

Japan's Development Policy and Multilateral Institutions: Buying Political Influence?

Wolfgang Möllers¹

Japan is desperately looking for its place among the politically mighty as it is increasingly concerned about its role in world politics for the remaining years of this decade. Economically, Tokyo has managed within a remarkably short period to get to the top and thus intimidating many potential competitors worldwide. Although maliciously denounced as "Japan Inc.", Japanese companies keep on building up a global commercial empire. Operating in East Asia, the fastest-growing region on earth, Japanese businessmen are seizing opportunities which many of their Western rivals fail to grasp. Japan overtook the US in the mid-eighties as the largest provider of foreign capital to the region. There is an immense flow of Japanese investment, technology, trade and development aid.

New records are reported from all over the world. Wealthy Japanese are swarming out of the land of the rising sun to acquire prestigious properties abroad - by the dozen. Only the best and most expensive will do: companies, banks, works of art, luxury hotels, office towers, restaurants - Nippon's shopping list is long. After Sony's \$3.4 billion for then Columbia Pictures and Matsushita's involvement with MCA, another huge deal is being considered by Toshiba Corp. and C. Itoh & Co.: a possible \$1 billion investment in Time Warner Inc.

Recent reports about an internal crisis are easily dismissed. Financial scandals that rocked Japan this summer and led to the resignation of Finance Minister Ryutaro Hashimoto, who took responsibility for the ministry's failure to prevent improper activities by some of the nation's leading financial firms, would not stop Japan on its way forward. Japan, according to Rüdiger Machetzki of the Institute for Asian Affairs in Hamburg, Germany, is on its "march to the peak", which Tokyo will reach and defend.²

Politically, however, Japan is being derided as a dwarf, haunted by doubts and searching for an adequate role to play on the international stage.

I. Japan's ODA - Big Spender Without a Definite Line

In 1989, Japanese "Official Development Assistance" (ODA) eventually overtook US-support for the Third World.³ Tokyo concentrates almost two thirds of its aid on Japan's neighbours in East and Southeast Asia.⁴ Since 1978, Japan has increased its financial contributions tremendously. Some figures: in 1976, Japan provided \$1.1 billion, in 1988, a whopping \$9.134 billion was spent.⁵ In 1988, Japanese ODA jumped by 22% in comparison to 1987. During that period the Federal Republic of Germany, for example, managed an increase of only about seven percent. One year later, in 1989, Japan's ODA, based on net disbursements, amounted to \$8.97 billion and Japan became the world's largest donor because of a decline in U.S. aid, which fell from \$10.14 billion in 1988 to \$7.66 billion in 1989. The reduction in the dollar-based value of Japan's aid from 1988 to 1989 was attributable to a decline in the value of the yen against the dollar.⁶ In yen terms, there was a 5.7% increase in Japan's contribution.

Everybody who expected Japan to stay on top for quite some time was greatly surprised, when the new figures for 1990 were released: Tokyo, with \$9.2 billion, fell back to second place behind the US.⁷ Most likely, Japan is not going to achieve its ambitious aid target for the years 1988-1992. According to the "Fourth Medium-Term Target of Official Development Assistance" of June 1988, Japan is supposed to increase the aggregate amount of ODA during the period of 1988 to 1992 to more than \$50 billion, thus more than doubling the aggregate volume of ODA disbursed in the years from 1983-1987.⁸ Even if that amount will not be fully reached, the remainder will definitely secure Japan's ranking among the big spenders of all 18 Development Assistance Committee (DAC) nations for some time. Japan can easily afford to play the paymaster: for the first eight months of 1991 the trade surplus exceeded \$60 billion - a fact, which drew another worldwide round of sharp criticism on Tokyo.

Table I gives some data on Japan's ODA performance during the '80s in dollar and in yen terms. In addition to that the ratio of ODA to GNP in percentage is being compared to the DAC average.

Table I: Japan's ODA Performance in the '80s

	1982	1983	1984	1985	1986	1987	1988	1989
\$mill.	3,02	3,76	4,32	3,80	5,63	7,45	9,13	8,97
Ybill.	7,529	8,933	10,258	9,057	9,495	10,782	11,705	12,368
ODA/GNP	0.28%	0.32%	0.34%	0.29%	0.29%	0.31%	0.32%	0.32%
DAC								
Average	0.38%	0.36%	0.36%	0.35%	0.35%	0.35%	0.36%	0.33%

Source: Ministry of Foreign Affairs, Japan's ODA 1990, Tokyo 1991

Table II compares Japan's ODA with the performance of the other 17 DAC nations. The comparison with other DAC nations shows that Japan ranks 12th in terms of the ratio ODA/GNP, the USA ranks lowest with a mere 0.15%. In 1989, Japan's share of the total ODA increased from 19% to 19.3%.

Table III compares the ODA performance of major DAC countries in the years 1978 and 1989.

From 1988 to 1990 Japan provided ODA amounting to a total of \$27.3 billion. According to the "Fourth Medium-Term Target" at least \$22.7 billion more are supposed to be spent in 1991 and 1992. This will be a difficult task. Despite the fact that the ODA general account budget for the fiscal year of 1990 was 817.5 billion yen and the operation budget, which is the source of funds for Japanese ODA activities and represents the scale of Japan's ODA expenditures, amounted to 1.4494 trillion yen, in terms of net disbursements only \$9.2 billion were spent.⁹

Table II: DAC Countries' ODA 1989

DAC Countries	ODA-Amount in Million Dollars	The ODA/GNP Ratio in %	ODA-Amount per capita in \$ (1989)
Japan	8,965	0.32 (12.)	72.8 (10.)
USA	7,664	0.15 (18.)	30.8 (16.)
France	7,467*	0.78** (5.)	132.7 (6.)
Germany,F.R.	4,953	0.41 (9.)	79.8 (9.)
Italy	3,325	0.39 (10.)	62.8 (12.)
U.K.	2,588	0.31 (13.)	45.2 (14.)
Canada	2,302	0.44 (8.)	88.4 (7.)
Netherlands	2,302	0.94 (4.)	141.0 (5.)
Sweden	1,809	0.98 (3.)	213.2 (2.)
Australia	1,017	0.37 (11.)	60.7 (13.)
Denmark	1,003	1.00 (2.)	182.6 (3.)
Norway	919	1.02 (1.)	216.9 (1.)
Belgium	716	0.47 (7.)	71.0 (11.)
Finland	705	0.63 (6.)	142.3 (4.)
Switzerland	559	0.30 (14.)	83.0 (8.)
Austria	282	0.23 (15.)	37.1 (15.)
New Zealand	87	0.22 (16.)	26.1 (17.)
Ireland	49	0.17 (17.)	13.9 (18.)
Total	46,498	0.33	65.2

* including DOM/TOM (Departement/Territoires d'Outre-Mer)
(excl. DOM/TOM. 5.140 Million Dollars)

** including DOM/TOM.
(excl. DOM/TOM. 0.54%)

*** rankings in brackets

Sources: Ministry of Foreign Affairs, Japan's ODA 1990, Tokyo 1991 and
Tokyo Business Today, 59 (Sept.1991) 9.

Table III: ODA Performance of Major DAC Countries (\$ Million)

	1978	1989*
USA	5,664	7,664
Japan	2,215	8,965
France	2,705	7,467
Germany	2,347	4,953
Italy	377	3,325
Canada	1,060	2,588
U.K.	1,465	2,302

* Figures are provisional

Source: Ministry of Foreign Affairs, Japan's ODA 1990, Tokyo 1991

Official statements show that in dealing with ODA, five areas will have priority:

- humanitarian aid (alleviating poverty, assistance in the Medical Care and Public Health Fields, Emergency Disaster Relief, Refugee Relief)
- global problems (environment, drugs, population problems)
- relationship between the policies of recipient nations and Japanese aid (aid to support democratization, Japan's ODA and economic and social policies in recipient countries, participatory development)
- promotion of public understanding and support and the expansion of public participation in aid
- effective and efficient aid: reinforcing the aid administration structure.¹⁰

II. Japan's Multilateral Aid - Serious Commitment to International Institutions?

Not only bilateral aid, but also Japan's multilateral ODA through international organizations increased tremendously. Tokyo uses multilateral aid to improve its image worldwide. Furthermore it reacts with yen on international pressure to do more for the Third World.

Table IV: Share of Multilateral Assistance of Major DAC Countries

Year	United States	Germany	United Kingdom	Japan
1983	31.2	33.9	46.7	35.5
1984	25.9	32.9	45.2	43.8
1985	13.0	32.7	43.7	32.7
1986	20.5	31.0	41.8	31.7
1987	21.7	29.6	46.3	29.6

Source: Ministry of Foreign Affairs, *Outlook of Japan's Economic Cooperation*, Tokyo 1989

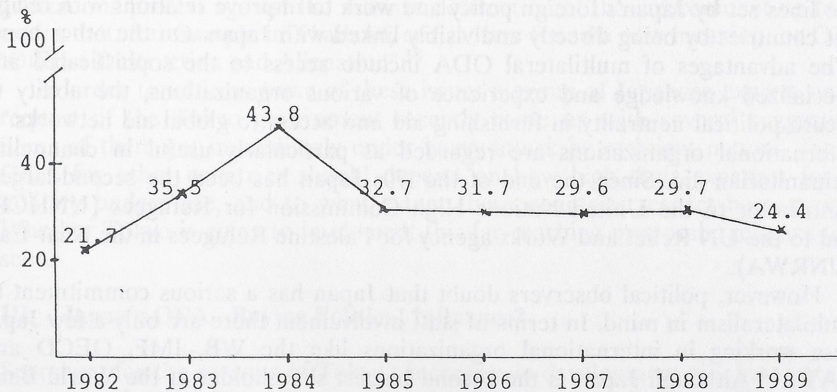
Multilateral organizations are divided into two categories: United Nations agencies and international financial institutions like the World Bank (WB) and the Asian Development Bank (ADB).

In 1989, Japanese aid totaling \$2.186 billion was provided through multilateral organizations. This is a considerable decrease from the figure for 1988. The percentage of total ODA provided through multilateral organizations also declined, from 29.7% in 1988 to 24.4% in 1989. Subscriptions and contributions to international financial institutions declined to \$1.646 billion. The reason for this is that Japan contributed to the IDA's eighth replenishment in 1988 but not in 1989. The contributions to the United Nations agencies and other international organizations increased to \$540 million.¹¹

**Table V: Japan's Economic Assistance to Multilateral Agencies
(Net Disbursements in Million Dollars)**

	1987	1988	1989
1. Grants to United Nations Agencies and similar organizations	390.8	418.0	540.0
2. Capital Subscription and Similar Payments to Multilateral Agencies	1,816.0	2,290.0	1,646.0
Total	2,206.8	2,708.0	2,186.0
Ratio in Total ODA (%)	29.6	29.7	24.4

Sources: Ministry of Foreign Affairs, *Outlook of Japan's Economic Cooperation*, Tokyo 1989 and Ministry of Foreign Affairs, *Japan's ODA 1990*, Tokyo 1991

Chart I: Share of Multilateral Assistance in Japan's Total ODA

Source: Ministry of Foreign Affairs, *Japan's ODA 1990*, Tokyo 1991

In the '80s the percentage of total ODA provided through multilateral organizations varied between 21.7% and 43.8%. In 1989, roughly 75% of the money went to the World Bank, associate organizations or development banks. The biggest share of ODA for development banks was spent for the "Asian Development Bank" (ADB) in Manila. Japan cooperates actively with the World Bank and ranks second, behind the USA, in terms of its share of the total for all subscriptions to the World Bank and the IDA. Japan will contribute approximately \$3.06

billion out of a total of \$14.7 billion to the ninth IDA replenishment.¹² For the eighth IDA replenishment of about \$12.4 billion in 1988-1990, Japan's share was 21%.

Japan is the biggest donor for the Asian Development Bank and the Asian Development Fund. Funds for the development banks are handled by the Japanese Finance Ministry, which also controls the Export-Import Bank. The contributions to the United Nations agencies are handled by the Ministry of Foreign Affairs, which actively supports the multilateralisation of ODA, whereas the Ministry of International Trade and Industry tends to criticize that approach.

Officials in the Foreign Ministry emphasize the importance of the United Nations as a pillar of Japanese foreign policy and announce that it will be necessary to place greater emphasis on the provision of aid in ways that utilize the specialized knowledge and experience of United Nations agencies in the field of development assistance. Japan ranks second in terms of contributions for the UN organizations. It increased its share to the UN budget from 2% in 1957 to 11% thirty years later. However, these financial contributions haven't helped to achieve Tokyo's objective: Japan's image worldwide hasn't improved accordingly with yen payments. In 1978, its Asian neighbours preferred to vote for Bangladesh instead of Japan, when a seat in the Security Council had to be filled. Now, things seem a little easier: in January 1992, Japan will become again a nonpermanent member of the UN Security Council, for the seventh time since 1958.

According to the Japanese Ministry of Foreign Affairs bilateral ODA has advantages over multilateral ODA: it can operate effectively and flexibly along the lines set by Japan's foreign policy and work to improve relations with recipient countries by being directly and visibly linked with Japan. On the other hand: "The advantages of multilateral ODA include access to the sophisticated and specialized knowledge and experience of various organizations, the ability to secure political neutrality in furnishing aid and access to global aid networks."¹³ International organizations are regarded as particularly useful in channeling humanitarian aid. Since the end of the '70s Japan has been the second-largest contributor to the United Nations High Commission for Refugees (UNHCR) and to the UN Relief and Works agency for Palestine Refugees in the Near East (UNRWA).

However, political observers doubt that Japan has a serious commitment to multilateralism in mind. In terms of staff involvement there are only a few Japanese working in international organizations like the WB, IMF, OECD and GATT.¹⁴ Although Japan is the second biggest shareholder at the World Bank and together with Germany also the second-largest quota holder at the IMF Japanese comprise only 1.3 % at the World Bank and 2.2% at the Fund of the international staff working at both institutions. There is still a big reluctance in Japan to work with multilateral organizations. "The huge financial support lacks the physical Japanese presence that suggests a willingness to get involved in policy implementation on the ground - beneath the elevated and somewhat isolated stratas of Bank governors and directors", the *Far Eastern Economic Review* commented and added: "Japan has to realise that in all multilateral institutions it has to accept that policy formulation and implementation is a bottom-up as much as a top-down process. However much money Japan throws at the

multilaterals, it will not be regarded as a fully paid-up member of the international clubs until it learns to mingle fully with the other members."¹⁵

Tokyo aims at increasing its political influence in international organizations, manifested in voting rights, with the help of its yen. However, Japan faces particularly US resistance.¹⁶ Political observers accuse Japan of not having an original development policy on multilateral aid.¹⁷ There is no political profile, Tokyo seems to be satisfied with the role of the paymaster.

Increasingly, Japanese are questioning whether ODA wins them any international popularity. On the contrary: despite yearly ODA increases critics abroad and at home are getting louder and louder. One aspect: in comparison with other DAC nations, Japan ranks at the bottom of the list of the 18 DAC member nations in terms of both grant share and grant element. Grant share is the percentage of aid that combines grant aid, technical cooperation, contributions to international organizations and other assistance that do not require repayment. The grant element, an indicator of the "softness" of the terms for overall aid, is used along with the grant share to assess the leniency of the conditions for overall aid.

Other aspects include: too few people handle the immense amount of ODA,¹⁸ organizational chaos among the different ministries in charge of ODA, a lack of coordination and control, the accusation that Japan's ODA efforts have concentrated too much on large-scale infrastructure projects in order to disburse funds quickly and tend to provide only quick benefits for Japanese business and neglect the basic human needs of people in the countryside. Environmental organizations protest against the massive destruction of the environment up to the extent that, for example in Thailand, critics have found a new meaning for ODA: "Official Destruction and Alienation".¹⁹

In order to address some of these issues a group of Japanese experts on the request of the Tokyo government recently came up with several suggestions. Some of them got immediately under heavy attack by recipient nations. Japan's ODA for other countries should depend on how high their expenses for the military budget are, and to what extent these countries respect human rights. Whether Tokyo is going to implement this far-reaching proposals, remains to be seen.

III. Japan's ODA - Buying Political Influence?

Searching for the reasons of Tokyo's increases in development aid, humanitarian concerns take a backseat. Economic and political aspects dominate.²⁰ In the past, economic interests had always been predominant. A high ranking official in the Economic Cooperation Bureau of the Ministry of Foreign Affairs says: "In the 1960s, the main motives for Japan's economic cooperation were to promote its exports and assist its industries in overseas investment. Promoting commercial and industrial interests was the main purpose of such cooperation. In the 1970s, especially after the oil crisis, the role of economic assistance as a means of securing raw materials such as oil came to be stressed. In other words, the reinforcement of economic interdependence became the main objective. In the 1980s, the political and security sides of the objectives of economic cooperation are starting to receive greater emphasis."²¹

While economic considerations undoubtedly continue to play an important role, political motives are making up ground. In May 1988, the government of then Prime Minister Noboru Takeshita announced its "International Cooperation Initiative". It consists of three main pillars: cooperation for peace, promotion of international cultural exchanges and expansion of ODA.²²

Bernard May from the "Deutsche Gesellschaft für Auswärtige Politik" in Bonn, Germany, states: "Development aid is mainly used as a foreign policy tool and for Japan's so-called 'comprehensive security'. In addition, the granting of aid is supposed to improve Japan's image in the world, particularly among its Asian neighbours. Two of Japan's prime foreign policy objectives in the course of the eighties have been to reinforce solidarity with the community of Western nations and to improve and intensify relations with the countries of the Asian-Pacific region. Development aid was used as a significant and effective tool to achieve both these goals."²³ International criticism toward Japan to do more for the Third World has also played a significant role. ODA is regarded as a component of foreign policy - a substitute for the lacking military role.

Asian countries have been attributing a role of steadily increasing importance to Japan, on the understanding that Japan is more and more acknowledging its responsibility in regional affairs. Furthermore it has begun, albeit hesitantly, to play a role in world politics. Some political observers have already been predicting that Japan will surpass Washington in importance by the end of this century. Former Japanese Foreign Minister Saburo Okita believes this to be illusory. Japan may be an economic giant, but lacks military power as well as leadership qualities in the cultural and intellectual fields. It is in no position to replace the USA as the number one power in the region. Beyond the achievement of a certain degree of wealth, there is no consensus on the direction Japan should take in the future.²⁴ Moreover: "The others are asking themselves, what this Asian giant is up to. They watch Japan with a mixture of expectation and concern."²⁵

Dutch journalist and Japan expert Karel van Wolferen drew a devastating overall balance sheet of Japanese politics. He talks about a "Japan problem" and states: "Japan confuses the world. It has become a major world power, but does not act in a manner the majority of the world expects it to do. Sometimes it even gives the impression of not wanting to be a part of this world."²⁶

According to the *FEER* Japanese diplomacy has shown signs of a new maturity, however it still tends to be excessively money-oriented and is often lacking in finesse.²⁷ And furthermore: "Japan has no clearly considered aid policy and fails to explain what its objectives are. Tokyo does not have a precise idea of its ODA goals."²⁸ The magazine recommends under the headline "Aid in search of a policy": "The first step is to begin a more open discussion on what Japan's aid objectives should be. The eventual result might be a clearer idea of its overall foreign policy. Not a bad idea if Japan's voice is to be heard by the rest of the world."²⁹

The *Tokyo Business Today* comments in a recent article on Japan's ODA: "Japan needs to focus its ODA efforts much more on environmental, social and humanitarian issues in order to strike a better balance and to provide the aid blessings expected of it as the richest nation in the world. It would be a good foot in the door in gaining wider acceptance and credibility in the international community."³⁰

Foreign aid in general doesn't attract much attention in Japan with the exception of some newspaper articles about failed aid programmes. There is a lack of policy decisions. Unlike in other countries the Parliament is not very much concerned about ODA matters, although recently the Diet discussed issues such as the environmental impact of Japanese projects abroad, and the ability of certain countries to absorb large-scale aid efficiently. Technocrats are handling project requests by other countries and are more interested in finding ways and means to spend the billions of yen than to develop general policies and objectives. Critics argue that there is hardly any concern about the international challenges in the 1990s. As a kind of a tradition domestic affairs matter most. The conclusion is that the economic importance of Japan in world politics will continue to increase, but its political influence will always trail that of economics.

IV. Japan in the Early '90s - The Economic Superpower Searching for a Role in World Politics

Japan's international presence in the early '90s grew significantly. The outgoing Prime Minister Toshiki Kaifu seemed to be very much interested to increase the political role of his country worldwide. Already back in January 1990 Kaifu announced that Japan was about to play a more active role in international politics, although at that time some critics argued that Kaifu used the announcement as a diversionary tactic to draw the attention to another topic than to domestic problems within his own party.

However, when momentous changes rocked Eastern Europe and political leaders worldwide scrambled to come up with initiatives for a new era, Japan was missing on the international scene. It focused more on an issue closer to home - a squabble over its national sales tax. Such preoccupancies with domestic issues are one reason why Japan has little international influence. After watching for quite some time in stunned silence what was going on in Eastern Europe, Prime Minister Kaifu finally promised specific financial assistance for Poland and Hungary during a ten-day trip to Europe. Trade with Eastern Europe amounted to only 0.3% of the total Japanese trade in 1989.

In a keynote policy speech to the Diet on March 2, 1990, Prime Minister Kaifu clarified the direction of Japanese foreign policy in the 1990s. Tokyo is looking for a new international order that strives to ensure peace and security, to respect freedom and democracy, to guarantee world prosperity through open market economies, to preserve an environment in which all people can lead rewarding lives and to create stable international relations founded upon dialogue and cooperation.

His intention to act strongly and according to his policies failed during the Gulf war, however. Kaifu's popularity among Japanese voters dropped dramatically. When he - after much international pressure - finally came up with an \$13 billion contribution for the allied efforts in the Middle East, he got under heavy attack by the opposition in the Diet. The majority of Japanese were against financial contributions for the Gulf war. Most of all they were against an active involvement of Japanese soldiers in the Middle East. According to opinion polls 40% of the Japanese felt uncomfortable in their role as helping out the USA in a troubled region far away from Japan. Tokyo used its chequebook and after the victory Japan didn't know whether it should feel like a victor or whether it belonged to the diplomatic losers of the international conflict.

Accordingly, an inference has been drawn: in the face of lively opposition at home, led by former socialist party president Takako Doi, Japan dispatched four mine sweepers and two support vessels to the Gulf. Roughly 500 sailors from Japan's Self-Defense Forces brought to an end decades of Tokyo's military abstinence abroad. For the first time since the Korean War, the flag of the rising sun was being flown in Asian waters. Kaifu justified the intervention by claiming that the mission of searching the Gulf for Iraqi mines was quite in conformity with Japan's constitution.

Fully aware of the impact of such a decision on regional public opinion throughout East and Southeast Asia, Tokyo had to soothe the upset feelings of its neighbours. In many countries which had experienced Japanese occupation, the scars inflicted during World War II are far from completely healed. Japanese products may flood domestic markets, and Tokyo's investments and aid may always be extremely welcome, but many capital cities, from Seoul via Kuala Lumpur and Singapore to Jakarta have no wish to see Japan assume a political and even less a military role.

Governments in the region are concerned but don't talk openly about it. It is an exception that for example the Malaysian Foreign Minister Abu Hassan Omar during an ASEAN meeting in Jakarta raised the subject openly: the potential for Japan to emerge as the principal military threat to Southeast Asia now that the Soviet Union is being viewed as benign. Although Japan is considered as a successful economic and political model for other countries in the region some countries still harbour bitter memories of its rule during World War II. They point to the \$31.9 billion defense budget, the third largest in the world, and worry about what this is good for.

During his ASEAN tour in early May 1991, which led him to all the ASEAN capitals with the exception of Jakarta, Toshiki Kaifu untiringly assured his hosts that the vessels were on a mission of peace, and that Japan had no intention of throwing its former principles overboard.³¹

Financial contributions were not on top of the agenda. While his predecessors tried to buy regional goodwill, Kaifu's intention was to find out what Japan's neighbours thought about a more active political role of the economic giant. Tokyo's dilemma is obvious: many countries of the world expect, on one hand, that Japan will become aware of its growth to a status of a major power and assume international responsibilities, but, on the other hand, worry and fear that Japan will shun its responsibility and seek expansion not only of its economic power at the expense of other countries.

In Malaysia, the first stop of his trip, Prime Minister Mahathir put up a good front to Japan's gauging of the general atmosphere. He was intent on discussing with his guest the latest pet project of his government, the proposal for a loose "East Asian Economic Group" (EAEG), now called "East Asian Economic Caucus" (EAEC). Nevertheless, a clear message was also conveyed to Mr. Kaifu. The countries in East Asia have noticed that Japan gets more and more under the thumb of Washington, newspapers in Kuala Lumpur wrote. ASEAN is interested in Japanese economic attention. As long as Tokyo is unable to get away from the US dominance there must be a big question mark behind its willingness to play a meaningful role as a major world power.

In Singapore the former Prime Minister Lee Kuan Yew added that there was a general uneasy feeling towards Japan in East Asia. Many Asians would prefer if

Tokyo stayed away from big international politics. Unlike Germany Japan hadn't come to terms with history.

In the Philippines, the last stop of his journey, Toshiki Kaifu even had some ready advice to give to his hosts in matters of security policy. Just then, the latest negotiations on the future of US military bases in the Philippines had once again failed to yield any results. In his talks with Philippine President Corazon Aquino, Kaifu declared himself in favour of a continued US military presence in the region. In the past, Tokyo had already repeatedly supported the idea of having American troops stationed in the area. Among the ASEAN countries, Bangkok and Singapore came closest to supporting this attitude, whereas Malaysia and Indonesia were more in favour of a non-aligned course.

International pressure on the Philippines failed, however, to yield any results. Unwaveringly, the Philippine Senate refused to ratify the bases treaty, showing itself unimpressed even by President Aquino's initial toughness and her march in a huge pro-base rally.³² It now seems likely that the Americans will have to evacuate their remaining bases within the next three years. The political and economic consequences for the Philippines are still unclear. Critics fear that the removal of the US presence could create a power vacuum which might give rise to significant regional tensions.³³

The Soviet Union is not considered any longer to fill in the vacuum. During his meeting with Soviet President Mikhail Gorbachev in April, Prime Minister Kaifu assumed the role of a leader who is unbending in matters of foreign policy, thereby collecting points on the domestic front. Gorbachev had travelled to Tokyo in order to attract hard Yen to a Soviet Union starving for foreign exchange. Kaifu did not succeed in bringing about any significant movement in the perpetual issue of the Kuril Islands. Shortly before the end of World War II, the Soviet Union had occupied four tiny specks on the map, situated at the northern tip of Japan. Since that time, the quarrel about the Kuril Islands has weighed heavily on Japanese-Soviet relations. Kaifu declared in an interview subsequent to Gorbachev's visit that a measure of change in the Soviet course had occurred after all, through the admission that a dispute did indeed exist with respect to the ownership of the islands.

Relations between Moscow and Tokyo have never been warm. Imperialist ambitions flared into armed conflict during the Russo-Japanese War of 1904/05. Just before the end of World War II, the Soviet Union occupied some islands in the Kuril archipelago, driving away Japanese settlers and thus ensured for itself a place as an eleventh hour victorious power in the Asian conflict theatre. In 1956, when diplomatic relations were reestablished between Tokyo and Moscow, the Soviet Union did raise the prospect of returning the two smaller territories, Shikotan and the Habomai group, after a peace treaty had been concluded. Moscow quickly withdrew its promise in response to the 1960 Japanese-American Security Cooperation Treaty. Henceforth, the islands ceased to be a subject for discussion, with the Kremlin demanding that Tokyo definitely relinquish its claim.

In Japan, politicians and the press have never stopped dreaming of a return of the so-called "Northern Territories". Japan's intention is to propose a renewal of the original deal of islands against yen, preferably with a new partner: Boris Yeltsin. Supposedly, the Russian President, whose Republic has jurisdiction over the islands, is now prepared to negotiate the return of two of the islands, in spite

of expressing considerable reticence in the matter during a visit in January 1990. Likewise the trip of the Japanese Foreign Minister to Moscow middle of October didn't bring about any considerable progress.

Tokyo will not be able to circumvent significant financial aid to Moscow. Already, there has been growing international pressure for helping Gorbachev and Yeltsin out of their economic predicament. In order to convince Japanese businessmen, Tokyo announced a \$2.5 billion emergency package for the Soviet Union in October 1991. It is the first time since World War II that Japan has come up with economic aid for Moscow, although the \$2.5 billion fell far short of what the Kremlin had expected. Still, Japanese entrepreneurs are openly sceptical. They see their old diagnosis confirmed by the present turmoil in the Kremlin: the risks to invest are too big. Past business experiences with the Soviet Union have been anything but encouraging.

Prime Minister Kaifu was subjected to considerable ridicule for his reaction to the coup attempt in the Soviet Union. One Japanese newspaper published on its front page some embarrassing details about Kaifu's role during the coup in the Kremlin. According to official American sources, which remain unspecified, Kaifu had supposedly been ready to lend credence to the conspirators' version about Gorbachev's illness in a telephone conversation with US-President George Bush. The Prime Minister immediately issued a furious denial.

However, Kaifu got also under heavy attack by his own party colleagues, who criticized him why he didn't react decisively during the hours of the coup in Moscow and why he didn't come up immediately with strong support for Gorbachev. With this step prominent LDP-members had been challenging their party president and Prime Minister anew. After the LDP had derailed a Kaifu sponsored package of bills focused on overhauling the election system and announced plans to postpone action on a bill that would have allowed deployment of Japanese troops overseas for the first time since World War II as a joint member of United Nations peacekeeping forces, Toshiki Kaifu - despite his popularity among voters - gave up and declared that he would not seek another term as party president in elections, scheduled for the end of October.

Future governments in Tokyo have to face certain new realities. The diminished military presence of the US in the region is asking for a qualified response without posing threats to other nations. To take into account the fear by its neighbours, to address its wartime record are first steps. However, just to bury the old enemies is not good enough. Whoever will be heading Japan in the 1990s is facing the difficult task, to transform the economic superpower but renowned political ditherer to an influential diplomatic player in world politics.

Notes:

- 1) This article was completed in October 1991.
- 2) R. Machetzki, "Japan: Der Marsch zum Gipfel", in: *Südostasien aktuell*, Juli 1991, pp. 332-345.
- 3) Japan's fiscal year starts in April. B. May, *Japans neue Entwicklungspolitik*, Munich 1989, p.1 erroneously claims together with some other authors, that Japan had overtaken the US already in autumn 1988. He also overestimates the period, Japan would stay on top as the biggest spender of ODA.
- 4) Ministry of Foreign Affairs (ed.), *Japan's Official Development Assistance. 1990 Annual Report*, Tokyo 1991, pp.42-44. Also: May, *Japans neue Entwicklungspolitik*, Munich 1989, p.26.

- 5) On the history of Japan's ODA see R.M. Orr, "The Rising Sun: Japan's Foreign Aid to ASEAN, the Pacific Basin and the Republic of Korea", *Journal of International Affairs*, 41 (1987) 1, pp. 39-62. Also W.L. Brooks and R.M.Orr, "Japan's Foreign Economic Assistance", *Asian Survey*, 25 (March 1985) 3, pp. 322-340 and A. Rix, *Japan's Aid Program*, Canberra 1987.
- The increase in the value of the yen against the dollar helped to achieve the top spot, but there were also increases in the ODA-budget in yen terms.
- 6) The DAC conversion rate in 1988 was 1 US\$ = 128.15 Yen and 1 US\$ = 137.96 Yen in 1989.
- 7) These changes are partly due to exchange rates. There was a 3% increase in dollar terms and an 8% increase in yen terms. See *Far Eastern Economic Review (FEER)*, October 10, 1991.
- 8) Ministry of Foreign Affairs, *Japan's ODA 1990*, p.155.
- 9) *Ibid.*, pp.150-151 and *FEER*, October 10, 1991.
- 10) Ministry of Foreign Affairs, *Japan's ODA 1990*, pp.25-38.
- 11) *Ibid.*, pp.88-90.
- 12) *Ibid.*, p.89.
- 13) *Ibid.*, p.89. See also: B.May, *Japans neue Entwicklungspolitik*, pp.139-143.
- 14) In July 1988, a Japanese was elected head of an UN organization for the first time: Hiroshi Nakajima became the President of WHO. Other examples are: Kimimasa Tarumizu, the President of the ADB, Kunio Saito, the Director of Southeast Asian and Pacific Affairs Division within the IMF and Sadako Ogata, the head of UNHCR.
- 15) *FEER*, June 20, 1991.
- 16) *FEER*, May 12, 1988 and *FEER*, August 25, 1988.
- 17) May, *Japans neue Entwicklungspolitik*, p.177.
- 18) Number of staff 1979: 1058, 1989: 1490, ODA 1979: \$2.6 billion, 1989: \$8.9 billion, ODA volume per staff increased from \$2.5 million to \$6 million, Ministry of Foreign Affairs, *Japan's ODA 1990*, p.144.
- 19) *The Tokyo Business Today*, 59 (Sept.1991) 9.
- 20) Orr, *The Rising Sun*, p.41. May, *Japans neue Entwicklungspolitik*, p.53. F. Nuscheler, *Japans Entwicklungspolitik*, Hamburg 1990, p.113 considers Japan's aid policy as a self-interest policy, which is closely linked with the network of interests of "Japan Inc.". Nuscheler disagrees with May that political motives became more important than economic reasons. In his opinion ODA is a multi-purpose instrument, which is used to achieve economic and political ends. According to R. Orr, Japanese ODA hasn't to be understood strictly as aid but as economic cooperation, see *FEER*, Oct.10,1991.
- 21) K. Matsuura, "Japan's Role in International Cooperation", *National Development*, Sept.1981, pp.63-68.
- 22) Ministry of Foreign Affairs, *Japan's ODA 1990*, p.6.
- 23) May, *Japans neue Entwicklungspolitik*, p.53.
- 24) S. Okita, "Japans weltpolitische Rolle", *Europa-Archiv*, 1988, Folge 24, p.715. Also: *FEER*, August 25, 1988.
- 25) Okita, *Japans weltpolitische Rolle*, p.713.
- 26) K.van Wolferen, *Vom Mythos der Unbesiegbaren. Anmerkungen zur Weltmacht Japan*, Munich 1989, p.13.
- 27) *FEER*, August 25, 1988.
- 28) *FEER*, November 9, 1989.
- 29) *Ibid.*
- 30) "Japan's ODA", *Tokyo Business Today*, 59 (Sept.1991) 9, p.17.
- 31) In October 1991, Emperor Akihito went to Thailand, Malaysia and Indonesia on his first overseas trip since ascending the throne in January 1989. Tokyo hopes that with this first trip of a reigning Emperor to Southeast Asia, some of the countries in the region would finally acknowledge that Japan comes to terms with history and would forget about the 40th anniversary of Pearl Harbour in coming December.
- 32) *The Manila Chronicle*, Sept.28-Oct.4,1991, celebrated with a four centimetre big headline: "We are on our own".
- 33) According to the *Japan Times*, Sept.18, 1991, Japan is among the countries, who - after the withdrawal of the US - worry about the security in the region. For the *Manila Chronicle*, Sept.21-Sept.27, 1991, however, Japanese worries are "faintly disturbing". The paper recalls the past and writes: "Waning Stars and Stripes could bring forth a baleful Rising Sun".