

## **CHAPTER II**

### **THE DYNAMIC OF JAPAN AND ODA AS A FOREIGN POLICY TOOLS**

Japan is a country which is located in East Asia, which has a wide as 377,962km<sup>2</sup>. The country is well-known as the Sunrise Country and has a Tokyo as the Capital City (Gale, 2007). Japan experienced several changed of power controller. Japan follows the parliamentary and the form of government is Constitutional Monarch. In this form, Japan has a Head of State and a Prime Minister which has a responsibility in doing the government. According to Japan Constitution (1947), the Emperor which is act as the Head of State only has a role of the symbol of the country, meanwhile the one who responsible to govern the government in Japan is the Prime Minister.

#### **A. Japan's Historical Background**

Several phase happened in the Japan's history. Since the Feudal era Japan start to have a relation with another country although mostly by using force which is later Japan able to join in the world affair post-Meiji Restoration. However, before the Meiji Restoration happened, Japan is isolated with another country. There's no allowance that given during the Tokugawa era to go abroad from Japan. This era was changed when Commodore Matthew Perry arrives in Japan using a developed technology at that time. This section will explain from the foreign relation of Japan in Pre-World War II era; During World War II era; and the Pacific War which leads to the Japan's lost in World War II and the establishment of Japan's ODA.

## **1. Pre- World War II**

The Portuguese came to *Tanegashima* in 1542. That was the moment as the first for Japan to meet the new foreigner. During the arrival of Portuguese, Japanese people were introduced to several new technologies and cultural practices, military, religion, art, language and culinary. Starting from here, Japan became more confident and they always try to expand the relations with neighbor country, the method mostly used by a force.

Since Ieyasu Tokugawa arouse, Japan minimized their foreign relation with another country. He encouraged foreign Trade but also he was suspicious of outsiders. The closed Country Edict of 1635 made any Japanese prohibited to travelling outside or if someone had left before is not allowed to return. (Laver, 2012). However, the Isolation Era in Japan comes to an end, when American Commodore Matthew Perry arrives at Tokyo Bay with four ships (Asia for Educators, 2009). Although Japan opened its ports to modern trade, it took advantage of the new access to modern technological developments.

The control that was taken by the Shogunate was returned to the imperial rule under Mutsuhito or known as Emperor Meiji. This was a revolution that happened in 1868 (Alstair, 2009). The Meiji Restoration became the era of political, economic, and social change which brought the modernization and Westernization of the country. The Anglo-Japanese Alliance in 1902 and the victory in the wars with China (1894-1895) and Russia (1904-1905), Japan gained the respect from the Western world and known as a major world power in the international scene as a major world power (Alstair, 2009).

World War I allowed Japan who fought on the side of the victorious Allies, able to expand its influence in Asia and its holdings in the Pacific. After declaring war to Germany and obtained several places, Japan's power in Asia grew. After the war Japan got prosperity, Japan received official recognition as one of the "Big Five" nations of the new international order. Japan also received a seat on the Council of the League of Nations (Burkman, 2008). Despite the small role in World War I, Japan emerged as a major actor in international politics at the close of the war.

## **2. During World War II**

Japan wanted to become a strong country and become a world leader. However, Japan was a small island country which needs to import many natural resources. Some of the Japanese leaders feel that they need to obtain more land by conquering other countries. In 1937 Japan invaded China. Not only that, they want to dominate all of Southeast Asia. Japan joined the Axis alliance with Germany and Italy in 1940 by signing the Tripartite Pact (Maria-Online, 2006). The joining of Japan into the Axis Power is really supported by the Prime Minister Hideki Tojo who was a General of the Army.

The Pearl Harbor incident marks the involvement of Japan in the World War II. On December 7 1941, Japan attacked the US Navy at Pearl Harbor in Hawaii. After they attack the Pearl Harbor, Japan begin their occupation the country in Southeast Asia and the neighboring country near the region (Huff, 2011). The countries that occupied by Japan are: China mainland, Korea, Taiwan, Indonesia, Laos, Philippines, etc. There were also several islands that occupied by

Japan such as Andaman Islands in India and Christmas Island in Australia. Not all Japan's invasion or attack succeed, there were also area that were attacked but not conquered they are Kohima and Manipur in India; Dornod in Mongolia; and Midway Atoll in United States (Huff, 2011).

In the mid of 1944, Japan's military leaders recognized that a victory is near impossible. However, they are still not stops fighting until the atomic bombs which are attacked Japan in the Nagasaki and Hiroshima by the US. The bombing of Hiroshima and Nagasaki marks the Japanese lost in the World War II, then Japan need to surrender to the allies. On 15<sup>th</sup> August 1945 Japan surrenders to the allies.

### **3. Post-World War II**

The bombing of Hiroshima and Nagasaki in Japan by the US was the marked of the Japan's lost in World War II. As a defeated nation, Japan was obliged to pay war reparation to 12 countries, through Official Development Assistance, or ODA. At the initial appearance, the Japanese ODA indirectly used as a tool of foreign policy by the Japanese government. ODA itself is a form of economic aid to developing countries with lower interest rates with longer repayment period.

#### **a. Japan Under US' Umbrella**

The US drove occupation powers embraced clearing political changes in Japan, presenting the "no war" statement in the new Japanese Constitution and immobilize all military work forces at home and abroad. They additionally disbanded the *zaibatsu*, whose concentrated power had kept Japan's war machine

going in the pre-war and amid war years. In 1951 US concluded a security treaty with Japan known as *The US-Japan Treaty of Mutual Cooperation and Security* and realized in April 1952. In addition, there was separation between the emperor and the government of Japan (Tsuneo, 2000).

US provided direct against leftist forces. On the economic sector, US nurtured a pro-US, pro-capitalist policy in Tokyo (Tsuneo, 2000). In addition, US support in the creation of jobs at home and the garnering of valuable foreign exchange of Japan by opening market to Japanese export. The US additionally encouraged an after war settlements between the Japanese and Asia.

Japan was controlled by the United States military. Entirely, Japan had nothing in those years. Japan regained its power in 1952 its place in the worldwide framework was definitely not certain. During the period, The Yoshida Doctrine established, the Doctrine used as frameworks for Japan's foreign policy (Potter, 2008). It is named for its creator, Yoshida Shigeru, a prewar representative and four-time after war executive the strategies embraced as political bargains demonstrated amazingly tough. A few viewpoints kept going until the finish of the Cold War, other still persevere.

The Yoshida Doctrine contained three main components (Naoko, 2010): First, is the collapse of Japan's economic recovery after World War II. In this case, The Political-Economy Cooperation with United State is important; Second, is the military is not included in the international relations. In here, Japan will not establish an offensive military and will try to avoid in the conflict; Third,

the long-term security Guarantee by the US military. In this case, Japan provides a military base for US military.

The Yoshida Doctrine and Japan's Foreign Policy of the time, emphasize the relations with the United States. Japan relied on the United States' military for security due to the Article 9 of the Japanese Constitution (Potter, 2008). The war-making potential right was denied by the Constitution. United States tries to make Japan to increase its military expenditure but always rejected by PM Yoshida due to the Japan's post-war constitution. In this situation, the policies from Yoshida emphasizing Japan's economic recovery and reliance on United States military protection at the expense of independence in foreign affairs.

This Doctrine was made to restore the Japan's economic condition in the post-war and more focusing in the economic rehabilitation rather than the security issue. In the Yoshida Doctrine, Japan were less active in doing the security strategy more over in the making of weaponry. The experience of Japan from the World War II makes Japan's PM Yoshida more cautious in deciding the priority of the foreign policy. The Article 9 of Japanese Constitution (ban for Japan to use war as the foreign policy) become the reason which used by Yoshida to decline every acts which is possible for Japan to use military force.

It can be seen that main aim of the Yoshida Doctrine is reconstruction, development in economy, and security in the minimum degree (Naoko, 2010). The implementation of Yoshida Doctrine to realign the Japan's economy can be seen in the big development in the industry sector. At that time United States is

the most important economic partner for Japan. Mostly, the trades are electronics, car, semiconductor, and another high-tech material.

To increase the Industrial development, Japan needs more natural resource such as natural gas, petroleum, and another raw material. Therefore, Japan repairs their diplomatic relation with another country. The reparation is one of the ways to re-establish a good relation. The Yoshida Doctrine helps to reconstruct and build a good economic without military power. The following Prime Minister also used the Yoshida Doctrine in their economic policy and also foreign policy of Japan.

#### **b. War Reparations**

To regain a good relationship with neighboring country, Japan tries to give war reparations to the country once attacked or suffered because of Japan in the World War II. The War Reparation penalty for Japan is mentioned in the Article 14 of the Treaty of Peace. According to Article 14 of the Treaty of Peace with Japan (1951), Japan must pay reparations to the Allies for the casualty and suffer caused from the war. Six year after the World War II, Japan was re-accepted into the international community by signing the San Francisco Peace Treaty (Kato, Page, & Shimomura, 2016). Japan must pay war reparations for compensate for the damages that caused during the war as the requirement so Japan can return to the International Community.

San Francisco Treaty mentioned that Japanese assets in the foreign country which are belong to governments, companies, organization, and civilians in the occupied country which are become the colony. The amount of asset that

Japan's owned was different from each country's asset. This was caused by the colonization that done by Japan. This asset is in line with Japan's economy.

Table 1.2

**Japan's Assets in Foreign Country in 1945**

<b>Country/Area</b>	<b>Total in JPY</b>	<b>Total in USD</b>
Korea	7.025.600.000	468.370.000
Taiwan	42.542.000.000	2.846.100.000
North East China	146.532.000.000	9.768.800.000
North China	55.437.000.000	3.695.800.000
Central South Asia	36.718.000.000	2.447.900.000
Other	28.014.000.000	1.867.600.000
<b>Total</b>	<b>¥379.499.000.000</b>	<b>\$25.300.000.000</b>

Most of the Japan's assets taken by the allies, Japan also need to pay war reparation in the occupied country, the amount is ¥364.348.800.000 (Kyodo News, 1999). In the treaty also said that Japan need to pay to the International Red Cross as compensation in to the Allies that become the war prisoner which is mentioned in the Article 16 of San Francisco Treaty. Japan needs to pay £ 4.500.000 to the International Red Cross.

This situation is not really good for Japan. Not only their assets, Japan needs to pay several reparations and they need to repair their country condition. Therefore, Japan starts to create a new way.

## **B. ODA as Japan's Foreign Policy Tools**

The form of Japan's foreign policy starts to change. At first, Japan use military and offensive way to gain a relation with another country. However, the loses from World War II makes Japan starts to use a more peace approach in doing its Foreign Policy. The use of ODA as Japan's Foreign Policy Tools experience several phases. There are a change of status of Japan's ODA where at first Japan was the recipient until they use the ODA to another country.

### **1. Change of Status**

In order to re-establish its economy in the post war and receive loans, Japan need to make several agreements with several international institution. Therefore during this time, Japan act as a recipient. GARIO (Government and Relief in Occupied Areas) and EROA (Economic Rehabilitation in Occupied Areas) are the institution that gives loan to Japan from 1945 until 1951. Japan received \$ 2 billion in 1946 until 1951 as a credit from EROA. Not only that, in the 153 until 1966 Japan received \$ 880 million from the World Bank for the big project especially in infrastructure (Akiko, 2000).

The moment when Japan is still act as a recipient of foreign aid, Japan began to provide development assistance in the form of war reparations to other countries in Asia. This activity is related to the San Francisco peace treaty of 1951. In here, the money that loaned to Japan were re-processed by Japan by giving the aid to the developing countries especially in the Asia which are mostly is the country that once invaded by Japan.

Therefore, Japan uses the Foreign Aid as an indirect diplomacy tool. Japan believes that by giving the aid to the developing country will give them a benefit.

They believed that the country who receives the aid from Japan will make the country that receive will feel dependence towards Japan which is believed will happened continuously, then the Foreign Aid will used by Japan as the Japan Foreign Economic Cooperation towards the recipient. After that, Japan believes the method will success and started giving Aid and Japan act as a donor (Arase, 2005).

Japan as a donor is the moment where Japan succeeds to re-process the foreign aid that given from several international institutions to Japan. Those loan or aid was reused into a new program called ODA. Then, Japan joins the Colombo Plan. In 1955, Japan gives \$ 100.000 in the Colombo Plan (Arase, 2005). This event shows that Japan's economy is starting to recover and become more stabiles than before. The ODA program makes Japan become a country who giving aid to the developing country and succeed to change from the one who become recipient into the donor. Because of to the ODA program, Japan able to paid the loan from the World Bank.

## **2. Recipient Country**

Japan began giving development assistance in the form of war reparations to other countries in Asia. Japan need to pay war reparations for 12 countries in East Asia for damages caused to them in World War II. This condition should be met before in order to rejoin the international community. In November 1954, Prime Minister Yoshida Shigeru signed the first agreement on reparations agreements with the Philippines in 1956, Indonesia in 1958, and quasi-reparations with Laos and Cambodia in 1959. The other countries that received the

reparations are Burma (1954,1963), the Republic of Korea (1965), United States (1967), Malaysia (1967), Thailand (1955), Micronesia (1969), Laos (1958), Cambodia (1959), Mongolia (1977), Spain (\$5.5 million 1957), Switzerland, Netherlands (1956), Sweden and Denmark. Payments of reparations started in 1955, lasted for 23 years and ended in 1977 (Akiko, 2000).

In 1958, Prime Minister Kishi Nobusuke signed Japan's first agreement with India to give a yen loans in the form of multilateral aid. Yen loans has big role for Japan's ODA especially in form of bilateral aid. The war reparations here mostly take form in the form of yen loans and technical cooperation. The Prime Minister Kishi also believes that giving aid, it will repaying debt through postwar reconstruction and export promotion (Akiko, 2000).

The goal of Japanese ODA and the concentration of the improvement are typical. Asia has become the top target for Japanese ODA, in spite of the fact that the share has bit by bit declined. In 1970, Asia got offer of 98 percent of all Japanese ODA (Akiko, 2000).

### **3. Role and Function of ODA**

At first, ODA only act as distributor of aid to the war victim country. Then, the projects that offered by ODA to the nation is well-accepted and they feel really need the aid that given by ODA. The ODA become the foreign policy tool by Japan. There are two kinds of ODA, they are Bilateral and Multilateral. In the Bilateral one, the aid is involves two actors they are donor and recipient, and the form are (JICA, 2006):

a. Yen Loan

Yen Loan here means that the modal or giving the money to be loaned to the developing country. However this loan is a little bit different with the other loan. The reason is the loan is quite cheap; the loan is low interest with long term tenure. This Yen Loan was done via Japan Bank of International Cooperation.

b. Grant

Grant is an aid that given which is not included with the responsibility to pay. In another word, grant is money coming from central government for a specific project. Usually, this aid used for the sake of humanity.

c. Technical Assistance

Technical Assistance is cooperation in the developing of human resource. This assistance role is to rises the human development. Or transferring the ability from the Japan's technician delivered to the human resource in the developing country. This technical assistance used to develop the quality of the human resource in the developing country.

Meanwhile, the multilateral one ODA is an aid that included as contribution for United Nation institution and contribution toward Multilateral Development Bank. The distribution is through some institution such as IMF, World Bank, etc. Then, in the ODA, there was a rule that has been decided by the Japan to the country that targeted for the aid. The rule of the ODA is written in the ODA charter. In this charter it is explained about the base policy, priority issue, and also the area that become priority for ODA. The content of the charter are (MoFA, 2009):

### **a. ODA's Goal**

Japan's ODA has a role to give contribution for peace and development in the international community. Therefore, ODA's existence will help to guarantee security and prosperity of Japan itself as a donor to the developing countries (MoFA, 2009). Japan as a country that can be considered as one of the leading country in the world especially in the economy sector want to use the ODA in the solving of the post-war developing issue.

### **b. Basic policy of the establishment of ODA**

#### **i. Support the developing country's self-effort.**

Japan's ODA support some business that is done by the developing country by giving aid in the form of cooperation in the state resource development from the developing country (MoFA, 2009). For example; in make an institution also the law development, and development of economy and social facility as the base of the recipient or the developing countries.

#### **ii. Human Security as Priority**

In doing the ODA, Japan will focus on human's security in the ODA activities. For example; some acts that done by ODA in protecting person and communities from the conflict, violence, poverty, contagious disease, and giving aid in the development of people in order to make them able to solve those problems. To make sure that it maintained in all stages, Japan will extend assistance for the protection and empowerment of individuals (MoFA, 2009).

### iii. Assurance of Justice

In the ODA activities, the condition of the society in the recipient country will become a consideration for Japan. Moreover, ODA will try to increase the status of the woman (MoFA, 2009). Japan believe that's gender equality is important. In here, Japan will make more efforts to improve the status of women, make women more active in participate in development, and make sure they got benefit from it.

### iv. Utilization of Japan's Experience and Competence

Japan will utilize their experience in the ODA. For example: in several high-technology and human resource in the ODA. However, ODA will consider the policy in the needs of the aid of the developing countries (MoFA, 2009).

### v. Partnership and Collaboration with the International Society.

Japan will expand the collaboration with the other actor who handles development aid such as International Organization, the other donor country, NGO, and private sector.

## **c. ODA's Priority issues**

The issues that become the priority of ODA are: solving the poverty, continuity growth, global issues, infection disease, population, food, energy, disaster, terrorism, drugs, international crime, and the last is the peace building (MoFA, 2009).

#### i. Poverty Reduction

Japan will focus on providing assistance in this sectors as well as education, health care and welfare, water, sanitation, agriculture, and will support human and social development in the developing countries.

#### ii. Sustainable Growth

Japan will focus on providing assistance for the development of the socioeconomic infrastructure as a key factor for economic activity, and also for policy making, the development of institutions, and human resource development. Japan will try to ensure ODA and its trade and investment are carried out well.

#### iii. Addressing Global issues

A Global issues such as global warming and other environmental problems, infectious diseases, population, food, energy, natural disasters, terrorism, drugs, and international organized crime, must be solved instantly. Japan will took care these issues via ODA and will be more active regarding the creation of international norms.

#### iv. Peace Building

To prevent conflicts from arising in developing regions, Japan will carry out ODA to achieve reduction of poverty and the correction of disparities. For example, ODA will be used for: assistance to facilitate the peace processes; humanitarian and rehabilitation assistance, such as assistance for displaced persons and for the restoration of basic infrastructure.

#### **d. ODA Priorities Areas**

Asia is the area that has a good relation with Japan, which is become the priority area for the main target of ODA aid. Then, the existence of ODA for the next is to make a more solid relation with the Asia region for repair the social gap in the region.

The aid from ODA will be given by Japan to the developing countries by considering several things they are (MoFA, 2009):

1. ODA will consider every needs of aid in the developing countries.
2. Social-Economy condition of the recipient.
3. The bilateral relationship between Japan and the recipient, which is appropriate with the principle of the UN Charter.

According to several things mentioned above, Japan's ODA will be provided by taking into account of developing countries' need for assistance, socio-economic conditions, and the bilateral relations between Japan and the recipient country. The ODA program will be given in the accordance with the principles of United Nation they are (Akiko, 2000):

1. Environmental conservation, in here the ODA program will promote an aid in the environment sector which is mostly to keep protecting the natural environment from the environment damage.
2. Avoidance of military use in the ODA, in here the ODA will not be used for military or using it in a military way.

3. Attention to ODA recipient's military expenditure and development of weapons of mass destruction. For example; exporting/importing arms or weapon in the recipient country or anything related with it.

4. Promotion of Democracy, Market economy, and Basic Human Rights in the recipient country.

Therefore, according to the basic rule which is offered through the ODA Charter, Japan wants to make ODA as a tool to give aid which is easy to be accepted by the recipient especially in Asia region which has a lot of country who has a relation with Japan especially in the history, regional, history, etc.

The successful of ODA as the political tool by Japan makes the amount of ODA increase yearly. In 1961, Japan joins with the DAC (Development Assistance Committee). Through DAC, Japan accepted as the member of OECD (Organization for Economic Cooperation and Development). The OECD able to push Japan to give the foreign aid to the developing country and promote trade, in 1976 Japan becomes the second largest donor country in DAC and OECD (Akiko, 2000).

However, when the Japan's ODA able to rise in both of quality and quantity, ODA got some critique because they were too commercial and the form of the aid seems binding towards the recipient country. They believe that ODA only emphasize the Japan's export. Then, Japan gives an ODA which is not really binds the recipient. Japan reconsidered the enactment of the OECF and the Export-Import Bank of Japan to permit these associations to make it an unfastened advance (Itoh, 2000). The changes from the promotion into interdependence

which done by Japan is to regain the International interest towards ODA. Therefore, in the 1970s interdependence become the base of the Japan's ODA.

In the 1988, related to the role of ODA and the Peace promotion, Prime Minister Takeshita Noboru declares the International Cooperation Initiative, which identified aid as one of the major elements of Japan's contribution to the world as a tool of Japan in the International Scale (MoFA , 1988). The achievement of ODA from year to year post-World War II can be a proof that Japan able to create ODA as a foreign policy tool in increasing the Japan's economy.

In this chapter, it can be seen that at first Japan already "existed" in the International area. The first time they approached the international aspect, Japan mostly used an offensive way and military use in order to obtain source in another by doing an occupation to the invaded or attacked country or area. However the lost in World War II and their experience of Nuclear Attack by the United States become a turning point of Japan's way in doing foreign policy. When Japan is under US Umbrella, Japan tries to fix the relationship with another country especially for the country that invaded and suffered by Japan during the World War II in the form of War Reparation as an apology and later Japan using ODA for doing the Foreign Policy tools where there is no military use anymore. Since then, ODA becomes the Japan's Foreign Policy tools.