regionalism” to distinguish the present trend.

Asia is no exception to this movement. Indeed for the first time since the Second World War, we are talking about an “East Asian Community” in official documents, clearly breaking the taboo of the post-war years. Unlike the “East Asian Great Co-Prosperity Sphere” pushed forward by the militarist regime in prewar Japan, it is happening in a rather “cooperative” manner and seeking to integrate with the world rather than breaking from it.

This paper aims to shed light on recent Japanese official approaches of regionalism by looking at the changing logics of Japanese ODA (official development assistance). The paper first looks at traditional Japanese ODA funding to Asia and then tries to analyze the changes brought about since the 1990s in dealing with “new regionalism”. The aim of this paper is to see whether ODA could contribute to regionalism as a tool of foreign policy by examining the case of Japanese experience in the postwar years. The paper asks whether a more active role for ODA instruments in Japanese approaches to regionalism drawing on experiences of European integration (Cohesion Policy and enlargement related measures in particular) can be envisioned.

A word on the origins of Japanese approaches to regionalism is in order. Although the word is never pronounced in official negotiations on regionalism in Asia, the past Japanese imperial drive in Asia under the banner of “Great East Asia Co-prosperity Sphere” still lingers in people’s mind in Asia. Indeed it is partly for this reason that the Japanese government failed to endorse a regionalist grouping excluding the US as well as Australia and New Zealand proposed by Mahatir in 1990. When Prime Minister Koizumi for the first time employed “East Asian community” and was translated in Japanese (“Kyodotai” and not “community” in

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katakana any more) it was considered as breaking a taboo.

Indeed looking back more than 60 years' period after World War II, one has the feeling that at least a serious thought is now being given to building of a formal regional order in Asia in which Japan participates. It is certainly true that the US preferred an order based on bilateral ties centered on the US, but it is also for historical and geopolitical reason within the region which together with the US policy produced this outcome so far.

"Great East Asia Co-prosperity Sphere" was certainly a cover for de facto colonial conquests of Japan at the time, but as an idea, it connotes certain elements reminiscent of a modernized version of European colonialism during and after World War II (e.g. French Union): an order in which a metropolitan power sits with colonial areas, colonial development being proclaimed at least on paper. Japan of course tried to retain hegemonic role (through leadership role assigned to the "leading country"), but the idea that Japan becomes a member of a larger regional entity appeared for the first time (and disappeared since). That the idea lost along with Japan in World War II shares the destiny of regionalist challenge by revisionist powers in general. The flourishing of regionalist ideas around the world today has made an imprint even in Asia, in a longer time frame.

With this historical setting in mind, we can now turn to post-war evolution of Japanese policy on regionalism and the role of ODA in particular.

1. "OLD REGIONALISM" AND JAPANESE ODA

It is first necessary to see the role of ODA in Japanese foreign policy. The definition of ODA dates back to the beginning of the 1960s when DAC (Development Assistance Committee) defined a certain type of concessionary flow of funds from developed countries to developing countries in view of soliciting Western countries' efforts in the context of the Cold War. It goes without saying that this type of flow of fund existed prior to the making of its international definition. However, it remained "domestic" (and not international) when most areas overseas were under formal colonial control (even if the fund was concessional and for developmental purposes).

In the postwar Japanese diplomacy, ODA played an exceptionally prominent role since the 1960s. The use of military instrument was made almost impossible under the pacifist constitution (article no.9), and economic instruments accordingly acquired an important place in Japanese diplomacy (although defense spending was to acquire a prominent place especially with regard to the US). The relative importance of official flow (including ODA) varies across time (in the 1990s the part of ODA declined relative

to direct foreign investment) but as a tool of foreign policy, it still retains a key role. It is for this reason that this paper focuses on the role of ODA in Japanese policy toward regionalism. Although Japanese ODA includes contribution to multilateral institutions including the Asian Development Bank (ADB), this paper does not treat ADB’s policy on Asian regionalism. The ADB’s extremely important role in promoting regionalism in Asia especially in recent years is known, and considering Japanese leadership role within the organization, this multilateral diplomacy of Japan needs to be further studied¹.

(1) Post-war Planning under Yoshida and Hatoyama

With the opening of diplomatic papers under the 30 years’ rule, there is a growing literature on post-war Japanese foreign policy based on primary documents. Existing studies on this period tend to emphasize the importance of two factors, i.e. the US policy in the context of the Cold War and Japanese reparation, in the start of Japanese ODA diplomacy. Although the basic lines of argument is maintained, this paper draws heavily on newly available secondary sources available in Japanese which illuminate original Japanese thinking on development².

During the immediate post-war years, the Japanese authorities made efforts to reconstruct the economy, and the question of foreign market as a source of import of necessary materials and of export, was high on the agenda. After the Chinese Revolution in 1949, Southeast Asia emerged as the natural candidate to replace China and this idea was shared by the US. Yoshida’s policy on Southeast Asia was aimed at securing import of raw materials from the region and by relying heavily on funding from the US. As such, the Yoshida government remained largely passive in its policy toward Southeast Asia.

However, under Yoshida’s government, alternative strategies were put forward by some branches of government, especially the Economic Reconstruction Agency sources. These plans, although rejected by the government, were to constitute a core of Japanese government’s policy under the next administration of Hatoyama. Three principal lines can be detected in such plans: 1) doctrine of planned economy, 2) avoidance of dependence on US funding, and 3) consideration of the area as a market (not only as a source of raw materials).

In a report published in 1954 on Japanese policy toward Southeast Asia, four major points were raised in line with the Agency’s positions: 1) expectations for a regional organization, 2) perception of threat about Chinese penetration into Southeast Asia, 3) concern about the Sterling

1 On this point see Dent.

2 This paper largely follows the line of thought proposed by Suehiro.

Zone, 4) consideration for negative effects of free trade on low-income countries. It is interesting to note after more than 50 years that these points are still of actual concern if we read the Sterling Zone as the Dollar Zone.

Based on these policy considerations, the Japanese government under Hatoyama proposed in diverse international fora propositions in this sense. The Japanese government's proposal to set up regional organizations ran counter to opposition from Southeast Asian countries which feared big regional nations' influence and from the United States. It is curious to note that it was the Southeast Asian nations themselves which were against regional frameworks.

Although the Japanese proposal in international negotiations was not adopted, the Japanese government implemented what was in their power to pursue these policy lines. The Japanese government imposed disciplines on certain aid projects requested by Southeast Asian recipients by arguing for more efficient planning (of electronic powers plants etc) on regional basis³.

(2) Aid Diplomacy

With the remarkable growth of Japanese economy and concomitant result of accumulation of balance of payment surplus, the Japanese government was to start to increase aid in the 1960s. However a "big push" was given by the change of tone of US policy. The Johnson administration at the end of its term in the midst of a quagmire in Vietnam proposed regional cooperation in Southeast Asia in a speech ("Baltimore speech"). The US put pressure on Japan to substantially increase aid to Southeast Asia, and the Finance Minister Takeo Fukuda who had opposed such an increase was put before strong US pressure from President Johnson himself. From fiscal next year, the Japanese government was to increase considerably ODA (Sato and Hatano).

It was under these changing circumstances that Japan convened a Ministerial Conference on Southeast Asian Development in April 1966. It was viewed as responding to US pressures, although, according to a recent study (Hoshiro), it was not conceived as a direct platform of recipients of Japanese ODA. The Conference nonetheless is credited as marking the first Japanese involvement in Southeast Asian development (Suehiro). The Japanese Foreign Ministry at first tried to propose the creation of an "Advisory Committee on Southeast Asian Development" modeled after CIAP (Inter-American Committee on the Alliance for the Progress) but faced opposition from the Finance Ministry which preferred the newly created Asian Development Bank under its own initiative to the creation of a new organ proposed by the Foreign Ministry. The Ministerial Conference

³ These lines closely follow Hatano and Sato.

discussed development issues and came forward with conclusions of which agricultural development as a key. The Ministerial Conference continued for some time (the 7th in 1974 was to be the last), but as a Thai delegate noted in its Meeting in 1971, without any further liberalization of Japanese market and substantial increase of ODA, dissatisfaction among the participants were patent (Hoshiro). The fact that these regional projects evaporated as the war in Vietnam came to an end in 1973 shows that they were in a large measure products of US policy related to the Vietnam War.

New developments emerge after the creation of ASEAN in 1967. At the beginning, outside countries were observing what could become of it. Japan came slowly to appreciate ASEAN as ASEAN itself developed. Two developments in particular marked Japanese perception of ASEAN. First, Japanese export of synthetic rubber preoccupied Malaysia which was an exporter of natural rubber. Malaysia filed complaints under the name of ASEAN and the Japanese government had to negotiate with ASEAN itself. This process led to the creation of the Japan-ASEAN Synthetic Rubber Forum, which were to be transformed into the Japan-ASEAN Forum (which continues to this day). Another development was ASEAN’s Bali summit in 1976. ASEAN came away from the Meeting as a viable regional entity to establish friendly relationship with Indochinese countries. Japan came to acknowledge for the first time ASEAN as an actor in itself, which should have a constructive role to play in the region.

The new Japanese policy toward Southeast Asia in the post-Vietnam War period was to be unraveled as the Fukuda Doctrine in 1977. Prime Minister Tanaka’s visit to Southeast Asia in January 1974 had spurred anti-Japanese manifestations, in front of increasing presence of Japanese exports and investment in the region. The Japanese government, although seeing it as rather a pretext for Thai domestic politics, recognized the need for a new policy. The process of the formulation of the Fukuda Doctrine- as it marked 30th anniversary in 2007- is now well documented. Without entering into detail, suffice it to say here that the speech by Takeo Fukuda when he attended for the first time as Prime Minister of Japan a summit meeting of ASEAN (held in July 1977 in Manila), contained one item which is relevant to our purpose here. Indeed one of the three main points of the speech was the consideration given to ASEAN as an institution. The other two points were 1) Japan does not aspire to become a military power; 2) “heart-to-heart relationships” should be at the base of Japanese relations with Southeast Asia. Thus ODA to strengthen ASEAN’s capability was to start in 1977. The ASEAN Cultural Fund was created and aid to collective projects was committed. Further, at the strong demand of ASEAN, facilities to stabilize prices of primary products (“ASEAN STABEX”) received Japanese government’s endorsement. Besides, Japan announced its intention to double its ODA every 3 to 5 years beginning in 1978. It marks

the start of ODA being utilized for regional purposes in Japanese foreign policy. However, the amount as well as the scope of the action remained extremely modest.

The Fukuda Doctrine itself however became dormant as the Indochinese countries became isolated after the Vietnamese invasion of Cambodia and the following Sino-Vietnamese War in 1979 (Hatano and Sato).

2. “New Regionalism” and Japanese ODA

(1) Open Regionalism

The new era for regionalism in Asia opened with the spread of the forces of globalization via the Plaza Accord of 1985. The surge of Japanese direct investment in Asia, after the dramatic appreciation of the yen, was to spur economic development in the region. Munakata explains the surge of regionalization after the mid-1980s: “Regionalization in East Asia has largely been driven by the competitive activities of businesses and governments, under the pressures of globalization and technological progress.” (Munakata). In addition to this intra-regional economic dynamics, defensive reaction to developments outside the region (EU and NAFTA) played a role.

It was under these new circumstances that the idea of Asia-Pacific Cooperation, first proposed, as far as Japan was concerned (another key player being Australia), by the government of Ohira in 1980 (it dates back to Prime Minister Takeo Miki’s idea in 1967), came to receive support from ASEAN which was not receptive to the idea at the beginning for fear of losing influence. APEC’s history is well known and here it is sufficient to say that APEC established in 1989 was largely a result of Asian and Pacific countries’ growing concern with the losing pace of global trade liberalization talks under the Uruguay Round of GATT and the rising tide of regionalism in other parts of the world. Thus it was conceived as “open regionalism”, and constituted rather a push for outward-looking globalism than for inward-looking regionalism (EU’s Single European Act and NAFTA as well as US unilateral action in bilateral trade relations were seen with much alarm). According to Soeya, APEC was conceived as a forum of regional cooperation between “the North” (the Pacific) and “the South” (Asia) (Soeya). In this sense, Japan was in the Pacific and not in Asia. In ASEM (Asia-Europe Meeting), there was a similar situation with Japan (South Korea to some degree as well) finding itself rather in an uncomfortable position with this dichotomy between Europe (“the North”) and Asia (“the South”).

APEC was thus supposed to contribute to development especially viewed from the side of ASEAN. There are some elements of technical cooperation in APEC but they are of marginal importance within the overall cooperation programs.

The period between 1993 and 1997 was a heyday of APEC. The US came to endorse APEC forcefully at the occasion of US chair in 1993. APEC prided itself on achieving the return of the EU to the Uruguay Round and to its successful conclusion.

However when the US proposed a pacific-wide FTA, ASEAN was vehemently opposed. As such, when the surge for FTAs came in the 1990s, APEC was at the sidelines, governments preferring bilateral FTAs outside APEC. APEC came increasingly to be considered as losing momentum at the close of the 1990s.

(2) Towards an East Asian Community?

The key event which triggered the transition from open regionalism to the next phase (a community?) was the Asian Financial Crisis of 1997. Asian leaders came to realize that their economies were much more vulnerable than they had thought and that they needed to have Asian solutions to Asian problems. ASEAN, put in turmoil, lost initiative and Japan was passing through twelve years’ to be recession and losing confidence in itself. Interest among Asian leaders in regionalism grew stronger accordingly. The proposal by Mahatir of Malaysia in 1990 to constitute a regional economic forum (EAEC) excluding the US, Canada, Australia, and New Zealand, had not received support from Asian leaders. Japan in particular took the position that a regional order in Asia excluding the US was not helpful, the idea being also seemingly equivalent to a Pan-Asian doctrine of pre-war Japan, and a taboo not to be broken. However, in December 1997, 7 years after Mahatir proposed the EAEC, the first summit meeting of ASEAN plus 3 (China, Japan, and South Korea) took place⁴. Japanese Prime Minister Hashimoto proposed “Hashimoto Initiative” in which he mentioned as priority areas of cooperation, 1) strengthening of ASEAN integration, 2) raising of economic competitiveness including investment, and 3) solving transnational problems like terrorism. In terms of support for regionalism, he announced priority in Japanese ODA allocated to ASEAN and support for human resource development (1.5 billion dollars for three years) and regional development of the Mekong area.

At the same time, a drive for FTAs accelerated with Korea and Japan, the two hitherto globalist countries, triggering the move around 2000. Japan first concluded an FTA negotiation with Singapore in October 2001 and started negotiations with Mexico (2002), Korea (2003), Malaysia, Thailand, and the Philippines (2004), and Indonesia (2005). Japan’s approach to FTAs was to aim at a larger framework of FTA including some cooperation measures (called Economic Cooperation Agreements-EPAs-). Thus from the angle of ODA, there are some elements of technical cooperation in EPAs

4 ASEAN +3 and its historical significance are underlined in Postel-Vinay, p.68.

especially those with developing countries. It should be added also that Japan concluded an EPA with ASEAN itself (October 2003). Although it was rather a means to rationalize individual EPAs with ASEAN member countries, the Japanese government credits itself with supporting ASEAN as a regional institution through the EPA with ASEAN. In fact there is a mention in the treaty that Japan cooperate with ASEAN in its efforts to reduce developmental gaps between original members and new members (Laos, Cambodia, Vietnam, and Myanmar) and thus consolidate economic integration of the region.

In January 2002, Prime Minister Koizumi called for the creation of an “East Asian community” during his visit to 5 Southeast Asian countries. The idea of an “East Asian Community” had been on the agenda for some time and it was certainly not the invention of Japan. However, the fact that Japan torn between the identities of the Pacific and Asia at last came forward with the idea of community building in East Asia (though including Australia, New Zealand, and India) constituted a milestone. For our purpose here suffice it to refer to a mention in the Koizumi’s speech to the effect that Japan would gear its ODA to serve the purpose of regional integration. It remains to be seen how this policy will be translated into concrete action. Further to this visit, Japan hosted the Japan-ASEAN Summit to be held outside the region for the first time. The Japanese government reiterated support for ASEAN in allocation of ODA and Mekong area projects and called for the creation of a community based on common traditions and values.

Concretely in the field of ODA, there are today various types of support for regional integration undertaken by the Japanese government⁵:

1) METI’s aid: infrastructure and aid for trade, creation of a research institute⁶

2) Finance Ministry’s aid: Chiang Mai Initiative

3) Cross-border aid (“wider area grant”)

4) Mekong Projects: there are two projects (ADB and ASEAN)

5) Greater Mekong Sub-region’s East-West Economic Corridor Project

6) ASEAN Cultural Fund

7) ASEAN Solidarity Fund (20 Million US dollars): announced by Prime Minister Obuchi in May 1998. Support for human development and development strategy making.

Although dispersed and not amply financed, these measures amount to a first of the sort financed by Japan for region-building purposes. It has

⁵ For lack of space, description of each type of project is omitted here. For details see Kohara, Yamakage, and Hughes.

⁶ There are differences of opinion between METI (Ministry of Economy, Trade, and Industry) and MOFA (Foreign Ministry) on regionalism. See Ohga.

certainly come a long way from the time when the Japanese authorities were reluctant to extend any ODA to multilateral organizations in which Japan was not a member.⁷

As Cook and Sachs argue, ODA for regional purposes remain quite limited in general calculated as unallocated nationally (Cook and Sachs). But if we look at the US and the EU which list support for regionalism as explicit objective of their ODA programs, Japan still lags behind.

Final Remarks

This paper surveyed historical evolution of Japan’s regional policy especially with regard to ODA. One has the feeling that after 1997 when the taboo of East Asian regionalism was broken, we are witnessing the burst of economic development ideas put forward by forerunners of today’s METI and Cabinet Office officials at the time of immediate post-war years. And the feeling of continuity is further strengthened when we notice that among the Japanese policy-makers who took policy initiatives for economic development in Southeast Asia after the war (Prime Minister Kishi and the proponents of the creation of the Institute of Developing Economies) were in some way or another involved in the prewar economic planning of “Great East Asia Co-Prosperity Sphere”.

On the other hand, new developments are certainly at play toward regional integration in Asia. The de facto vertical production integration with multinationals in Asia is a key in the process. There is also a prevalent feeling within Japan for a search of its own place in today’s globalized world. The setting up of the East Asia Community Council certainly shows a trend unseen in the post-war years in the influential circles of Japanese society (politicians, officials, academics, journalists, economic agents) arguing for an East Asian Community. There is a growing interest in Pan-Asianism among academic circles. It can be said that a “genuine” (in comparison with right-wing nostalgia for the prewar period) search for soul or for a place in Asia is emerging in Japan today.

However, any attempt at promoting East Asian regionalism encounters the following five problems:

1) Can we have an integrated market in Asia? Although the rate of intra-regional trade has risen considerably in recent years, and most proponents of regionalism take this as one of the most important factors driving the process, most products end up in European or North American markets. Unlike the EU or NAFTA, the end market in Asia does not exist.

7 It was in 1989 that the Japanese government agreed to finance the Secretariat of the South Pacific after repeated demands for such assistance. See Arase.

It is still dependent on outside markets for its economic viability.

2) Can we separate economic integration from national security concerns? Despite the creation of ARF, countries in Asia face each other directly, with bilateral security guarantees by the US occupying the central role. Can we go further in regional integration without antagonizing the US?

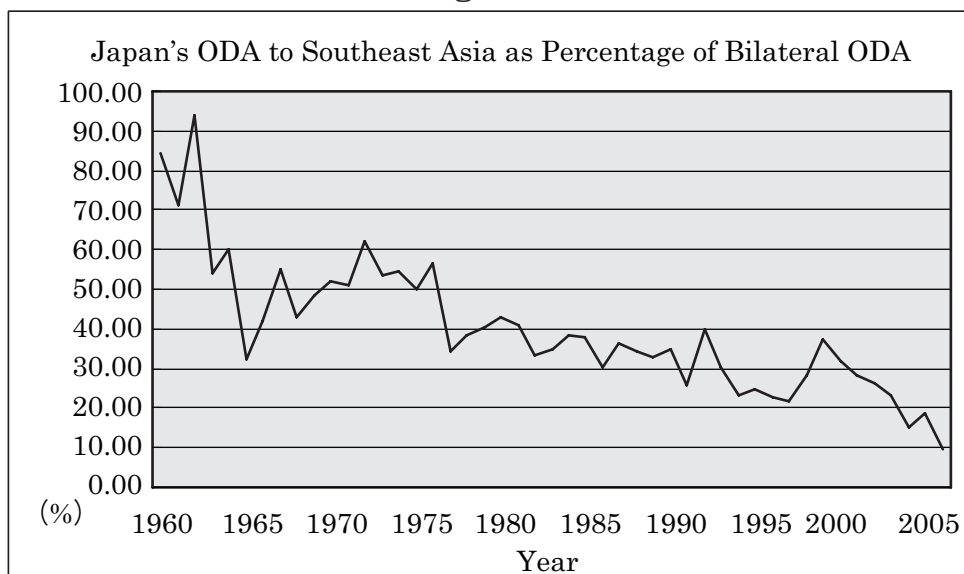
3) Can we have a basic picture of regionalism exempt of prewar historical legacy? In Europe, postwar integration could start from an existing customs union of the Benelux countries. Is there any base for East Asian regionalism not tainted with historical memory of hegemony or dominance?

4) Can the regional powers (China, Japan, and Korea) come to terms with each other and to overcome their reciprocal negative images?

5) Can ASEAN with its enshrined preference for national sovereignty play the role of motor of further regional integration?

These are difficult questions and one has every reason to remain cautious in prospecting the future direction of East Asian regionalism. However, if we live today in a world of regions, we have no choice but to search for our place in “our” region.

This paper thus ends with a call to gear more strategically ODA for region-building. As the following graph (Figure 1) shows, the percentage of Japanese ODA to Southeast Asia has been declining over the years since the 1960s, from the highest of 94% in 1962 to the lowest of 10% in 2006 (in bilateral ODA, compiled from various MOFA documents) reflecting the increase of total bilateral ODA during these years. However, with recent decline of overall Japanese ODA, the recent decrease in percentage is more consequential.

Figure 1

Does this mean that Japanese ODA has ended its mission in Southeast Asia? Certainly trade and direct investment with technology transfer are of utmost importance with original members of ASEAN. However, economic forces alone especially when the question of widening gaps across nations is not adequately addressed will not automatically contribute to region-building. Here ODA may still have a role to play in contributing to regionalism by collectively tackling the problem of regional gaps (principally “ASEAN Divide”). Couldn’t Japan contribute along with China, Singapore, and South Korea to tackle the question of regional gaps through collective means (a regional structural fund)? It might become a forerunner of the future cohesion policy of a community in the making.

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