

CHAPTER II

**JAPAN'S OFFICIAL DEVELOPMENT ASSISTANCE (ODA) AS
FOREIGN POLICY INSTRUMENT**

Foreign policy is the manner, used by a country to govern a country's behavior toward other members of the international community to achieve a country's goals. Diplomacy, foreign aid (development assistance), sanctions, military forces, and deterrence, are the following instruments in which the nations will use to struggle for achieving its foreign policy goals (Kerstein, 2015).

In the case of Japan, using its foreign aid in the form of Official Development Assistance (ODA) as foreign policy instrument was the option at that time that took significant role in international interplay. Foreign aid or development assistance has been approved as the crucial assistance to help the poor or less-developed countries to alleviate the poverty (Shah, 2014).

Therefore, in this chapter, the writer focused on the explanation about the historical context of Japan consequently became the recipient country of ODA, starting with Japan's great position in international affairs before entering the Second World War, and at the end, Japan's loss in the Pacific War. This chapter also explained about the development of Japan's Official Development Assistance (ODA) by elaborating the origins of the Official Development Assistance (ODA), and at last, explaining about the evolution of the Japan's Official Development Assistance (ODA) as its foreign policy instrument.

A. Historical Context of Japan's Official Development Assistance

The condition of Japan as the recipient country was started when Japan lost in the 1945 Pacific War. Previously, Japan was considered as a great state in international affairs before entering the Second World War which reflected the other side of Japan's reputation. Numbers of wars in the past decades were subjugated, and expansions had been executed by Japan withal.

Starting with Japan's invasion of the East Asia countries, precisely in Manchuria in 1931, Japan's brutal invasion proceeded to China in 1937. In 1940, Japan joined the Axis bloc by signing the Tripartite Pact with Germany and Italy. The United States implied the economic sanction to Japan in order to force the withdrawal of Japanese troops from Manchuria and China, as well as restrict Japan's aggression there. Japan's decision to start aggression to the United States and British forces to seize the resources in Southeast Asia was motivated by its urgency of very shortage supply of oil and other natural resources, and also by Japan's ambition to replace the United States' position as the most dominant power in Pacific zone (Museum, 2016).

1. Japan's Defeat in the Pacific War

On December 7, 1941, Japan launched a surprise attack on the United States naval base at Pearl Harbor, Hawaii. This attacked caused fatal damages to the United States fleet. As response, the United States declared war to Japan. Japan achieved series of victories after the Pearl Harbor attack by having long military success in Guam and Wake Island in December 1941, followed when

the Philippines, the Dutch East Indies, Hong Kong, Malaya, Singapore, and Burma also fell to Japan in the first half of 1942 (Museum, 2016).

After a series of Japan's victories after the attack, United States fleet in Pacific won the Battle of Midway in June 1942. The phenomenon of the Battle of Midway was a turning point proof in the Pacific War about Japan's wrong strategy in war (Costello, 2009). For example, the Allied bloc succeeded in counter-attack to Japan by defeating Japanese troops in Guadalcanal, one of South Solomon Islands. From August 1942 to February 1943, the Allied also experienced more victories against Japanese troops in battles at those periods.

In the midst of 1943, the Allied navy began another aggressive counter-attack against Japan that involved sequences of amphibious assaults on key Japanese-held islands in the Pacific. This attack was known as "island-hopping" strategy which was very successful that could bring Allied forces to move closer to their ultimate goal of invading the Japanese homeland

At the end of World War II, Harry S. Truman became the U.S. President, Stalin and Churchill discussed about the ongoing war with Japan as well as the peace settlement with Germany. This discussion was well-known as the "Potsdam Conference", held in July-August 1945 (Sandler, 2001).

Churchill and Truman concurred with Stalin to cooperate in attempt to fight against Japan. Truman allowed the use of a new and devastating weapon, like the atomic bomb on the Japanese cities of Hiroshima and Nagasaki on August 6 and 8, 1945. On August 10, 1945, Japanese government declared statement that they would accept the terms of Potsdam Declaration, and on

September 2, the U.S. General Douglas MacArthur accepted the formal surrender of Japan aboard the USS Missouri in Tokyo Bay.

2. Japan as the Recipient Country of ODA

Two weeks after the Pacific War, the Allied forces occupied Japan under the leadership of U.S. General Douglas MacArthur on behalf of the Supreme Commander for the Allied Powers (SCAP). More than 4.300 troops were stationed in Japan the end of 1945. Under SCAP occupation, Japan was guided by two principal goals namely *demilitarization* and *democratization*. Besides, another prominent policy formed was the inception of the Article. The main idea of the Article 9 was Japanese people would be forever renounce war as a nation's sovereign right and the use of threat or force as means of settling international disputes in order to honor in the name of international peace on justice and order (Jitsuo, 2000).

In 1948, the chief of Policy Planning Staff (PPS) of the Department of State suggested to replace the *democratization* to *industrialization* in order to emphasize Japan's potential in economic components (Jitsuo, 2000). Since Japan had live under the leadership of the United States after the Second World War, Japan was obliged to obey the Article 9 of forbidding Japan from rearmament. Japanese government only spent 1 percent of its GNP for military protection (Japanese Economic Takeoff After 1945, 2002).

Inflation and shortages happened in the postwar. The economic planning kept going until 1949. In crisis situation, all the necessities were subsidized by

government. Prices were controlled by the provided subsidies and the economy was regulated strictly (Ohno, 2005).

The 1946 was the year when the shortages were most severe and the lowest standard of living also happened (Takada, 1999). Many of people were starving to death and the unemployment case became a serious problem. There were about more than 10 million of total numbers of the jobless citizens, indicated by this table below.

Table 2.1
Total Unemployment in Japan Post World War II

No	Case	Amount (in million)
1	Military Forces were disbanded:	
	a. Troops	7,6
	b. Other military jobs	4
2	People who worked abroad were forced to return to Japan	1,5
	Total unemployed Japanese citizens	13,1

Source: Japan’s Economic Miracle: Underlying Factors and Strategies for the Growth, 1999.

The destruction of Japan’s economy caused also the decline of other national wealth, such as ships, industrial machinery, water supply, and many more. The decline number of those assets can be seen at this below table.

Table 2.2
The Loss of National Wealth Due to Pacific War
(In millions of Yen at the end-of-war prices)

Type of Physical Asset	Before War	After War	Ratio of Destruction
Total assets	253,130	188,852	25.4%
Ships	9,125	1,796	80.3%
Industrial machinery	23,346	15,352	34.2%
Structures	90,435	68,215	24.6%
Industrial materials	32,953	25,089	23.9%
Household assets	46,427	36,869	20.6%
Communications and water supply	4,156	3,497	15.9%
Electricity and gas	14,933	13,313	10.8%
Railroad and road vehicles	15,415	13,892	9.9%

Source: Economic Stabilization Board, *A Comprehensive Report on the War Damage of Japan Caused by the Pacific War*, 1949.
Note: War damage includes direct damage by bombing and shelling as well as indirect damage due to scrapping, removal and the lack of maintenance.

Source: The Economic Development of Japan, the Path Traveled by Japan as a Developing Country, Chapter 10 Postwar Recovery: 1945-49

Since Japan faced the downfall of its country in the postwar era, Japanese government aimed at reconstructing its nation. Japan started to receive assistance from Government and Relief in Occupied Areas (GARIOA) and Economic Rehabilitation in Occupied Area (EROA) in 1945 and ended in 1951 (Akiko, 2000). GARIOA and EROA were the U.S. channel to distribute funds to Japan. Japan allocated funds distributed funds for purchasing foods, pharmaceuticals, and other necessities for its citizens. Until 1951, Japan had received US\$2 billion credits from EROA.

Besides, the World Bank gave funding \$880 million from 1953 to 1966 (Akiko, 2000). This fund was mainly used for major projects in infrastructure,

such as construction of the No. 4 Kurobe Dam for hydroelectricity power generation, the Tokaido Shinkasen (super-express bullet train line), and the Tomei/Hanshin express ways linking industrial regions in Tokyo, Nagoya, and Kobe.

Another attempt by the United States in order to help Japan's reconstruction, the United States invited the Detroit banker, Joseph Dodge who introduced the Dodge Plan of 1949: balance budget, reduce inflation, repayment of Japanese government debts (Ohno, 2005). This was the solution of bringing back Japan to the full strength and ultimately removing U.S. aid from Japan to prepare for the Cold War. The policy package of Dodge Plan was called "Dodge Line" which stated several points, as follows:

- a. Stop *fukkin* (means making loans for reconstruction under *Keishan Seisan* method Priority Production System) loans; by aiming rapid economic recovery through heavy focus on steel and coal production (Sasada, 2003).
- b. Abolish all subsidies and raise utility charges;
- c. Strengthen taxation and cut expenditure;
- d. Have a "super-balanced budget" – the primary balance should be zero, which means the entire budget should be surplus.

The implementation of the Dodge Line contributed to several positive impacts for Japanese economy. Firstly, Dodge Line helped to stop the inflation. Secondly, Japanese economy kept in control due to the postwar recovery

period. Thirdly, price stability achieved and the excessive price and subsidies control were stopped, allowed Japan to return to a freer economy. Ever since, the national economy would be deregulated and the role of government could be reduced. Even so, it did not mean the economy would be a complete free economy since many elements of official intervention still existed even after the end of planning (Ohno, 2005).

Unfortunately, the Dodge Plan created Japan's fix exchange rate became 360 Yen per US Dollar (compared with 110 Yen per US Dollar today) which resulted huge number of unemployment and economic recession since Japanese goods were getting more and more less competitive in the global market. Although the Dodge Line was considered success in stopping the inflation, there was something to be think again, regarding to the implementation of shock economy activity (Ohno, 2005). Indeed, the output then began to decline. Prof. Hiromi Arisawa felt the shock and bold stabilization of economy activity were adopted too soon and this Dodge Line should have waited another year ahead.

“Regarding the disinflation policy, my view at that time was to adopt the priority production system first to let the production recover to 60 percent of the prewar level, then stop the inflation by bold measures. If the big-bang disinflation were introduced before output recovery, it would have plunged the Japanese economy into a tremendous confusion, so it should not have been done. In either case, inflation stabilization would cause the output to decline. The crucial point was how deep this decline would be. Bold stabilization measures were unavoidable, but the timing must be chosen wisely, at a time when the priority production system proceeded further and the output reached 60 percent of the prewar level. My view was that bold stabilization would surely cause the output to decline. Under the worst scenario, the output might even

decline to a half. I insisted on the recovery to 60 percent of the prewar level, because if you had that level, the subsequent output decline would take it to the 30 percent of the prewar level. Since output actually fell to that level immediately after the war and people could somehow survive, to me that was the minimum acceptable level. Before Mr. Dodge arrived in Japan, I went to see Mr. Fein, financial advisor of the GHQ's Economic and Science Bureau. His position was that Japan needed a big-bang anti-inflation program. I told him that it was too early to implement it. He tried to persuade me into early stabilization, but I never relented. The logic I have just explained was behind my insistence."

In the early 1950s, Japan adopted another economic phase after the Dodge Line (Ohno, 2005). This phase allowed Japan several new policies, such as:

- a. The abolition of controls and subsidies;
- b. Market mechanism was largely restored;
- c. Private international trade began (not yet free trade);
- d. New fixed exchange rate (360 Yen per US Dollar);
- e. Japan gained its political independence, marked by the signing of the San Francisco Peace Treaty in 1951 (the end of US economic assistance);
- f. The renewal of Japan-US Treaty to Japan-US Security Treaty in 1960 (Japan became a U.S. ally in the Cold War).

After the recovery span of 1945-1949, the Japanese economy entered into a period of high growth from 1950s to 1970s with average real growth was about 10 percent. By 1970s, Japan caught up West Germany as the second

largest economy at that time in the capitalist world economy, as measured by GNP after the U.S (Ohno, 2005).

When the Korean War exploded from 1950 to 1951, the total amount of world trade increased up to 34 percent and many countries including Japan met a remarkable boom of its economy. Japan's production worked up to nearly 70 percent. If the business firms were concerned, it would contribute very much booster in other fields related to economy recovery. It was due to the burdens of recovery were depended on the ability of many firms. What's more, the relations between the U.S. economy and Japan's income was that, the foreign currency derived from U.S. Army and military personnel reached gigantic sums (\$590 million in 1951 and over \$800 million in 1952 and 1953), Japan would obtain a temporary Dollar income up to 60 – 70 percent of its exports. Consequently, Japan was enabled to import approximately \$2 billion per year (Takada, 1999).

Eventually, Japan's economic growth owed so much to the external assistance. Japan's competence to achieve high development in economy was also triggered by the United States assistance (Mentari, 2010). In fact, Japan was able to become the top donor country of ODA in 1991 after joining as the committee for coordinating the donor countries, called DAC in the beginning of 1960s.

Indeed, the economy of Japan began to experience such development from its status of the recipient country to a donor country of ODA. Japan's transformation of being the recipient country after its loss in the Pacific War in

1945 to a donor country was seen when Japan first integration with the DAC membership in 1960s. Japan, in fact, was one of the founding members which contributed in the DAC establishment along with other nine members. Since then, Japan kept on experiencing more and more development in economy.

B. Development of Japan's Official Development Assistance (ODA)

The Official Development Assistance (ODA) is the assistance considered as the main source of finance (Adriani, 2010). The first main purpose of Japan after losing in the Second World War was to reconstruct their nation from destructions resulted from the effect of the war at that time. Thus, the role of ODA given to Japan was contributing significant economic improvement for Japan itself. Japanese could be able to stand as the economic great, even if its previous background was the loser of the Second World War (Akiko, 2000).

1. The Origin and Nature of ODA

The Official Development Assistance (ODA) is the assistance given to measure the resource flows to countries and territories on the DAC (Development Assistance Committee) list of ODA recipients and to multilateral institutions which are provided by official agencies (state and local governments, or their executive agencies); each transaction of ODA is administered with the promotion for the economic development and welfare of developing countries as its main objective; and is concessional in character and passes a grant element of at least 25 percent. These flows are covering a large

number of sources of finance, including grants, loans, export credits, mixed credits, associated finance, private investment, etc. (OECD, 2016).

There are several terms which are necessary to know related to the origin of ODA. The terms consist of the OECD, DAC, DAC list of ODA recipients, etc. The terms will be elaborated in this session, as follows (OECD, DAC Glossary of Key Terms and Concepts, 2016):

a. The Organization for Economic Cooperation and Development (OECD)

The 18 European countries plus the United States and Canada cooperated with each other to establish an organization dedicated to economic development in the 1960s. The Convention on the Organization for Economic Co-operation and Development was signed by 20 countries on December 14th, 1960. Thenceforth, 15 countries had become the members of the organization. (OECD, Members and Partners, 2016). The OECD established with its prior name was the Organization for European Economic Cooperation (OEEC). In 1961, the OECD established the Development Assistance Group (DAG) as an ad hoc meeting to coordinate aid that is given by the donor countries (Akiko, 2000). Their goal continues to be to build a stronger, cleaner and fairer world.

b. Development Assistance Committee (DAC)

The concept of ODA was introduced by this DAC (Development Assistance Committee). Japan, Belgium, Canada, France, West Germany, Italy, the Netherlands, Portugal, and the United Kingdom are the founding

members of DAC (Akiko, 2000). DAC is a committee in the Organization for Economic Cooperation and Development (OECD) which consists of 30 member countries: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom, the United States, and the European Union.

DAC statistics on aid flows originated in a study was published in 1961 by the Organization for European Economic Co-operation (OEEC), the predecessor of the OECD (Organization for Economic Cooperation and Development). The work was led by Angus Maddison, who later became famous for his historical studies of the world economy (OECD, *Measuring Aid 50 Years of DAC Statistics – 1961-2011*, 2011).

c. DAC List of ODA Recipients

DAC List of ODA Recipients is representing a list of developing countries and territories that are qualified to receive Official Development Assistance (ODA). Peculiarly, the allocations of aid based on geographical location are managed by national policy decisions and responsibilities. The list of ODA recipients is regularly revised in every 3 years by DAC.

As mentioned before, the definition of ODA is an official assistance from a group of developed countries, known as “donors” to the group of developing countries, known as “recipients”. The assistance may be

distributed in bilateral way which is directly from one particular country to another country (OECD, DAC Glossary of Key Terms and Concepts, 2016).

According Development Assistance Committee, there are several terms and conditions required when the donors have intention to provide assistance in terms of ODA to the recipients, as follows:

- 1) The aid has to be in the official sector not private business money transferred from one country to another.
- 2) ODA Concept of *Concessionality* means, it is supposed to contain concessional in nature, meaning, with financing costs much lower than the standard banking rates. Grants are free while the grant element in loans at least 25 percent.
- 3) The ODA Concept of Developmental Intention that is aimed for economic development and social welfare of the developing country. Military aid and such activities are not counted and qualified as ODA.

2. The Evolution of Japan's ODA

Japan started technical cooperation in 1954, when it joined the Colombo Plan. The government of Japan actively developed its own aid implementation systems from 1954 to 1976 (Villarete, 2013).

a. Japan's ODA as War Reparations

Japan began providing development assistance in the form of war reparations to other Asia countries. The requirement to pay war reparation to other Asia countries as consequence for damages those countries

experienced from World War II, was pursuant to the San Francisco Treaty of 1951 (Akiko, 2000).

Joining the Colombo Plan in 1954 was the remarkable start for Japan's government-to-government economic cooperation with developing countries. The Colombo Plan's recipient areas of aids were expanded while Japan extended its technical assistance to Asian countries. At that time, Japan also created peace treaty and an agreement on reparations and economic cooperation with Burma (Japan, 1994). Afterwards, Japan began its reparation payment to other Asian countries, which constituted the central aspects of Japan's economic foreign policy toward Asian countries until the 1960s.

Following the war reparation to Burma, Japan also created the same treaty to the Philippines and Indonesia in 1956. Japan provided \$800 million as war reparations, \$550 million of which in the form of donations for equipment and machinery, technical assistance, training and others, and \$250 million for loans to private business (International Conference on the Japanese Official Development Assistance, 2003).

Meanwhile, the reparation with Indonesia was started after Indonesian revolution and Indonesian independence was recognized by Japan in 1949 (Wanandi, 2008). The discussion between Japan and Indonesia was in the mid Of 1950s, starting with the Agreement on Compensation and the opening of the diplomatic relations in 1958. Indonesia received \$223 million

for reparation at that time (Raymon, 2009). This remarked the first bilateral diplomatic relations official between Japan and Indonesia.

After the treaties on war reparation was signed by Burma, the Philippines, and Indonesia, the term what so-called as “quasi-reparations” had been given to Cambodia, Laos, Thailand, Malaysia, Singapore, Korea, and Manchuria (MOFA, 2004).

This following table is describing aids provided by Japan to countries which labeled as the victims of Japanese colonialism, together with its period-term. The reparations were completed in 1976.

Table 2.3
The Recipient Countries of War Reparation Funds from Japan
(In Million US Dollar)

NO	Country	Total Fund	Year	Payment Period
1	Burma	340	1954	1955-1965
2	Thailand	26,7	1955	1962-1970
3	Philippines	550	1956	1956-1966
4	Indonesia	223	1958	1958-1970
5	Laos	2,8	1958	1959-1961
6	Cambodia	4,2	1959	1959-1961
7	South Vietnam	390	1959	1960-1965
8	South Korea	300	1965	1965-1975
9	Singapore	8,2	1967	1968-1972
10	Malaysia	8,2	1967	1968-1971
11	Micronesia	5,9	1969	1973-1976

12	Vietnam	8,5	1975	1975-1978
13	Mongolia	5	1977	1977-1981

Source: Ricky Raymon, *Peran Bantuan Luar Negeri, FISIP UI, 2009*
(taken from: David Arase, *Japan's Foreign Aid: Old continuities and New Directions, 1995, p. 29*)

b. Japan's ODA from Export Promotion to Interdependence

Rationale

Japanese economic growth had been enjoyed since 1960s. This motivated Japan to maximize its ODA for helping the export promotion of its country's industries. This export promotion was usually oriented with "tied" aid. Tied aid credits are official or officially supported Loans, credits or Associated Financing packages where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all developing countries (or Central and Eastern European Countries (CEECs)/New Independent States (NIS) in transition)(OECD, TIED AID CREDITS , 2001).

Whereas, Japanese cabinet introduced the "untied" aid in 1972 after receiving criticism for its peer donor countries in DAC that Japan's ODA was too commercial and highly tied, aimed directly to the promotion of Japanese goods' exports (Akiko, 2000). It was approved since 1980. In another word, if the tied aid was a foreign aid that was supposed to be spent

in the donor country that had provided the aid while the untied aid did not have particular geographical limitations.

The notion of interdependence rationale was reflected by the annual economic report by Japan's Ministry of International Trade and Industry (MITI) which described Japan's relations with the less developed country economies (LDCs) (Akiko, 2000). It was stated that the LDC economies could show a healthy growth and the position of Japan's economic cooperation was not merely an international responsibility but an inevitable requirement for Japan's economy management. Thus, Japan's economic management was expected to play a crucial role in creating a healthy economic growth, as well.

c. Japan's ODA as Tool for Global Positioning

After the completion of reparation payment to the Philippines in 1976, Japan announced five sequent medium-term ODA targets concluding the years from 1978, so Japan would increase its ODA gradually. In 1976, Japan became the second largest donor in OECD's DAC (MOFA, 2004).

Here is the table that contains the explanation of Japan's Five Sequent Medium-term ODA targets, including its establishment year and time span.

Table 2.4**Five Consecutive Medium-Term Targets of ODA**

NO	Medium-Term	Establishment Year	Time Span	Target
1	The first medium-term target	July 1978	1978-1980	ODA in 1977, amounting US\$1.42 billion, should be doubled by 1980
2	The second medium-term target	January 1981	1981-1985	Total ODA from 1981 to 1985 should be more than double the amount from 1976 to 1980 (amounting to US\$10.68 billion).
3	The third medium-term target	September 1985	1985-1992	The total ODA from 1986 to 1992 should be more than US\$40 billion (To achieve this goal, ODA in 1992 should be double the amount in 1985, amounting to US\$3.8 billion).
4	The fourth medium-term target	June 1988	1988-1992	Total ODA from 1988 to 1992 should be double the amount from 1983 to 1987, amounting to US\$ 50 billion.
5	The fifth medium-term target	June 1993	1993-1997	Total ODA from 1993 to 1997 should be about US\$70 to 75 billion

Source: Ministry of Foreign Affairs, 2014

By increasing its ODA volume through disbursement in the five years intervals, Japan seemed to use its ODA for seeking the global position. These series might have brought Japan to achieve as the top donor in the world afterwards. In addition, Prime Minister Takeshita Noboru announced the International Cooperation Initiative in 1998 in which including the

expansion of ODA as the promotion of the world peace as medium for Japan to play a greater role (Akiko, 2000).

In 1970s, Japan diversified its ODA in terms of aid sectors and geographical distribution. The aid sectors covered Basic Human Needs (BHS) and human resources development in addition to economic infrastructure (MOFA, 2004). Meanwhile, the geographical distribution included the distribution to the Middle East, Africa, Latin America, and Pacific regions in additions to Asia. Following the humanitarian role which assisted the poorer nations reflected how Japan's response through its share as the economic power in international affairs.

After the 1970s oil crisis, Japan also aimed to play a global role in world peace and security by adopting a comprehensive approach to the various sources of threat that embraced whether the military and non-military concept. This was ranging from military attack, disruption of resources supplies, pollution, natural disaster, crime, and terrorism.

d. Japan's ODA for World Peace and Stability

The Ministry of Foreign Affairs of Japan claimed that Japan's economic cooperation is guided by two motives: "humanitarian and moral consideration" and "the recognition of interdependence among nations" (Japan, 1994). These motives meant that having a peace constitution, being an economic power, economically highly dependent on other countries, having accomplished modernization and a non-Western country were remarkable elements for the Japan's economic cooperation with other

countries. The main point was that by providing ODA was a cost for building an international environment to secure Japan's comprehensive security.

The Ministry of Foreign Affairs remarked two points as the significance of Japan's economic cooperation stated in the book of "The Current State of Economic Cooperation, and Its Outlook: The North-South Problem and Development Assistance" that was published in 1978.

"First, Japan can insure its security and prosperity only in a peaceful and stable world. One of the most appropriate means for Japan to contribute to the peace and stability of the world is assistance to developing countries. Second, Japan is closely interdependent with developing countries since it is able to secure natural resources only through trade with those countries. Therefore, it is essential to maintain friendly relations with developing countries for Japan's economic growth."

Japanese government announced four ODA guidelines of its economic assistance to developing countries in 1991. This announcement was based upon the changes in international situation (Nagatsuji, 2016):

"The Four ODA Guidelines are (MOFA 1994): 1) the military expenditures of recipient countries; 2) their development and production of weapons of mass destruction and missiles; 3) their export and import of arms; and 4) their efforts for democratization and market-oriented economy and the situation regarding basic human rights and freedoms."

In Nagatsuji's journal of Center for Asian Studies stated, on June 30th, 1992, the Japanese Cabinet adopted the Official Development Assistance

(ODA) Charter. This ODA charter became guideline or the base for Japan's aid policy. The guidelines were reflected by its principles, as follows:

- 1) Environmental conservation;
- 2) The use of ODA was prohibited for military purposes and exacerbation in international conflicts;
- 3) The military expenditures of recipient countries, as well as their development and production of weapons of mass destruction and missiles, and their arms trade need to be considered; and
- 4) Democratization, a market-oriented economy, and basic human rights and freedoms are prioritized.

In the midst of 1960s, Japan gained more of its international status respect as its economy got stronger. Japan's foreign aid scale expanded and the form of its aid diversified. When the Development Assistance Committee (DAC) introduced the concept the Official Development Assistance (ODA) in 1970, the General Assembly of the United Nations proposed donor countries to allocate 0.7% of its Gross National Product (GNP) to ODA. Meanwhile, Japan had huge impact on its ODA that contributed to the increased number of aid distribution to the Middle East countries since 1975, when the first oil crisis erupted in 1973 (Japan, 1994).

e. Japan's ODA as Multilateral Aid

Japan's ODA is not simply in the form of bilateral aid. It is also divided in the form the multilateral aid, distributed to the multilateral institutions such as World Bank, International Development Assistance, United Nations Development Programme (UNDP), World Food Program (WFP), etc.(MOFA, ODA Disbursements through Multilateral Institutions, 2009). The use of ODA based on multilateral use could be seen from the table below.

Table 2.5

Trends in ODA Disbursements to Multilateral Institutions (Net Disbursement Basis, Units: US\$ million, %)

Category	Calendar Year					
	1999	2000	2001	2002	2003	2004
1. Grants to Multilateral Institutions	813,2	1.598,4	1.025,2	1.047,8	1.152,2	1.523,9
a. United Nations Agencies	727,7	1.304,3	844,1	832,1	865,7	1.242,8
b. Others	85,6	294,1	181,1	215,7	286,5	281,1
2. Contributions, etc. to Multilateral Institutions	913,6	2.180,2	1.422,8	1.585,5	1.472,3	1.541,2
a. World Bank Group	268,0	1.152,9	871,0	1.123,5	916,5	1.034,9
b. Others	645,6	1.027,3	551,8	462,0	555,8	506,3
Total	1.726,9	3.778,7	2.448,1	2.633,3	2.624,5	3.065,1

Source: Japan's Official Development Assistance White Paper 2009

"Japan's International Cooperation" (Chapter 4. ODA Disbursements to Multilateral Institutions)

Based on Ministry of Foreign Affairs report on ODA White Paper, the contribution of Japan in the aid disbursement is included in the top five ranks, compared to other great financial institutions like the World Bank and the IMF. Whereas, Japan is the top donor for the regional financial cooperation like the Asian Development Bank (ADB) and Asian Development Fund (ADF) (Adriani, 2010)

Through its multilateral aid, Japan showed its intention to the issues on environment, population, food, health, and so' on. It was enough to create the position of Japan in the international affairs as the economic great state (Akiko, 2000).

f. Japan as the Top Donor Country

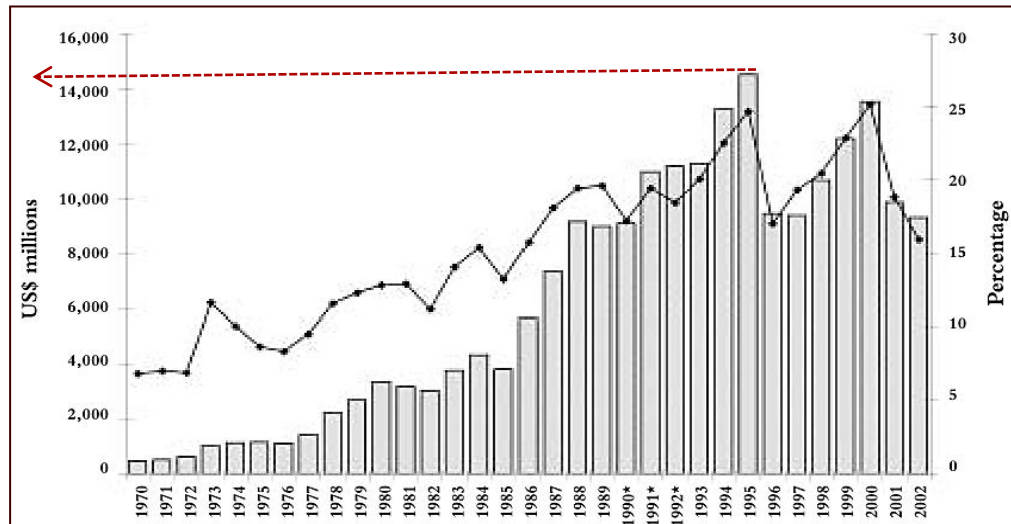
Japan was able to become the great economic power after the recovery of its nation post World War II in less than forty years. Japan could reconstruct its economy from a zero starting point then learned from the rest of the world's experience on economy to build its own economy (Takada, 1999).

Japan's greatness on economy also reflected by its achievement as the top donor of ODA in 1989 through its series of ODA doubling plans or the first to the fourth medium-term target of ODA. Japan's ODA payment totaled US\$8.95 billion in 1989 while the United States followed at US\$7.66 billion, and France was US\$7.46 (Reuters, 1990).

Next table would show report of Japan's ODA in total based on years from 1970s until 2000s.

Figure 2.1

Amount of Japanese Foreign Aid (ODA) Report



Source: Saori N. Katada, Asia Program Special Report, 2005

Although, Japan returned the position as the second largest donor country after the United States in 1990, it was able to be the top again in 1991. The total amount of ODA reached its peak of US\$14.7 billion in 1995 (Akiko, 2000). Japan provided the world largest level of ODA from 1991 to 2000 which dominated about twenty percent (20%) of the total ODA provided by all the DAC member countries (MOFA, 50 Years of Japan's ODA, 2004).

Nonetheless Japan's involvement in the Pacific War brought Japan to the reversal situation from its previous status, and Japan became a nation that had urgency to receive development assistance from other developed countries or international community in the world, Japan was capable to be the contributor or the donor country for ODA.

Japan used the development assistance as its foreign policy instrument in international community by allocating its ODA as its foreign policy instrument for war reparation compensation, export promotion to interdependence rationale, tool for gaining global position, tool for world peace and stability, until ODA as multilateral aid.

Japan's high economic development led Japan becoming the top donor of ODA in 1990s. This capability of Japan could contribute much in assisting Southeast Asia countries to solve the economic crisis when the Asian financial crisis exploded in 1997.