Japan’s Aid Diplomacy and the South Pacific

by

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This thesis was written while I was studying at the Australia–Japan Research Centre at the Australian National University. The opinions in it are my own, unless otherwise indicated.

Sandra Tarte
June 1995.
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Sandra Tarte
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Abstract

This thesis is a study of the factors that influence and shape Japan’s official development assistance to the Pacific island countries. It is a case study of Japan’s aid diplomacy and contributes to the broader debate about what drives Japan’s aid program and how to interpret Japan’s role as an aid donor. The thesis argues that the issue of access to the region’s fisheries resources has profoundly influenced and politicised Japan’s aid relations with the Pacific island countries. But other political and strategic agendas have also shaped Japan’s aid diplomacy with the region. These motivated the Kuranari Doctrine, Japan’s major statement of principles underlying its foreign policy with the Pacific islands.

Through analysis of Japan’s fisheries aid diplomacy, the Kuranari Doctrine and Japan’s approach to multilateral aid policy frameworks, the thesis shows how, over time, policies may be driven by competing interests and objectives. The study demonstrates how different aid policies may be formulated by different parts of the aid bureaucracy, often without close coordination. This analysis builds on perspectives of Japan’s aid administration, especially the bureaucratic politics approach and the ‘modified strong state paradigm’. While the former emphasises inter-ministry conflicts and rivalry, the latter stresses coordination between government and private sector interests in ODA policy. This study suggests that neither perspective, on its own, provides an adequate explanation of the economic, political and bureaucratic factors shaping Japan’s aid policies to the Pacific island countries, and the way these have changed over time. While there is close coordination between government and private sector actors in order to advance strategic economic interests, coordination within the aid administration is more problematic.

The thesis challenges assumptions, implicit in much of the literature on Japan’s ODA, that there is a coherent set of aid policies and that Japan’s ODA program has evolved in a rational way from a narrow economic focus to encompass broader diplomatic and political considerations. It suggests, instead, that there are tensions within the aid program, especially between economic and political objectives. The study highlights the way the Pacific island countries have challenged Japan’s economic dominance through a combination of collective diplomacy, alliance building and exploiting international regimes (the Law of the Sea Convention). The Pacific islands case is of interest in that it shows how extreme disparities between Japan and aid recipients may be balanced, to some extent, by both bureaucratic and diplomatic factors. The study shows how Japan’s aid diplomacy has reacted to challenges and threats in the regional context, but argues that external pressures and domestic political processes may pull Japan in different directions and give rise to a disjointed, ad hoc set of aid policies.
# Contents

Tables and Figures  
Acronyms  
Map of the Pacific Island Region and Exclusive Economic Zones  

| 1 | Introduction | 1  
|---|---|---  
| The aid debates | 5  
| The Pacific islands as a case study of Japan’s aid diplomacy | 7  
| Aid and statecraft | 8  
| What is aid? | 9  
| Structure and approach | 11  
| The Pacific island region | 14  
| Japan in the region: commercial and political antecedents | 17  
| Japan’s Postwar interests in the Pacific islands | 19  

| 2 | Issues in Japan’s Aid Diplomacy | 25  
|---|---|---  
| An overview of developments in Japan’s aid program | 25  
| Perspectives and approaches: the aid debates | 41  

| 3 | The Domestic Political Context: Aid Policy Making Structures and Processes | 47  
|---|---|---  
| Composition of ODA and grant aid | 47  
| Grant aid procedures and guidelines | 49  
| The bureaucratic actors | 56  
| Coordination and conflict within the aid bureaucracy | 68  
| The private sector and ministerial links | 70  
| The role of politicians in the aid policy process | 72  
| The role of advisory councils and study groups | 75  
| Conclusion | 79  

| 4 | Japan and the Pacific Islands: The Evolving Fisheries Agenda | 81  
|---|---|---  
| Japan’s postwar fisheries expansion | 81  
| Exclusive economic zones (EEZs) and Japan’s position | 85  
| Japan’s access agreements with Pacific island countries | 91  
| Regional fisheries frameworks | 95  
| US tuna policy in the region and the evolution of a multilateral access arrangement | 97  
| The proposed multilateral access agreement with Japan | 100  
| Political and economic dilemmas of Japan’s fishing industry | 103  
| The environmental debate and freedom of the high seas | 107  
| Conclusion | 120  

| 5 | Japan’s Fisheries Aid Diplomacy | 122  
|---|---|---  
| Fisheries grant aid | 122  
| Overseas Fisheries Cooperation Foundation | 125  
| JICA technical cooperation in the fisheries sector | 131  
| Administrative change and consolidation | 132  

V
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiating access agreements with Pacific island countries</td>
<td>134</td>
</tr>
<tr>
<td>Papua New Guinea-Japan fisheries negotiations</td>
<td>140</td>
</tr>
<tr>
<td>Small-scale fisheries grant aid</td>
<td>146</td>
</tr>
<tr>
<td>MOFA’s policy on fisheries grant aid</td>
<td>149</td>
</tr>
<tr>
<td>Aid and joint ventures</td>
<td>152</td>
</tr>
<tr>
<td>Bilateral versus multilateral access arrangements</td>
<td>156</td>
</tr>
<tr>
<td>The domestic politics of fisheries aid</td>
<td>159</td>
</tr>
<tr>
<td>The environmental debate: a new direction for fisheries aid policy</td>
<td>162</td>
</tr>
<tr>
<td>Conclusion</td>
<td>165</td>
</tr>
</tbody>
</table>

6 Competing Agendas: The Kuranari Doctrine and Japan’s Aid Diplomacy

Pacific basin cooperation                                              167  
Comprehensive security                                                 170  
Nakasone’s foreign policy posture and strategic aid                    173  
US perceptions of security threats in the South Pacific                173  
South Pacific Forum overtures and Japan’s response                     176  
Formulating the Kuranari Doctrine                                      178  
The aid component of the Kuranari Doctrine                             190  
Dissecting strategic aid: objectives and agendas                       197  
Conclusion                                                            205  

7 Regional and Multilateral Frameworks in Japan’s Aid Diplomacy

Pacific island regional organisations                                 208  
Joint programming, policy coordination and donor dialogue              221  
Political and economic conditionality                                  228  
Conclusion                                                            233  

8 Conclusions                                                          235  

Appendix 1                                                             247  

Bibliography                                                           250  

vi
### Tables

1.1 Japan's Bilateral ODA to the Pacific Island Countries, 1980–93
1.2 Japan's Bilateral ODA as a Share of the Region’s Total Bilateral and Multilateral ODA, 1988–92
1.3 Fisheries Grant Aid as a Share of Japan’s Grant Aid to Pacific Island Countries, 1975–92
1.4 Trade between the Pacific Island Region and Rest of the World, 1987–90
1.5 Japan’s Foreign Direct Investment in Oceania, 1951–89
2.1 Japan’s ODA Performance, 1977–93
3.1 Japan’s ODA by Category, 1986–93
3.2 Japanese Think-tanks and Policy Groups Working on Pacific Island Affairs
4.1 Japanese Tuna and Skipjack Production by Type in Southeast Asian and Pacific Waters, 1951–85
4.2 Exclusive Economic Zones of Pacific Island Nations
4.3 Japanese Access Agreements with Pacific Island Countries
4.4 Purse Seine Vessels by Nationality Operating in the Pacific Island Region
4.5 Japan’s Tuna Production in the Pacific Island Region, 1989–90
5.1 Fisheries Grant Aid to the Pacific Island Countries as a Share of Japan’s Total Fisheries Grant Aid
5.2 OFCF Loans to Japanese Fisheries Firms, 1973–90
5.3 Goods and Services as a Share of the Total Access Fee in Agreements between Japan and Pacific Island Countries
5.4 Activities of the OAFIC in the Pacific Island Region
5.5 JICA Fisheries Related Equipment Supply, 1986–91
5.6 Japan’s Grant Aid and Fisheries Grants to Pacific Island Countries, 1975–93
6.1 Japan’s Grant Aid to Pacific Island Countries, 1988–93
7.1 Forum Secretariat Budget, 1991–94

### Figures

3.1 Japan’s Grant Aid Program
3.2 Grant Aid Project Cycle
3.3 Flow Chart of OFCF Cooperation
5.1 Linkage between Aid and Access
Acronyms

AIDAB  Australian International Development Assistance Bureau
ATA    American Tunaboat Association
CITES  Convention on the International Trade in Endangered Species of Wild Flora and Fauna
CIF    Cost, insurance and freight
DAC    Development Assistance Committee
DWFN   Distant water fishing nation
EEZ    Exclusive Economic Zone
FFA    Forum Fisheries Agency
JFA    Japan Fisheries Association
JICA   Japan International Cooperation Agency
LDP    Liberal Democratic Party
MAFF   Ministry of Agriculture, Forestry and Fisheries
MITI   Ministry of International Trade and Industry
MOF    Ministry of Finance
MOFA   Ministry of Foreign Affairs
MTCs   Minimum terms and conditions (of access)
NGO    Non government organisation
PNA    Parties to the Nauru Agreement
OAFIC  Overseas Agro-Fisheries Consultants Company
ODA    Official Development Assistance
OECD   Organisation for Economic Cooperation and Development
OECF   Overseas Economic Cooperation Fund
OFCA   Overseas Fisheries Consultants Association
OFCF   Overseas Fisheries Cooperation Foundation
OOF    Other Official Flows
SICs   Smaller island countries
SPC    South Pacific Commission
SPEC   South Pacific Bureau for Economic Cooperation
SPNFZ  South Pacific Nuclear Free Zone Treaty
SPREP  South Pacific Regional Environment Programme
SSFG   Small-scale fisheries grants
SSGA   Small-scale grant assistance
USAID  United States Agency for International Development
200 MILE EXCLUSIVE ECONOMIC ZONES OF THE PACIFIC ISLANDS

Prepared for the Center for Pacific Islands Studies
University of Hawai‘i at Manoa
by Manoa Mapworks, 1987
1 Introduction

*Japan has sought a post-war new deal. It realizes that it cannot be indifferent to the problems facing the Pacific Island Nations in the region it belongs to and therefore seeks ... to work with them in contributing to their development.¹*

When the Foreign Minister of Japan, Tadashi Kuranari, visited the Fijian capital, Suva, in January 1987, he announced a new beginning in the relationship between Japan and the Pacific island countries.² In the decades following the end of the Second World War, Japan's presence in the region had largely disappeared. This contrasted with the inter-war period when Japan exercised control over the islands of Micronesia.³ The Kuranari visit signalled that Japan's postwar quest to regain a place in the international arena and rebuild ties with neighbouring countries had finally reached the Pacific islands. The centrepiece of the Kuranari speech was a declaration that Japan would increase its official development assistance (ODA) to the region.⁴

By 1987 Japan was already a significant aid donor to the region. ODA ties between Japan and the Pacific islands were initiated in the 1970s. In the 1980s the amount of ODA to the region increased rapidly, from 10 billion yen in 1980 to 18 billion yen in 1986 and to 22 billion yen in 1990. By the beginning of the 1990s, Japan had displaced other major donors to become the largest or the second largest bilateral donor to the Pacific island countries. In 1992, it was the largest aid donor to Kiribati and Tuvalu and the second largest to Papua New Guinea, Fiji, Tonga, Nauru and the Solomon Islands.⁵ With one exception, Papua New Guinea, all countries receiving aid from Japan, were given only grant aid (including technical cooperation). In Japan's overall ODA, this ranks as the most concessional form of aid.


² Countries included in this analysis are Kiribati, Nauru, the Marshall islands, the Federated States of Micronesia, Palau, Papua New Guinea, Solomon Islands, Vanuatu, Fiji, Tuvalu, Western Samoa, Niue and the Cook Islands.

³ The islands had formerly been ruled by Germany. Japan assumed control under a League of Nations Mandate. During the Pacific War, Japan's military presence extended as far south as New Guinea and the Solomon Islands.

⁴ The plan was to double Japan's aid flows to the region. This speech became known as the Kuranari Doctrine.

⁵ Japan has, at various times during the 1980s, been the largest donor to Western Samoa, Tonga and the Solomon Islands. Ministry of Foreign Affairs (MOFA), Japan's Official Development Assistance, 1994 Summary, Tokyo, September 1994, p.9. Details of Japan's bilateral ODA to the island countries are given in Tables 1.1 and 1.2.
Table 1.1  Japan’s Bilateral ODA Allocated to the Pacific Island Countries, 1980-93 (million yen)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Yen loan</th>
<th>Grant</th>
<th>Technical cooperation</th>
<th>Japan’s total ODA to the region</th>
<th>% of Japan’s Bilateral ODA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>5,122</td>
<td>3,339</td>
<td>1,782</td>
<td>10,243</td>
<td>0.6</td>
</tr>
<tr>
<td>1985</td>
<td>4,691</td>
<td>5,046</td>
<td>1,320</td>
<td>11,057</td>
<td>0.9</td>
</tr>
<tr>
<td>1986</td>
<td>9,572</td>
<td>6,441</td>
<td>1,986</td>
<td>17,999</td>
<td>1.4</td>
</tr>
<tr>
<td>1987</td>
<td>5,325</td>
<td>2,197</td>
<td>3,125</td>
<td>7,522</td>
<td>1.3</td>
</tr>
<tr>
<td>1988</td>
<td>5,961</td>
<td>3,125</td>
<td>9,086</td>
<td>12,647</td>
<td>1.4</td>
</tr>
<tr>
<td>1989</td>
<td>9,281</td>
<td>3,366</td>
<td>12,647</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>11,870</td>
<td>6,787</td>
<td>3,400</td>
<td>22,057</td>
<td>1.6</td>
</tr>
<tr>
<td>1991</td>
<td>6,635</td>
<td>7,551</td>
<td>3,941</td>
<td>18,127</td>
<td>1.3</td>
</tr>
<tr>
<td>1992</td>
<td>7,481</td>
<td>4,048</td>
<td>11,529</td>
<td></td>
<td>2.0</td>
</tr>
<tr>
<td>1993</td>
<td>7,416</td>
<td>5,011</td>
<td>12,427</td>
<td></td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>37,890</td>
<td>76,333</td>
<td>35,099</td>
<td>149,322</td>
<td></td>
</tr>
</tbody>
</table>


Table 1.2  Japan’s Bilateral ODA as a Share of Total Bilateral and Multilateral ODA Received by Pacific Island Countries, 1988-92 (per cent)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook Is</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.3</td>
<td>4.4</td>
</tr>
<tr>
<td>Fiji</td>
<td>19.1</td>
<td>20.7</td>
<td>20.7</td>
<td>20.8</td>
<td>30.1</td>
</tr>
<tr>
<td>Kiribati</td>
<td>43.2</td>
<td>35.2</td>
<td>53.1</td>
<td>45.9</td>
<td>63.1</td>
</tr>
<tr>
<td>PNG</td>
<td>13.4</td>
<td>12.6</td>
<td>11.9</td>
<td>13.1</td>
<td>25.2</td>
</tr>
<tr>
<td>Solomon Is.</td>
<td>39.8</td>
<td>37.6</td>
<td>27.8</td>
<td>38.3</td>
<td>29.1</td>
</tr>
<tr>
<td>Tonga</td>
<td>26.0</td>
<td>27.2</td>
<td>41.7</td>
<td>23.8</td>
<td>29.7</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>-</td>
<td>51.8</td>
<td>21.5</td>
<td>10.4</td>
<td>46.9</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>12.9</td>
<td>9.2</td>
<td>19.3</td>
<td>16.3</td>
<td>3.5</td>
</tr>
<tr>
<td>W. Samoa</td>
<td>35.1</td>
<td>29.1</td>
<td>33.3</td>
<td>38.6</td>
<td>23.2</td>
</tr>
</tbody>
</table>

Note: This table excludes aid to the former US Trust Territory of the Pacific Islands (Marshall Islands, Federated States of Micronesia and Palau). Details of Japan’s aid as a proportion of total aid received by these countries are not provided in Japan’s ODA reports. In general, however, these countries receive more than 90 per cent of their bilateral assistance from the US.


Apart from the emphasis on grant aid, the single most consistent and striking feature of the ODA received by the region from Japan is the high proportion of fisheries
grant aid,⁶ which accounted for more than 87 per cent of Japan’s grant aid to the region between 1975 and 1979.⁷ In the 1980s the fisheries sector continued to dominate; accounting for one-third of all Japan’s grant aid to the region in the period 1975 to 1992.⁸ For some countries the share was as high as 99 per cent. Moreover, while the region received a small share of Japan’s overall bilateral aid (1.3 per cent in 1991), it received a comparatively large share of fisheries grant aid (10.4 per cent in 1991).⁹

<table>
<thead>
<tr>
<th>Table 1.3 Fisheries Grant Aid as a Share of Japan’s Grant Aid to Pacific Island Countries, 1975-92 (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>FSM</td>
</tr>
<tr>
<td>Fiji</td>
</tr>
<tr>
<td>Kiribati</td>
</tr>
<tr>
<td>Marshall Is.</td>
</tr>
<tr>
<td>Palau</td>
</tr>
<tr>
<td>PNG</td>
</tr>
<tr>
<td>Solomon Is.</td>
</tr>
<tr>
<td>Tonga</td>
</tr>
<tr>
<td>Tuvalu</td>
</tr>
<tr>
<td>Vanuatu</td>
</tr>
<tr>
<td>Western Samoa</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Note: FSM – Federated States of Micronesia; PNG – Papua New Guinea.


In the two decades preceding the Kuranari visit, the region witnessed the gradual retreat of colonialism in the region and the transformation of the international Law of the Sea regime. Most of the colonies that had once made up the region attained statehood and sovereignty.¹⁰ In the same period, the United Nations drafted a new legal framework

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⁶ Fisheries grant aid is a separate category of Japan’s grant aid budget, which is made up of general grant aid, grant aid for fisheries, grant aid for disaster relief, grant aid for cultural activities, food aid and grant aid for increased food production.

⁷ Japan International Cooperation Agency (JICA), Annual Reports, 1976-80, JICA, Tokyo.

⁸ Between 1975 and 1986, the share was 50 per cent.

⁹ In 1989, this share was 30 per cent. Details of fisheries grant aid to the Pacific island countries as a share of Japan’s total fisheries grant aid are given in Tsusho sangyosho, Keizai kyoryoku no genjo to mondaiten, 1992, pp.974-80.
governing maritime boundaries and national and international jurisdiction over marine resources.\(^\text{10}\) The single most dramatic change was the introduction of 200-nautical-mile exclusive economic zones in 1977. This gave the new political entities in the Pacific jurisdiction over an area of about 7 million sq km.

As the world’s leading fishing nation, Japan was profoundly affected by the changes that were brought about by the new Law of the Sea regime. The implications of this new regime were particularly marked in the Pacific, where national maritime zones far exceeded the region’s land area.\(^\text{12}\) These enclosed some of the world’s (and Japan’s) most productive fishing grounds. In 1975 more than 85 per cent of Japan’s tuna catch was from the Pacific. By 1980 this had increased to 90 per cent and included waters within and adjacent to the economic zones of Pacific island countries.\(^\text{13}\) In the early 1990s it was estimated that the Pacific island region accounted for 45 per cent of the world’s tuna catch and that stock levels could sustain increases in fishing effort.\(^\text{14}\)

This thesis is first and foremost a study of factors that determine or influence decisions about Japan’s aid allocations to the Pacific island countries. What are the motivations and interests underlying Japan’s aid program to the region? This question is explored through an analysis of 1) Japan’s evolving fisheries aid policies; 2) the aid doubling plan incorporated in the Kuranari Doctrine; and 3) the emergence of a multilateral approach to aid to the region. These issues are examined for evidence of an inherent logic in both policy rationale and practice.

The motivations and objectives of Japan’s aid (ODA) to the Pacific islands are of intrinsic interest and importance. But they are also important in terms of what they might contribute to a broader question of the role of aid in Japan’s diplomacy and as an instrument of policy towards a group of small, developing countries. This study is important for what it may reveal about Japan’s ODA, and in particular about what drives Japan’s aid policies. How important are Japan’s economic interests? What is the role of political or diplomatic considerations? Do these parts fit together; that is, are they compatible? How do policy making procedures and bureaucratic structures impact on policy decisions? Is there a consensus among policy makers as to what goals Japan’s aid

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\(^{10}\) In the 1960s, three Pacific island states attained self-government or independence; in the 1970s seven more states were born; and in the 1980s there were four new states.

\(^{11}\) Negotiations (the Third UN Law of the Sea Conference) began in 1973 and ended in 1982.

\(^{12}\) For some individual island states, the ratio of sea area to land is about 7000 to 1.

\(^{13}\) Ministry of Agriculture, Forestry and Fisheries (MAFF), *Fisheries Statistics of Japan*, various years, Statistics and Information Department, MAFF, Tokyo; Food and Agriculture Organisation (FAO), *FAO Yearbook of Fisheries Statistics*, various years, FAO, Rome.

\(^{14}\) South Pacific Commission, *Status of Tuna Stocks in the SPC Area: A Summary Report for 1993*, Tuna and Billfish Assessment Programme, Working Paper 3, June 1993. It is estimated that the region supplies 50 per cent of annual supply of canning grade tuna to the world market.
should be promoting? These questions are at the heart of debates about Japan's role as an aid donor, and the factors that have shaped Japan's emergence as an 'ODA power'.

As a case study of Japan's ODA, the Pacific island region provides insights into 'who and what governs levels and terms of aid, as well as the relationship in specific cases between ODA and [economic], political, social and security matters'.15 This contributes to broader debates about what drives Japan's ODA and how to interpret Japan's role as an aid donor.

THE AID DEBATES

In the literature on Japan's ODA reference is often made to Japan's 'aid power', 'aid leadership' and 'aid challenge'. These terms reflect the emergence of Japan as the world's largest aid donor.16 While there is no disagreement about the significance of Japan's ODA in terms of its scope and size, there remain differences about how to explain its aid policies. What is perhaps most controversial in studies of Japan's ODA is the issue of whether or to what extent Japan's ODA policies are driven by the principles and goals of 'economic cooperation' (keizai kyoryoku) which marked the origins of Japan's aid program. According to the economic cooperation approach, aid is essentially aimed at promoting Japan's own economic interests through developing markets, securing access to resources and promoting Japanese investment in recipient countries.

As Japan's aid program has expanded, new diplomatic rationales have been invoked and a more political orientation developed.17 This has led to debate about Japan's interest in maintaining a stable international economic and political system.18 Opinion is divided on whether Japan's ODA program reflects a trend towards joint leadership or partnership with the US or a more diffuse collective management of

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16 Definitions of aid are given later. Since the late 1980s, Japan has vied with the US for the status of the world's 'Number 1' donor.

17 Dennis Yasutomo, The Manner of Giving: Strategic Aid in Japan's Foreign Policy, Lexington Books, Lexington, 1986. This dimension of Japan's ODA is manifested in a variety of ways, including the announcement of an ODA Charter in 1992. According to the principles of the Aid Charter, adopted by the Japanese Cabinet in June 1992, Japan's aid decisions will 'henceforth pay full attention' to trends in recipient countries' military expenditure, as well as the promotion of democracy, a market economy and basic human rights. Where 'serious reversals' in these areas occur, Japan will reconsider its aid to that country. MOFA, Japan's Official Development Assistance Charter, (Unofficial Translation), 30 June 1992.

international economics and politics;\textsuperscript{19} or whether it is a drive towards regional (especially East Asian) political and economic dominance.\textsuperscript{20} There are also questions about how far Japan’s ODA is essentially a response to external pressures;\textsuperscript{21} and how far it is a proactive and strategically targetted program.\textsuperscript{22} These questions, in turn, depend upon assessments of the aid administration in Japan.

Aid administration is in fact the key to an understanding of what drives Japan’s aid program. There are two competing perspectives of aid decision making structures and processes in Japan. The first perspective asserts that domestic political processes are essentially a constraint on policy actors and an impediment to policy innovation. Change is incremental and often in reaction to external pressure. This emphasises the problem of conflict in the aid bureaucracy.\textsuperscript{23} The second perspective suggests that the very nature of the ‘aid bureaucracy’ facilitates the continuing use of aid as a tool of Japan’s international economic strategies. The goals and principles of economic cooperation are built into the organisation and structures of Japan’s ‘ODA system’. This view emphasises bureaucratic and private sector coordination.\textsuperscript{24}

A central task of this thesis is to assess these two perspectives in light of Japan’s changing aid policy priorities and goals. The argument that is developed is that neither perspective of the aid policy making processes, on its own, provides an adequate explanation of the economic, bureaucratic and political factors underpinning Japan’s ODA, and the way these have changed over time. The study highlights, in particular, close coordination between private sector and government actors in order to advance strategic economic interests. But there is an absence of coordination, if at times conflict, beween government actors in the aid administration. This latter point has important implications for the effectiveness and utility of ODA in Japan’s foreign policies.


\textsuperscript{23} The main proponent of this view is Alan Rix, \textit{Japan’s Economic Aid: Policy-Making and Politics}, Croom Helm, London, 1980; see also Robert M. Orr Jr., \textit{The Emergence of Japan’s Foreign Aid Power}.

\textsuperscript{24} See David Arase, ‘Public-Private Sector Interest Coordination in Japan’s ODA’. The next chapter discusses these studies and their various perspectives in more detail.
THE PACIFIC ISLANDS AS A CASE STUDY OF JAPAN'S AID DIPLOMACY

Japan’s ODA to the Pacific island region has generally been analysed as a function of ‘foreign policy’ in the broad sense. The Kuranari Doctrine has been viewed as either the starting point and/or the high point of Japan’s aid policy and articulation of its aid interests. In documenting Japan’s ODA to the region, these studies have assumed that ODA is primarily directed by the Ministry of Foreign Affairs (MOFA) and delivered by the Japan International Cooperation Agency (JICA). The motivations for ODA have been viewed as essentially political and diplomatic. ODA has been regarded as ‘friendship aid’ (otsukiai enjo), which refers to ‘aid flows to smaller countries of little political or economic significance to Japan’. Economic interests have been assumed to be less important or, if a factor, the precise links between these interests and ODA have not been explored or demonstrated.

What is missing in these studies is an analysis of Japan’s ODA to the region over time and the political, economic and bureaucratic foundations of its aid policies. Studies of the region have tended to explain the Kuranari Doctrine only as a ‘snapshot’ of Japan-Pacific island relations over the past 20 years. What is particularly striking, given the fact that the largest proportion of Japan’s grant aid to the region is from the fisheries grant aid budget, is the absence of any studies exploring the links between Japan’s ODA and its fisheries resource interests in the Pacific. This is a particularly significant issue given the importance to Japan of the region’s fisheries resource. No studies of Japan’s ODA to the region have considered possible contradictions between economic and diplomatic policy goals, or the impact of domestic politics and political structures. This includes

25 Robert M. Orr Jr., The Emergence of Japan’s Foreign Aid Power, p.89. ‘Otsukiai’ has been defined as an ‘attitude or action taken for the sake of preserving Japan’s associations, friendships and alliances’. Sukehiro Hasegawa, Japanese Foreign Aid: Policy and Practice, Praeger, New York, 1975, p.5. In another reference to Japan’s ODA to the region, it has been suggested that Japan has aspired to a ‘leadership role’ in this particular set of aid relations; that its aid program has reflected a recognition of Japan’s ‘responsibilities to its near neighbours’. Alan Rix, ‘Japan’s Aid Leadership’, Association for Asian Studies, 41st Annual Meeting, March 1989, Washington DC.


27 The issue of Japan’s ODA and its interests in the region’s forestry resources has been the subject of one critical study. See Yasuko Shimizu and Taisuke Miyauchi, ‘Kaihatsu kyoryoku to iu na no nettai urin bassai’, in Yoshinori Murai (ed.), Kensho Nippon no ODA, Gakuyo Shobo, Tokyo, 1992, pp.83-156.

28 One of the first studies of Japan’s contemporary (postwar) relations with the Pacific islands did suggest that ‘organisational constraints within Japan’s aid system’ would affect Japan’s aid policies to
the problems of reconciling competing policy goals and priorities, and the problems of adapting political processes to (shifting) policy objectives.

What is suggested in this study is that the Pacific island countries are in fact more important to Japan and of more significance in Japan's aid policy than has been assumed in other studies. They are not simply passive recipients of 'friendship aid'. Several points need highlighting. The island countries as a group have actively engaged Japan in aid dialogues that have drawn Japan into the region. The region has also, through its collective diplomacy, challenged Japan in an area where the latter is highly dependent and vulnerable (fisheries resources). In this context, the Pacific islands have been an arena for Japan-US rivalry and this has given the island states more leverage than would otherwise be expected in relations with Japan. Finally, regional fora promoting donor dialogue as well as dialogue between the island states and Japan have provided the latter with opportunities for adopting new aid initiatives and new modalities for aid to the region.

The study also reveals how extreme disparities between Japan and recipient countries may be balanced by bureaucratic and diplomatic factors. In other words, small island states may significantly enhance their negotiating power through a combination of collective diplomacy, alliance building and exploiting opportunities provided by international regimes. They may even gain advantage from bureaucratic divisions and rivalry in Japan’s aid administration.

AID AND STATECRAFT

To analyse the objectives of aid policy, or the motivations of aid policy makers, is to conceive of aid policy not as an end in itself but as 'purposive behaviour, directed towards some end goals' — that is, as a form of economic statecraft. A number of questions follow, which help to narrow the focus of the analysis. The central question is what motivates the giving of aid rather than what are the (probable) effects of aid. In this study, the focus is on the objectives and determinants of aid policy, not on the outcomes.

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Footnotes:

29 This discussion has relied to a significant degree on the analysis of statecraft in David A. Baldwin, Economic Statecraft, Princeton University Press, Princeton, 1985. Baldwin defined economic statecraft as 'influence attempts relying primarily on resources that have a reasonable semblance of a market price' (p.14).

30 Outcomes are relevant insofar as they point to the objectives and goals of aid policy. For example, the emphasis on fisheries grant aid suggests an interest in fisheries resources. That is a link which is explored in this study. What is also relevant in this context is an assessment of the donor's interest in and dependency on the aid relationship. According to Baldwin, Economic Statecraft, 'the greater the donor's gain from the relationship, the more dependent he is on maintaining the relationship and the
It is also necessary to ask who or what is the main target of the aid-giving. There may in fact be multiple targets and goals. The immediate target (the aid recipient) may not be of primary importance to the donor, or the main target of attempts to exert influence. Aid policy may not be primarily aimed at influencing the recipient but at influencing a third party — that is, another country (for example, the US). Moreover the goals of aid policy may be any dimension of the target's behaviour — for example 'beliefs, attitudes, opinions, expectations, emotions and/or propensity to act' — and not limited to economic dimensions.31

Finally, there is the question of what are the dynamics of aid as an attempt to exert influence. This raises the issue of power in aid relations. It is not assumed that influence is exerted through economic power alone. In the process of giving or withholding of aid, for example, while the economic dimension may be most significant and overt, there may also be other, non-economic dimensions that are important, for example, what is implied about the diplomatic or even military intentions of the donor country.32

Thus the concept of economic statecraft suggests a more complex view of aid than is perhaps often assumed. It also suggests several levels for analysis of aid policy. Rather than simple patterns of relations linking donor and recipient, economic statecraft points to the possibility of multiple goals and targets influencing and motivating aid policies. As an analytical tool in the study of Japan's aid to the Pacific island countries, economic statecraft treats aid as a foreign policy instrument that is directed at the realisation of donor goals and interests.33 At the same time, it does not rule out the possibility that there may be a number of competing policy objectives.

WHAT IS AID?

Aid is a slippery concept, often laden with assumptions, preconceptions and unrealistic expectations. The 'lack of clarity about what exactly aid is' is in part due to the fact that aid may cover a wide variety of methods to transfer resources from rich to poor countries.34 The focus of this study is official development assistance (ODA). The

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33 This raises a further question: how far are Japan's policy goals and interests compatible with those of the recipient or of other donors? To what extent does Japan define its interests in terms of the interests of other states? The following study explores the extent to which there are tensions underlying the policy goals and objectives of Japan's ODA program.
definition of ODA is that used by the Japanese government and which in turn derives from the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). ODA has three features: it is 1) provided by official agencies, 2) administered with the promotion of economic development and welfare of developing countries as its main objective, and 3) concessional in character (having a grant element of at least 25 per cent). This definition distinguishes ODA from other official flows (OOFs) — that is flows from official sources which do not have a grant element of at least 25 percent, such as those of Japan’s Export Import Bank. ODA is also distinguished from non-government organisations (NGOs) and the private sector.

The term ODA is not without ambiguity. On the one hand, the US has argued for the inclusion of its military debt forgiveness to developing countries in its aid figures. For two years (1991 and 1992), when the OECD named both Japan and the US as the ‘world’s largest donors’, military debt forgiveness was included as a component of the US aid figures. On the other hand, Japan’s aid to Eastern Europe and former Soviet republics does not qualify as ODA, according to the OECD, because the GNP/per capita in those countries is too high.

Apart from defining aid by what it may include or exclude, it is also useful to consider aid according to what broader ideas and assumptions are attached to the concept. One idea central to thinking about aid is that of reciprocity. Is aid a unilateral transfer of resources or a reciprocal exchange of benefits? Analysis of this question often combines a mixture of normative and positivist ideas and approaches. These distinguish between humanitarian and altruistic goals on the one hand, and calculations of national self interest on the other. To further clarify the concept of aid, Baldwin has argued that it is necessary to understand the role of gift-giving in social exchange: ‘gifts generate an obligation to reciprocate regardless of whether any specific quid pro quo is agreed upon’.

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35 DAC, *Development Cooperation*, various years, OECD, Paris. In this study, the terms ODA and aid are used interchangeably, unless otherwise specified.

36 The exclusion of these flows from the definition of ODA used here does not imply that they are unimportant in the development context and may not constitute aid. OOFs and ODA are linked in policy terms, as are ODA and NGO aid flows.

37 B. Anne Craib, ‘Japan Named World’s Largest Donor’, *Japan Economic Institute Report*, No.26B, July 8, 1994, pp.8-11. Since 1993, the US has not been permitted to include military debt forgiveness in its aid figures.

In Japan’s case confusion is perhaps less apparent on semantic grounds. The term aid (enjo) is less frequently used than economic cooperation (keizai kyoryoku). This latter term, which was adopted in the early years of Japan’s aid program, is a much broader concept and does not have the connotations of enjo (a gift from strong to weak or from rich to poor). The term keizai kyoryoku, by contrast, implies a more equal partnership and mutual benefit. It thus encompasses profit oriented activities of Japan’s private sector and aid is explicitly linked to the promotion of those activities. More recently, MOFA has been inclined to speak of ‘aid’ (enjo) or ‘ODA’ rather than ‘economic cooperation’, in order to highlight economic development objectives (and recipient oriented goals) of Japan’s ODA. But other ministries continue to use ‘economic cooperation’.

STRUCTURE AND APPROACH

Chapter 2 surveys the background and development of Japan’s overall ODA program. It does not provide an exhaustive account of Japan’s ODA policies. This has been undertaken by other studies. The principal aim of this chapter is to focus on the main issues in Japan’s aid diplomacy and to highlight, in particular, the tensions inherent in Japan’s evolving policy goals and objectives. It traces the evolution of the ‘economic cooperation’ approach and how this has been modified or influenced by other ideas or imperatives, for example burden-sharing. The purpose of this survey is to show how Japan’s ODA program has responded to an increasingly complex range of problems, pressures and challenges. This has given rise to competing rather than complementary policy objectives and priorities. The chapter questions assumptions that there is coherence and consistency of purpose in Japan’s aid program. It considers existing paradigms of the Japanese aid policy making system and suggests that a more complete explanation of Japan’s aid program needs to emphasise both policy coordination at the level of private sector and government relations, and lack of coordination, if not conflict, within the aid bureaucracy. This leads to the analysis in Chapter 3 of policy making structures and processes.


40 For further details, see David Arase, ‘Public-Private Sector Interest Coordination in Japan’s ODA’; Barbara Stallings, ‘Development in the 1990s: US and Japanese Paradigms’ in Barbara Stallings et al., Common Vision, Different Paths: The United States and Japan in the Developing World, Overseas Development Council, Washington DC, 1993, pp.3-29.

41 Dennis Yasutomo, ‘Why Aid? Japan as an “Aid Great Power”’, Pacific Affairs, Vol. 62, No. 4, Winter 1989/90, pp. 490-503. This reflects the preference of MOFA for an aid policy that, at the declaratory level at least, is not determined by ‘give and take’ principles. In MOFA’s rhetoric, aid is linked to the promotion of Japan’s ‘broadly defined national interests’ and these are the ‘end result that comes about as a corollary of satisfying the vital needs of developing countries’. MOFA, Japan’s Official Development Assistance, 1994 Summary, MOFA, Tokyo, September 1994, p.13.
The purpose of Chapter 3 is to explore the domestic context of Japan’s aid policy and to identify bureaucratic and procedural influences on Japan’s ODA to the Pacific island region. Who are the policy makers and what are their interests and priorities regarding aid policy? What are the procedures for decision making? This analysis points to the way sectional divisions within the aid bureaucracy have evolved, such that different parts of the ODA program are managed primarily by different ministries and agencies. These coordinate aid policies with private sector interests. But the picture is complicated by a lack of policy coordination within the aid administration. The analysis highlights the existence of competing political interests within the bureaucracy, the existence of procedural frameworks that constrain policy makers and the absence of a strong executive to resolve disputes and provide policy coherence.

Having discussed the ‘internal’ context of Japan’s aid policies, attention shifts to the ‘external’ context; that is, the international and regional developments marking Japan’s emergence as an aid donor to the Pacific island countries. Chapter 4 identifies the factors that defined Japan’s interests in the region. The purpose of this analysis is not simply to highlight the importance and salience of fisheries issues in Japan’s diplomacy with the region. It is also to identify the issues and interests that have motivated and influenced Japan’s fisheries aid policies. This reveals the changing nature of external pressures and challenges on Japan, which has given rise to a dynamic aid policy agenda. The chapter examines both global developments (the Law of the Sea) and regional developments (the strengthening of multilateralism among Pacific island states, the role of the US and the rising environmental agenda).

Chapter 5 outlines the dimensions and scope of Japan’s fisheries cooperation with the Pacific island countries and examines the processes by which aid policies have promoted Japan’s fisheries interests in the region. It shows how the Fisheries Agency adopted a deliberate policy of using ODA to support the operations of Japan’s distant water fishing fleets. The chapter also shows how, over time, different aid initiatives have been adopted in response to international and regional challenges to Japan’s interests as a fishing nation. But while fisheries aid diplomacy was closely coordinated with the interests of Japan’s fishing industry, it was also constrained by bureaucratic procedures, conflicting political interests of ministries and lack of a clear vision about Japan’s role and interests in this region.

Fisheries interests were not the only policy agenda driving Japan’s ODA to the region. In the 1980s Japan developed political interest in the region, for reasons other than fisheries. The declaration of the Kuranari Doctrine reflected this new-found political interest and heralded a new phase in Japan-Pacific island relations. Chapter 6 examines the motivations and interests underlying the Kuranari Doctrine and the impact of this policy initiative on Japan’s aid allocations to the region. The importance of this study is that it highlights the way policy makers reacted to perceived political and security challenges confronting Japan in respect to its Pacific diplomacy. But in reacting to this
‘new’ policy agenda, there emerged tensions with Japan’s fisheries policies. This study underscores how different sections of the bureaucracy may promote separate aid policies that create conflicts within Japan’s aid diplomacy. This also reflects a lack of consultation and coordination between ministries and agencies. The study highlights the dilemmas involved in balancing competing policy objectives: promoting Japan’s economic interests while addressing criticisms from other donors and building favourable relations with recipients.

These dilemmas are explored further in Chapter 7 in the context of Japan’s approach to regional and multilateral policy frameworks. Here the tensions involve pressures on Japan from recipients and other donors to adapt aid policies by introducing new aid modalities and thus demonstrating ‘aid leadership’. Meanwhile, domestic politics and the competing interests of ministries and agencies lead to pressures to continue with established bilateral aid modalities. This study is of importance in the context of Japan’s role in the international donor community as well as in the Pacific island region. The chapter analyses Japan’s role in South Pacific regional fora as well as its participation in regional aid dialogues and joint programming. It considers the changing aid policy debates at the global level, including the new emphasis on policy conditionality, and assesses Japan’s position on these issues in the context of the Pacific island countries.

In Chapter 8 the various parts of the analysis are reviewed to create an overall picture of Japan’s ODA policies to the region. The discussion suggests that Japan’s ODA is driven primarily by the need to address threats, pressures and challenges in the international arena; in other words, that Japan’s ODA policies are essentially reactive and, more importantly, defensive in posture. This reaffirms findings in other studies of Japan’s ODA. The economic cooperation rationale has continued to be a driving force. But there are also competing political and strategic agendas. This points to a more complex set of influences on Japan’s ODA than simple economic or political explanations may indicate. The thesis suggests that external pressures may pull Japan in different directions, and give rise to a disjointed and ad hoc set of aid policies. Domestic structures and processes in Japan reinforce the reactive and disjointed nature of Japan’s aid policies. These structures have not always been successful in managing conflicts and tensions in Japan’s aid policies. In fact, the evidence suggests that domestic politics have hindered and constrained the use of ODA as a foreign policy tool (in the statecraft tradition) and weakened Japan’s ability to respond more decisively and effectively to foreign policy challenges.

42 For example, see Robert M. Orr Jr., *The Emergence of Japan’s Foreign Aid Power*; and Alan Rix, *Japan’s Foreign Aid Challenge: Policy Reform and Aid Leadership*. 

13
THE PACIFIC ISLAND REGION

What is the Pacific island region? Definitions may include geographical, political, cultural or institutional factors. Geographically, the Pacific island region extends from longitude 130 degrees west to 140 degrees east; and, in a north-south direction, from the Tropic of Cancer to the Tropic of Capricorn. This area encompasses 22 island countries and territories.43

At the broad level, three cultural sub-regional groups can be identified. These are Melanesia in the western Pacific, Polynesia in the eastern Pacific and Micronesia in the central western Pacific, north of the equator. Melanesia is made up of Papua New Guinea, the Solomon Islands, New Caledonia and Vanuatu. Polynesia includes Tuvalu, Western Samoa, American Samoa, Tonga, Cook Islands, Niue, Tokelau, Wallis and Futuna, and French Polynesia. Fiji straddles the boundary between Polynesia and Melanesia. Micronesia covers Kiribati, Nauru, the Marshall Islands, Palau, the Federated States of Micronesia, the Northern Marianas and Guam.

In political terms, the region may be defined either as all island states and territories (which comprises membership of the South Pacific Conference) or as independent and self-governing states.44 The latter group is represented in the South Pacific Forum, a political grouping of leaders of Pacific island states, Australia and New Zealand, created in 1971. It is this group of Pacific island countries that comprises the focus of this study; namely Kiribati, Nauru, the Marshall Islands, the Federated States of Micronesia, Palau, Papua New Guinea, the Solomon Islands, Vanuatu, Fiji, Tuvalu, Western Samoa, Niue and the Cook Islands.45

The colonial make-up of the region, since the end of the Second World War, was as follows. Australia administered the territories of Papua and New Guinea. Britain administered the Solomon Islands, Fiji, and Kiribati and Tuvalu (known collectively as the Gilbert and Ellice Islands), and was in charge of the foreign policy and defence of Tonga. It co-administered the New Hebrides (later known as Vanuatu) with France. Britain, Australia and New Zealand also administered Nauru as a UN Trust Territory. New Zealand administered Western Samoa, the Cook Islands, Niue and Tokelau. The

43 The term Pacific island region is used in this study rather than South Pacific region. However, they generally refer to the same area. The Japanese government uses the term Oceania to refer to the Pacific islands, Australia and New Zealand. The term South Pacific is used to refer more specifically to the island states.

44 For some countries – the Cook Islands, Niue, the Marshall Islands, the Federated States of Micronesia and Palau – the distinction between independence and self-government is blurred. Their status is that of "self-government in free association" with the former colonial powers. In the case of the first two, New Zealand has responsibility for defence and some foreign relations; in the case of the latter three, the US retains control over defence and security matters.

45 Japan does not recognise the Cook Islands and Niue as fully independent states, and thus has not developed bilateral relations with these countries.
US had the territory of American Samoa and Guam, and administered as a UN Trust Territory the former Japanese-ruled islands of Micronesia. France had the territories of New Caledonia, Wallis and Futuna, and French Polynesia.

Only the French colonial presence remains intact. Western Samoa was the first country to attain independence in 1962, followed by the Cook Islands (1965), Nauru (1968), Tonga and Fiji (1970), Papua New Guinea (1975), Niue (1977) the Solomon Islands and Tuvalu (1978), Kiribati (1979), Vanuatu (1980), and the Trust Territory of the Pacific Islands (1986), which was divided into four political entities: the Federated States of Micronesia, the Marshall Islands and Palau, which opted for free-association with the US, and the Northern Marianas, which chose to become a Commonwealth in 'political union' with the US.46

Different colonial experiences left their mark on present day political systems. While Tonga (which was never fully colonised) retains its autocratic monarchy, all other independent countries have evolved various forms of Western style parliamentary democracy. The former British, Australian and New Zealand colonies (PNG, the Solomon Islands, Tuvalu, Fiji, Niue and the Cook Islands) adopted versions of the Westminster system. Vanuatu, which was ruled as a British/French Condominium, became a republic, as did Kiribati and Nauru. Fiji became a republic following two military coups in 1987. The former US Trust Territory of the Pacific Islands adopted versions of the US presidential system of government. Western Samoa has a political system based on rule by chiefs.

Pacific island countries conduct their foreign relations through a variety of bilateral, regional and international channels. At the regional level, these include the South Pacific Forum and the South Pacific Conference/Commission.47 In fact, a distinguishing feature of Pacific island diplomacy is the emphasis on regional organisations and collective diplomacy. At the international level, eight countries are members of the United Nations General Assembly. These are Papua New Guinea, Fiji, the Solomon Islands, Vanuatu, Western Samoa, the Federated States of Micronesia, the Marshall Islands and Palau (pending).48

All Pacific island countries except Papua New Guinea may be defined as micro-states, with populations of less than one million. Papua New Guinea's population and land area far exceed the rest of the region's combined, accounting for 88 per cent of its

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46 Palau's transition to independence was delayed due to differences with the US over the Palauan Constitution. It formally entered a Compact of Free Association with the US in October 1994.

47 The South Pacific Conference is the annual meeting of members of the South Pacific Commission. The latter is based in Noumea, New Caledonia. The South Pacific Forum is the annual meeting of heads of government of independent and self-governing states in the region. It is serviced by the Forum Secretariat, which is based in Suva, Fiji.

land area and 64 per cent of its population. The Melanesian countries as a whole (including Fiji) account for 98 per cent of the region’s land area and 76.7 per cent of its population.

While there are common economic characteristics within the region, there are also wide disparities reflecting the different sizes of countries. Common features include agriculture and fisheries based economies, with relatively large subsistence sectors. Tourism is a major industry in a number of countries while light industry and manufacturing sectors are developing in a few countries. All countries (except Nauru) are highly dependent on aid (the region as a whole has the highest aid per capita in the world). Common development constraints within the region include high transportation and communication costs, limited domestic markets, small and/or unskilled workforces, limited economies of scale and vulnerability to fluctuating world markets for primary exports.

Economic diversity within the region stems largely from different land-based resource endowments. Melanesian countries tend to have significant concentrations of mineral resources. These include copper, gold and oil deposits in Papua New Guinea, gold in the Solomon Islands, gold and copper in Fiji, and nickel in New Caledonia. Nauru’s economy is based on phosphate, but supplies will be exhausted by the end of this decade. The other major land-based resource is forestry, which is heavily exploited in Papua New Guinea, the Solomon Islands and Fiji.

The smaller island countries, with limited land resources, have relied for foreign exchange on a combination of sale of fishing rights, exporting fish and local produce, out-migration and remittances, and aid. High population density is a major problem in small atoll states (particularly the Marshall Islands, the Federated States of Micronesia, Kiribati and Tuvalu). High population growth in most island countries is expected to put increasing pressures on the resources of these countries. Most countries are also facing major environmental problems, including resource depletion and pollution, due to population pressures as well as pressures from deforestation, mining, fishing and agriculture.

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49 This refers to the entire region; that is, both independent states and territories.

50 Fiji has the most diverse economy in the region, based on tourism, gold, sugar, light industry and manufacturing.


52 A broad survey of economic characteristics is in Forum Secretariat, Forum Island Countries Profiles, Suva, 1991; see also Te'o I.J. Fairbairn et al., The Pacific Islands: Politics, Economics and International Relations, East–West Center International Relations Program, Honolulu, 1991.

53 Japan has been and remains a major market for New Caledonian nickel. Japan is also the largest market for Papua New Guinea’s minerals exports (copper and gold).
Japan’s modern contact with the Pacific island region began in the 1880s when limited emigration to some islands was permitted by Japan for the first time. This coincided with a series of ‘study tours’ of the region by Japanese whose records of their journeys provided first-hand insights about the island countries. The term nanyo (south seas) was coined at this time and referred to the Pacific islands as well as present day Southeast Asia. In the 1880s and 1890s an intellectual movement also emerged in Japan known as nanshin ron (southward advance). Proponents argued that the appropriate region for Japanese expansion, especially to secure natural resources, was the south seas. This movement gradually came to distinguish between two routes of southward expansion: the inner and the outer. Although emphasis appeared at first to be on the outer route (islands of the Pacific), political and military interest mainly centred on the inner route (Taiwan, Hong Kong and Indo China). This was especially marked after the Sino-Japanese War of 1894 and subsequent colonisation of Taiwan.55

In the 1880s, the first Japanese commercial operations were established in the region, mainly in Micronesia, which was then still under Spanish rule. One of these was the trading firm Nanyo Boeki Kabushiki Kaisha, which would later play a prominent role in the islands. Germany acquired Spain’s possessions in 1898 and sought to impose much tighter control over Japanese commercial activities. Despite this, Japanese firms managed to prosper, especially in Palau where trade during the German era was entirely controlled by Japan.56 Commercial activities in other areas also expanded in the period up until the First World War.

The First World War marked the start of Japan’s colonial presence in the region, when it seized Germany’s possessions north of the equator. These island groups were the Marshalls, Caroline and Marianas. In 1920 the League of Nations assigned these possessions to Japan under a Class C mandate. Japan had in fact sought to annex the islands, but was opposed by the US.57 In 1922, the administration of the islands was transferred from the Japanese Navy to the Prime Minister’s office and a civilian body

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55 For an excellent analysis of Japan’s ‘re-emergence’ in the Western Pacific at this time see Henry Frei, Japan’s Southward Advance and Australia: From the Sixteenth Century to World War II, Melbourne University Press, Melbourne. 1991. In Japanese see Yano Toru, Nihon no Nanyo Shikan, Chuokoronsha, Tokyo, 1979.


57 Goodman and Moos, The United States and Japan in the Western Pacific, p.37.
called the *Nanyo Cho* (South Seas Bureau) was established. Its headquarters were located in Koror on Palau.

Commercial operations in Micronesia centred on sugar, phosphate, coconut plantations, fisheries, shipping and retail trading. Commerce was dominated by three main companies: Nanyo Kohatsu (a joint venture between government and the Kuribayashi Group), the Phosphate Mining Company and the Nanyo Boeki Company. The latter also opened branches in the Gilbert Islands and New Guinea. Longline tuna fisheries began in the late 1920s and shore bases were established throughout Micronesia to service fleets. There were an estimated 7,600 Japanese tuna fishermen operating in Micronesian waters by 1938.\(^{58}\)

With expansion of business, the Japanese population in Micronesia grew rapidly, mainly because the indigenous labour supply was perceived to be inadequate, numerically and in terms of skills. Tours by Micronesians to Japan were inaugurated in 1923. In addition, an emphasis on Japanese language teaching meant that Japanese became the common language throughout Micronesia. By the mid-1930s the number of Japanese exceeded the number of Micronesians in the islands. The Japanese policy became one of 'thorough assimilation'.\(^{59}\)

The other main area of Japanese activity in the region early this century was in New Caledonia. Between 1892 and 1919, more than five thousand indentured labourers from Japan were sent to work in New Caledonian nickel mines. Most returned to Japan in the 1920s. At the end of the First World War, Japan began to invest in mining operations there and to import nickel matte from New Caledonia. At first Japanese mining ventures in New Caledonia failed and were withdrawn. Then in the mid-1930s two Japanese companies were established to carry out iron ore and nickel mining for export to Japan. These were the Taiyo Mining Company, mainly financed by Nippon Mining and later Sumitomo, and the Nouvelle Caledonie Company. These investments increased the number of Japanese in New Caledonia. A Japanese consulate was established in 1940 in Noumea when exports to Japan were beginning to expand. But in early 1941 an embargo was put in place by the French authorities on further exports to Japan and the consulate was closed. With the bombing of Pearl Harbour in December 1941, all Japanese residents in the South Pacific were put into detention camps in Australia, New Zealand and Tahiti. All Japanese property was also confiscated.\(^{60}\)


\(^{60}\) Details of Japan's activities in New Caledonia are from Terutaro Nishino, 'Japan: the Risen Sun', in Ron Crocombe and Ahmed Ali (eds), *Foreign Forces in Pacific Politics*, Institute of Pacific Studies, Suva, 1983.
After the surrender of Japan in 1945, Japanese commercial activities in Micronesia came to an end. The Japanese war-time government in 1942 had amalgamated the two major companies in Micronesia – Nanyo Boeki and Nanyo Kohatsu – but this was dissolved by the American occupation forces. Under a United Nations Trusteeship agreement, the Micronesian islands became the US Strategic Trust Territory of the Pacific Islands in 1947. This arrangement prohibited non-American investment in Micronesia (a ruling which lasted until 1974).

The end of the war brought to an end political contact between the region and Japan. It also led to a hiatus in commercial contact, which only began to be re-established on a limited scale in the late 1950s and 1960s. The main area of interest for the Japanese private sector was in resource extraction and trade: especially minerals, timber and fisheries.

War veterans in Japan retained an interest in (and sentimental bond with) the region and many sought to make pilgrimage to war-sites, especially in Papua New Guinea, the Solomon Islands and Kiribati (Gilbert Islands). Various non-governmental associations were also formed in Japan to support such expeditions and continue ties with the countries where Japanese soldiers fought during the war (for example, the Japan-Papua New Guinea Goodwill Society). But the war also bred bad memories for both sides, and where anti-Japanese feeling lingered on the part of Pacific islanders, in Japan it was more a case of ‘amnesia’ about the island countries of the Pacific.

JAPAN’S POSTWAR INTERESTS IN THE PACIFIC ISLANDS

The political context

With the end of the Pacific War, Western powers reasserted their control over the islands that were previously under Japanese rule or occupation. The former Japanese controlled islands of Micronesia became a US Strategic Trust Territory. Britain resumed control over the Gilbert Islands while Britain, Australia and New Zealand jointly administered Nauru.

In 1947, the Western metropolitan powers (the US, Britain, France, Australia, New Zealand and the Netherlands) established the South Pacific Commission.

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61 Nanyo Boeki Kaisha, History of the Company, NBK Corporation, Tokyo.

62 Goodman and Moos, *The United States and Japan in the Western Pacific*, p.234. Goodman and Moos argue that Japanese firms were able to make some inroads into Micronesia before this time, facilitated in part by the reparations agreement between the US and Japan. See below.


64 The Netherlands were included because they administered the territory of West Papua. This ended in 1965 and the Netherlands withdrew from the regional organisation.
Ostensibly aimed at promoting the economic and social welfare of the indigenous Pacific islanders, the South Pacific Commission (SPC) also ensured that the colonial powers collaborated to exclude outside (non-Western) influence.\textsuperscript{65}

This political status quo continued until the 1960s. Decolonisation began with the independence of Western Samoa in 1962 (followed by the Cook Islands in 1965 and Nauru in 1968). In 1969, the US and Japan signed what was the only agreement on war reparations involving the Pacific island countries. Under this agreement, which was limited to the former Japanese controlled islands of Micronesia, Japan pledged to provide US$5 million in grants 'for the purchase in Japan ...of the products of Japan and the services of the Japanese people to be used for the welfare of the inhabitants of the Trust Territory'\textsuperscript{66}. This was intended to settle all Micronesian claims against Japan for loss of lives and property during the war. The exchange of notes was signed in 1973.\textsuperscript{67}

The political climate was generally not conducive to Japanese political involvement in the region. This was largely due to the continuing colonial domination of the region by Western powers, which precluded diplomatic relations with the island countries. There was also an absence of official economic involvement due to the fact that no reparations agreements were concluded with countries of the region. The exception was the agreement between Japan and the US, concerning Micronesia. However, this was not negotiated until the late 1960s and coincided with the more general trend towards political decolonisation in the Pacific.

**Economic interests**

In the 1950s and 1960s, Japanese trading companies re-established operations in the Pacific islands, mainly targeting natural resources. The pattern was in fact similar to the prewar era, with an emphasis on fisheries, minerals and timber. Imports of New Caledonian nickel resumed. Japanese firms also developed an interest in gold and copper prospecting ventures, mainly in Papua New Guinea and Fiji. In the late 1960s, Mitsubishi and Mitsui helped finance the development of the Bougainville copper mine and in 1972

\textsuperscript{65} It has been suggested that the main concern was containment of communism (both Chinese and Russian). Uentabo Fakaofo Neemia, *Cooperation and Conflict: Costs, Benefits and National Interests in Pacific Regional Cooperation*, Institute of Pacific Studies, Suva, 1986.

\textsuperscript{66} Article 1 of Claim-Trust Territory of the Pacific Islands Agreement between the United States of America and Japan, 1969, cited in Goodman and Moos, *The United States and Japan in the Western Pacific*, p.245.

\textsuperscript{67} Most of this grant was used for the development of fisheries infrastructure in Micronesia (fishing vessels, landing craft, and a fishing centre). The company that succeeded in bids to provide this infrastructure was the Nanyo Boeki Kaisha (NBK) Corporation. NBK, *History of the Company*. This company, which had been a dominant presence in the prewar era, re-established its commercial links in Micronesia once trade with Japan was permitted in 1963.
Japan began to import copper from Papua New Guinea. Japanese firms also established logging ventures in Papua New Guinea in the late 1960s and early 1970s.68

Japan’s fisheries interests in the region are described in detail in Chapter 4. Suffice to point out here that the region’s marine resources (especially tuna) were abundant and highly valued. Japan emerged in the postwar era as a major fishing nation and was the leading fishing nation in the Pacific. Japan’s dependence on the region’s tuna was significant, and grew increasingly so in the 1970s. Unlike mineral and forestry resources, which were concentrated in only a few countries that had relatively significant land areas, fisheries were an abundant resource throughout the region. There were also few restrictions on the operations of Japanese fleets, although this situation began to change in the late 1970s.

Trade and investment ties between Japan and the Pacific island states

In the 1980s, Japan became the largest export market for Papua New Guinea and the Solomon Islands. The scale of these exports (especially trade with Papua New Guinea) has led to a disproportionate share of the Japan market in Pacific island exports. This is shown in Table 1.4. For most other countries Japan remains a small or insignificant export market, except for specific commodities such as wood chips. In turn, the Pacific island countries as a whole comprise a very small market for Japan’s exports. As a share of Japan’s total foreign trade, the region is miniscule. It accounted for 0.2 per cent of Japanese world trade in 1989. Papua New Guinea accounted for 70 per cent of this trade.69

Japanese foreign direct investment (FDI) in the region has also been on a limited scale. Table 1.5 gives the breakdown of Japanese FDI to countries in the region, as a share of Japan’s total FDI to Oceania (including Australia and New Zealand). The island countries attracted only 2.9 per cent of Japanese investment to Oceania in the period 1951-89. This investment has concentrated mainly on tourism, fisheries, forestry and mining. The Oceania region, in turn, accounted for 5.5 per cent of Japanese FDI between 1951 and 1989. By far the greatest share of this investment has been directed at Australia (89 per cent).

It is obvious from the above brief survey of Japanese trade and investment links with the region that the island countries occupy a very marginal place in Japan’s overall foreign economic relations. This point stands in sharp contrast to the very significant fisheries interests that Japan has in the region. Access to the region’s fisheries resources was, and remains, a ‘special’ and highly sensitive issue area. It is an issue that has


profoundly influenced and politicised Japan’s aid relations with the Pacific island countries.

Table 1.4  Trade between Pacific Island Region and Rest of the World, 1987-90  
(A$millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>310</td>
<td>317</td>
<td>379</td>
<td>640</td>
</tr>
<tr>
<td>New Zealand</td>
<td>73</td>
<td>71</td>
<td>137</td>
<td>104</td>
</tr>
<tr>
<td>France</td>
<td>232</td>
<td>269</td>
<td>353</td>
<td>376</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>260</td>
<td>258</td>
<td>133</td>
<td>293</td>
</tr>
<tr>
<td>Other Europe</td>
<td>664</td>
<td>653</td>
<td>602</td>
<td>433</td>
</tr>
<tr>
<td>United States</td>
<td>536</td>
<td>577</td>
<td>521</td>
<td>487</td>
</tr>
<tr>
<td>Japan</td>
<td>630</td>
<td>974</td>
<td>999</td>
<td>640</td>
</tr>
<tr>
<td>Other Asia</td>
<td>513</td>
<td>389</td>
<td>296</td>
<td>381</td>
</tr>
<tr>
<td>Other countries</td>
<td>116</td>
<td>120</td>
<td>462</td>
<td>389</td>
</tr>
<tr>
<td>Total</td>
<td>3,334</td>
<td>3,628</td>
<td>3,882</td>
<td>3,743</td>
</tr>
</tbody>
</table>

| Imports from:   |       |       |       |       |
| Australia       | 1,124 | 1,223 | 1,325 | 1,255 |
| New Zealand     | 338   | 304   | 400   | 388   |
| France          | 1,101 | 958   | 967   | 1,083 |
| United Kingdom  | 127   | 110   | 93    | 187   |
| Other Europe    | 386   | 321   | 376   | 90    |
| United States   | 493   | 616   | 725   | 478   |
| Japan           | 528   | 575   | 637   | 523   |
| Other Asia      | 527   | 512   | 637   | 346   |
| Other countries | 1,622 | 1,082 | 718   | 763   |
| Total           | 6,246 | 5,701 | 5,878 | 5,113 |

Source: South Pacific Commission, South Pacific Economies Statistical Summary, No.13, Noumea, 1993, p.27.

Relations between Japan and the Pacific islands have a history that dates back to the end of the last century. The region, together with much of Southeast Asia, was important mainly for its reserves of natural resources. The early part of the twentieth century saw the establishment of a colonial presence by Japan in Micronesia, and in the interwar period, these islands increasingly assumed strategic importance to Japan’s military planners. Immediately after the war, Japan’s presence in the region all but disappeared. In the postwar period Japanese interest in the island countries gradually returned. This interest was once again centred on the region’s resources. Spearheading Japan’s re-entry to the Pacific islands were the distant water fishing fleets. Their activities and interests are explored in detail in Chapter 4.
Table 1.5  Japanese FDI in Oceania (Pacific island countries, Australia and New Zealand), cumulative total for FY1951-1989.

<table>
<thead>
<tr>
<th>Nation</th>
<th>Cases</th>
<th>US $million</th>
<th>per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiji</td>
<td>71</td>
<td>62</td>
<td>0.4</td>
</tr>
<tr>
<td>Kiribati</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nauru</td>
<td>2</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>PNG</td>
<td>209</td>
<td>218</td>
<td>1.6</td>
</tr>
<tr>
<td>Solomon Is</td>
<td>15</td>
<td>22</td>
<td>0.2</td>
</tr>
<tr>
<td>Tonga</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>57</td>
<td>104</td>
<td>0.7</td>
</tr>
<tr>
<td>W. Samoa</td>
<td>2</td>
<td>1</td>
<td>0.0</td>
</tr>
<tr>
<td>Sub-total</td>
<td>356</td>
<td>407</td>
<td>2.9</td>
</tr>
<tr>
<td>Australia</td>
<td>2,353</td>
<td>12,394</td>
<td>89.0</td>
</tr>
<tr>
<td>New Zealand</td>
<td>325</td>
<td>694</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td>3,385</td>
<td>13,933</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Issues in Japan’s Aid Diplomacy

Japan’s economic aid...symbolizes the movement of Japan from its passive one-dimensional economic focus and avoidance of international political and strategic issues towards a more active and involved multi-dimensional diplomacy.¹

Central to debates about Japan’s international role is the question of why Japan gives aid. The magnitude of Japan’s aid flows commands an interest in this question. Absolute amounts of ODA increased rapidly in the 1980s, from 5,781 billion yen ($2,638 million) in 1979 to 12,368 billion yen ($8,965 million) in 1989.² Under the latest medium-term target, for the period 1993 to 1997, ODA will grow by a further 50 per cent over the previous five-year period. But more significant than absolute amounts (which in themselves may not be very revealing)³ is the fact that in the 1990s Japan has become the world’s largest donor of aid. Reaching the status of world number one donor has more than symbolic importance. It raises important questions about Japan’s role in international development and its capacity and/or intention to exercise leadership within the international community.

This chapter describes Japan’s ODA program, its rationale and policies, and the main factors that have shaped and influenced Japan’s role as a donor. This reveals the gradual broadening of interests and objectives underlying Japan’s aid program, but also the tensions that have emerged between different policy priorities. The chapter explores some of the dilemmas confronting Japan’s aid program and the attempts to resolve these. This sets the broader context for the study of Japan’s ODA to the Pacific island countries.

The chapter then considers perspectives of the aid administration and policy making system in Japan. These perspectives provide different explanations of Japan’s aid program. In surveying the main ideas and assertions of these approaches, it is suggested that there is a need for a perspective that emphasises both policy coordination and conflict, and accounts for the presence of competing aid policies. This would build on existing interpretations of the aid policy making system in Japan.

¹ Kazumi Goto, 'Japan’s Growing Role in International Development', Development and ODA, Japan-ASEAN Forum, United Nations University, Tokyo, 1990, p.75.

² Dollars throughout this thesis refer to US dollars unless otherwise specified.

³ In describing the volume of aid, it is important to have some measure of comparison. Discussion of Japan’s aid should, for example, take into account the fact that, as a share of GNP, Japan’s ODA is only 0.26 per cent (1993 estimate). This is the fourth lowest among the Development Assistance Committee (DAC) countries. New Zealand, Ireland and the US are lower.
Origins and early development

Japan became an aid donor in 1954 when it joined the Colombo Plan. Its aid budget at that time, essentially for technical assistance, was 18 million yen (about $50,000).\(^4\) In the same year, Japan concluded the first war reparations agreement with Burma. Other agreements followed with the Philippines, Indonesia and South Vietnam. Economic aid, not covered by formal reparations agreements, was also provided to eight other countries as compensation payments.\(^5\) In 1958 Japan’s yen loan program commenced with the first agreement to provide 18 billion yen ($50 million) to India. According to the Ministry of Foreign Affairs (MOFA) in its ‘40th Anniversary of Japan’s ODA’ essay, this marked the ‘starting point of Japan’s economic cooperation in earnest’.\(^6\)

Japan’s aid program thus began as a way of ‘compensating’ for war time occupation of neighbouring countries. But it was also a tool for promoting its postwar economic recovery.\(^7\) In fact, from the late 1950s, Japan’s aid was essentially a component of the country’s foreign economic policy, albeit a somewhat obscure component.\(^8\) The term ‘economic cooperation’ was used to describe the overall pattern of private and government capital flows to neighbouring developing countries, including loans, export credits and private investment. The basic orientation of economic cooperation was to assist the Japanese economy by creating foreign markets, promoting exports, as well as securing access to raw materials.\(^9\) This rationale and approach, which represented a consensus at this time, was reflected in official reports including the

\(^4\) Japan’s technical assistance program actually began in 1952 when it contributed $80,000 to the United Nations Expanded Program of Technical Assistance, a forerunner of the UNDP.

\(^5\) These included Thailand, Laos, Cambodia, Korea, Singapore, Malaysia, Micronesia and Mongolia.

\(^6\) MOFA, *Japan’s Official Development Assistance, 1994 Summary*, Tokyo, September 1994, p.2. The Export Import Bank, set up in 1952, was the main implementing agency for loans and export credits until the early 1960s. Yen loans were administered by the Southeast Asia Development Cooperation Fund, established within the Export Import Bank in 1958.


\(^9\) This aspect of the origins of Japan’s aid program was noted in the first studies of Japan’s economic cooperation. See, for example, John White, *Japanese Aid*, Overseas Development Institute, London, 1964. A later study by Sukehiro Hasegawa, *Japan’s Foreign Aid: Policy and Practice*, Praeger, New York, 1975, sets aid policy within the context of Japan’s national interest (*kokueki*) and elaborates on the changing priorities of this national interest. It reaffirms the centrality of economic reconstruction and growth in the origins of Japan’s aid program.
Ministry of International Trade and Industry (MITI) White Paper on Economic Cooperation and MOFA’s annual Diplomatic Blue Book.10

MITI’s role in promoting Japan’s industrial and commercial recovery, and especially in developing foreign markets, gave it a special interest in ‘economic cooperation’. It was MITI that published the first White Paper on Economic Cooperation in 1958. The Japanese private sector also had a key role in promoting economic cooperation and was officially incorporated into the policy making sphere.11

The administrative structures governing aid policy took shape in the early 1960s. Aid policy was officially coordinated by the ‘four ministry and agency system’ (yonshocho), which included MITI, MOFA, the Ministry of Finance (MOF) and the Economic Planning Agency (EPA). The Overseas Economic Cooperation Fund, (OECF), was created in 1960.12 It was given responsibility for implementing yen loans, and was under the authority of the EPA. In 1962, the Overseas Technical Cooperation Agency (OTCA) was set up and given responsibility for technical cooperation. The OTCA merged in 1974 with the Japan Emigration Service (and part of the Japan Overseas Development Corporation) to become the Japan International Cooperation Agency (JICA).

In the 1960s, Japan became more integrated into the international donor community. It joined the Development Assistance Group in 1960, the forerunner of DAC. It subsequently became a member of DAC, the International Development Association (IDA) of the World Bank, and the International Monetary Fund (IMF). Japan also played a prominent role in new multilateral fora, especially the Asian Development Bank established in 1966.13 These bodies provided Japan with a means of rebuilding its international role and forging relations with developed and developing countries.14

10 For a survey of MOFA and MITI White Papers in the 1950s and 1960s, see Juichi Inada, ‘Japan’s ODA to ASEAN Countries: Objectives and Policymaking Process’, Development and ODA, Japan-ASEAN Forum 1, United Nations University, Tokyo, 1990, pp.50-6.

11 This aspect has been explored by David Arase, ‘Public-Private Sector Interest Coordination in Japan’s ODA’, Pacific Affairs, Vol.67, No.2, Summer 1994, pp.171-99.

12 The OECF was created in response to concern about securing stable supplies of raw materials from developing countries. Its ‘basic intention’ was the promotion of Japanese control over energy and raw material production in developing countries. The mechanism would be yen loans to Japanese firms carrying out projects in resource development. David Arase, ‘Public-Private Sector Interest Coordination in Japan’s ODA’, pp.175-6.


14 Japan was especially concerned about becoming a member of the OECD and ‘joining the club of advanced countries’. Membership of DAC was instrumental in this respect. See Toru Yanagihara and Anne Emig, ‘An Overview of Japan’s Foreign Aid’, in Shafiqul Islam (ed.), Yen for Development: Japanese Foreign Aid and the Politics of Burdensharing, Council on Foreign Relations, New York, 1991, p.40.
Participation in international fora also led to some clarification of the terms ‘economic cooperation’ and ‘aid’, although these continued to be used interchangeably. The distinction lay in the way ‘aid’ came to be associated with the DAC’s definition of ‘development assistance’, which was defined by MITI as ‘economic cooperation in the narrow sense’.\footnote{15}

In line with its membership of international donor organisations, Japan began to extend increasing amounts of grant aid in the late 1960s that were unrelated to reparations payments. In 1968 food aid commenced. This was a form of grant aid which emerged out of the Kennedy Round of international trade negotiations. In 1969 the general grant aid program was introduced. This was officially under the jurisdiction of MOFA, with OTCA and later JICA responsible for implementation. Given its late arrival and the emphasis on yen loans, grant aid (excluding reparations) remained a relatively small part of Japan’s aid program.\footnote{16}

By the end of the 1960s, the term aid had come to be associated with official, or government, transfers.\footnote{17} Japan’s ODA encompassed bilateral loans, grants, reparations (these continued until 1976) and technical assistance; and contributions to multilateral organisations. A number of distinguishing features of Japan’s bilateral ODA, which would prove enduring characteristics, had also emerged by this stage.

**Some characteristics of Japan’s ‘economic cooperation’**.

The most striking feature was the Asian focus of aid flows. This reflected the legacy of Japan’s reparations agreements. But it also reflected the importance of Asia (and increasingly Southeast Asia) in Japan’s postwar foreign policy.\footnote{18} In 1969, 100 per cent of Japan’s ODA flowed to Asia; 48 per cent to Southeast Asia. In the 1970s this pattern began to change, and by the end of that decade the Japanese government established a guideline for the regional distribution of aid: 70 per cent to Asia, and 10 per cent each to the Middle East, Africa and Latin America.\footnote{19}

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\footnote{15} Essentially this excluded non-concessional flows, including ‘other official flows’ (OOFs). The term ‘other official flows’ was introduced by DAC in 1968. Among DAC countries, Japan had the highest portion of OOFs within its overall financial flows to developing countries. In 1969 OOFs amounted to $375.8 million (ODA was $435.6 million). In 1970 OOFs had increased to $693.8 million, compared to ODA flows of $458 million. Discussion of these concepts and how they evolved is in Alan Rix, *Japan’s Economic Aid: Policy-Making and Politics*, Croom Helm, London, 1980, especially Chapter 1.

\footnote{16} This includes capital grants and technical cooperation provided on a bilateral basis. It was not until the 1980s that efforts were made to increase the share of grants in Japan’s ODA.

\footnote{17} In 1969 the DAC introduced the concept of official development assistance.

\footnote{18} It has been suggested that there were both economic and political dimensions of this Asian bias in Japan’s aid program, including by the late 1960s a role in strengthening what was termed the ‘unity of the anti-communist camp’ in Asia. See Fumio Kaneko, ‘Japanese ODA: Politics of Strategic Assistance’, *AMPO: Japan-Asia Quarterly Review*, Vol.20, Nos 1 and 2, 1988, pp.46-59.
A second distinguishing feature was the emphasis on yen loans. In 1969, 63 per cent of Japan’s bilateral ODA was yen loans. This actually increased in the late 1970s when reparations payments ceased and yen loans doubled. In 1978 yen loans amounted to 75 per cent of Japan’s bilateral ODA. The share of grants was among the lowest of the DAC member countries. The emphasis on loans reflected the fact that ‘economic cooperation’ not ‘aid’ was the focus of Japan’s diplomacy with developing countries. This was tailored closely to Japan’s own development and economic interests. Moreover, it was argued that countries should be encouraged to be ‘self-reliant’. Loans, not grants, would instill the necessary discipline that would lead to self-reliance.20

A third distinguishing feature was the emphasis on infrastructure projects. Infrastructure development had been the focus of reparations and loans, and later capital grants.21 This was rationalised on the grounds of promoting ‘self-reliance’: that construction of infrastructure supported economic development. But it also promoted Japanese exports of plant and equipment, as well as assisted Japanese firms in overseas investment. Yen loans and grants were project tied, and the actual contract for the aid project was carried out by Japanese firms.22 The project tied aid helped to ensure the involvement of the Japanese private sector in delivering ODA.

The Japanese government also required an official request from the recipient for each project. This was ostensibly in order to respect the sovereignty of developing countries and the principle of self-reliance. But it may have had much to do with sensitivities in relations with Asian countries following the Second World War.23 A related characteristic was the way decision making was largely conducted on a case by case basis. This reflected the project based approach to aid as well as the decentralised aid bureaucracy. Each loan project was subject to consultation and coordination within the yonshocho system.24 This reflects a more general administrative feature of Japan’s

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19 Alan Rix, ‘Japan’s Role in the South Pacific Region’, Australian Foreign Affairs Record, June 1981, p.301. These categories obviously leave out the Pacific islands. This reflects a more general problem in Japan of defining where, in the broader regional settings, the Pacific islands belong.


21 Capital grants were for infrastructure development where loans were inappropriate (such as social infrastructure) and for the lesser developed countries. Alan Rix, Japan’s Economic Aid, p.119.

22 Until 1965, yen loans were actually made to Japanese firms carrying out the projects in developing countries. This practice began to change in 1965, with the first direct loan to a foreign government.

23 Robert M. Orr Jr., The Emergence of Japan’s Foreign Aid Power, p.144. This is also reflected in Japan’s position on applying conditionality to aid; that is, Japan was opposed to using aid to encourage reforms or otherwise influence the political and economic policies of developing countries.
aid program. No single ministry or agency had sole discretion over all or even part of the aid program.

External and domestic circumstances thus combined to shape an aid program known as economic cooperation. Japan’s ODA policies were dominated by economic issues, being primarily concerned with Japan’s postwar recovery and economic relations with its Asian neighbours. Political issues were hardly visible, although MOFA attached importance to the diplomatic effects of ODA and its role in helping to normalise Japan’s foreign relations.

The 1970s represented a period of transition for Japan as its aid program grew to encompass a larger number of recipients and a wider set of foreign policy objectives and challenges.

**Japan’s ODA in the 1970s**

In its early stages, Japan’s aid program reacted mainly to opportunity: to provide compensation, rebuild economic ties and create markets and a stable supply of raw materials. In the 1970s, there was a tendency for the aid program to react to adversity — that is, threats and challenges to Japan’s security. Developments in the international arena which had a significant impact on Japan’s aid policy included the emergence of what came to be described as ‘resource nationalism’, and a general trend within international fora of Third World collective diplomacy. The 1973-74 oil crisis was perhaps the most extreme case of resource nationalism although other challenges emerged in the UN Conference on Trade and Development and the Third UN Law of the Sea Conference.25

In the wake of the Arab oil embargo in the early 1970s, ‘natural resource security played a critical role in defining Japanese interests in the (Middle East) region and thus motivating Tokyo to extend economic assistance’.26 Aid was used to end the oil embargo by showing Japan’s ‘concern’ towards the Arab countries. Because of the nature of the crisis, procedures were also circumvented in that a massive aid package ($3 billion) was offered before requests were received.

Japan’s reaction to the challenges of Third World resource nationalism was to direct aid to regions that previously had not featured in Japan’s aid program. These

24 Grant aid procedures are explored in detail in Chapter 3. It should be noted that projects provided as grant aid were also subject to complex decision making processes. These involved key ministries such as MOFA and MOF, as well as other ministries, depending on the nature of the project.


26 See Robert M. Orr Jr., ‘Japanese Foreign Aid: Over a Barrel in the Middle East’, in Bruce M. Koppel and Robert M. Orr Jr., (eds), Japan’s Foreign Aid: Power and Policy in a New Era, Westview Press, Boulder, 1993, p.290. He notes that by 1973, 77.6 per cent of Japan’s energy needs were supplied by crude oil, of which 77.4 per cent came from the Middle East (46.4 per cent from Arab OPEC members).
included Africa, the Pacific islands and Latin America, as well as the Middle East. Resource security, always one factor underlying Japan’s ODA, became a more salient political and economic imperative of ODA. This was evident in MITI and MOFA reports in the 1970s which emphasised security of natural resources, along with Japan’s political and economic stability and Japan’s international role, as objectives underpinning ODA. In general, reliance on natural resources led Japan to channel ODA (often in conjunction with private sector investment) into sectors where it had an interest in securing stable supplies.

Another political challenge in the 1970s was more directly related to Japan’s policies of ‘economic cooperation’. Anti-Japanese riots in some Southeast Asian capitals greeted Prime Minister Tanaka on a visit to the region in 1974. These demonstrated the depth of animosity for Japan that still lingered in the region, but also the way Japan’s foreign economic policies had bred negative and hostile reactions. What was also at issue was the tension between using aid as a means of promoting Japan’s economic interests while at the same time building goodwill with recipient countries. The increasing importance of the diplomatic dimensions of economic cooperation was evident with new efforts by Japan to enhance aid to Southeast Asia. In 1977 Prime Minister Fukuda pledged new aid policies towards the member countries of ASEAN, including $1 billion for five ASEAN regional projects.

The international donor community (and key allies such as the US) also put increasing pressure on Japan to enhance the qualitative and quantitative aspects of its aid program. This in part reflected Japan’s persistent large current account surpluses, a feature of Japan’s economy since the late 1960s. The declaration by Prime Minister Fukuda in 1977 that Japan would double its ODA within three years was in response to this pressure and was the first in a series of medium-term ODA targets that the government of Japan committed itself to. This signalled the importance of strong political (prime ministerial) initiative in bringing change to Japan’s aid policy, especially to ensure steady growth in aid disbursements against the fiscally conservative MOF. It also

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27 It was in this context, in the early 1970s, that the special category of grant aid for fisheries was introduced. This is described in detail in Chapter 5. Grant aid for fisheries aimed to secure access for Japanese fleets to developing country fishing zones, as well as to support the operations of Japanese firms in fisheries-related joint ventures with developing countries.


29 This was announced as part of the Fukuda Doctrine on Japan’s relations with Southeast Asia. Dennis Yasutomo, ‘Why Aid? Japan as an “Aid Great Power”’, pp.492-93. The Fukuda Doctrine is instructive in terms of the conflict it demonstrated between diplomatic and economic interests in Japan’s Southeast Asian diplomacy. Because of resistance from ministries (MOF, MITI and the Ministry of Agriculture and Forestry) to significantly increase ODA, relax tariff barriers and promote agricultural imports, the actual substance of Japan’s pledges of economic assistance was weakened. This ‘disappointed’ ASEAN leaders. See Sueo Sudo, ‘The Road to Becoming a Regional Leader: Japanese Attempts in Southeast Asia, 1975-1980’, Pacific Affairs, Vol.61, No.1 (Spring 1988), pp.27-50.
demonstrated a perceived need to improve Japan’s image as an aid donor, in line with the growing importance of relations with developing countries and the donor community.30

The changing US role in the international arena (epitomised by the defeat in Vietnam and subsequent military withdrawal from the Southeast Asian mainland) also led to increasing pressures on Japan to assume more responsibility for its own defence effort, as well as that of the West.31 ODA became a central component of this new ‘peace diplomacy’, as a non-military means for supporting national security. This was evident in the emergence of a new policy guideline in 1978: ‘aid to countries bordering areas of conflict’. This guideline formed the rationale for increased aid flows to, among others, Turkey, Pakistan and Thailand (Western allies which bordered, respectively, Iran, Afghanistan and Cambodia).32 The early 1980s saw the emergence of another policy guideline: ‘aid to those countries which are important to the maintenance of peace and stability of the world’33. This rationalised aid to the Caribbean and the Pacific islands, as well as to Southeast Asia.

The importance of supporting American strategic interests and using ODA in concert with US foreign policy was particularly marked in the heightened Cold War environment of the late 1970s and early 1980s. The role of ‘US pressure’ on Japan’s aid program was recognised as an important influence at this time, especially on MOFA.34 The term ‘strategic aid’ was applied to policy that was conducted in concert with the strategic interests of the US. This, by definition, meant Japan’s contribution to the American-led anti-communist strategy of the Cold War.35 But Japan’s aid program was also based on the rationale that the nation’s security rested on the political stability of recipients, which in turn was a product of their economic development.36

30 Alan Rix, *Japan’s Economic Aid*, pp.41-4.

31 In the postwar period the Japanese government relied on the US for its defence under the terms of the Treaty of Mutual Cooperation and Security. Japan’s Constitution (Article 9) set forth a non-military posture that precluded the maintenance of military forces (although the Japan Self-Defence Force was nevertheless allowed on the grounds that it was ‘defensive’) and any overseas despatch of military force. In this context, Japan’s aid was also strictly for economic not military purposes. This was spelt out explicitly in 1979 and 1981 when the Japanese government resolved ‘not to carry out economic assistance that will be applied toward military use or promote international conflict’. Juichi Inada, ‘Japan’s Aid Diplomacy: Economic, Political or Strategic?’, in Kathleen Newland (ed.), *The International Relations of Japan*, Millenium Publishing Group/MacMillan, London, 1990, pp.100-20

32 Dennis Yasutomo, *The Manner of Giving: Strategic Aid and Japan’s Foreign Policy*, Lexington Books, Lexington, MA, 1986. See also Juichi Inada, ‘Japan’s Aid Diplomacy’.


35 Juichi Inada, ‘Japan’s Aid Diplomacy: Economic, Political or Strategic?’; Dennis Yasutomo, *The Manner of Giving*. The term ‘strategic aid’ was not used officially but confined to media and academic analysis.
By the early 1980s, ODA had acquired a more political orientation and set of rationales, especially in terms of promoting Japan’s security. For example, the role of ODA was defined by a 1980 MOFA report as ‘the cost of building an international order to secure Japan’s overall national security’. But the link between ODA and security was ambiguous and ill-defined. In particular, the link between ODA and political/military security remained vague, as opposed to the link between ODA and economic security. While the latter fitted more easily into Japan’s established approach to ‘economic cooperation’, the former appeared to be a rationale mainly articulated for the benefit of foreign audiences and allies. In this context, MOFA’s role in defining the purpose of ODA assumed greater precedence. MOFA’s interest in acquiring kudos with other donors through ODA also became a more prominent factor in its support for Japan’s aid program.

An attempt to integrate the various factors of Japan’s overall security, at least conceptually, was made at the end of the 1970s. This took the form of an approach known as ‘comprehensive national security’, developed mainly under Prime Minister Ohira in 1979 and Prime Minister Suzuki in 1980. This was a broad-based policy response to changes in Japan’s international security environment. It entailed a combination of diplomacy, economic measures and military preparedness (enhancing national defence capability). The relationship between comprehensive security and economic cooperation was, however, a confusing one. As one writer observed, it was not clear whether comprehensive security was the ‘overriding framework’ for aid policy, or one component within an ‘overall philosophy of economic cooperation’.

In most cases, comprehensive security arguments complemented and strengthened rationales for aid to areas where Japan already had an aid program. But there was the potential for conflicts and occasionally these manifested themselves – for example on the issue of suspending aid to Vietnam. The difficulties of using ODA as a diplomatic instrument that aimed to create a more positive image of Japan with developing countries (an implicit part of comprehensive security) had also become apparent.


37 The report, titled Keizai kyoryoku no rinen – seifu kaihatsu enjo wa naze okonau ka, gave two broad reasons for Japan’s ODA program: ‘humanitarian and moral considerations’ and ‘the recognition of interdependence’. These would remain cornerstones of MOFA rationales for ODA.

38 This is discussed in more detail in Chapter 6. Dennis Yasutomo, The Manner of Giving, p.32.

39 Robert M. Orr Jr., The Emergence of Japan’s Foreign Aid Power, p.142. MOFA was more concerned about relations with ASEAN and the US, and thus supported termination of Japan’s aid program to Vietnam. On the other hand, MITI, concerned about promoting economic relations with Vietnam, supported a more flexible policy. This case reflected how ministries may have different views of ‘national interest’.

32
‘Economic cooperation’ based primarily on Japan’s economic interests was clearly not always conducive to good political relations, as evident in the case of ASEAN. The problem was the strength of bureaucratic resistance in Japan, from ministries other than MOFA, to adopting policies of economic cooperation that addressed the concerns of developing countries, such as identified by the ASEAN states. In this context, the general offers of ODA made by Japan to ASEAN as a group were less than a diplomatic success, falling short of the more meaningful economic cooperation ASEAN states had expected.

More fundamental perhaps was the emerging conflict between established principles and economic objectives of Japan’s aid program and the expectations and interests of other leading donors (who also happened to include Japan’s key ally, the US). Managing Japan’s relations with other developed states became an increasingly important factor underlying ODA policies in the 1980s. MOFA’s role as an advocate for economic cooperation on the grounds of prestige, kudos and status vis-a-vis other Western powers, was increasingly at odds with the position of other ministries more interested in specific economic returns on ODA.

Japan’s ODA in the 1980s

In the 1980s overall emphasis in Japan’s aid program was on achieving continuing growth in Japan’s ODA budget; that is, meeting quantitative targets. The first aid doubling plan was completed in 1980. The Japanese government then proceeded with a second medium-term plan, which aimed to double ODA disbursement in the period 1981 to 1985. A third aid doubling plan, for the period 1986 to 1992, was realised by 1988. This was mainly due to the rapid appreciation of the yen after 1985. The government then announced a fourth medium-term plan, for the period 1989 to 1992. See Table 2.1.

The growth in Japan’s aid flows coincided with deepening trade friction between Japan and the US. There was greater emphasis in official rhetoric on burden-sharing and on Japan’s ‘international obligations and responsibilities’. Increasingly in the 1980s, the idea of ‘burden-sharing’ acquired a less military or geo-political orientation, and more of an economic focus. The clearest example of this was Prime Minister Takeshita’s International Cooperation Initiative (ICI) of 1988. There were three pillars of the ICI: ‘cooperation towards achievement of peace, expansion of ODA and promotion of

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41 These increases were mainly funded by government borrowing of private sector funds; that is from the Fiscal Investment and Loan Program, which is based on funds invested in the postal savings system.

42 There were some exceptions to this trend, such as the Kuranari Doctrine on relations with the Pacific islands. This is explored in Chapter 6.
international cultural exchange'. One month after the announcement of the ICI, and just prior to the G7 Economic Summit, the Japanese government announced its fourth medium-term target. The practice of announcing ODA doubling plans at G-7 summits continued in the 1990s.

Table 2.1  Japan’s ODA Performance 1977-93 (net disbursements)

<table>
<thead>
<tr>
<th>Year</th>
<th>ODA ($million)</th>
<th>Increase %</th>
<th>ODA/ GNP %</th>
<th>DAC Average %</th>
<th>ODA (Yen million)</th>
<th>Increase %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>1,424</td>
<td>28.9</td>
<td>0.21</td>
<td>0.33</td>
<td>3,825</td>
<td>16.7</td>
</tr>
<tr>
<td>1978</td>
<td>2,215</td>
<td>55.5</td>
<td>0.23</td>
<td>0.35</td>
<td>4,663</td>
<td>21.9</td>
</tr>
<tr>
<td>1979</td>
<td>2,638</td>
<td>19.1</td>
<td>0.26</td>
<td>0.35</td>
<td>5,781</td>
<td>24.0</td>
</tr>
<tr>
<td>1980</td>
<td>3,304</td>
<td>25.3</td>
<td>0.31</td>
<td>0.37</td>
<td>7,491</td>
<td>29.6</td>
</tr>
<tr>
<td>1981</td>
<td>3,171</td>
<td>-4.0</td>
<td>0.27</td>
<td>0.35</td>
<td>6,993</td>
<td>-6.6</td>
</tr>
<tr>
<td>1982</td>
<td>3,023</td>
<td>-4.7</td>
<td>0.28</td>
<td>0.38</td>
<td>7,529</td>
<td>7.7</td>
</tr>
<tr>
<td>1983</td>
<td>3,761</td>
<td>24.4</td>
<td>0.32</td>
<td>0.36</td>
<td>8,933</td>
<td>18.6</td>
</tr>
<tr>
<td>1984</td>
<td>4,319</td>
<td>14.8</td>
<td>0.34</td>
<td>0.36</td>
<td>10,258</td>
<td>14.8</td>
</tr>
<tr>
<td>1985</td>
<td>3,797</td>
<td>-12.1</td>
<td>0.29</td>
<td>0.35</td>
<td>9,057</td>
<td>-11.7</td>
</tr>
<tr>
<td>1986</td>
<td>5,634</td>
<td>48.4</td>
<td>0.29</td>
<td>0.35</td>
<td>9,495</td>
<td>4.8</td>
</tr>
<tr>
<td>1987</td>
<td>7,454</td>
<td>32.3</td>
<td>0.31</td>
<td>0.35</td>
<td>10,782</td>
<td>13.5</td>
</tr>
<tr>
<td>1988</td>
<td>9,134</td>
<td>22.5</td>
<td>0.32</td>
<td>0.36</td>
<td>11,705</td>
<td>8.6</td>
</tr>
<tr>
<td>1989</td>
<td>8,965</td>
<td>-1.8</td>
<td>0.31</td>
<td>0.34</td>
<td>12,368</td>
<td>5.7</td>
</tr>
<tr>
<td>1990</td>
<td>9,069</td>
<td>1.2</td>
<td>0.31</td>
<td>0.35</td>
<td>13,131</td>
<td>6.2</td>
</tr>
<tr>
<td>1991</td>
<td>10,952</td>
<td>20.8</td>
<td>0.32</td>
<td>0.34</td>
<td>14,731</td>
<td>12.2</td>
</tr>
<tr>
<td>1992</td>
<td>11,151</td>
<td>1.8</td>
<td>0.30</td>
<td>0.33</td>
<td>14,125</td>
<td>4.1</td>
</tr>
<tr>
<td>1993</td>
<td>11,259</td>
<td>15.2</td>
<td>0.26</td>
<td>0.29</td>
<td>12,517</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Note: The lines separate the five ODA plans or medium-term targets.


Japan’s aid policies were an increasingly important part of its management of relations with its trading partners. This imperative also influenced the announcements between 1987 and 1989 of additional commitments to fund debt relief measures and structural adjustment programs (the Japanese Recycling Plan). These initiatives (which overlapped to some extent with the fourth medium-term target) aimed to encourage recycling of Japan’s trade and current account surplus. They also served to augment Japan’s contributions to multilateral lending institutions.

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44 Terutomo Ozawa, *Recycling Japan’s Surpluses for Developing Countries*, Development Centre for the OECD, Paris, 1989. See also Toru Yanagihara and Anne Emig, ‘An Overview of Japan’s Foreign Aid’.
As long as the emphasis was on quantitative improvement, burden-sharing did not necessarily conflict with or displace the primacy of economic interests in ODA that had underpinned 'economic cooperation'. Foreign policy rationales (such as those articulated by Prime Minister Takeshita) accommodated longstanding economic goals. The recycling plan, for example, supported increased flows to Southeast Asia. This coincided with a MITI initiative in 1987, called the New Asian Industries Development (AID) plan. It was conceived in response to the rapid rise in the value of the yen after 1985 and aimed to assist Japan’s smaller export oriented industries relocate to developing countries in Southeast Asia and export back to Japan. This was both to facilitate restructuring of the Japanese economy and mitigate pressures on Japan to reduce its trade surplus. Aid (yen loans and technical cooperation) would help build the necessary infrastructure in these countries to support Japanese investments.45

Nevertheless, the political and economic rationale of burden-sharing did introduce an aid agenda that competed with the specific interests and issues inherent in Japan’s relations with recipients. This had the potential for creating tensions in Japan’s aid policies.46 The problem of reconciling political and economic objectives also became more acute in the 1980s in the context of promoting qualitative change. Trading partners (the US in particular) linked procurement policies and practices of Japan’s ODA to debates about the ‘closed’ nature of the Japanese market. Although de jure tying of yen loans had gradually been reduced since 1978 (in 1989, 78 per cent of bilateral aid was untied), critics argued that the low share of projects carried out by Western firms attested to de facto tying.47 This led to pressure on Japan to untie the engineering services and consulting component of yen loans, a process that began on a case by case basis in 1988. By allowing foreign consultants access, it was anticipated that the bidding process for project implementation would be opened up, as Japanese firms would not


46 This is an aspect that is explored in more detail in the following study of Japan’s ODA to the Pacific island countries. The recent case of suspending aid to Iran illustrates this conflict. The US, accusing Iran of supporting terrorism, had urged Japan to suspend aid to Iran. Japan was reluctant to impose an aid suspension ‘without proof’ of Iran’s involvement in terrorism. It was also claimed that to suspend aid would mean the waste of an earlier loan to Iran (the first stage of a hydro-electric project). Iran also supplied almost 10 per cent of Japan’s oil. Japan subsequently announced it would ‘delay’ the second installment of the loan to Iran. See Nikkei Telecom Service, 7 March, 1995; Far Eastern Economic Review, 11 May, 1995, p.13.

have the advantage of tailoring project specifications to areas where they were most competitive.48

Other issues that concerned the international donor community included the relatively low ODA/GNP ratio (by the end of the decade this was 0.31 per cent, with a DAC average of 0.35 per cent) the grant element of total ODA commitments (76.3 per cent as compared to the recommended norm of 86 per cent) and the share of grants in total ODA (which was seen as the main factor accounting for the above anomaly, 44 per cent compared to a DAC average of 76 per cent). There was also pressure to reduce the proportion of aid provided for infrastructure development, which was seen to facilitate opportunities for Japanese firms to profit from ODA.49 The share of aid for infrastructure was 63 per cent of Japan’s total bilateral ODA in 1987. This dropped to 50 per cent in 1989 and to 41 per cent in 1991.50

The Japanese government’s response to these criticisms was to institute measured and incremental reform. Apart from increasing the untied portion of its yen loans, it increased the amount of grant aid (from $1.7 billion in 1986 to $3 billion in 1990). Policy innovations designed to make grant aid more responsive to the needs of recipients were also introduced (for example the Small-Scale Grant Assistance scheme in 1989).51 High level government and private sector bodies (the Administrative Reform Council and Keidanren) also devised and backed measures to streamline and centralise aid policy making, as well as to clarify aid principles and develop country and region specific aid policies.

But whole-scale change, involving redistribution of decision making power as well as reforming procedures and guidelines, was largely blocked by bureaucratic resistance and inertia. The dilemma confronting these reform-oriented initiatives is that they challenge the administrative and political foundations upon which Japan’s ODA has been built and managed.52 As Orr concludes, definition of ‘quality of assistance involves


51 The Small-Scale Grant Assistance scheme began in 1989. There were 95 projects in 1989 (294 million yen) and by 1992, 227 projects (700 million yen). Another innovation was the provision of non project-tied grant aid to support structural adjustment. The first package of $500 million was extended to countries of sub-Saharan Africa between 1987 and 1989. This was channelled through third party agencies (the UNDP and British Crown Agents). In 1992, 16 small-scale grant projects were provided to the Pacific island countries. MOFA, Japan’s Official Development Assistance 1993 Annual Report, p.114.

52 These refer to the complex political balance within the aid bureaucracy between the various policy makers. They also refer to the integration of the private sector in Japan’s ‘economic cooperation’. See David Arase, ‘Public-Private Sector Interest Coordination in Japan’s ODA’. For details of aid reform,
difficult policy choices inimical to the conflicting interests' of the various ministries involved in aid decision making.53

Underlying the resistance to administrative reform was the absence of adequate measures to address institutional and staffing weaknesses in Japan's aid bureaucracy. The increase in staff numbers did not keep pace with the growth in the aid disbursements. This was largely a reflection of the Japanese government's fiscal austerity policies in the 1980s, which placed strict limits on the growth of 'non-obligatory expenditures'.54

In the 1980s a principal challenge for Japan's ODA program therefore was adapting administrative procedures and institutions governing ODA to the reality of Japan's burgeoning aid budget and the expectations of donors and recipients. Policy change continued to be a result of external pressures, especially from the international donor community and key trading partners. This reflected an apparent paradox: the more Japan's aid budget grew, the more pressure there was from international aid fora, other donors and recipients for Japan to reform its policies and to improve the quality of aid; in other words, the more visible Japan became as an aid donor, the more criticism it attracted.

This had domestic dimensions as well. As the aid budget grew, public scrutiny of aid policy also increased. On the one hand, critics sought to expose corrupt, wasteful and socially and environmentally destructive aid practices; on the other, they pressured against political use of aid.55 The Japanese government became increasingly sensitive to public perceptions of ODA, as evidenced in the new efforts, especially by MOFA, to 'promote understanding of ODA' in Japan.56 This was due in part to the fact that MOF was resistant to increasing the aid budget, and any public criticism of ODA increased its reservations about 'wasting tax payer's money'.

There was an underlying dilemma for the government, moreover, in that while the international community expected Japan to play a more political role in world affairs (including the political use of ODA), economic ministries and the private sector continued to emphasise their respective trade, investment and resource interests as motivations and objectives for ODA. Thus, to encompass this 'diversity', official MOFA reports continued to refer to vague or general principles and ideas as Japan's 'basic


53 Robert M. Orr Jr., The Emergence of Japan's Foreign Aid Power, p.138.

54 Shinji Takagi, From Recipient to Donor, p.31.

55 See, for example, Yoshinori Murai (ed.), Kensho Nippon no ODA, Gakuyo Shobo, Tokyo, 1992; also AMPO, Japan-Asia Quarterly Review, Vol.21, No.4, 1989 (Special Issue on Japan's ODA).

56 In 1987 the Japanese government adopted the recommendation of a study group to designate one day each year (6 October) to 'International Cooperation Day' as a way of raising awareness of ODA in Japan.
philosophy' of ODA. These included 'humanitarian considerations, interdependence, environmental considerations and support for self help'. This vagueness only fed the confusion at the international level about what exactly Japan's ODA program was aimed at.

In the 1990s the Japanese government attempted to resolve some of these dilemmas and tensions in its ODA by introducing new initiatives. The effect of these measures, however, has been more cosmetic than substantive. In fact it may argued that the aim of these innovations has been to avoid major adjustment in Japan's ODA, especially at the administrative level.

Aid policy in the 1990s

Traditionally, the Japanese government had resisted attaching political conditions to its aid disbursements. The rationale, according to MOFA, was that 'setting political conditions on assistance might infringe on the concept of non-intervention in domestic affairs'. But by 1990, MOFA also indicated that it would support political conditions 'in harmony' with other Western countries, by providing 'aid to support democratisation' in Eastern Europe. In April 1991, then Prime Minister Kaifu went further by announcing that Japan would consider the military (arms imports/exports and spending), economic (promotion of free market policies) and political (human rights, democratisation) policies of recipient states before extending ODA. This was largely in response to the Iraqi invasion of Kuwait. Also in response to the Gulf War, Japan increased aid disbursements to the Middle East and North Africa.

In 1992 the Kaifu principles were formalised in an ODA Charter. In part, the ODA Charter was a response to foreign criticism of Japan's ODA policies; that Japan needed to play a more active role in promoting international security rather than attending solely to its own economic interests. In addition, the Charter was directed at domestic criticism about the lack of transparency in Japan's aid decision making system. But there was a clear qualification as to how far Japan would apply these principles and guidelines. Japan, it was claimed by some policy makers, had a different view of human rights and political development than that of the West. This has been borne out in the cautious and limited application of the Charter.

57 MOFA, Japan's Official Development Assistance, 1994 Summary, p.3.

58 This point is made by David Arase, 'Public-Private Sector Interest Coordination in Japan's ODA', p.190. Confusion was evident in DAC, Aid Review, 1990/91, p.7.


The fact that the Charter is a set of guidelines that do not have any legal status, means that it may be applied flexibly.\(^61\) In practice, this has meant that aid has been suspended or reduced only where there are no major conflicts with Japan's economic interests, or where US pressure have been applied (as in the case of Iran). The ODA Charter may be seen as a mechanism for demonstrating Japan's commitment to international security issues in ODA, while at the same time avoiding the problems of having to constrain or adapt policy practices. But there is also an element of resentment against Western pressure within Japan, which has led to an assertion of Japan's own development path. This 'defiance' has led to a more prominent stand in international development fora, as evident in the debates about economic conditionality and ODA.

On economic conditionality, two trends that emerged in the 1990s were an assertion by policy makers (especially in MOF) that Japan should have an influence in international economic institutions commensurate with its economic contributions, and an emphasis on promoting policies in the international funding agencies that more closely reflected Japan's own economic experience.

In 1991, the OECF published a paper that both critiqued the World Bank approach to structural adjustment and emphasised Japan's own development model, including the benefits of industrial policy. This paper cautioned against 'too rapid marketisation and liberalisation'.\(^62\) Largely in response to pressure from the Japanese government, the World Bank undertook to produce a major study on the development strategies of East Asian countries that enjoyed high growth in the postwar era. This presented the 'Japan model' in a more favourable light.\(^63\)

As with the approach to political conditionality, this position on economic conditionality was an attempt to respond to international pressures without challenging established principles and practices. For example, on the issue of using aid for infrastructure development (see above), Japan sought to justify this 'traditional emphasis' within its aid policy framework by 'pointing out that Japan's own growth was accelerated through World Bank loans for infrastructure'.\(^64\) The result, however, has been to exacerbate, rather than ameliorate, tensions with leading donors, especially the US.

Among the contentious issues in the development debate of the 1990s are the role of the private sector (for Japan, the private sector has a central role in economic

\(^61\) These points are elaborated in more detail in Chapter 7.

\(^62\) Details are in Barbara Stallings, 'Development in the 1990s: US and Japanese Paradigms', in Barbara Stallings et al., Common Vision, Different Paths. The World Bank/IMF approach was labelled the 'Washington Consensus'.

\(^63\) World Bank, The East Asian Miracle: Economic Growth and Public Policy, Oxford University Press, New York, 1993. See also Alan Rix, Japan's Foreign Aid Challenge.

\(^64\) Susan J. Pharr, 'Japanese Aid in the New World Order', p.171.
cooperation, including ODA), debt relief (Japan is opposed to debt write off as a way of controlling the debt problem) and addressing environmental problems. Japan is allocating significant sums of aid to this area, but prefers bilateral to multilateral or cooperative ventures. This is seen to reflect Japan’s preference for a case-by-case approach to ODA, rather than more general ‘frameworks’. An underlying tension has also emerged in relations between the US and Japan over the extent to which burden-sharing equated with power sharing. The US has been reluctant to cede voting power in the international lending agencies in favour of Japan. It has also been unwilling to allow Japan’s funding shares in the regional development agencies (the ADB, for example) to outweigh its own.

The emphasis on what is termed ‘global issues’: population, AIDS, environmental conservation, refugees and drugs is a major feature of the development debates in the 1990s. Initiatives taken by Japan in these areas include an expanded budget for environment related projects ($7 billion dollars in the period 1992-96) and a special allocation of $3 billion for population and AIDS related assistance (announced at the 1994 UN Conference on Population and Development).

But despite embracing these global agendas, the orientation of Japan’s ODA remains very much regional (that is, Asian) and bilateral. In 1993, 71.2 per cent of Japan’s ODA was bilateral. At the declaratory level, Japanese leaders have stated that Asia (and Southeast Asia in particular) will continue to be the ‘priority focus’ of Japan’s ODA. In terms of aid flows, Asia still accounts for the largest share (65 per cent of bilateral aid in 1992). This regional concentration represents another potentially divisive issue: that is, the implications of continued high growth in East Asia through intra-regional trade, investment and aid and whether or not this will exacerbate inter-regional conflict and rivalry. Moreover, it leads to a continuing bias in Japan’s aid program on countries which are not amongst the poorest and least developed aid recipients.

The question of whether or not Japan’s aid policies and performance amount to a leadership role in the international arena continues to be debated. While it has been suggested that Japan’s potential for leadership in ODA is ‘inextricably an element of

67 MOFA, Japan’s Official Development Assistance, 1994 Summary, p.16. The environment agenda has become a major part of Japan’s ODA program, embraced by most ministries with an interest in ODA. For example, in 1991 MITI announced a ‘Green Aid Plan’ that aimed to disburse $2.2 billion over ten years in grants and loans for environmental projects. But it is not clear whether this aid signals a new approach in policy or simply a new area in which ministries may compete for resources from the aid budget.
Japan’s rise as a world power, there remains disagreement over the extent to which Japan strives for or is capable of leadership in this sphere. Nevertheless the sentiment that ‘Japan should set its sights on becoming the leader in providing assistance to the developing world’ is articulated by a number of policy makers and political leaders in Japan.

PERSPECTIVES AND APPROACHES: THE AID DEBATES

The foregoing study of developments in Japan’s ODA policies suggested that there exists a complex mix of economic and political objectives underlying ODA, and that the relative weight of these has changed over time. It has also highlighted a number of tensions in Japan’s aid program, for example between the goals of ‘economic cooperation’ and burden-sharing. It pointed to the problems of policy innovation and indicated that there is a lack of consensus among policy makers about the priorities of Japan’s aid program.

The previous chapter suggested that the debate about why Japan gives aid and what are the main influences on aid policy has been structured around several main questions: To what extent are Japan’s ODA policies shaped by the ‘economic cooperation’ principles (that is, promotion of Japan’s own economic interests) that originally underpinned the ODA program? How far do broader political and diplomatic interests and objectives shape Japan’s ODA policies? What is the impact of domestic politics and policy making processes on Japan’s ODA; how far do domestic politics impede or constrain the economic/strategic use of Japan’s ODA?

These questions are inevitably interrelated. The last is in fact central to any discussion of the first two, which is a basic premise of this study. While much of the literature on Japan’s ODA has tended to overlook the domestic political context of aid, and ignore possible conflicts and tensions in Japan’s aid program, explanations of what drives Japan’s aid policies in fact depend upon assessments of the aid administration.

The most extensive and detailed study of the aid decision making process is by Rix. Other studies that built on this work, by focusing on the decision making context, are by Orr (who emphasised the role of the US) and Arase (who emphasised the role of the private sector).

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69 Alan Rix, Japan’s Foreign Aid Challenge, p.163.

70 Saburo Okita, ‘Japan as Number Two’, Institute for Domestic and International Policy Studies, Tokyo, 1992. Dr Okita, a former foreign minister, was a prominent and influential advisor to the government, and one of the most ardent supporters of a growing aid role for Japan.

71 Alan Rix, Japan’s Economic Aid. See also Alan Rix, Japan’s Foreign Aid Challenge.

72 Robert M. Orr Jr., The Emergence of Japan’s Foreign Aid Power.
The theoretical underpinnings of Rix's approach are linked to the bureaucratic politics model of decision making. In this model, the decision making process is the result of organisations and individuals reacting to their own perceptions of national, institutional and personal goals. The underlying premise of this model is that politics and policy making 'consists of competing organised interests'. Moreover, power is disbursed within the bureaucracy in a way that parallels pluralist conceptions of the state. In Japan's case, pluralism is modified by the important role of the bureaucracy and the 'symbiotic relationship' between bureaucratic agencies and specific interest groups.

Closely related to bureaucratic politics (but often submerged within the same approach, especially in the context of Japan) is the organisational process model. The emphasis here is on the way organisational structure and functioning (that is, administrative routines) affect decision making. Procedural rigidity and 'standard operating procedures' limit and define the range of choice in recurring routine and even crisis situations. The main points and arguments of the bureaucratic politics approach, in terms of its impact on Japan's ODA, are summarised by Rix as follows:

divided political and bureaucratic responsibility for foreign aid lead[s] to fragmented budget processes and lack of any overall aid planning. In particular there is no political centre for aid policy and therefore no unified or consistent domestic political lobby at Cabinet level. Ongoing inter-ministry competition within the aid system lead[s] to cross-cutting objectives and programs. Limited aid planning or prioritising coupled with an open and competitive decision-making system [means that] consistency in objectives is weak. [There is] emphasis on broadly acceptable policy goals rather than specific country-based goals [and] limited scope for longer-term aid planning. Lengthy processes for aid approvals within the Japanese Government and bureaucratic domination of most aid processes [are further problems].

73 David Arase, 'Public-Private Sector Interest Coordination in Japan's ODA'.
74 Robert M. Orr Jr., The Emergence of Japan's Foreign Aid Power, p.7. In the case of Japan, less autonomy and power has been observed in individual policy makers; thus more attention has been on organisational politics. Alan Rix, Japan's Economic Aid, p.16.
75 This view of the state in Japan holds that interest groups have access to the policy process, and that there are legal, procedural and institutional mechanisms facilitating this process. See, for example, Aurelia George, 'Japanese Interest Group Behaviour: An Institutional Approach', in J. A. A. Stockwin et al. (eds), Dynamic and Immobilist Politics in Japan, University of Hawaii Press, Hawaii, 1988.
77 Procedural rigidity has been widely observed in the context of Japan, but there may be both historical and cultural bases to this. See, for example, Lucian Pye, Asian Power and Politics: The Cultural Dimensions of Authority, Harvard University Press, MA. 1985, especially Ch.11.
This perspective essentially mirrors a more general view that structural factors within Japan constrain the assumption by Japan of a more ‘proactive international role’. These include ‘the inadequacy of Japan’s bureaucratic structure’ due to overlapping spheres of jurisdiction, partisanship arising from lifetime employment commitments in the bureaucracy, and the absence of a strong central executive. Another structural constraint stems from the nature of party politics and Japan’s electoral system, which encourages parochialism and sectionalism among politicians. A further constraint is attributed to ‘the salience of complex personal networks’ as a basis for decision making, which stresses consensus and compliance, and often avoidance of difficult choices. These factors are seen to increase the importance of outside pressure and render Japanese policy making ‘reactive’.

The role of foreign pressure on Japan’s ODA has been explored by Orr in an important study of the politicisation of Japanese ODA. Orr argues that MOFA had sought to use ODA in order to expand Japan’s international political role, and that it had enlisted external support (namely the US) to augment its position within the aid bureaucracy. US pressure had a key impact on Japan’s growing aid budgets. Orr argues that direct pressure was a less frequent form of external intervention than what he termed ‘bureaucratic coalition building’ and ‘preemptive action’ (using ODA to defuse foreign criticism of trade surpluses). Thus the study incorporates ‘transgovernmental relations’ (the US government) as a factor in the decision making process. The underlying premise of this approach is that, since no single ministry or institution dominates the aid process, ‘external forces can be brought to bear to augment [a] ministry’s clout in pushing a policy position through the system’. MOFA is especially inclined towards urging US pressure ‘in order to bolster [its] position relative to other ministries’.

There is another interpretation of aid decision making, put forward by Arase, who argues that ODA best fits into a ‘modified strong state paradigm’. According to this view, bureaucracy uses its relative autonomy to ‘selectively structure’ policy choices around its own interests, and to nurture collaborative relations with the private sector.

78 Alan Rix, ‘Japan’s Aid Leadership’, Association for Asian Studies, 41st Annual Meeting, March 1989, Washington DC.


80 Robert M. Orr Jr., The Emergence of Japan’s Foreign Aid Power. It was possible for the US to assume this role because of the extremely important place that it has occupied in postwar Japanese foreign policies.

81 Robert M. Orr Jr., The Emergence of Japan’s Foreign Aid Power, p.12.

While the implication of the bureaucratic politics approach is that Japan’s ODA is unable to be more proactive and ‘responsible’, the implication of the latter is that it can be and is proactive. It argues that the absence of a strong executive or legislative oversight in fact frees up the bureaucracy to define and promote its policies.83

While the bureaucratic politics model emphasises inter-ministerial conflict and rivalry, which impacts negatively on Japan’s performance as an aid donor; the ‘modified strong state model’ emphasises careful political balance through informal coordination, consultation and mediation. The decentralised system has a clear purpose: to ‘allow a wide variety of public and private sector actors to determine the means and ends of economic cooperation’.84 It also allows ‘economic ministries’ to have some say over aid policy and to protect their interests and those of their private sector clients. ‘Inertia’ is due primarily to the bureaucracy’s resistance to any measures that threaten its ‘bureaucratic prerogative’.

A central aspect of Arase’s thesis is that the private sector was originally included, and remains a central part of, the aid system. ‘Structural inclusion’ of the private sector in intermediary structures (such as the aid implementing agencies, JICA and OECF) ensured close collaboration between private and bureaucratic actors. The importance of focusing on the decision making process, therefore, was that it revealed the mutual interests of the private sector and bureaucracy in ODA; and the interlocking and institutionalised ties between ministries and their ‘clients’ — the industries they represent. Principles of economic cooperation were (and remain) central to Japan’s ODA policy and its role as an instrument of Japan’s ‘strategic economic agendas’.85

The foregoing survey of Japan’s aid policies showed that while economic interests and rationales continue to be prominent influences on Japan’s aid policies, new political rationales have gained ground. There is growing pressure on Japan from other donors and recipients to reform aid policies, but there is also strong resistance to major institutional change. Traditional economic imperatives underpinning ODA have evolved in line with changes to Japan’s own economic and foreign policy interests. This suggests

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83 The absence of a powerful central executive in Japan does have important implications for ODA policy. Particularly significant is the fact that policy is generally initiated and managed in the bureaucracy. There are exceptions, however, when ministerial and prime ministerial interest intervene and influence the general direction of policy (for example, announcing aid doubling plans). The roles of politicians and Cabinet are examined in more detail in Chapter 3.

84 David Arase, ‘Public-Private Sector Interest Coordination in Japan’s ODA’, p.197.

85 This view of the political economy of Japan does not perhaps account for conflict between ministries over their respective ‘economic agendas’, which may in turn lead to differences over economic policy. This is especially pertinent in the case of ministries which have international rather than domestic oriented agendas. The former (MITI, for example) may be more innovative (‘internationalist’) in its approach than the latter (for example, the Ministry for Agriculture, Forestry and Fisheries). See Kozo Yamamura, ‘The Deliberate Emergence of a Free Trader: The Japanese Political Economy in Transition’, in Craig C. Garby and Mary Brown Bullock (eds), Japan: A New Kind of Superpower.
a dynamic process but also one that has been constrained by bureaucratic and procedural factors.

The perspective that is developed in this thesis is one that aims to account for the presence of competing aid policies and problems of adapting the aid administration (processes and procedures) to shifting policy objectives. In this context, it may be argued that the above two approaches (bureaucratic politics and the modified strong state models) are not necessarily mutually exclusive in that both yield insights that are relevant. Conversely, it is possible that neither, on its own, fully explains the combination of economic, political and bureaucratic influences on Japan's ODA policies.

A key to understanding the aid system in Japan is bureaucratic decentralisation. Power, as opposed to authority, is shared between ministries and agencies. Particularly important in carrying out basic tasks, such as developing candidate projects, are those sector oriented or economic ministries. These ministries are closely aligned to, and represent the interests of, respective industry and private sector groups in Japan. Bureaucratic decentralisation allows ministries to tailor aid policies to particular economic interests. Policy coordination takes place between the private and public sectors, based on both formal and informal procedures, with the bureaucracy playing the leading role.

But the other side of the coin is that the aid bureaucracy is essentially conservative since its constituent parts are characterised by strong institutional loyalties and territorial rivalries. Overlapping jurisdictional domains may become the arena for policy conflict, rather than coordination. Moreover, the need for decisions to be based on consultation between a number of diverse policy actors means that there is no simple translation of policy declarations into practice. Procedures complicate and constrain the use of ODA as a flexible and sensitive policy tool. Aid policies may not necessarily promote private sector interests; in fact, competing interests within the private sector (including intra-industry conflicts) may diminish the influence of the private sector vis-à-vis bureaucratic actors.

In 1980 Rix observed that procedures help 'counteract the unpredictability of bilateral relationships'. They are 'resilient and predictable'; the 'system's plodding strength'. What are the procedures and processes of aid policy? How is power distributed within the aid bureaucracy and what is the relationship between government, private sector and other policy groups? These questions are taken up in the next chapter.

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86 The distinction that is drawn here is similar to that between 'control' and 'jurisdiction'. As has been noted elsewhere, 'ministries with specified authority do not automatically decide matters within their jurisdiction'. Michio Muramatsu, 'Patterned Pluralism Under Challenge', p.51.

87 Alan Rix, Japan's Economic Aid, p.246.
3 The Domestic Political Context: Aid Policy Making Structures and Processes

In studies of aid policy making in Japan, much attention is focused on the ‘four ministry and agency’ system of yen loan policy. This is not surprising given the traditional dominance of yen loans in Japan’s aid policy. By contrast, grant aid has not been the focus of attention in studies of Japan’s aid policy, and thus the political and bureaucratic procedures have been largely overlooked. Grant aid has generally been regarded as falling under the jurisdiction and control of the Ministry of Foreign Affairs (MOFA) and the roles of other ministries, with the exception of the Ministry of Finance (MOF), have been down-played. For example, Orr described MOFA as having ‘sole discretionary power’ over grant aid. He relegated other ministries and agencies to being ‘junior participants’, with influence only at the margins of aid policy making.

This chapter reveals how grant aid policy may be subject to a much more complex system of power relations. The aim of the study is to consider procedural and bureaucratic influences on aid policy. It looks in particular at the processes underlying fisheries grant aid. Although procedures and processes are dynamic and have evolved in line with the expansion of Japan’s ODA program, the perspective in this chapter is on policy making within a contemporary context. The chapter analyses procedural frameworks for aid policy making, the role and interests of bureaucratic actors, their links with private sector groups, the influence of politicians and the role of study groups and think-tanks.

The emphasis here on grant aid and, to a lesser extent, on technical cooperation derives from the fact that grant aid and technical cooperation constitute the main forms of Japan’s aid to the Pacific island region. Fisheries grants have comprised a significant share of this grant aid (see Table 1.3, in Chapter 1). Only one country (Papua New Guinea) has received yen loans. The Japanese government’s rationale for the emphasis

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1 Under this system (known as yonshocho), responsibility for yen loan policy is shared between the Ministry of Finance (MOF), the Ministry of International Trade and Industry (MITI), the Ministry of Foreign Affairs (MOFA) and the Economic Planning Agency (EPA). For different perspectives on the aid decision making process, see Alan Rix, Japan’s Economic Aid: Policy making and Politics, Croom Helm, London, 1980 (which is still the definitive study of Japan’s aid bureaucracy); Robert M. Orr Jr., The Emergence of Japan’s Foreign Aid Power, Columbia University Press, New York, 1990 (which examines, in particular, the role of foreign pressure); and David Arase, ‘Public-Private Sector Interest Coordination in Japan’s ODA’, Pacific Affairs, Vol.67, No.2, Summer 1994, pp.171-99 (which explores the private sector role in aid policy making).

2 Alan Rix, Japan’s Economic Aid, did describe some of the important aspects of grant aid policy, but not a lot has been done on this subject since then.

3 Robert M. Orr., Jr., The Emergence of Japan’s Foreign Aid Power, pp.20, 30.
on grant aid is that small island economies have limited demand for large-scale infrastructure projects and low capacity to service loans.4

COMPOSITION OF ODA AND GRANT AID

Japan’s aid program comprises bilateral grant aid and technical cooperation, bilateral loans and contributions to international organisations. Grant aid, in turn, is broken down into six categories. These are general grant aid, fisheries grant aid, grant aid for increased food production, grant aid for disaster relief, food aid and grant aid for cultural activities (see Figure 3.1). With the exception of certain limited cases,5 all bilateral grant aid is provided on a project basis. Technical cooperation essentially covers the acceptance of trainees in Japan, dispatch of Japanese experts and volunteers to recipient countries, equipment supply, project-type technical cooperation (a combination of the above) and development surveys.

Figure 3.1 Japan’s Grant Aid Program

![Diagram of Japan's Grant Aid Program]

Source: JICA, Japan’s Grant Aid Program Related to Technical Cooperation.

Table 3.1 gives the breakdown of Japan’s ODA by type for the period 1986 to 1993. It shows that grant aid comprised about 44 per cent of Japan’s bilateral ODA in that period. As a share of grant aid, technical assistance has steadily increased, from 35 per cent to 55 per cent. Within the grant aid budget (not including technical

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4 Sadaaki Numata, ‘Japan’s Cooperation with the South Pacific Region’, Pacific Economic Bulletin, December 1990, pp.8-14. Fiji is the only other country in the region to qualify for yen loans, according to MOFA, although the Fiji government has not requested any such aid.

5 For example, the provision of grant aid to support structural adjustment programs, mainly in sub-Saharan Africa.
cooperation) general grant aid is the largest component. In 1992 it accounted for 91 per cent of the grant aid budget allocated to MOFA. The next largest component was the fisheries aid category (5.5 per cent), followed by grant aid for disaster relief (1.8 per cent) and cultural aid (1.3 per cent).

Table 3.1 Japan's ODA, 1986-93
(Net disbursements $ million)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>ODA</td>
<td>5,634</td>
<td>7,454</td>
<td>9,134</td>
<td>8,965</td>
<td>9,222</td>
<td>11,034</td>
<td>11,151</td>
<td>11,259</td>
</tr>
<tr>
<td>Bilateral ODA</td>
<td>3,864</td>
<td>5,284</td>
<td>6,422</td>
<td>6,779</td>
<td>6,940</td>
<td>8,870</td>
<td>8,385</td>
<td>8,044</td>
</tr>
<tr>
<td>Grants</td>
<td>1,104</td>
<td>1,481</td>
<td>1,483</td>
<td>1,556</td>
<td>1,374</td>
<td>1,525</td>
<td>1,653</td>
<td>1,928</td>
</tr>
<tr>
<td>Technical aid</td>
<td>599</td>
<td>740</td>
<td>1,425</td>
<td>1,481</td>
<td>1,645</td>
<td>1,870</td>
<td>2,110</td>
<td>2,571</td>
</tr>
<tr>
<td>Yen loans</td>
<td>2,143</td>
<td>3,027</td>
<td>3,514</td>
<td>3,741</td>
<td>3,920</td>
<td>5,475</td>
<td>4,622</td>
<td>3,545</td>
</tr>
<tr>
<td>Multilateral</td>
<td>1,788</td>
<td>2,207</td>
<td>2,712</td>
<td>2,186</td>
<td>2,282</td>
<td>2,163</td>
<td>2,766</td>
<td>3,215</td>
</tr>
</tbody>
</table>

Note: Figures for 1990 and 1991 include aid flows to Eastern Europe as totals have not been disaggregated. Amounts have been rounded and so do not necessarily equal totals.

Source: Compiled from MOFA, Japan's ODA Annual Reports, 1988, 1990-93.

The general grant aid portion is multi-sectoral in scope. Its main areas are medical and health, education and research, agriculture, public welfare and environment, communication and transportation, and infrastructure for export promotion in least developed countries. Usually these are grouped into three sectors: social infrastructure and services, economic infrastructure and services, and production. General grant aid also includes special categories of grant aid for debt relief and grant aid for structural adjustment. Fisheries grant aid encompasses fisheries equipment and infrastructure (fishing ports, markets, cold storage), equipment and materials for research (survey vessels and laboratories), and infrastructure for fisheries training (fishing vessels, classrooms).

6 Henceforth, in this study, grant aid and technical cooperation are treated as separate categories of aid.

7 Food aid and grant aid for increased food production are categories of grant aid whose budget is allocated to MOF, although administered by MOFA. A Guide to Japan's Aid, Tokyo, March 1993, p.9.
GRANT AID PROCEDURES AND GUIDELINES

Grant aid is subject to a number of basic procedures and guidelines. Some of these are integral to Japan’s aid system, and the ideas that have characterised Japan’s aid program since its inception. Others have evolved in a more *ad hoc* way and do not have formal status as policy. Procedures are the key to understanding who makes policy. Aid policy procedures ensure that many policy makers influence decisions and that there are many levels at which policy may be influenced. The core of the decision making process is the project cycle.

The Grant Aid Project Cycle

Figure 3.2 gives a description of the grant aid project cycle according to an official source. This section examines these stages in more detail and elaborates where necessary on the policy making process.

The project cycle officially begins with the receipt of project requests by Japanese embassies in recipient countries. MOFA usually requires countries to submit a list of requests each year and to arrange requested projects in order of priority. Because the aid system is a request-based system, no aid can be initiated without a request. Recipients may initiate the request and this would require some informal consultations and sounding out with MOFA beforehand. In many cases, however, the request is influenced by the government and/or private sector in Japan.

On the government side, aid officials and consultants hired by the government may carry out project identification studies in the recipient countries. This is justified on the grounds that recipients do not understand the Japanese aid procedures or how to formulate a request. Once these teams have completed their work, they recommend projects to the recipient as being worth requesting. The role of government-sponsored agencies in the project identification phase can be a decisive factor influencing the subsequent decisions about aid allocations. Such missions facilitate and encourage the flow of aid by identifying projects and drafting the request. They may also ensure the coordination of aid with other policy agendas by targeting countries that are ‘eligible’ for such aid.

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8 In such cases, it is important for a recipient to have either a resident embassy in Tokyo or a resident Honorary Consul. This sounding-out process and laying of groundwork is known as ‘nemawashi’. In the case of fisheries aid, it is expected that recipients will consult with the Fisheries Agency before a formal request is made.

9 Various ministries have established consultant bodies which carry out the project identification work (and in turn lobby for aid projects). Two examples are the Engineering Consulting Firms Association (ECFA) under the auspices of MITI and the Overseas Fisheries Consultants Association (OFCA) under the auspices of the Fisheries Agency in the Ministry of Agriculture Forestry and Fisheries (MAFF). These are described in more detail below.

10 This was apparent, for example, in the case of the Pacific island countries visited by missions seeking to identify fisheries grant projects. Details are provided in Chapter 5.
Figure 3.2 The Grant Aid Project Cycle

1. Presentation of the list of candidate projects from the Japanese embassy; collection and analysis of related data and information
2. Dispatch of survey teams for identification of projects
3. Presentation of information
4. Presentation of the request for the aid from the government of a developing country
5. Analysis of the contents of the request

[AFTER ONE YEAR]
6. Preliminary survey
7. Basic design survey

[AFTER TWO YEARS]
8. Approval of government budget
9. Consultation on implementation with the Ministry of Finance; and other ministries concerned
10. Determination of the amount of aid and approval of the general features of the project
11. Presentation of the draft E/N to the recipient country followed by relevant negotiations

[AFTER THREE TO FOUR YEARS]
12. Signature of E/N
13. Cabinet approval

[Signature of the contract between the recipient country and the selected Japanese company]
14. Signature of the bank arrangement

[Verification of the contract]
15. Start of project implementation
16. Payment from the Government of Japan to the company in charge of the project implementation through the bank account of the recipient country

[After three to four years]
17. Evaluation of the effects of the aid

The private sector’s role in project identification is often officially sanctioned, but it may take place independently of government. Project identification work is coordinated by private sector consultant organisations. Consultants, in turn, often follow up leads that have been suggested by trading companies operating in the field.11

Consultants (or sometimes the trading company) suggest possible projects to the host country and may prepare the request letter. They inform the host government about counterpart costs and other obligations. MOFA is quite aware of the role of the private sector in formulating projects and does not appear to object to its involvement. As one aid official declared: ‘our concern is that a genuine demand exists and when we receive a request we do not really care who has formulated it as long as the recipients support the request’.12

When the request is formulated, it is channelled through the Japanese mission accredited to the host country, to the Grant Aid Division in MOFA. It then goes directly to the official formally in charge of the relevant region. The Grant Aid Division has about 12 staff dealing with projects at the pre-Exchange of Notes stage. This official then liaises with other ministries and agencies, depending on which sector the project covers, and solicits information, guidance and advice. In the case of fisheries grant projects, consultation is with the Fisheries Agency. There may also be consultation with the relevant regional division in MOFA.

The purpose of this consultation is partly political: to base decisions on the broader policy guidelines that may prevail (for instance, in the fisheries sector) and to reflect the interests of these various ministries, agencies and departments. Consultation is also partly for practical reasons. MOFA (the Grant Aid Division in this case) does not have the expertise or the staff to administer aid policy and make informed decisions about projects. It thus relies on the input of others.

Once this background research and consultation has been completed, the project request is put to a screening committee meeting which takes place in the Grant Aid Division. On the basis of the available information, a decision is made about whether or not to proceed with a basic design study. When the decision is made to dispatch a survey or design team, this in effect means that the project request will be supported.13

11 Interview, Managing Director, Overseas Agro-Fisheries Consultants Company (OAFIC), Tokyo, July 1993. The information-gathering role of Japan’s trading companies in countries where they operate has been observed more widely. See Kiyoshi Kojima and Terutomo Ozawa, Japan’s General Trading Companies: Merchants of Economic Development, OECD, Paris, 1984. See Appendix 1.

12 Interview, Grant Aid Division, MOFA, May 1993. This attitude was not shared by some sections of the bureaucracy. In the case of fisheries aid, the Fisheries Agency seeks to control all project identification work so as to maintain a close link between aid and its fisheries interests overseas.

13 Interview, Grant Aid Division, MOFA, December 1992. The official suggested that this was the key point at which decisions were made. But this decision itself may be a formality.
Two possible steps follow this decision. If the recipient is a newcomer to Japanese ODA or if the proposed project is very difficult, a preliminary study team is dispatched. This is carried out by the Japan International Cooperation Agency (JICA) which forwards the completed report to the Grant Aid Division. The other (more likely) step is the basic design study. Again, JICA is in charge. It chooses the consulting firm and members of the team. In some cases (where political interest in a recipient is high), staff from MOFA will also join, but usually the team is led by, and comprises, officials from the ministry which is most closely linked to that project (for example, health, construction or fisheries). One of the main tasks of this team is to estimate the costs of the project.

The basic design study report is prepared by JICA and distributed to various ministries, as well as the recipient. What follows is the negotiating process between MOFA and MOF, where issues such as the ability of the recipient to maintain the project, the importance of the project to the development of the recipient, and the potential number of people to benefit from the project are discussed. Once MOF approves individual projects (usually this follows the drafting of the General Account budget and appropriation of funds), a draft Exchange of Notes agreement is drawn up and presented to the recipient. Finally, the project, as part of a package of projects, is sent to the Cabinet for approval. Usually this is a formality and with Cabinet approval the Exchange of Notes may be signed. This then clears the way for execution of the project to start, beginning with tendering of the contract.

Payment on projects is deferred over the life of the project. That means that usually about 30 per cent of the funds will be disbursed to the supplier when signing contracts, with further portions paid as the project proceeds. The time-lag between request, basic design study, signing Exchange of Notes, and execution of project can be several years (usually three but sometimes more). Thus costs may need to be reviewed upward, after the initial basic design study, as prices escalate.

The above process is protracted and cumbersome. It requires the approval and authorisation of numerous policy actors in Japan. These include the Grant Aid Division and the Economic Cooperation Bureau as a whole in MOFA, the Budget Bureau in MOF, other ministries which are closely related to the specific project, and the Cabinet. The private sector also plays a central role. There are numerous opportunities for delays. Countries that make a request for aid do so without any guarantees that their request will be favourably received, or without knowing what the time-frame will be. They may need to wait several years for a response to their request, especially if there are questions about a project or a recipient. Conversely, if there is strong interest in

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14 Based on a survey of JICA Basic Design Study reports regarding projects to the Pacific islands, carried out by the author in 1992 and 1993.
promoting aid relations with a recipient, political support in Japan may expedite a project through the aid pipeline.

This raises the question of the broader political and bureaucratic context in which policy is made. What is the scope for political intervention? On the other hand how fixed are procedures and how routine is decision making?

Aid policy is constrained by a number of guidelines and ‘rules’ that have been applied (often rigidly) on the grounds of Japan’s approach to ‘economic cooperation’, its development philosophy and bureaucratic processes. These include the following.

1) **Project-tied aid**: the requirement that aid be project-tied rather than an outright transfer of funds. This takes several forms: capital works projects, equipment and technology transfer, dispatch of experts and volunteers. In the case of yen loans, the degree of conditionality (that is, the use of Japanese contractors and procurement of Japanese goods and services) has in principle been relaxed. For grant aid, all contracts must be carried out by Japanese nationals. Procurement of goods and services provided under grant aid may be carried out locally, in the recipient country. One rationale for project-tied aid is that this ensures that the aid is put to proper use and not misappropriated by corrupt government leaders and officials. It is also the case that Japanese officials are most comfortable with this system. This reflects the origins of the Japanese aid program and its emphasis on economic cooperation as a mutually beneficial undertaking (with a high level of private sector involvement). Projects ensure the participation of Japanese firms and thus the recycling in Japan of aid monies. Projects may also target specific development goals and priorities; in Japan’s case these have centred on infrastructure development.

2) **Self-help**: recipients must be able to bear some of the costs of delivering and maintaining projects. For this reason, recurrent costs are not included as part of aid projects and recipients must undertake to assume that responsibility. This partly reflects the Japanese rationale of aid giving that countries eventually ‘graduate’ from aid and do not become permanently dependent on it. More importantly perhaps, budgetary limits dictate that there be a trade-off between commitment to new projects and support for recurrent costs of completed projects. It is argued that Japan cannot afford to fund both new projects and the maintenance and running costs of completed projects.15

3) **Single year budget cycle**: aid projects should be disbursed within one fiscal year. This limits projects to single year cycles and aid disbursements must also be made on a yearly basis rather than multiple year cycles. Large projects may carry over into a second or even third fiscal year. In such cases, the amounts are appropriated in subsequent budgets. It is also the case that some parts of the aid budget (for example

15 Interview, Director of Research and Programing Division, Economic Cooperation Bureau, October 1992. For yen loans there is now provision for part of the local cost financing to be borne by the Japanese government in some cases. MOFA, *Japan’s Official Development Assistance, 1993 Annual Report*, pp.141-2.
subscriptions to international organisations) are fixed from year to year. Japan generally follows the practice of using the previous year's allocations to particular recipients to guide their subsequent allocations. Here, the disbursement rate is an important consideration. If monies have not been spent, this may limit future allocations.16

4) Government to government aid: aid must be government to government (the Exchange of Notes agreement should be signed by governments), and in the case of supporting multilateral and international organisations, Japan must also be a member of the relevant organisation. There are variations and exceptions to this rule — for example, if Japan is not eligible for membership of an international organisation, it may provide project aid to the organisation via a member country, on a bilateral basis. The consistent rationale for this policy of government to government aid has been to ensure accountability of aid monies, through oversight by Japanese nationals in those organisations. It is also a requirement that payment of grant money be deferred rather than disbursed as a lump sum. There are a few exceptions to this, as for example in the case of debt relief provided as general grant aid.

The above 'rules' tend to be fixed — that is, rigidly enforced. This is the main reason why there is a lack of flexibility in Japan's aid policy. However, there are other policy guidelines that are more 'subjective' and tend to be applied more flexibly. In this context, political considerations may be influential.

These guidelines include the number of beneficiaries; that is, the population of the recipient country to benefit from the proposed project. There is no fixed guideline in this respect, but there is a preference for projects that benefit a maximum possible number of people. This supports the emphasis in Japan's ODA program for infrastructure development. Countries with small populations (the Pacific island states, for example) are usually allocated one major grant aid project a year. This is an informal policy and it may change from year to year. With the introduction of the Small-Scale Grant Assistance scheme, several small projects may be allocated to one country in addition to the larger projects.17

Grant aid is also meant to target countries in most need; that is, countries with relatively low per capita income. Countries eligible for grant aid are generally those classified as least developed. A recommended per capita income ceiling is given by MOFA. In 1993 this was set at $1,235; in 1992 it was $1,195 and in 1991 it was $1,135.18


17 The Small-Scale Grant Assistance scheme was introduced in 1989. It now has a budget of $10 million. Projects that may be supported by this scheme range in cost from $50,000 to $80,000.17

18 MOFA, Japan’s Official Development Assistance Annual Report, various years. This criterion has been applied flexibly in the case of the Pacific island states. The per capita income levels of grant aid
According to one official report, grant aid may be extended to a country with a relatively high income when implementation is ‘deemed necessary’. Policy considerations are said to include such factors as the importance of the country, the significance of the project and the integration of grant aid and technical cooperation being implemented by Japan. Countries that are recipients of grant aid even though they do not fall below the required per capita income level are a special case and political arguments or rationales are important in justifying aid disbursements. These may include diplomatic benefits to Japan (such as votes in international fora); and the value to Japan of resources such as fisheries (aid to acquire access). The absence of such rationales may make it difficult to secure MOF support for projects in the region.

Significantly, the size of the project (measured in monetary terms) may also be a subjective factor: for example, an indicator of Japan’s political support for a recipient or its economic importance. In determining project size, discretion may lie not with the project design teams, but with the Grant Aid Division or the Fisheries Agency (in the case of fisheries grants).

From the above analysis, it is suggested that procedures and guidelines may complicate and constrain aid decision making. The emphasis on consultation, especially in the project cycle, slows down decision making. There are built-in mechanisms for supporting the interests of both bureaucratic actors and the private sector. There are also opportunities, given the protracted project cycle and decentralised decision making system, for politically motivated intervention (to delay or speed up a decision; to increase or decrease the size of the grant, to deny or justify a project). Policy making ultimately depends on the bureaucratic actors.

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recipients in the region vary between $696 for Kiribati and $3,564 for Palau. In fact two countries (Fiji and Palau) are well above the 1993 ceiling, and several others (the Federated States of Micronesia and the Marshall Islands) come close. Details are from South Pacific Commission, South Pacific Economies: Statistical Summary, No.13, Noumea, 1993.

19 APIC, A Guide to Japan’s Aid, Tokyo, March 1993, p.15.

20 It was suggested by Grant Aid Division officials interviewed by the author that MOF officials questioned projects to the Pacific island countries that were large, on the grounds that they were ‘too big’ and could not be maintained. They also questioned aid to countries with relatively high incomes on the grounds that they were ‘too rich’. Grant aid to Fiji has been justified by providing projects that are ‘regional’ in scope and thus benefit other island countries. In addition, Fiji is regarded as a regional ‘opinion leader’ and for this reason it is important to provide aid to Fiji.

21 The way political considerations may intervene in deciding the size of the project was demonstrated in the case of Tuvalu, which was dubbed by MOFA the ‘Tuvalu problem’. A planned school project was halved in size after a Japanese television program aired criticisms of Japanese aid by the Tuvaluan Prime Minister. See Asahi shimbun, 9 February 1995, p.5. According to Oceania Division sources, the decision to cut the size of the project, a punitive measure against Tuvalu, was made by the Economic Cooperation Bureau’s Director General.
THE BUREAUCRATIC ACTORS

The project cycle described above requires the agreement, if not authorisation, of a wide range of bureaucratic actors. This is known as the ringi system or ringi sei. Who these actors are, what interest they have in aid policy, what perspectives they bring to the policy process and the role they play in its formulation are described in this section. This highlights the diversity of opinion within the bureaucracy about the purposes of ODA, as well as competing jurisdictional claims, which may introduce tensions and cross-cutting pressures on aid policy making.

Ministry of Finance (MOF)

MOF, in particular the Budget Bureau, has ultimate authority and power over aid disbursements since it must appropriate the required funds. In general MOF aims to limit or restrict expenditure, including aid disbursements, and it is largely the aid doubling plans initiated by various prime ministers that have ensured the consistent growth in the aid budget. In the allocation of aid monies, MOF insists that strict procedures ensuring fiscal accountability are adhered to (such as the project basis for aid). The standard rationale for this is that MOF must ensure that taxpayers' money is being spent prudently. It is MOF that most often alludes to the importance of the Japanese public's acceptance of ODA as the underlying source of its legitimacy. It has also most strongly advocated the emphasis on yen loans in Japan's ODA, believing that loans are more 'economically sound'. MOF tends to be most concerned about the 'efficiency' of ODA and its impact on the economic development of the recipients. In response to a MOFA official's claim that 'Japan can impress the world with the seriousness of its international contributions only by increasing the ODA budget', a Finance Ministry official reportedly said, 'We have to, first of all, improve the effectiveness of ODA project implementation by preventing ODA money from being squandered'. This is the essential position of MOF.

With respect to grant aid, the role of MOF is two-fold. The most central role of the ministry, and the source of its power in the Japanese government, is controlling the annual budget cycle. Each year MOF's Budget Bureau receives requests from MOFA for allocations towards the various parts of the ODA budget, including grant aid. This is an amount based on the previous year's budget plus overall rate of growth. Based on disbursement figures for the previous two years and the evidence of demand — that is,

22 As Robert Orr observes, Cabinet-level decisions on aid levels were viewed as necessary by MITI and MOFA 'to maintain the momentum against the more frugal Finance Ministry'. See The Emergence of Japan's Foreign Aid Power, p.24.

23 For an example of MOF perspectives on ODA, see Isao Kubota, 'Japan expands foreign aid role', The Japan Times, 8 February 1993. Kubota is a senior MOF official.

24 'Adherence to ODA criteria scrutinized', The Japan Times, 18 December 1992, p.3.
requests from recipients — MOF decides on allocations to the various ministries and agencies.25 Once the budget has been drafted and approved by the Diet (Parliament), funds may be disbursed. No actual commitment can be finalised until the budget allocation has been secured. Because of the annual cycle of the budget, aid projects that are approved must generally be carried out within the fiscal year.26

The impact of this budget process has been noted by a number of writers. It precludes, for example, multi-year allocations of aid, and it reinforces the project basis of bilateral aid. More generally, the effect is that aid policy often tends to be coordinated and decided at budgetary level, rather than at the level of policy ministries.27

The second role of MOF is to approve individual projects that have been formulated often by other ministries and agencies, and put to MOF by the Grant Aid Division of MOFA. With the introduction of grant aid on a limited scale in 1969, the practice of approving projects on a case by case basis was initiated. But, according to an official of the Grant Aid Division, this practice of putting each project forward for the scrutiny of MOF became mandatory after the Marcos scandals in the mid-1980s.28

The process of negotiating between MOFA and MOF on each project follows the adoption of the budget. At the final stages of project formulation, approval for allocation is required from MOF. Negotiations between MOFA and MOF usually centre on the aid policy criteria and guidelines that were discussed earlier. The priority of MOF is to ensure that the proposed project conforms to these criteria. Once MOF support has been secured, Cabinet gives its approval and the Exchange of Notes agreement may be signed by the government of Japan and the government of the recipient country. This allows for implementation to proceed.

25 As Orr notes, MOF usually trims requests to 'more acceptable budgetary levels'. In the final stages of negotiations, though, it will reveal the amount of residual funds available. In recent years, these have been allocated to defence and aid. See *The Emergence of Japan's Foreign Aid Power*, p.34. It is important to note that ODA is not a separate account in the budget. It is defined as 'the total budget allocated to activities in each category where expenditure can be classified as ODA'. The aid budget is thus susceptible to conflict among ministries and agencies, competing for a share of the government's budget.


27 See Alan Rix, *Japan's Foreign Aid Challenge: Policy Reform and Aid Leadership*, Routledge, London and New York, 1993, p.75. He notes that the pressure to complete projects within a single year can lead to rushed completion of tasks or carryover of funds from one year to the next. Ironically, given the MOF concern about effective use of aid funds and avoidance of 'mismanagement' and waste, the emphasis on budgetary level coordination leads to disbursement pressures that create problems such as the preference for large-scale projects and inflation of project costs.

28 Interview, Grant Aid Division, MOFA, May 1993. This official added that this practice, which stemmed from Diet calls for stricter oversight of aid spending, is preferred by MOFA since responsibility (and blame for possible mismanagement of aid) is shared between MOF and MOFA. On the Marcos scandals, see Masaki Yokoyama, 'Marcos' Yen for Corruption', *Kasarinlan, The Philippine Quarterly of Third World Studies*, Vol.5, No.4, 1990, pp.7-28.
The role of MOF in the grant aid policy process is to ensure that broad guidelines and procedures are observed. In other words, it may be viewed as the arbiter of the aid policy system. Other ministries ultimately defer to MOF. They may also attribute policy and procedural rigidities of the system to MOF’s role in the decision making process.

Ministry of Foreign Affairs (MOFA)

MOFA has *de jure* authority over grant aid and technical cooperation, and over the ‘declaratory’ aspect of aid policy. MOFA plays a crucial role in bargaining and consulting with MOF, as described in the previous section. It has advocated aid doubling plans, on the grounds that Japan had international responsibilities. Outside pressure on Japan (whether from recipients or other donors) also is filtered through MOFA (and may even be solicited by MOFA). It has influence over absolute aid levels and new aid initiatives. It may also determine the priority of particular recipients and thus projects. MOFA is concerned with how aid fits into Japan’s overall foreign policy and conceives of aid in political/strategic terms and often as a diplomatic instrument or tool. It thus argues for aid disbursements on political grounds. But it also sees aid (especially grant aid and technical assistance) as aimed at alleviation of poverty rather than as subsidising or supporting a Japanese industry. In other words, the political value lies, to some extent, in the humanitarian and development goals of ODA. This can put it at odds with other ministries who see aid in terms of promoting their own sectional and industry-based interests.  

Not surprisingly, MOFA derives much of the power and status it has in the bureaucracy from the aid budget over which it has authority. For this reason, it is anxious that this authority not be taken away from it. Nor is it in favour of putting more power over aid decisions into the hands of the Diet (that is, through adoption of an aid law). In general, however, MOFA concerns itself with broad policy initiatives (on diplomatic grounds) while aspects of project level formulation tend to be delegated to other ministries and agencies and the private sector. This includes project identification and design. Because much depends on how far projects match the

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29 For example, in response to DAC pressure, MOFA favoured a greater emphasis on basic human needs in Japan’s ODA, which MITI and MOF opposed because it did not fit with their respective trade and investment, or fiscal priorities. Robert M. Orr Jr., *The Emergence of Japan’s Foreign Aid Power*, p.56.

30 In 1988, a report by the Administrative Management Bureau of the Management and Coordination Agency recommended the transfer of the grant aid budget to JICA; a proposal that has not been acted upon. Alan Rix, *Japan’s Foreign Aid Challenge*, pp.80-4.

31 This refers to a move by some politicians to adopt a ‘basic law’, which would put aid policy directly under the jurisdiction of the Diet. For more details, see Alan Rix, *Japan’s Foreign Aid Challenge*, ch.3. Also Hisane Masaki, ‘Foreign aid charter urged’, *The Japan Times*, 1 January 1992, p.1.
procedural and policy guidelines noted earlier, these tasks may be instrumental in final
decision making.

There are two main sets of policy actors in MOFA. On the one hand, there are
those that belong to the Economic Cooperation Bureau who are concerned primarily
with aid policy and managing the project cycle. This bureau is made up of the following
divisions: Grant Aid, Technical Cooperation, Yen Loans, Aid Policy, Research and
Programming, and Development Cooperation.

It is the Grant Aid Division that receives the initial project request and
coordinates the subsequent investigation and project development. This includes
bargaining with MOF to support specific projects. In this context the Division’s main
priority is to secure MOF approval for projects and this in turn depends on whether
there are ‘good’ projects. The Grant Aid Division is staffed by a number of
secondments from outside MOFA. These include (as of mid-1993) staff from Kokusai
Denshin Denwa Company (a public corporation under the Post and
Telecommunications Ministry), MAFF, Ministry of Construction, Bank of Sapporo,
Tokyo Gas, JICA and MOF. Some of these positions, though based in the Grant Aid
Division, oversee economic cooperation in general.

The practice of ‘cross-posting’, which is a widespread phenomenon within the
aid bureaucracy, aims to alleviate staff shortages within MOFA and ensure that
consultations and coordination may be effected. It is also a means of facilitating
power sharing within the aid system. There is thus a dual function for these
secondments: to undertake specific tasks but also to provide contact with other parts of
the bureaucracy and the private sector.

The other set of actors belongs to the regional bureaux and divisions. These
bureaux cover Asia, Latin America and the Caribbean, Middle East and Africa, Europe
and Oceania, and North America. The Oceania Division, in the Bureau for European
and Oceanic Affairs, is in charge of political relations with the Pacific island states,
Australia and New Zealand.

In most cases, the role of the regional division is to lobby on behalf of its region
for continuing or increasing amounts of aid. In this way, regional divisions may act as
allies of the recipient governments. The regional division sees aid as necessary for
friendly relations with recipients and for promoting specific foreign policy interests. It

32 Although the Grant Aid Division leads negotiations with MOF on specific projects, the negotiations
on overall budget allocations involve other sections of the Economic Cooperation Bureau and, as
negotiations progress, increasingly more senior officials are involved. Interviews, MOFA.

33 Interview, Grant Aid Division, MOFA, May 1993.

34 David Arase, ‘Public-Private Sector Interest in Japan’s ODA’, p.185. He suggests that this system,
known as shukko, is one reason why ‘the decentralized aid system keeps functioning’. This is assessed
in more detail below. There is also movement of staff from the government agencies and ministries to
the private sector.
may thus argue in support of projects. One way this is done is if the Japanese Ambassador resident in a recipient country directly approaches the Economic Cooperation Bureau and recommends a project. Another channel is from the regional division direct to the Grant Aid Division. This will occur especially in the lead up to an event such as the visit to the region by a high ranking Japanese team (led by a minister, vice-minister or even prime minister). It is expected that the visit will be marked by an announcement of a new aid package or the signing of an Exchange of Notes. This is sometimes referred to as omiyage gaiko or souvenir diplomacy. Similarly if Tokyo is hosting a visit by a foreign head of government, an aid announcement will generally be made at the time to signify close relations and build good will.

In such cases, the impact of political overtures is to rearrange the order of priority of planned projects, by pushing up one country so that an Exchange of Notes can be timed with a visit (and thus pushing down another). If the aid initiative applies to an entire region, more project requests will be sought from those countries.35

Another way that the regional division may play a role in aid policy is when the Grant Aid Division seeks information and guidance in formulating the project and preparing documents for MOF; that is, explaining the merits of the project on the basis of Japan’s political and diplomatic interests, as well as the recipient’s development needs and economic strategy.36

Although MOFA as whole may be in favour of ODA and share a common view that aid flows should be maintained or increased, there are likely to be differences within the ministry about the specifics of this approach. These differences are evident especially on questions of diplomatic/political versus procedural issues. While regional divisions may favour increasing aid on diplomatic grounds, the divisions of the Economic Cooperation Bureau may be more concerned about fiscal or security considerations.37

35 These details were provided to the author in an interview with an official of the Grant Aid Division, MOFA, December 1992.

36 Interviews, Oceania Division, MOFA, November 1992 and June 1993. The extent to which MOF is influenced by political and diplomatic arguments is not clear. Most important to MOF is that proposed grants be for ‘good’ projects. Part of this requires that the project be a priority in the recipient’s development plan. Given that the aid budget has grown considerably since the late 1970s largely on the basis of political arguments, it is apparent that MOF is sensitive to the political and diplomatic nuances of ODA.

37 For example, whether conditions in a particular country are safe enough for dispatching of experts or volunteers. One official noted that conflict occurred in policy towards Peru. When the regional division sought to increase numbers of volunteers and experts in order to demonstrate support for President Fujimori, the Technical Cooperation Division resisted because of the dangerous conditions in the country at that time. In this case they recommended increasing the number of trainees received by Japan, rather than dispatching more volunteers and experts. Interview, Technical Cooperation Division, MOFA, January 1993.
MOFA has formal jurisdiction over grant aid policy, but it is important to note the limitations on MOFA's decision making power. MOFA has been described elsewhere as the 'window' through which requests are made and aid disbursed, while in reality it shares power with a number of other ministries. Chief among these is MOF (as already described) but other economic ministries have considerable influence over areas that correspond to their domains. These include MITI and MAFF (see below).

MOFA's role over aid policy is constrained by its lack of personnel to adequately administer the aid budget and the lack of expertise on aid and development matters. The senior policy makers in MOFA are usually 'generalists' who rotate their positions every two years. This means they must rely on others (technical bureaucrats, other ministries and private sector consultants) for information and to administer aid policy.

The role of MOFA, beyond the declaratory level, is also weakened by the need to confer with a wide range of ministries and agencies, which is a legacy of the origins of the aid program and reflects the decentralisation of power within the aid bureaucracy. In terms of the political clout of the ministry in the overall bureaucracy of Japan, MOFA is relatively weak. In part, this reflects the lack of a powerful domestic constituency or private sector 'clients'. Moreover, compared with other ministries, there is little movement of senior diplomats from government to the private sector (amakudari) as there is no obvious place for them to go.

38 The idea of MOFA as a 'window' for aid flows was used by several scholars of Japanese ODA interviewed by the author. It is also a description used by Robert M. Orr Jr., The Emergence of Japan's Foreign Aid Power, p.39.

39 Details of ODA staff levels in the Japanese government are in DAC, Aid Review 1990/91, Report by the Secretariat and Questions for Review of Japan, OECD, Paris, 1991, p.34. In 1991, Japan's aid staff was 36 per cent of the US level, despite the fact that the two countries disbursed roughly the same amount of ODA. There has been difficulty in increasing staff for managing the aid program due to the fiscal austerity measures of the government in the 1980s, which restricted growth in the bureaucracy. In addition, other ministries are resistant to staff reductions in order to allow a faster increase in the aid related ministries. The implications of this staff shortage include reliance on private sector, protracted implementation, and preference for large-scale projects. Susan J. Pharr, 'Japanese Aid in a New World Order', in Craig C. Garby and Mary Brown Bullock (eds), Japan: A New Kind of Superpower?, The Woodrow Wilson Center Press, Washington DC, 1994.

40 There are two types of bureaucrat in MOFA: the higher elite, on track to becoming an ambassador; and the lower ranked technical bureaucrat. Ellis S. Krauss, 'Politics and the Policy making Process', in Takeshi Ishida and Ellis Krauss (eds), Democracy in Japan, University of Pittsburgh Press, Pittsburgh, 1989, pp.39-64.


42 This refers to the process whereby senior bureaucrats seek jobs outside of government once they reach the pinnacle of their government career. Amakudari (descent from heaven) ensures that close ties between related government and private sector bodies are facilitated. See John Creighton Campbell,
A principal source of power for MOFA is the authority it has over JICA, which is the key implementing agency for grant aid and technical cooperation. Close ties between the two organisations are facilitated by cross-posting of staff. But there are also tensions between the two on issues of jurisdiction and policy.

Japan International Cooperation Agency (JICA)

JICA is a public corporation, or *tokusho hojin*, established by a special law to be an ‘instrument’ of national government. It is primarily under the jurisdiction of MOFA, and partly of MITI and MAFF. Under a law passed in 1978, the responsibilities of JICA grew to encompass the implementation of capital grant aid.

JICA is mostly involved with technical assistance, being the main implementing agency. It is charged with allocating the major portion of the technical cooperation budget. Other ministries and agencies also have a share of this budget. JICA works closely with the Technical Cooperation Division in MOFA. The role of the latter is to negotiate with MOF about the breakdown of the technical cooperation budget (such as numbers of trainees received and volunteers dispatched) and to set general policy guidelines for technical cooperation.

JICA is staffed by professional aid bureaucrats, rather than transient ones as in MOFA, and often these officials have served in the countries they are working with. MOFA officials, on the other hand, rotate positions about every two years, so they do not have the time to become 'expert'. This applies to grant aid as well as technical cooperation. JICA is also staffed by a number of secondments from other ministries. The President of JICA is appointed from MOFA. Other senior positions are held by officials from the Overseas Economic Cooperation Fund (OECF) and the Export Import Bank. In addition, according to one estimate, staff from other ministries head two-thirds of the Agency's departments.

JICA's role in grant aid essentially is two-fold: to carry out basic design surveys and to implement grant aid, especially when this is related to technical cooperation. This includes liaising with private sector contractors, the recipient country and Japanese

'Democracy and Bureaucracy in Japan', in Takeshi Ishida and Ellis Krauss (eds) *Democracy in Japan*, University of Pittsburgh Press, Pittsburgh, 1989, p.119. According to Arase, one section of the private sector that has developed a close relationship with MOFA is the financial industry — that is banks. David Arase, 'Public-Private Sector Interest Coordination', p.185.


45 It has also been noted that this practice may undermine morale of career staff members of the implementing agencies, as their own opportunities for advancement may be limited. Robert M. Orr, *The Emergence of Japan's Foreign Aid Power*, p.49. The Management and Coordination Agency report referred to earlier recommended against this practice of reserving departmental posts in JICA for 'outsiders'. Alan Rix, *Japan's Foreign Aid Challenge*, p.83.
banks. It also screens contracts between the recipient and Japanese private sector firms. In general, JICA is less important in making overall aid policy (for instance, deciding who is to receive aid and who is not) as it is primarily involved in implementation work. Its raison d'être is delivery of aid programs. In this context, JICA has more interest in the follow up of projects and ensuring that projects achieve their 'development' objectives. JICA officials are also interested in promoting close ties with recipients since their work revolves around 'people to people' contact.46

Recent policy innovations, such as Small-Scale Grant Assistance, have led to a more proactive role for JICA. For example, volunteers from the Japan Overseas Cooperation Volunteers (JOCV) program, administered by JICA, carry out project identification work for the Small-Scale Grant Assistance scheme. But proposals that JICA assume more authority over grant aid policy have not been adopted.47

Ministry of International Trade and Industry (MITI)
The role of MITI in Japan's aid policy has been examined in detail in other studies. In terms of the overall direction of Japan's ODA, MITI has played a crucial role. Its priorities tend to be the links between ODA and Japan's commercial and trade interests. This may put it at odds with MOFA over the diplomatic goals of ODA. But MITI may also be an ally of MOFA against MOF in the push to increase overall ODA levels.

While MITI is especially involved in yen loans, its involvement in grant aid policy tends to be more sporadic and selective. It depends on the actual project and whether or not the project impinges on a policy area that falls under MITI's jurisdiction.48 More generally, MITI's interest in grant aid depends on the extent to which grants are made to countries that are economically important to Japan (in terms of trade and investment potential) and where grants are used in conjunction with yen loan policy.49

46 Based on observations made by JICA officials interviewed by the author, Tokyo December 1992; and Suva, August 1992. In Chapter 7 the differences between MOFA and JICA on aid policy to the Pacific island region are explored in more detail, in the context of a JICA review of aid to the region.

47 Alan Rix, Japan's Foreign Aid Challenge.

48 For example, in 1991 a Japanese company sought an ODA grant to fund a pilot project in the Marshall Islands to undertake seabed mining. It sought political backing from the government of the Marshall Islands (to make the necessary request to the Japan government as well as to seek co-financing from the US government). Documents obtained by the author indicate that the company was particularly concerned that MITI would be hostile to the proposed scheme, given MITI's support for an alternative mining technology. MITI was named as the ministry with the main interest in seabed mineral mining. It was therefore necessary to influence MITI (through the Minister of MITI) in order for the project to go ahead.

49 One such case is Cambodia. Japan will extend grant aid to Cambodia for the purpose of buying food and other essential items so that the Cambodian government's revenue may be freed up to repay principal and interest arrears on outstanding yen loans. This is necessary in order for Cambodia to receive new yen loans from Japan. Nikkei Telecom Service, 23 February 1995.
MITI is also linked to grant aid policy by its association with JICA. Several departments in JICA, dealing with mining and industrial development, are headed by MITI secondments. The activities of the Engineering Consulting Firms Association (ECFA), which plays a key role in identifying and formulating aid projects, also fall under MITI's jurisdiction. Established in 1964 with funding from MITI and the Ministry of Construction, ECFA carries out and coordinates aid project identification work. It brings together 138 member organisations including Japanese consulting firms, banks, construction companies and trading firms. ECFA also has its own research institute — the Japan Development Institute.

The role of ECFA (like its counterpart in the fisheries sector, discussed below) is to subsidise the often risky process of identifying and formulating project proposals in recipient countries. Such projects may subsequently become candidates for either Japanese bilateral ODA (including grant aid) or multilateral development aid (ADB, World Bank and UNDP).50

Ministry of Agriculture Forestry and Fisheries (MAFF) and the Fisheries Agency

This section focuses on the Fisheries Agency because of the emphasis on fisheries grant aid to the Pacific island region. But the overall influence of MAFF also needs to be noted. Traditionally, it had a strong interest in economic cooperation and, like MITI, it had pushed for the creation of its own agricultural cooperation agency at the time that the Overseas Technical Cooperation Agency (OTCA) was being restructured into JICA. The outcome, however, was the creation of an agency under MOFA, with some posts being shared by MAFF, MITI and other ministries.51 This issue reflected the strong sectional divisions within the aid bureaucracy and the way different ministries sought to control various aspects of the aid budget.

The Fisheries Agency, which is an 'outer bureau' of MAFF, had also pushed for its own aid organisation.52 When this initiative failed, the Fisheries Agency moved to establish its own channel for cooperation, by establishing a non-profit, semi-official organisation (zaidán), in association with the fishing industry. This is the Overseas Fisheries Cooperation Foundation (OFCF), created in 1973. See below.

The Fisheries Agency coordinates all aspects of Japan’s fisheries policy including negotiating agreements with other states for the right to fish within their Exclusive Economic Zones (EEZs). Responsibility for these negotiations lies with the International Affairs Division of the Fisheries Agency. Located within this Division is an

51 On the creation of JICA, see Alan Rix, Japan's Economic Aid, ch.2.
52 Although the Fisheries Agency falls within the purview of MAFF, and under the MAFF Minister, it retains a high degree of autonomy and authority over fisheries related policy. The Ministry was known as the Ministry of Agriculture and Forestry until 1978 when Fisheries was added.
Office for Overseas Fishery Cooperation. The work of this office is mainly to oversee the formulation and implementation of fisheries aid policy, including fisheries grant aid and technical cooperation. This includes the operations of the OFCF.

The links between the Fisheries Agency and MOFA on aid matters are facilitated by the placement of a Fisheries Agency official within MOFA’s Grant Aid Division. This official is charged with handling fisheries grant aid requests, liaising with the Fisheries Agency about approval for the request, and coordinating the pre-Exchange of Notes process. According to a Fisheries Agency official, it is this secondment that is the ‘secret’ of the Fisheries Agency’s ‘control’ over grant aid policy. The Fisheries Agency also seconds several officials to JICA to oversee technical cooperation in the fisheries sector. For example, the Director of the Fisheries Cooperation Division in JICA, charged with carrying out project-type technical cooperation in the fisheries sector, is an official seconded from the Fisheries Agency. Other Fisheries Agency officials are posted to Japanese embassies in countries where there are important fisheries interests — for example, Thailand.

Among the policy priorities of the Fisheries Agency is securing the operations of Japan’s distant water fishing fleets in foreign EEZs. Fisheries grant aid, introduced for this purpose in 1973, has traditionally been used in concert with access negotiations. Policy making occurs in parallel or tandem in the International Affairs Division of the Fisheries Agency, (which is explored in detail in Chapter 5). Jurisdiction over the fisheries grant aid budget is a complex issue, however: the budget officially is under the authority of MOFA. But since the creation of this special category of aid in 1973, it has been treated as a special case, with the Fisheries Agency assuming the main decision making powers over allocation.

53 Interview, International Affairs Division, Fisheries Agency, Tokyo, May 1993. A possible role of the Fisheries Agency was to veto requests. Officials suggested that if the Fisheries Agency opposed a request, the project would not go ahead. Conversely, while the Fisheries Agency could encourage fisheries grants to certain countries, it could not determine the recipient government’s decision to put priority on a fisheries project versus a project in another sector.

54 Details were provided in interviews with officials in the International Affairs Division, Fisheries Agency, JICA and the Grant Aid Division, MOFA. In the case of the Pacific island countries, a new Japanese diplomatic mission, established in the Federated States of Micronesia in 1995 and with accreditation also to Palau and the Marshall Islands, is expected to include a posting for a Fisheries Agency or OFCF official. Katsuo maguro-tsushin, No.6985, re-printed in FFA News Digest, No.3/94, May-June 1994, p.3.

55 Interviews with Fisheries Agency and MOFA officials revealed that a movement was underway within MOFA to bring about the merger of the fisheries grant aid and general grant aid categories. This is being resisted by the Fisheries Agency, although a former Director General of the Fisheries Agency observed that even if a merger was instigated, the decentralised decision making structure of the aid bureaucracy would ensure that the Fisheries Agency continued to control fisheries aid policy. Interview, Tokyo, June 1993. MOFA officials have argued that the special grant aid for fisheries is no longer justified on the grounds that it does not have the effect of promoting Japan’s diplomatic interests in this area. The Fisheries Agency view is that this aid is effective, and MOFA is simply...
There is overlap in the jurisdiction of MOFA and the Fisheries Agency with respect to fisheries aid policy and the conduct of fisheries diplomacy in general (that is, negotiations with other states on access agreements and international treaties). This area of diplomacy also happens to be a major part of the relationship between Japan and the Pacific island region, if not the most contentious. Policy is thus dependent upon the extent of inter-ministry coordination, in particular between the Oceania Division and the International Affairs Division of the Fisheries Agency.56

A unique feature of the structure of the Fisheries Agency is the office of the Special Advisor to the Minister on fisheries matters, a post created in 1977 to undertake negotiations with countries, mainly in the Pacific (Oceania), on access agreements. It is a position that enjoys considerable autonomy and influence. The role of this Special Advisor has also been to define policy on fisheries grant aid, in the context of linking aid and access negotiations (as discussed in more detail in Chapter 5).

The Fisheries Agency also has an equivalent to ECFA — the Overseas Fisheries Consultants Association (OFCA). Established in 1989, OFCA subsidises project surveys in recipient countries by member companies and undertakes project design work. It has 65 ‘supporting companies’ including consultant groups, construction and engineering firms (specialising in boat building, engines, ice makers and fishing gear) and trading companies. OFCA carries out project identification work in the Pacific island region, but only at the request of the OFCF.57

**Overseas Fisheries Cooperation Foundation (OFCF)**

The OFCF was created in 1973. Its status, unlike that of JICA, is a semi-government, non-profit organisation. However, funding is almost entirely from the Fisheries Agency budget.58 The relationship between the OFCF and the Fisheries Agency is similar to that between MOFA and JICA; that is, policy making power lies with the Fisheries Agency and responsibility for implementation lies with the OFCF. The processes of *amakudari* and cross-posting are also evident: the President of the OFCF is a senior hostile to the concept of a grant aid category that supports a special interest group and is controlled by an agency other than MOFA. Interviews.

56 Negotiations on access agreements are usually led by Fisheries Agency officials. In other fisheries negotiations (such as policy relating to drift netting) which are led by MOFA officials, the *taisho hoshin* or instructions for the delegations are drafted by the Fisheries Agency, in consultation with MOFA. In addition to the Oceania Division, the main policy maker in MOFA in the area of fisheries and Law of the Sea is the Ocean Division, in the Economic Affairs Bureau.

57 Interview, OFCA, Tokyo, June 1993; documents provided by OFCA. It was suggested in this interview that because of the ‘sensitivity’ of fisheries relations with the Pacific island countries, the Fisheries Agency wanted to ensure that fisheries grants would only be provided to countries in the region with access agreements with Japan; hence the coordination of OFCA’s activities by OFCF.

MAFF official, the Senior Executive Managing Director is from MOF and the Executive Managing Director is from the Fisheries Agency.\textsuperscript{59}

The OFCF was established in 1973 as a joint initiative of the Fisheries Agency and industry groups. It aimed to subsidise cooperation between Japan’s distant water fishing fleets or trading companies and coastal states. For example, joint ventures were promoted through the provision of soft loans. JICA has a commensurate department, the Development Cooperation Program, that assists the private sector in carrying out development cooperation activities. This is the one area where a formal division of labour exists between the OFCF and JICA. The OFCF has increasingly assumed other functions similar to that of JICA: trainees to Japan, dispatch of instructors and experts, and equipment supply. Recipients either directly request OFCF assistance or channel requests through a Japanese private sector or industry group. Approval of such requests is given or decided by the Fisheries Agency (see Figure 3.3).

\textbf{Figure 3.3} Flow Chart of OFCF Cooperation.

![Flow Chart of OFCF Cooperation](image)

\textit{Source: OFCF, Overseas Fisheries Cooperation Foundation, 1993, p.2.}

In the case of the Pacific island countries, the OFCF is involved in grant aid project identification work. This work is sometimes contracted out to private consulting firms. Procedures subsequent to the receipt of a request are coordinated by JICA. The OFCF, which established a regional office in Fiji in 1990, also undertakes maintenance and repair of fisheries grant aid projects, delivered by JICA.\textsuperscript{60}

\textsuperscript{59} Interview, Executive Managing Director, OFCF, Tokyo, June 1993.

\textsuperscript{60} This is the only regional office established by the OFCF outside Japan. It underscored the importance of the region to the Japanese fishing industry and the Fisheries Agency. In general, the Pacific island countries are the highest priority of the OFCF. This was the personal view of the President of the OFCF, in a meeting with the author, Tokyo, June 1995. Details and dimensions of this cooperation to the region are given in Chapter 5.
The above survey of the role of key ministries and agencies in grant aid reveals the ways in which coordination is promoted within the bureaucracy. Policy making, especially at the project level, proceeds on the basis of consultation among a variety of ministries, agencies and departments. That is an essential feature of the project cycle. Authorisation for aid to be allocated is required from at least MOF and MOFA, but also, less formally, from other economic ministries such as MITI and MAFF.61

The need for additional staff to administer grant aid has led MOFA to rely on secondments (cross-posting) both from within the bureaucracy and the private sector. This process (together with amakudari) also promotes consultation and coordination. The case of the Fisheries Agency placing an official in the Grant Aid Division of MOFA is illustrative of this process.

Most importantly, the delegation of authority, which is a direct result of this process, helps promote the decentralisation of power inherent in the aid system. It allows the Fisheries Agency, for example, to undertake crucial tasks in the formulation and implementation of fisheries aid policy. It thus follows that policy may be shaped around the priorities and objectives of the Fisheries Agency. This is reinforced by the existence of special aid agencies that direct and deliver technical cooperation and grant aid.

Paradoxically, though, these additional channels for aid delivery create conflict within the aid system and counteract the forces of integration. JICA and the OFCF are examples of essentially competing aid organisations. Both carry out the same type of cooperation, the only difference being that JICA's scope of activities is not confined to the fisheries sector. But there is very little coordination or consultation between the two.62 Attempts to initiate dialogue between the two agencies in 1993 did not lead to any new commitment to coordinate activities.63 The fact that the Fisheries Agency has the OFCF under its complete discretion also means that, unlike JICA, there are no conflicts of interest as to the direction and use of aid. Policy may be tailored entirely to the interests of the fisheries industry. There is thus more incentive for the Fisheries Agency to concentrate resources and policy on the OFCF rather than deal with JICA.

61 Other ministries also play key roles. They can provide expertise in a special area in the formulation and design of aid projects. These ministries also fill key places on project design missions and have close ties with consultant groups. See JICA, Basic Design Studies.

62 This mirrors what has been observed in the case of JICA and the OECF, that there is 'almost no cooperation between JICA and OECF in the field'. Robert M. Orr Jr., The Emergence of Japan's Foreign Aid Power, p.50.

63 From interview, Director Fisheries Cooperation Division, JICA, Tokyo, May 1993. It appears that the problem lies in the way the Fisheries Agency prefers to use the OFCF as its own aid delivery organisation, and does not want to compromise its authority in this area (or its policy objectives) by merging, or coordinating the OFCF's activities, with those of JICA.
The creation of the special grant aid for the fisheries category also strengthened sectional division within the aid system. Although fisheries aid is still subject to the same consultation and ringi system as other grant aid, the fact that a special budget exists for fisheries grants (not to mention the purpose for which it was introduced in 1973) has given the Fisheries Agency more discretion over this area of aid policy and made it less subject to budgetary politics in general.

Despite the discretionary power that the Fisheries Agency enjoys, there are nevertheless problems of reconciling its policy priorities with those of MOFA. For the latter, fisheries grant aid should not be confined to questions of fisheries access, but be concerned with broader diplomatic and development goals. This is reflected in the declaratory statements on fisheries grant aid that are attributed to MOFA and JICA.64

There are also fundamental problems of duplication and ‘contested’ jurisdiction. This is a key issue in the study of Japan’s aid towards the Pacific island states, where Japan’s diplomacy has been dominated by fisheries issues. Fisheries Agency officials and the OFCF generally take the initiative on fisheries aid matters. But Pacific island states see MOFA as the arbiter of Japan’s foreign policies and, in the event of disputes over fisheries aid policy, usually channel their grievances to MOFA, who then must resolve differences and ‘smooth over’ relations. This leads to tension in relations between MOFA and the Fisheries Agency.65

Tensions also arise due to lack of consultation between MOFA and the Fisheries Agency on more general foreign policy initiatives. The Kuranari Doctrine, which is analysed in Chapter 6, was an initiative of MOFA that encompassed Japan’s overall relations with the Pacific island region. It had a direct bearing on regional expectations concerning Japan’s cooperation on fisheries policies. The Fisheries Agency was neither included in policy deliberations nor consulted about the initiative. It thus took a dim view of the policy and its impact on Japan’s relations with the region.

While procedures encourage both intra-ministry and inter-ministry coordination, the basis for conflict and rivalry also exists. In order to strengthen particular interests and promote policy agendas, ministries may focus on coordination of aid policy along economic lines with the private sector. The case of the Fisheries Agency and OFCF illustrates this coordination. But this has the effect of weakening policy coordination within the bureaucracy. Sectional divisions within the bureaucracy are both reflected in

64 This is examined in chapter 5. For an example of MOFA policy, see statement in Roman Grynberg, ‘The Tuna Dilemma’, Pacific Islands Monthly, May 1993, pp.9-11.

65 In general, MOFA does not publicly acknowledge political or economic self-interest as factors motivating Japan’s aid program. In fact, any suggestion of self-interest or quid pro quo is taken as criticism and thus viewed as damaging to Japan’s image and reputation. MOFA is usually quick to respond to media reports that make such suggestions or allegations. It should be noted that privately MOFA officials are less apt to use rhetoric and generally support the more pragmatic bases of Japan’s ODA.
and aggravated by ‘vertical integration’ between ministries and respective private sector firms and associations.

THE PRIVATE SECTOR AND MINISTERIAL LINKS

In general, aid policy is the preserve of the central bureaucracy in Tokyo. But in practice, policy relies on the input of actors outside the bureaucracy. The most important of these is the private sector. A key factor in the decision making process is the identification of suitable projects in developing countries that conform to the procedures and guidelines discussed earlier. This is the stage where the private sector plays a leading role. Through links with relevant private sector bodies (such as consulting firms), ministries may extend their influence over aid policy making at this level.

Most ministries have established special consulting organisations to liaise with private sector consulting firms and support and subsidise the task of undertaking project identification work in developing countries. These include ECFA under MITI, the OFCA under the Fisheries Agency, the Telecommunication Engineering and Consulting Services under the Ministry of Post and Telecommunication, and the International Engineering Consultants Association under the Ministries of Construction and Transport. These semi-government organisations are essentially channels for streamlining project development.

The bias in favour of infrastructure projects in Japan’s ODA (both grants and yen loans) may be explained in part by the fact that the emphasis of these organisations is on engineering work. These consulting bodies in turn represent and coordinate private sector consulting organisations and firms (sometimes subsidiaries of large corporations) active in the developing countries. The knowledge of these firms is invaluable in the identification and formulation of projects. Upon receipt of a request, the same firms may tender for the contract to implement the project.66

MOFA does not have an equivalent consulting organisation and in general its links with the private sector are limited. It also lacks staff with expertise of the developing countries. This is the main reason it relies on other ministries and their related private sector organisations to facilitate the development of projects. Thus its influence over this aspect of the aid process may be minimal, with the groundwork being laid before MOFA becomes involved.67

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66 It has been widely observed that the request-based aid process in fact promotes Japanese private sector involvement in the identification of projects since many developing countries are unable to come up with suitable projects on their own.

67 MOFA may influence policy in terms of the emphasis on different types of projects — for example, basic human needs.
In general, coordination between government and the private sector on aid policy is made possible by the close links between ministries and industry associations, consulting firms and trading companies in related areas. On fisheries grant aid policy, coordination of industry and government interests is generally facilitated by close consultation and government regulation. In this context, the line between the private sector and government is often obfuscated by the existence of intermediate organisations that link sections of the government and the private sector. These include the consulting firms noted above. They also include industry lobby groups and associations.

The key industry lobby group in the fisheries sector is the Japan Fisheries Association. Established in 1882, the Japan Fisheries Association (JFA) has represented the interests of the fishing industry at the national level. It undertakes research, promotes information exchange, petitions the Diet and government ministries and agencies, and develops policy recommendations. The JFA plays a mediating role by both harmonising the diverse interests of its members and fostering close cooperation between the government and the industry. Its membership comprises major trading companies, producer and labour organisations, and fisheries cooperatives. But its leadership is both government (former Fisheries Agency officials) and industry. The President is a former Director General of the Fisheries Agency and a Vice-President is a former Special Advisor to the Minister on fisheries matters.

Development cooperation in the fisheries sector is undertaken by various cooperatives and firms affiliated to the Japan Fisheries Association, with the assistance of the OFCF. For example, Nikkatsuren (the Japan Federation of Japan Tuna Fisheries Cooperatives Association) includes in its prescribed outline of activities ‘taking measures to protect Japan’s historical fishing right within foreign fishing grounds’ and the dispatching of missions ‘to conduct feasibility studies of possible future cooperation for mutual benefit’ with those countries.

Aid policy may be influenced by private sector interests through coordination between the private sector and ministries. But the relationship between the government and private sector is not always smooth or harmonious. Conflict may also occur in the event that government chooses not to support a particular industry or private sector

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68 Industry is highly regulated and depends on the Fisheries Agency for a range of supportive measures (such as subsidies), as well as fishing licences and other controls.

69 This reflects the process of amakudari. Other Vice-Presidents (there are 7 altogether) include the Presidents of Japan’s main trading companies and fisheries cooperatives. Japan Fisheries Association, *Fisheries of Japan*, 1991.

70 Nikkatsuren, publicity material. Details are given in Chapters 4 and 5.
interest.71 A key factor in shaping government-private sector policy coordination is the role of politicians. More precisely, government ministries count on political backing to push through a policy initiative. This backing in turn may depend on the political support that an industry is able to muster, through its electoral lobby, financial contributions and other political donations. The role of politicians in aid policy as a whole is not significant. But in respect to particular issue areas, it may be crucial.

THE ROLE OF POLITICIANS IN THE AID POLICY PROCESS

It has already been noted that aid policy is primarily the preserve of the bureaucracy. Neither the legislature nor executive provide leadership; and neither play a proactive role in defining Japan's aid policies. This reflects the more long-standing relationship between politicians and bureaucrats, with the former playing a supportive role; their level of involvement in policy making often dictated by constituent interests.72

While individual politicians may be very influential, especially the faction leaders in the former ruling Liberal Democratic Party (LDP), generally politicians act through parliamentary and party committees or policy groups known as zoku (tribe or caucus). Due to the long reign of the LDP as governing party, most LDP Dietmen developed expertise in a particular area of policy.73 They are thus known as zoku giins. Their interest and expertise has been extended to aid policy since this is a growing budget and is generally sector oriented (corresponding to the domestic economic domains of construction, telecommunications, health, agriculture and fisheries industries).74

Bureaucrats who want to press for a new aid policy or aid package that requires Cabinet approval will often consult with the specific zoku and through that process of

71 This should not be surprising given the fact that within one industry, there may be intense competition and rivalry; and conflicting interests and policy priorities. The case of the fisheries sector in Japan reflects these problems, which are elaborated in more detail in Chapters 4 and 5.

72 While there continues to be debate about the power of the politicians versus the bureaucracy in Japan, the recent trend in academic studies has tended to argue that politicians, specifically the Liberal Democratic Party, were assuming more of an equal partnership with, if not leading, the bureaucracy. See collection of studies in Gary D. Allinson and Yasunori Sone (eds), Political Dynamics in Contemporary Japan. It is not clear how this stands in the light of the present shifting political alliances in Japan. For foreign policy in general, and aid policy in particular, there is agreement that policy making prerogative lies with the bureaucrats.


74 It is important to note that politicians who are affiliated to a special policy area may try to influence aid policy decisions in line with their special interests. This can mean lobbying the potential recipient government to request projects that fall within their ‘jurisdiction’. Some bureaucrats are critical of this role because it may distort the aid relationship with the recipient. Interview, Former Director General of the Fisheries Agency, June 1993.
consultation (or nemawashi) they may secure Cabinet support.\textsuperscript{75} Often this serves to put pressure on MOF, which is resistant to increasing resource allocations.\textsuperscript{76} There is also an LDP aid committee, the Special Committee for External Economic Assistance and, since December 1988, a Ministerial Conference on ODA, also initiated by the LDP to ‘overcome bureaucratic tangles and expand the LDP’s influence over aid policy’.\textsuperscript{77}

The aid bureaucrat prefers not to acknowledge contact with or pressure from politicians (or politicians’ aides). Officials generally maintain that political pressure was more frequent in the past and to the extent that it does occur now they will not bow to pressure. Rather, projects are chosen on the basis of their quality as 'good' projects.\textsuperscript{78} This refers to the policy guidelines described earlier. But it overlooks the fact that diplomatic and special interest considerations are factored into the aid decision making process. These compete with budgetary and other bureaucratic considerations.

Decisions concerning aid disbursements are usually made prior to the formal involvement of the Diet or Cabinet. MOF presents its aid budget as a \textit{fait accomplis} to the Diet, which simply approves it as part of the total General Account Budget.\textsuperscript{79} Later, individual projects are sent to Cabinet for approval prior to the signing of the Exchange of Notes with the recipient government but little debate is generated at this point either. Executive and legislative powers do of course reside in the Cabinet and Diet respectively and they may assert themselves over particular policy issues. This occurs if constituent interests are at stake or if public opinion about an issue is particularly heated (for example, as a result of press exposes of corruption as occurred with the Marcos scandals). Executive and legislative intervention also occurs when international opinion (for example, the US or Group of Seven) is pressing for action. This may result in emergency aid packages, aid policy innovation and the sweeping five-year aid doubling plans that have pushed up Japan’s aid flows since the late 1970s.

In general, lobbying of the bureaucracy by politicians takes place when individual projects are being considered for approval. Bureaucrats, in turn, need to ensure the smooth adoption of policies decided upon and this depends on the process of consultation or nemawashi. Insofar as there exists a \textit{quid pro quo} relationship

\textsuperscript{75} Nemawashi (paving the way for a policy decision) is a term derived from a Japanese gardening technique where a tree is prepared for transplanting by careful binding of the roots over a period of time. If carried out with patience and care, it results in a healthy transplanted tree.

\textsuperscript{76} This was the case with the introduction of fisheries grant aid. The policy system as described here operated under the ruling LDP (which lost power in July 1993 after 38 years in office). Under that system, a central role of ‘clearing house’ was played by the LDP Policy Affairs Research Council (PARC). For details of the policy making system in general, see Ellis Krauss, ‘Politics and the Policy making Process’, pp.51-2.

\textsuperscript{77} Robert M. Orr Jr., \textit{The Emergence of Japan's Foreign Aid Power}, p.22.

\textsuperscript{78} Interviews, Grant Aid Division, MOFA, December 1992 and February 1993.

\textsuperscript{79} Grant aid is funded from the government’s General Account Budget.
between politicians and bureaucrats, bureaucrats may facilitate policies important to politicians and in exchange politicians avoid causing problems for bureaucrats (for example, stalling or sabotaging the passage of specific policies).

The process of formulating and adopting the Aid Charter in 1992 required close collaboration between the bureaucracy, especially MOFA, and the Diet. This was also an example of the use of former bureaucrats in special policy groups to boost the position of MOFA. The Aid Charter remains a bone of contention as some politicians would prefer something more stringent (that is, an aid law) and some would also support a new ministry for ODA. This is strongly opposed by MOFA.

An aid law would require prior Diet approval for ODA disbursements, something which MOFA rejects as unworkable. A senior official in the Economic Cooperation Bureau argued that the idea of an aid law is not acceptable because it would be too rigid, saying: 'We need to be able to respond flexibly to different situations'. MOFA also rejects the idea of a separate aid ministry or agency. According to an official in the Grant Aid Division, MOFA is best able to judge the political and diplomatic interests of Japan and how to promote these with ODA. It can thus provide a more coherent framework and rationale for ODA.

Politicians may make representations on behalf of recipient governments with whom they have close ties. For example, some politicians belong to Dietmens Groups that promote relations with a particular country. Another forum where ties between Japanese politicians and other governments are cultivated is the Asia Pacific Parliamentarians Union (APPU). At the annual meetings of the APPU, it is not uncommon for parliamentarians from recipient countries to solicit aid informally from their Japanese counterparts.

Politicians may also lobby on behalf of individual contractors or firms who have identified and formulated a project and stand to benefit from its execution. In exchange, the politician would receive a gift, such as contributions towards election funds.

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80 Interview, Director, Research and Programing Division, MOFA, October 1992.

81 Interview, Grant Aid Division, MOFA, May 1993. In other interviews, aid officials in MOFA supported this position.

82 In the case of the Pacific islands, such groups exist for Papua New Guinea, Palau and the Federated States of Micronesia.

83 This began as the Asian Parliamentary Union in 1965, essentially to forge close ties between non-communist Asian countries. Japan was a leading member of the organisation. With the admission of Nauru in 1978, it became the Asian Pacific Parliamentary Union. Most Pacific island countries are now members and attend its regular meetings (two conferences and one general assembly each year). Charter and By-Laws of the APPU.

84 The importance of ODA as a source of political funds was noted by a number of Japanese observers and ex-government officials interviewed by the author. According to a former Director General of the Fisheries Agency, 'aid is a tempting target of politicians (because) it is a source of many job
Politicians are also likely to lobby on behalf of an industry within their constituency, which may benefit from aid contracts, exports derived from aid contracts, or licenses for logging, fishing or mining in a recipient country, which are awarded because of, or are otherwise related to, the disbursement of aid.85

Although there are mutually beneficial ties between politicians and their local constituents in dealing with day to day issues and problems, the status of politicians in Japan has often been tarnished by revelations of corruption and other scandals. In such cases, politicians are seen to be primarily concerned with promoting their re-election prospects and sheltering business and other special interests.86 This is reflected in the relative power balance between the Diet and bureaucracy. More generally, the role of politicians is shaped by the nature of the Japanese electoral system, which reinforces what Kent Calder described as the ‘factional, particularistic, distributive orientation’ of Japanese politics.87

In the context of aid policy making, politicians may be a key link between the bureaucracy and private sector and add weight to a particular decision. Their effect, however, is to strengthen coordination along sectional lines between the bureaucracy and the private sector, rather than within the bureaucracy. The Prime Minister and Cabinet may exercise more encompassing powers but as a rule strong political leadership on aid policy is not evident. This allows for bureaucratic prerogative and discretion to prevail.

ROLE OF ADVISORY COUNCILS AND STUDY GROUPS

One aim of the decentralised aid system is to ensure that individual decision makers do not act single handedly but instead work to build a collective position.88 While

opportunities and procurements. If politicians can exercise jurisdiction over aid programs, they can claim responsibility for benefits flowing from aid and earn a lot of gratitude’. Interview, June 1993.

85 The fishing industry in Japan has been supported by politicians who come from areas in Japan where the industry is most entrenched. Former Prime Minister Zenko Suzuki was a key advocate for fisheries grant aid largely because he came from Iwate Prefecture, a base for the distant water fishing industry in Japan.

86 Public confidence in politicians plummeted with the revelations of the Tokyo Sagawa Kyubin scandal in 1992 and 1993. That implicated a leading LDP politician (Shin Kanemaru) in bribery charges and revealed his links with organised crime. The scandal contributed to the defeat of the LDP in the July 1993 election. For an example of public opinion at this time see ‘TV Asahi Poll: All Politicians are Crooks’, Asahi Evening News, 18 March 1993, p.4


88 According to Pye, Japanese decision making contrasts with the ‘Western model of executive command and control’ because leadership is more subtle and nuanced rather than assertive. ‘The first and all-consuming obligation of leadership is to maintain group morale and above all not to impose an
procedures do not preclude individual initiative and action (as the analysis of Japan’s policies in the Pacific island context demonstrates) they may hinder and constrain action, especially the translation of declarations into policy practice.

The process of consultation and consensus building is particularly crucial to MOFA since it lacks a significant domestic power base and, as one scholar observed, ‘often must compensate for this weakness by other means’. 89 A key aspect of the aid policy process, especially when new initiatives are being formulated, is to incorporate the recommendations of shingi kai (government advisory councils) and kenkyu kai (study groups). The role of the shingi kai and kenkyu kai is to lend legitimacy to government recommendations through gaining the ‘impartial’ and respected support of scholars who, together with former senior bureaucrats, generally make up these councils and groups.

It is important not to overstate the influence of these study groups and councils. Rather than set the direction of policy, they tend to support and give substance to policies and agendas already advocated by sections of the bureaucracy. Occasionally, they may not have any input at all but simply be a political exercise. This mirrors what Rix observed: ‘Most advisory councils were to some extent controlled by the officials of the ministry to which they were attached. This could emasculate a potentially active council or it could add legitimacy to policies which originated in the ministry itself’. 90

The case of the Aid Charter illustrates the process of consensus building and consultation in the context of planning and developing an aid policy initiative. Chapter 7 discusses the impact of this Charter on the aid policy process. For now, attention will focus on the process of formulating and adopting the Charter.

On 30 June 1992, the Japanese Cabinet adopted the ODA Charter. This policy was an elaboration and formalisation of four principles originally laid out by Prime Minister Toshiki Kaifu in April 1991 in a speech to the Diet 91. The principles that would henceforth guide Japan’s ODA policy according to the Charter were promotion of environmental conservation alongside development; avoidance of the use of ODA for military purposes or when international conflicts would be aggravated; consideration of recipients’ levels of military expenditure and development of weapons of mass destruction; and consideration of recipient efforts to promote democratisation and basic human rights, as well as the promotion of market economies. The Charter also

independent will or even to determine policy directions’. Lucien Pye, Asian Power and Politics: The Cultural Dimensions of Authority, Harvard University Press, MA., 1985, p.171. It is important to note that consensus does not necessarily mean agreement; rather, it refers to acquiescence, often with the expectation that trade-offs are implicit.

89 Robert M. Orr Jr., The Emergence of Japan’s Foreign Aid Power, p.138.

90 Alan Rix, Japan’s Economic Aid, p.103.

91 MOFA, Japan’s ODA, 1991 Report, p.44.
set out its priority region and issues. It highlighted the East Asian countries, especially the members of ASEAN and, among issues, emphasis was given to global problems (environment and population), basic human needs, human resource development, infrastructure development and structural adjustment. The Charter also listed measures for effective implementation of ODA including policy dialogues with recipients and other donors, maintaining close ties with the private sector and the links between investment, trade and ODA.92

The ODA Charter is a core component of MOFA’s efforts at reforming the aid policy process, essentially to enhance public support for ODA. It was also a (pre-emptive) response to Diet pressure which threatened MOFA’s control over aid policy.93 While political pressure for aid policy reform can be traced back to the 1970s,94 the immediate catalyst to the ODA Charter was Prime Minister Kaifu’s Four Principles of April 1991. The context of this speech was the changing international political situation, in particular G-7 pressures to apply aid for the purpose of helping democratisation in Eastern Europe and peacekeeping (especially in the aftermath of the Gulf War). Beyond external influences, domestic pressures had been building. Corruption scandals had given momentum to calls for greater openness and reform.95

An LDP-based think-tank, the Forum for a Liberal Society, published a report in June 1989 titled An Aid Concept for Asian Stability and Development. According to one writer, this inspired Kaifu’s first reference to ODA principles, in a speech to the Diet in March 1990.96 The government’s Administrative Reform Promotion Council (representing all government ministries) carried the aid initiative further when, in December 1991, it submitted a report to Cabinet in which it recommended, inter alia, an ODA ‘general outline’, including basic principles and regional policies.97 This was endorsed by Cabinet, which passed on further consideration of the recommendations to another government policy group, the Council of Foreign Economic Cooperation. This

92 MOFA, Japan’s ODA Charter (Unofficial translation), 30 June 1992.

93 It has been suggested that in order to rationalise more aid spending to MOF, it was necessary for MOFA to shore up public support for ODA. Bruce M. Koppel and Robert M. Orr Jr., ‘A Donor of Consequence: Japan as a Foreign Aid Power’, in Koppel and Orr (eds), Japan’s Foreign Aid: Power and Policy in a New Era, Westview Press, Boulder, 1993, p.7.

94 See Alan Rix, Japan’s Foreign Aid Challenge, pp.92-3.

95 In 1989, a critical NGO movement in Japan (People’s Plan 21) formulated a People’s Charter on ODA as well as a Proposed Fundamental Law of International Development Cooperation, Documents 1 and 2, in Kasarinlan, pp.93-100.


97 Hisane Masaki, ‘Foreign aid charter urged’, The Japan Times, 1 January 1992. As Rix has noted, the idea of an Aid Charter is just one of the proposals made by the Administrative Reform Promotion Council. Alan Rix, Japan’s Foreign Aid Challenge, p.89.
Council was chaired by former Foreign Minister and then government adviser, Dr Saburo Okita. The report of that Council, completed in May 1992, elaborated on the 'topics and philosophies' to be incorporated in the 'General Principle of Official Development Assistance' to be established by government. It is this report which most closely resembles the final version of the ODA Charter.98 The Okita report was then deliberated by the Ministerial Conference for External Economic Cooperation before being adopted by Cabinet on 30 June 1992.

The above process reflects the importance of consultation and building consensus, especially through inter-ministerial discussion. But this was also a process that screened out more radical proposals.99 The ODA Charter was the product of input from various councils, ministries and Cabinet. Coordinating this process (and with most at stake, given calls from some sectors that a new Aid Ministry be created and/or that an ODA basic law be adopted) was MOFA and the Economic Cooperation Bureau in particular. One of the divisions closely involved in formulating the policies was the Research and Programming Division of the Economic Cooperation Bureau.

In developing the Kuranari Doctrine on aid to the Pacific island countries, MOFA (specifically the Oceania Division) sought to build consensus and support around its diplomatic initiative by incorporating the recommendations of study groups and think-tanks (as described in Chapter 6). MOFA policy on relations with the Pacific island region has generally been based on the 'expert advice' of scholars and ex-bureaucrats.

There are several organisations and groups carrying out policy research on the Pacific islands (see Table 3.2). Their work is usually commissioned by the ministry or agency to which they are affiliated, and reports subsequently feed into the policy development being carried out by the ministry. The membership of these groups tends to overlap, especially in terms of the scholars that are included. This reflects the small pool of academics interested in the region, as well as the lack of widespread political or private sector interest in the region.

Bureaucratic sectionalism is also a factor in the work of these groups. As with the private sector linkages described earlier, links between ministries and think-tanks seem to be structured against coordination. This is despite overlap in their activities. The Fisheries Agency and the OFCF carry out their own research, although there are cases where the OFCF has commissioned the Japan Micronesia Association to undertake economic studies of the Pacific island countries. In general, reports

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commissioned by one ministry or agency will not be shared with other ministries or agencies.\textsuperscript{100}

Table 3.2  Japanese Think-tanks and Policy Groups Working on Pacific Island Affairs

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Affiliation</th>
<th>Membership</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan/Micronesia Association</td>
<td>MOFA (est. 1974)</td>
<td>Scholars</td>
<td>Research; networking</td>
</tr>
<tr>
<td>FAIR(a) Committee for Oceania</td>
<td>MOF (est. 1986)</td>
<td>Scholars, bureaucrats, private sector ex-JETRO(b)</td>
<td>Research; networking</td>
</tr>
<tr>
<td>Japan-South Pacific Economic Association</td>
<td>MITI</td>
<td></td>
<td>Research; networking</td>
</tr>
<tr>
<td>Pacific Society</td>
<td>Private sector (est. 1978)</td>
<td>Scholars</td>
<td>Research; networking</td>
</tr>
<tr>
<td>JICA regional study group</td>
<td>JICA (est. 1991)</td>
<td>Scholars</td>
<td>Ad hoc committee to review aid policies to Pacific island countries</td>
</tr>
<tr>
<td>Japan Committee for PECC(c) Pacific islands sub-committee</td>
<td>MOFA (est. 1989)</td>
<td>Scholars, MOFA</td>
<td>Facilitate Pacific island ties with PECC</td>
</tr>
</tbody>
</table>

Notes: (a) Foundation for Advanced Information and Research. (b) Japan External Trade Organisation. (c) Pacific Economic Cooperation Conference.

Source: Interviews, Tokyo.

CONCLUSION

This chapter has analysed bureaucratic and procedural foundations of Japan’s aid policies. As Arase argues, coordination between the bureaucracy and private sector is facilitated by private sector integration into the aid policy system and through bureaucratic decentralisation and power sharing.\textsuperscript{101} This paves the way for different policies to be developed by different ministries. But while there is coordination of government and private sector interests, coordination between ministries is more problematic. Power, or at least authority, over aid policy is an important basis for building ministerial influence, which tends to create the basis for political rivalry. There are also fundamental differences between ministries in their respective views of the purpose and use of ODA. Most marked are the differences between MOFA (concerned

\textsuperscript{100} Interview, Director, Japan Micronesia Association, Tokyo, March 1993. He also described an incident where MITI disputed the sub-contracting of a study of the economic situation in Fiji by the Japan South Pacific Economic Cooperation Association to the Japan Micronesia Association. MITI objected to its funds going to a MOFA organisation.

\textsuperscript{101} David Arase, ‘Private-Public Sector Interest in Japan’s ODA’.
with political and diplomatic interests) and the more economic and sector oriented ministries (for example MITI and the Fisheries Agency).

Lack of policy coordination is a direct result of these differences and rivalries. But as Rix and Orr argue, coordination problems also result from an absence of a ‘political centre’ for aid policy making and from overlapping jurisdictional spheres.\textsuperscript{102} Policy making structures (especially implementing agencies, consultant bodies and even think-tanks) reinforce the fragmentation and sectionalism within the bureaucracy. The decentralised decision making system and lack of a strong executive leadership to initiate policy change and innovation also contribute to the reactive nature of Japan’s aid policies.

Policy procedures have, in part, evolved to accommodate the competing claims to power over ODA. They allow for many policy actors to influence decisions (especially in the project cycle) and various levels at which policy may be influenced. Recipient governments may also lobby different parts of the aid bureaucracy in order to influence decisions about aid allocations. But to the extent that these procedures support political interests within the bureaucracy, they also complicate and constrain the development and implementation of aid policy; reinforcing rigidity and conservatism. This is a point that later analysis of Japan’s aid diplomacy demonstrates. While procedures have been described as contributing coherence and predictability to aid policy, it is important to note that procedures underlying grant aid policy, at least, are not always objective. Procedures reflect political interests and may be used as political tools by policy makers.

In the next chapter, attention turns to the issues and events that motivated or influenced Japan’s emergence as an aid donor to the Pacific island states. The discussion focuses on Japan’s fisheries interests and charts the problems and challenges confronting Japan in the region over time.

\textsuperscript{102} Alan Rix, \textit{Japan’s Economic Aid}; Robert M. Orr Jr., \textit{The Emergence of Japan’s Foreign Aid Power}.
4 Japan and the Pacific Islands: The Evolving Fisheries Agenda

The Pacific island region is a principal focus of Japanese interests as a distant water fishing nation. Since the 1960s, the operations of the Japanese fishing fleets have faced a series of external challenges. These have been both global (the Law of the Sea Convention) and regional. This chapter examines these challenges and the problems they posed for Japan. The aim of the chapter is to highlight the main interests and issues that have motivated and shaped Japan’s fisheries aid diplomacy.

Japan’s fisheries interests are analysed first in the context of the Law of the Sea negotiations, and then in the context of strengthening regional cooperation between the Pacific island states, US fisheries policy and the rise of the environmental lobby. Compounding the problems at the international and regional level are the internal difficulties facing the industry. These include declining economic competitiveness of Japanese fleets, scarcity of crew, and a shift away from fishing activities by Japanese trading firms to become mainly overseas based processors and exporters.

This study highlights the interface between US and Japanese interests in the regional context — as competing fishing powers. Direct and indirect pressure on Japan by the US has boosted the collective diplomacy of the island states especially in conflicts with Japan. The study also shows how the Japanese government has, over time, promoted various measures to facilitate adjustment in the industry. But current problems have led to divisions in the Japanese fishing industry and forced increasingly difficult choices on the government.

JAPAN’S POSTWAR FISHERIES EXPANSION

In 1952 the last of the MacArthur lines, restricting the movement of Japanese fishing vessels in Southeast Asian and Pacific waters, was lifted. The MacArthur lines delineated the outer maritime boundaries for the operation of Japanese vessels. The Japanese government thereafter sought to encourage distant water fisheries, especially in tuna and skipjack production, in order to meet the nation’s food needs and diversify away from more fully exploited coastal fisheries. Government measures included financial support

1 A distant water fishing nation denotes a nation some of whose fishing fleets operate well beyond the nation’s own waters.

for construction of larger fishing vessels. In order to increase production further, the
Japanese government also adopted a policy of switching licences away from other
fisheries to tuna and skipjack vessels. The government’s policy of ‘from coast to off­
shore, from off-shore to distant waters’ saw fisheries production grow rapidly: in 1955 it
reached its prewar peak of 4.33 million tonnes. By 1960 fisheries production was 6
million tonnes and, by 1968, 8 million tonnes.4

Tuna production grew more quickly than overall fisheries production, reflecting
strong growth in both domestic and foreign demand. Tuna production (not including
skipjack) increased from 5,000 tonnes in 1950 to 20,000 tonnes in 1955 and peaked at
50,000 tonnes in 1960. The number of tuna fishing vessels (over 20 GRT) grew from
1,104 in 1958 to 2,975 in 1967.5 Government regulations defined fishing zones for tuna
vessels of different size and class. These in effect restricted the operations of some
vessels to waters of the western Pacific. For distant water operations (vessels over 100
GRT), there were no restrictions and operations spread into the Pacific and beyond.
While longline operations were continuous in the western central Pacific starting in the
1950s, pole and line vessels expanded more gradually into this part of the Pacific and
their numbers did not rise significantly until after 1970.

Distant water vessels mainly targetted the canned tuna market, since they were
unable to preserve their catch due to lack of adequate refrigeration technology. This
required bases in foreign ports, close to fishing grounds. Bases were established in order
to service fleets and to provide points from where tuna could be sold to fish canneries.
By 1962 there were 38 such bases, including 9 in Okinawa, 4 in American Samoa and 2
in the New Hebrides (later Vanuatu). The others were in Southeast Asia (Malaysia,
Thailand, Philippines and Indonesia). By the early 1970s, 14 more bases had been
established: including 3 in Papua New Guinea, 1 in the Solomon Islands and 3 in
Micronesia, then the US administered Trust Territory of the Pacific Islands. In addition,
oil supply bases were established around the Pacific, including Papua New Guinea, Fiji,
New Caledonia and Tahiti. The early 1970s saw joint ventures being established in Papua
New Guinea and the Solomon Islands, which mainly involved pole and line fleets.6

3 The distinction here between tuna and skipjack (although the latter is a tuna) is based on the fact that
Japanese have traditionally treated skipjack as separate from other tuna. In the Japanese market,
skipjack, caught by pole and line vessels, is conventionally smoke dried and used as a food base. Other
tuna (bluefin, yellowfin and albacore) caught mainly by longline vessels are kept fresh or frozen, and
marketed as sashimi. Yoshiaki Matsuda, ‘Postwar Development and Expansion of Japan’s Tuna
Fishery’, p.71.


6 Japanese joint ventures in fisheries were mainly established by large trading companies. These
included Itoh-chu Shoji, which, in 1963, set up a freezing plant in Fiji for buying tuna for export to
By the late 1960s, changes in freezing technology made it possible to transport fresh tuna to Japan. This coincided with growth in domestic demand for fresh tuna (for sashimi) which resulted from rising incomes in Japan. Longline vessels thus increasingly targeted the fresh rather than canned tuna market. This led to a declining demand by longline fleets for foreign bases. In contrast, distant water pole and line operations, which expanded in the 1970s, increased their foreign bases.

The distant water fishing industry was hit hard by the oil crisis of 1973-74. The tuna and skipjack fisheries, which consumed about 22 per cent of all oil used by the Japanese fishing industry in 1974, were compelled to make further adjustments. In general, the fishing grounds of the Pacific became more attractive due to their proximity to Japan. In addition, more economical fishing methods were developed, including purse seining (requiring less fuel, as well as less labour and no bait). Purse seine operations began on an exploratory basis in the early 1970s but did not expand until the 1980s. Table 4.1 sets out the growth and contraction of Japan’s tuna fishing by type between 1951 and 1985.

The major fishing grounds for Japanese tuna and skipjack fleets in the postwar period were in the western central Pacific. This included the waters of Papua New Guinea, Solomon Islands, Gilbert Islands (later Kiribati), Micronesia, Nauru and French Polynesia. The actual catch levels varied by gear type. The Pacific Ocean as a whole accounted for 470,000 tonnes or 86 per cent of Japan’s tuna production in 1975. Of that 54,785 tonnes were caught by Japanese longliners operating within the Pacific island waters, while 107,052 tonnes were caught by Japanese pole and line vessels operating in the region. Japan was the dominant distant water fishing nation in the Pacific. Its nearest competitors were Taiwan and the Republic of Korea. In 1975, Taiwanese longliners caught 18,136 tonnes and Korean longliners caught 33,495 tonnes. There was no pole and line fishing by either country.

Japan and the US. In 1967, it built a cannery in a joint venture with the Fiji government. Taiyo Gyogyo, another trading company, started fishing surveys in the Solomon Islands in 1971 and in 1973 established a joint venture-fishing base. In New Hebrides, the site of the first joint venture operation in 1958, a fishing base comprising freezer, wharf and support facilities was built. The Japanese partners were the Nanyo Boeki Kaisha (NBK) and Mitsui. In Papua New Guinea, the first Japanese fishing enterprise was established in 1967 by Nihon Kinkai Hogei. Three joint ventures were established in the early 1970s. Venture partners included Kaigai Gyogyo, Nihon Suisan and Kyokuyo. Dainihon Suisan kai, Waga kuni kaigai gyogyo kyoryoku no jittai, Suisan Material No.70, 1976.

7 Yoshiaki Matsuda, ‘Postwar Development and Expansion of Japan’s Tuna Fishery’, p.87.


9 Tim Lawson, Status of Tuna Fisheries in the SPC Area During 1991 with Revised Annual Catches Since 1952.
Tuna and skipjack were of special importance to Japan as exports and increasingly as a highly valued domestic food source. As a share of Japan's overall fisheries, tuna longline fleets accounted for one-third of the value of Japan's total distant water fisheries by the beginning of the 1970s. Tuna fisheries were also highly dependent on distant water operations. In 1977, according to one estimate, 48 per cent of Japan's tuna production (and 41 per cent of skipjack) came from areas which would be enclosed by the exclusive economic zones (EEZs) of 54 countries. In terms of overall fisheries, Japan was the world's leading fishing nation. It also had the world's highest per capita consumption of fish products.

Table 4.1 Japanese Tuna and Skipjack Production by Type in Southeast Asian and Pacific waters, 1951-85 (tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan-based tuna longline</th>
<th>Japan-based skipjack pole/line</th>
<th>Tuna longline/motherships</th>
<th>Foreign-based fishing</th>
<th>Purse seine fishing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>90,402</td>
<td>123,349</td>
<td>9,933</td>
<td>0</td>
<td>664</td>
</tr>
<tr>
<td>1955</td>
<td>176,378</td>
<td>127,731</td>
<td>11,727</td>
<td>7,245</td>
<td>15,526</td>
</tr>
<tr>
<td>1960</td>
<td>322,774</td>
<td>102,621</td>
<td>21,716</td>
<td>14,909</td>
<td>14,772</td>
</tr>
<tr>
<td>1965</td>
<td>310,555</td>
<td>179,134</td>
<td>4,251</td>
<td>31,508</td>
<td>18,845</td>
</tr>
<tr>
<td>1970</td>
<td>304,152</td>
<td>221,828</td>
<td>0</td>
<td>8,771</td>
<td>15,663</td>
</tr>
<tr>
<td>1975</td>
<td>260,708</td>
<td>311,612</td>
<td>0</td>
<td>15,379</td>
<td>21,994</td>
</tr>
<tr>
<td>1980</td>
<td>301,986</td>
<td>360,777</td>
<td>0</td>
<td>46,531</td>
<td>82,958</td>
</tr>
<tr>
<td>1981</td>
<td>281,621</td>
<td>282,463</td>
<td>0</td>
<td>14,098</td>
<td>95,955</td>
</tr>
<tr>
<td>1982</td>
<td>287,246</td>
<td>266,743</td>
<td>0</td>
<td>8,661</td>
<td>127,546</td>
</tr>
<tr>
<td>1983</td>
<td>296,671</td>
<td>264,936</td>
<td>0</td>
<td>14,633</td>
<td>163,939</td>
</tr>
<tr>
<td>1984</td>
<td>286,096</td>
<td>343,546</td>
<td>0</td>
<td>15,523</td>
<td>190,438</td>
</tr>
<tr>
<td>1985</td>
<td>304,564</td>
<td>222,005</td>
<td>0</td>
<td>na</td>
<td>189,935</td>
</tr>
</tbody>
</table>

Source: Adapted from Yoshiaki Matsuda, 'Postwar Development and Expansion of Japan's Tuna Fishery', p.83.

The above discussion has established the importance of the fishing industry to Japan and the dependence of Japan's fishing fleets on access to distant water fishing.
grounds. These factors shaped Japan's policies at the Third United Nations Law of the Sea Conference.

EXCLUSIVE ECONOMIC ZONES (EEZS) AND JAPAN’S POSITION

History of the EEZ concept

The United Nations Convention on the Law of the Sea, adopted in 1982\textsuperscript{14} established, for the first time in international law, the concept of EEZs. Under the relevant provisions (Articles 56, 58 and 59), coastal state\textsuperscript{15} sovereignty over the living and non-living marine resources is recognised within an area of 200 miles from the state’s coast-line. The economic zone is an area beyond and adjacent to the 12-mile territorial sea. These articles delineate the rights, jurisdiction and duties of the coastal state in the zone, as well as those of other states; and the basis for the resolution of conflicts. In recognising coastal state sovereignty over resources in the EEZ, the Law of the Sea Convention ‘deviated fundamentally from the regime of freedom of fishing hitherto applicable in those waters’.\textsuperscript{16} Traditionally, sovereignty only extended to a territorial sea three miles wide. The development of the EEZ concept corresponded to changes in state practice that began soon after the Second World War.

In 1945 the US President issued two proclamations that would set the precedent for extended coastal state jurisdiction: one to claim for the US the resources of the continental shelf seabed, and the other to establish conservation zones in the high seas contiguous to the territorial sea, in which fishing activities would be subject to US regulation and control. This led to a number of Latin American countries in the late 1940s and early 1950s declaring sovereignty over high seas, up to 200 miles of coastal base lines. These claims culminated in the Montevideo Declaration on the Law of the Sea, adopted in 1970 by Latin American countries, which, \textit{inter alia}, pledged coordination among parties to promote the principles of coastal state jurisdiction over a 200-mile area. Caribbean states followed a similar path in the early 1970s. Also in the early 1970s, African and Asian countries recognised the principle of extended coastal state jurisdiction, and in a number of fora, including the Organisation of African Unity, proclaimed the EEZ concept.\textsuperscript{17}

\textsuperscript{14} With the ratification of the 60th state (Guyana), the Law of the Sea Convention came into force in November 1994.

\textsuperscript{15} A coastal state is one that has significant marine coast lines and is also engaged in fishing activity. A coastal state may also be a distant water fishing nation.


In addition to developments regarding EEZs, international practice was also extending the boundaries of the territorial sea. Law of the Sea conferences, held in 1958 and 1960, failed to agree on the limits of the territorial sea. The developing countries generally supported a 12-mile limit, while many of the advanced maritime powers, Japan included, supported a 3 to 6-mile limit. With the failure of these conferences to resolve the question of territorial sea and contiguous economic zones, many countries, including maritime powers, unilaterally declared 12-mile fishing zones in the 1960s.

These developments merged, in the early 1970s, with the work of the UN Seabed Committee, which was concerned with regulating the use of the seabed and ocean floor in the high seas. The UN General Assembly resolved in 1970 to convene a conference on the law of the sea in 1973 which would aim to establish ‘an equitable international regime for the seabed area beyond the limits of national jurisdiction’ and resolve a range of other issues including delineating the territorial sea and contiguous zone. In preparation for this conference, a series of meetings were convened by the UN Seabed Committee at which proposals for subjects to be discussed were submitted. These sessions began in 1971 and lasted until 1973.


The formal sessions of the Law of the Sea Conference lasted ten years but the EEZ issue was resolved in principle by 1977 (although a number of related issues such as highly migratory species remained outstanding.) At the beginning of the conference it was clear that while the establishment of an EEZ with coastal state sovereignty over marine resources was widely advocated, there was also strong opposition to this from some states, Japan in particular. In the preparatory sessions, Japan had proposed that the coastal state should enjoy ‘preferential rights’ rather than sovereign rights in an area adjacent to the territorial sea. It also distinguished between the rights of coastal developing and coastal developed states: the developing coastal state having the right to reserve for its vessels the portion of allowable catch that it could harvest. The developed coastal state would be entitled to reserve for its vessels that portion of the total allowable catch ‘which is necessary to maintain its locally conducted small scale coastal fisheries’.

Japan subsequently proposed that sovereign rights be granted to the coastal state solely on matters pertaining to the seabed in adjacent waters, and not to living resources.

In the 1974 session of the conference in Caracas, Japan maintained that the crucial issue (for Japan) was the proposed rights of coastal states over living resources in

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19 *The Law of the Sea: Exclusive Economic Zone*, pp.27-8. This contains summaries of the actual negotiations that took place in the Law of the Sea Conference, including interventions by delegations of different nations.

the area adjacent to the territorial sea. It remained sceptical of the EEZ. In particular, the Japan delegation stated that its ‘main difficulty with the various proposals for an exclusive economic zone was the failure to take into account the need for adequate protection of the rights of other states, including traditional fishing states’.21 But, in this argument, Japan was largely isolated.

A number of negotiating texts emerged from the 1975, 1976 and 1977 sessions of the Law of the Sea Conference. These progressively elaborated on the rights, jurisdiction and duties of the coastal state within its EEZ in favour of the coastal state. The sovereign rights of the coastal state to the living and non-living resources of the ‘bed, subsoil and superadjacent waters’ were spelt out in the fourth and fifth sessions in 1976. A position also emerged on the definition of EEZ; as a distinct zone neither of the high seas nor territorial waters. By the sixth session of the conference in 1977, an informal composite negotiating text was prepared that formed the basis for the final versions of the relevant articles: 56, 58 and 59. A new article (55) laid down the sui generis nature of the EEZ. From this point, the rights and duties of coastal and other states in the EEZ were not considered ‘core issues’ to be resolved by the conference.22

The rights of coastal states were further strengthened by additional articles that concerned the conservation and utilisation of living resources within the EEZ. Article 61 gives the coastal state final authority to determine the total allowable catch within the zone, and to promote the ‘maximum sustainable yield’ of harvested species. Article 62 requires that if a coastal state has surplus living resources in its EEZ, it will give other states access to these resources through arrangements made according to conditions set out in the article. It specifically refers to the payment of access fees and joint venture cooperation. The fishing state is required, in turn, to comply with the conditions and conservation measures set by the coastal state.

These articles, together with those dealing with highly migratory species (Article 64) and other species such as marine mammals, were not able to resolve conflicts between fishing states and coastal states. In part this was because they left room for wide interpretation of the respective rights and obligations. On the issue of highly migratory species (which includes tuna), Japan took the position, also shared by the US, that these would best be managed by international organisations who could adopt and enforce uniform regulations both within and beyond EEZs.23 Differences of interpretation


23. Developing coastal states such as the Pacific island countries took the position that such ‘international organisations’ would compromise their claim to sovereignty over tuna resources within their EEZs. This is an issue that is dealt with in further detail below. A highly migratory species is one that travels across great distances and may be targeted by many different countries.
between coastal and distant water fishing nations would continue well into the era of EEZs, and be the cause of considerable tension and, at times, open confrontation.

In 1977 states began to declare their EEZs. By September 1977 about 40 countries had done so. Japan had opposed the concept but it moved to declare its exclusive fishing zone on 1 July, 1977. This was largely a measure to protect Japan’s own fisheries resources (within its waters) and to ‘establish common ground’ in negotiating access to the EEZs of other coastal nations. Japan’s own 200-mile zone was the seventh largest in the world. Due to the position it adopted on highly migratory species, Japan’s legislation did not require foreign fleets to pay for access to the tuna and other such species within its zone.

**Japan’s position**

Various policy options were available to Japan (and other distant water fishing nations) in responding to the introduction of EEZs. In theory, Japan could reduce its vulnerability by reducing its fish consumption. But reducing fish consumption was not a tenable option simply because, due to Japan’s limited land area, there was difficulty providing for non-fish protein in the national diet. There is a strong preference in Japanese food for fish products. Japan has the world’s highest per capita consumption of fish. This was, historically, due to scarcity of land in Japan and very productive coastal waters.

There were essentially two strategies that were both complementary and integral to Japan’s response: to make itself less vulnerable to policies of coastal states and to try to modify restrictive coastal state policies through negotiation. The first strategy — reducing vulnerability — required a combination of measures: 1) moving to high seas fishing grounds, beyond the EEZs; 2) developing domestic off-shore fisheries (that is, within its own 200-mile zone), 3) promoting fish farming and aquaculture, and 4) increasing imports of fish products. In practice, the Japanese distant water fleets were restricted to moving to high seas areas (since they were not licensed to fish in Japan’s off-shore waters) while undertaking, through negotiation, to modify restrictive coastal

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24 Norio Fujinami, Policy Development of Japan’s Tuna Fishery, p.6.


state policies. Such policies included quotas, royalties and investment in joint ventures. It was in the context of this second strategy that the Japanese government introduced fisheries grant aid in 1973 and also established, with industry, the Overseas Fisheries Cooperation Foundation.

Government policy was influenced by a number of factors. Of key importance was the fact that coastal state EEZs enclosed some of the most productive fishing grounds in the world. Japan's distant water fleets were highly dependent on access to foreign fishing grounds. By 1970 distant water fisheries accounted for approximately one-third of Japan's fish catch in value and one-quarter in volume. By far the greatest proportion of distant water fishing was carried out in waters that in 1977 became the declared EEZs of the US and the USSR.29

The importance of the distant water fisheries industry was highlighted by the fact that it supplied a significant proportion of the domestic demand. Although fish imports were rising in the late 1960s and 1970s, domestic fishing fleets still accounted for the major share of Japan's fish consumption.30 Phasing out the industry would mean an increased reliance on imports from other fishing nations, a politically untenable option at that time.31 After the Second World War fisheries production became integral to promoting Japan's food supply as well as attaining self-sufficiency in food production. Self-sufficiency was closely linked to food security, which became a particularly sensitive issue in the 1970s (after the soya bean embargo by the US in 1973).

Maintaining the viability of distant water fleets was also an important political issue. Most of Japan's catch was taken by small and medium-scale enterprises.32 These were organised into cooperatives and industry associations. In the tuna and skipjack industry, the most important associations were the Federation of Japan Tuna Fisheries Cooperative Association (Nikkatsuren) and the National Offshore Tuna Fisheries

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29 In 1974, 3.7 million tonnes were fished by Japanese distant water fleets. 1.4 million tonnes was caught from the US zone and 1.3 million tonnes from the USSR zone. Beginning in 1977, the annual catch quota allocated to Japan by these countries was gradually reduced. Fukuzo Nagasaki, 'The 200-Mile Regime and its Effects on Japan's Fishing Industry'. (Japan's quota in the US EEZ was completely eliminated in 1988.) Environmental concerns (dealt with below) have stemmed directly from an over-concentration of fishing activity on the high seas adjacent to EEZs.

30 Fish imports comprised mainly high value products such as shrimp. In 1971, the value of fish imports exceeded that of exports for the first time. Japan Fisheries Association, Fisheries of Japan 1991, p.7.

31 It was also not a realistic option given the fact that most coastal states did not have the capacity to harvest the fisheries within the EEZs for export. This point is referred to in the next section.

32 Large fishing companies (such as Taiyo Gyogyo) accounted for only 3.7 per cent of Japan's total tuna and skipjack catch in 1977. Yoshiaki Matsuda, 'Postwar Development and Expansion of Japan's Tuna Fishery', p. 87.
Association of Japan (Kinkatsukyo) for the conventional longline and pole and line fishermen; the Japanese Overseas Purse Seine Fishing Association (Kaimaki) and the North Pacific Purse Seine Fisheries Cooperative Associations of Japan (Kitamaki) for the purse seine fisheries.\textsuperscript{33} For the most part they viewed the operations of their fleets in foreign waters as a ‘historic right’ and pressured the Japanese government to prevent ‘excessive imports’ of tuna as well as to adopt ‘countermeasures against unreasonable phasing out’ of Japanese fleets in foreign EEZs.\textsuperscript{34}

Both the fishing industry associations and the government, through the Fisheries Agency, initiated measures to counter or modify the effects of the EEZs.\textsuperscript{35} Industry established policies of vessel reduction and their replacement with more energy efficient vessels. It also negotiated fee paying arrangements, joint ventures and technical cooperation with coastal states in order to secure access to their EEZs. The Japanese government played a crucial role in supporting the distant water fishing industry. It introduced policy innovations that included fisheries grant aid, subsidies to promote joint ventures with coastal states, strengthening administrative arrangements to support negotiations for access arrangements,\textsuperscript{36} and measures to facilitate the replacement of fishing fleets with more efficient vessels and fishing gear. Government support was particularly important in the area of access negotiations, since small-scale fishing firms were less inclined to enter into joint venture arrangements with coastal states.\textsuperscript{37}

A number of issues arise from the foregoing discussion. It has been argued above that the Japanese government and industry were strongly against the developments regarding EEZs in the Law of the Sea Conference. However, they were unsuccessful in opposing international moves towards formalising the principle of extended coastal state jurisdiction. The Japanese government played an important role in the postwar era of Japan’s fisheries expansion, especially regulating the distant water fishing industry in times of adjustment and change. It played a particularly important role assisting the industry in the face of challenges posed by the new international regime: providing

\begin{itemize}
  \item \textsuperscript{33} These cooperatives were in turn members of the Japan Fisheries Association.
  \item \textsuperscript{34} See, for example, Nikkatsuren (Japan Tuna), ‘Outline of Activities’. Most fishing enterprises were small-scale and financially precarious. They relied on the cooperatives to support their operations by extending credit to purchase fuel and gear, and providing services such as processing, storage and marketing.
  \item \textsuperscript{35} The onset of EEZs coincided with other adverse economic conditions. These included rising fuel prices in the early 1970s, falling catch rates (catch per unit effort, or CPUE) and growing competition from other DWFNs (Taiwan and the Republic of Korea in particular).
  \item \textsuperscript{36} This included creating a position within the Fisheries Agency: the Special Advisor to the Minister on fisheries matters.
  \item \textsuperscript{37} In general, fee paying arrangements were easier to deal with than joint ventures, as small-scale fishing enterprises often could not accumulate enough capital for joint ventures. Yoshiaki Matsuda, ‘Postwar Development and Expansion of Japan’s Tuna Fishery’, p.87.
\end{itemize}
measures, including grant aid, that supported industry's strategy of negotiating access to coastal state EEZs.

Attention now turns to the situation in the Pacific island region. As already noted, this was a major fishing area for Japan's distant water fleets and it was thus a focus of Japanese fisheries diplomacy. In the following analysis, it is argued that Japan's fisheries access arrangements with the Pacific island states have been marked by instability from the outset, and this created an important basis for providing fisheries aid. Because Japan enjoyed a position of strength in its bilateral negotiations it succeeded in acquiring relatively cheap access. This situation changed profoundly in the late 1980s, especially in the wake of the conclusion of a multilateral access arrangement between the island states and the US. Japan's position was also undermined by increased competition for access by other distant water fishing nations and increasing problems of adjustment in Japan's fishing industry.

JAPAN'S ACCESS AGREEMENTS WITH PACIFIC ISLAND COUNTRIES

Pacific island countries declared their 200-mile zones between 1977 and 1984. Details of the dates declared and size of these zones are given in Table 4.2. The importance of the region's fishing grounds to Japan was underscored by the fact that of the 15 access agreements that Japan had concluded by 1986, 10 were in the Pacific (island states and territories, Australia, New Zealand and the US).

Table 4.2 demonstrates the extreme disparity between land and sea areas in the region. The overall geo-political boundaries of the region were dramatically transformed. This table does not include the dependent territories of France, the US and Britain in the Pacific island region. With the inclusion of the latter group of countries, the total area enclosed by maritime zones increases to 10.6 million sq km. Independent and self-governing countries account for 65.3 per cent of this total. Not all countries were of equal importance as fishing grounds. Due to currents and other climatic factors, the richest fishing grounds are in the waters of the western and central Pacific (which includes the zones of Papua New Guinea, the Solomon Islands, Nauru, Kiribati, Tuvalu, the Federated States of Micronesia, the Marshall Islands and Palau); hence, Japan's interest was in access arrangements with these countries.

The first access agreements were concluded in 1978 with Papua New Guinea, Kiribati and the Solomon Islands. These were followed by the French Territories in 1979, and the Marshall Islands, Palau and the Federated States of Micronesia in 1981. All agreements, with the exception of Papua New Guinea, were for one year and subject to

38 Norio Fujinami, Policy Development of Japan's Tuna Fishery.
renegotiation. Papua New Guinea’s agreement was to continue in force (with the opportunity for adjustment) until either party gave three-months’ notice of termination.39

Table 4.2 EEZs of Pacific Island Nations

<table>
<thead>
<tr>
<th>Country</th>
<th>Status of zone</th>
<th>Year declared</th>
<th>Zone area (sq km)</th>
<th>Land area (sq km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook Is.</td>
<td>economic</td>
<td>1977</td>
<td>1,830,000</td>
<td>237</td>
</tr>
<tr>
<td>Fiji</td>
<td>economic</td>
<td>1981</td>
<td>1,290,000</td>
<td>18,272</td>
</tr>
<tr>
<td>FSM</td>
<td>fishing</td>
<td>1979</td>
<td>2,978,000</td>
<td>701</td>
</tr>
<tr>
<td>Kiribati</td>
<td>economic</td>
<td>1979</td>
<td>3,550,000</td>
<td>690</td>
</tr>
<tr>
<td>Marshall Is.</td>
<td>fishing</td>
<td>1979</td>
<td>2,131,000</td>
<td>181</td>
</tr>
<tr>
<td>Nauru</td>
<td>fishing</td>
<td>1978</td>
<td>320,000</td>
<td>21</td>
</tr>
<tr>
<td>Niue</td>
<td>economic</td>
<td>1978</td>
<td>390,000</td>
<td>259</td>
</tr>
<tr>
<td>Palau</td>
<td>fishing</td>
<td>1979</td>
<td>629,000</td>
<td>488</td>
</tr>
<tr>
<td>PNG</td>
<td>fishing/economic</td>
<td>1978</td>
<td>3,120,000</td>
<td>462,243</td>
</tr>
<tr>
<td>Solomon Is.</td>
<td>fishing/economic</td>
<td>1978</td>
<td>1,340,000</td>
<td>27,556</td>
</tr>
<tr>
<td>Tonga</td>
<td>economic</td>
<td>1979</td>
<td>700,000</td>
<td>747</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>economic</td>
<td>1984</td>
<td>900,000</td>
<td>24</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>economic</td>
<td>1978</td>
<td>680,000</td>
<td>12,190</td>
</tr>
<tr>
<td>W. Samoa</td>
<td>economic</td>
<td>1977</td>
<td>120,000</td>
<td>2,935</td>
</tr>
</tbody>
</table>


In some cases, the agreements were negotiated between the coastal state government and the various industry associations such as Nikkatsuren (see Table 4.3 below), but normally the agreements were government to government and subsidiary agreements between the industry associations and coastal state were worked out separately. These subsidiary arrangements included the details of the actual terms and conditions of access; the government to government ‘umbrella’ arrangement dealt mainly with broad principles of cooperation. In both cases Japan’s negotiations were led by the Special Advisor to the Minister on fisheries matters.40


40 The dynamics of access negotiations are explored more fully in the next chapter. For now it is sufficient to note that the Special Advisor wears ‘two hats’: as leader of the Japanese government side, and as leader of the fishing industry side. In this latter role, the Special Advisor speaks for the private sector in access negotiations. The industry representatives do not contribute formally and their positions are conveyed, and interpreted, by the Special Advisor.
There were two ways of calculating access fees. One was a lump sum system, the other was a per vessel per trip system. The lump sum system was used initially and was preferred by the island states because of its simplicity and the guaranteed sum to be received. The per vessel system gradually took over as the dominant approach primarily because it was a more accurate system and fees could be based on actual operations and catch effort. The foreign vessel owners thus preferred this to the lump sum approach. The crucial element in calculating the access fee under the per vessel system was the rate of return. In the early 1980s this was between three and four per cent of the catch value although in reality (measured in terms of actual receipts) it was sometimes significantly lower.

**Table 4.3**  Japanese Access Agreements with Pacific Island Countries\(^{41}\)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year commenced</th>
<th>Basis: Lump sum</th>
<th>Basis: Per vessel</th>
<th>Status</th>
<th>Vessels licensed</th>
<th>Duration</th>
<th>Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSM</td>
<td>1981</td>
<td>1981</td>
<td>1984</td>
<td>industry</td>
<td>a,b,c</td>
<td>1 year</td>
<td>yes</td>
</tr>
<tr>
<td>Kiribati</td>
<td>1978</td>
<td>1978</td>
<td>1984</td>
<td>govern't</td>
<td>a,b</td>
<td>1 year</td>
<td>yes</td>
</tr>
<tr>
<td>Marshall Is</td>
<td>1981</td>
<td>1981</td>
<td>1984</td>
<td>govern't</td>
<td>a,b</td>
<td>1 year</td>
<td>yes</td>
</tr>
<tr>
<td>Palau</td>
<td>1981</td>
<td>1981</td>
<td>-</td>
<td>industry</td>
<td>a,b,c</td>
<td>1 year</td>
<td>yes</td>
</tr>
<tr>
<td>PNG</td>
<td>1978</td>
<td>1978</td>
<td>1979</td>
<td>industry</td>
<td>a,b,c</td>
<td>open</td>
<td>no</td>
</tr>
<tr>
<td>Solomon Is</td>
<td>1978</td>
<td>1978</td>
<td>1979</td>
<td>govern't</td>
<td>a,b</td>
<td>1 year</td>
<td>yes</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>1986</td>
<td>-</td>
<td>1986</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**  a = longline; b = pole and line; c = purse seine.

**Source:**  Adapted from David J. Doulman, *Fishing for Tuna: The Operations of Distant-Water Fleets in the Pacific Islands Region.*

The relatively low access fees (rate of return and actual receipts) were attributed to five factors. These were 1) the lack of any real scarcity value to the licences purchased (access agreements did not set quotas on catch effort); 2) the small number of buyers for licenses (who, for the most part, were well organised and skilled at negotiating); 3) the relatively large number of sellers of licences; 4) the relatively unprofitable nature of distant water fishing operations; and 5) the relative weakness of surveillance and enforcement efforts available to ensure compliance with agreements.\(^{42}\)

\(^{41}\) This does not include the agreement with France for access to the French Territories in the Pacific (French Polynesia, Wallis and Futuna, and New Caledonia).

\(^{42}\) Les Clark, *A Study on Fees and Other Economic Benefits from Foreign Fishing Access to the Fisheries or Exclusive Economic Zones of the States Participating in the South Pacific Forum Fisheries Agency, FFA Report 83/2, 1983, pp.21-2. Because the system of fee payment was based on reported catch within the respective EEZs, much depended on the accuracy of the data provided by the fishing vessels. Absence of surveillance and enforcement mechanisms led to frequent non-reporting and under-
The small number of buyers for licences in the 1970s and early 1980s was reflected in Japan's dominant position as a distant water fishing nation in the Pacific. In 1981, for example, 90 per cent of access fees received by Pacific island states were paid by Japanese vessel owners.\(^{43}\)

In general countries in the region were dissatisfied with the low rate of return and this was underscored by the frequent break-off of access agreements. Between 1978 and 1984 Japan's access agreements with all the Pacific island countries (except the Marshall Islands and French Polynesia) were temporarily suspended for a total period of 54 months.\(^{44}\) Break-offs were initiated by the Pacific island nations usually in an effort to secure higher returns and more favourable agreements. These efforts were largely unsuccessful, for reasons given above. In some cases (for example Papua New Guinea) short-term stability was secured through adapting access arrangements in line with mutual concerns.\(^{45}\)

An underlying problem for the region stemmed from competition between island states for access revenue, as well as the inadequacy of national machinery for managing their resources. They were unable to harvest the fisheries resources themselves due to a lack of fishing fleets. Processing capacity was also limited. These problems were recognised from the outset by Pacific island leaders as fundamental obstacles to realising greater economic benefits from their EEZs. Regional machinery was thus established in the late 1970s and 1980s to overcome the self-defeating rivalry and economic weakness of the island countries. Although these mechanisms provided the basis for strengthening the region's negotiating position, much also depended on the interests of the distant water fishing nations in addressing regional concerns.

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\(^{43}\) For some countries, dependence on this revenue was especially acute. For Kiribati, an average of 83 per cent of access fees between 1978 and 1983 was paid by Japanese vessels. This income accounted for a major share of government revenue. Access fees accounted for 9.0 per cent of Kiribati government revenue in 1981. The share rose to 25 per cent in 1986, as a result of the agreement with the Soviet Union. Roniti Teiwaki, 'Access Agreements in the South Pacific: Kiribati and the Distant-Water Fishing Nations, 1979-1986', *Marine Policy*, October 1987, pp. 273-284.


\(^{45}\) David J. Doulman, 'Licensing Distant-Water Fleets in Papua New Guinea', *Marine Policy*, January 1987, pp.16-28. This was largely due to Papua New Guinea's stronger negotiating position: both as a major fishing ground as well as a larger economy that was not as dependent on access revenues as other governments. The estimated share of government revenue that came from access fees was 0.1 per cent in 1980 and 0.6 per cent in 1984.
A unique but very important feature of Pacific island fisheries diplomacy is the existence of regional institutional structures facilitating cooperation among members. These are mainly under the auspices of the South Pacific Forum. Fisheries policy is formulated by the Forum Fisheries Committee, which is the main decision making body of the regional fisheries organisation — the South Pacific Forum Fisheries Agency (FFA), which was established in 1979 to help countries manage the living resources within their EEZs in accordance with the Law of the Sea Convention. Membership of the FFA was restricted, in the first instance, to members of the South Pacific Forum (that is, independent and self-governing Pacific island countries, Australia and New Zealand).

The issue of membership was the source of much controversy during the late 1970s as there were some regional countries which sought a wider membership — that is, a broad-based organisation open to distant water fishing nations (DWFNs) and coastal states. This was opposed by the majority, however, since it would permit membership to countries that did not recognise coastal state sovereignty over tuna. The headquarters of the FFA were located in Honiara, in the Solomon Islands.

Member states have not formally delegated any sovereign powers to the FFA, which is essentially an advisory and consultative body that is also mandated to carry out the policy decisions decided by the member states. But in practice it has assumed a proactive role, interpreting and articulating the region’s interests and approach to questions of resource management, and assisting countries in conducting access negotiations with DWFNs.

The FFA was also mandated to serve as secretariat for a sub-regional group of states known as the Parties to the Nauru Agreement (PNA). These countries controlled the most important EEZs in the region and, because of the stronger mutual interests they had in negotiations with DWFNs, it was decided to promote additional cooperation among themselves. A series of discussions, begun in 1980, culminated in the signing of the Nauru Agreement in February 1982. Founding PNA members were the Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Palau, Papua New Guinea and the Solomon Islands. Tuvalu was admitted in 1991.

The Nauru Agreement gave rise to two major management initiatives. One was known as the harmonised minimum terms and conditions (MTCs) of access, to be

46 The South Pacific Forum is an annual meeting of heads of government of the independent and self-governing Pacific island states, plus Australia and New Zealand, which began in 1971. It is the pre-eminent regional political organisation, fostering dialogue and cooperation between member countries.

47 This referred mainly to the US, as discussed below. It was not apparent that Japan was a source of concern at the time. However Japan would become a staunch advocate of a broad based fisheries organisation in the region, dubbed an Article 64 type organisation. For details of the establishment of the FFA, see Jon Van Dyke, Tuna Management in the Pacific: An Analysis of the South Pacific Forum Fisheries Agency, University of Hawaii, Hawaii, 1981.
incorporated in agreements with foreign fleets and the second was the Regional Register. The MTCs prescribed minimum standards that vessel operators must comply with in order to be allowed access. These covered reporting catch and position, vessel markings, placement of observers on vessels, and conduct of transshipment operations. It also introduced standardised licensing procedures. These became legally binding on members when the First Implementing Arrangement of the Nauru Agreement came into force in September 1983.48

The Regional Register, which also became binding on members in September 1983, was to serve as an ‘information database for licensing foreign vessels and an aid to surveillance and compliance’.49 The basic requirement of the Regional Register was that vessels must have ‘good standing’ on the Register before being issued with a licence to fish in the EEZ of any member country. Good standing is withdrawn if a vessel operator is found to have carried out unlicensed fishing, presented inaccurate or incomplete catch logs, fished in a closed area or within the territorial waters of a member country or committed any other offence against the fishing laws of the member country; and either not complied with any judgment handed down by a court (such as payment of compensation) or evaded trial. Approval to remove a vessel from the regional register requires a majority decision by PNA member countries (since all countries are potentially affected).

The main point of these measures was to reduce the leverage of the DWFNs when negotiating access agreements with regional states, by putting in place common licensing standards and enforcement mechanisms.50 While there was some improvement in the position of the island countries throughout the 1980s, implementation of the minimum terms and conditions and Regional Register rules remained weak.51 There was a tendency for island states to renege on some of the undertakings especially when DWFNs refused to comply with the requirements and threatened to fish elsewhere. This was a problem as long as access was relatively abundant and coastal states competed among themselves for access revenue.52

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50 Pacific island states also agreed in principle that they should not accept less than a 4 per cent rate of return.

51 Japan refused to submit applications for registration directly to the FFA because it did not recognise the FFA as a ‘genuine Article 64 type organisation’. Because licensing was permitted through the coastal state, often licences were issued before good standing on the Register had been granted, which defeated the purpose of the Register.
To counter this problem the idea of a regional licensing or access arrangement was developed. This would potentially reduce the leverage of DWFNs since they would be locked into a single licensing system (a break-off in one set of relations would affect the whole). The idea was first raised in connection with US fishing fleets, where the problem of compliance was made more acute by the US government’s refusal to recognise coastal state sovereignty over tuna. However, it was applied more generally to DWFNs and would come to be the source of considerable tension, especially with Japan.

**US TUNA POLICY IN THE REGION AND THE EVOLUTION OF A MULTILATERAL ACCESS ARRANGEMENT**

US purse seine fleets first entered the region in the late 1970s. All agreements negotiated with island countries were with the industry organisation, the American Tunaboat Association (ATA), not with government. Apart from Papua New Guinea, all arrangements were concluded on a sub-regional basis; and were generally short term. These were with the Federated States of Micronesia, the Marshall Islands and Palau (July 1980 to December 1982), the Federated States of Micronesia, Kiribati and Palau (March 1983 to December 1984) and the Cook Islands, Niue, Tuvalu, Western Samoa and Tokelau (mid-1983 to December 1984). According to one study, fees paid by the US fleets were, on an annual basis, lower than Japanese fees.\(^53\) Papua New Guinea agreed to individual licensing of US vessels on the same terms as Japanese vessels for the 1984 season. But this agreement did not extend beyond December 1984.

The agreements negotiated by the ATA with Pacific island countries represented an attempt to accommodate the discrepancy between US policy of not recognising coastal state rights to the tuna resource in their EEZ and the *de facto* international acceptance of these rights.\(^54\) But they were negotiated against the background of US legislation protecting the interests of the American vessel owners. This strengthened the bargaining position of the US tuna industry. The relevant laws were included in the 1976 Fishery Conservation and Management Act (also known as the Magnusen Act) and the 1954 Fishermen’s Protective Act. In the latter law, introduced in response to Latin

\(^{52}\) In order to counter some of the weaknesses in the MTCs and Regional Register rules, the PNA adopted a Second Implementing Arrangement, to take effect from 1 January 1991. This greatly enhanced reporting and other requirements and at first was strongly resisted by DWFNs, especially Japan. Other innovations included the Palau Arrangement for the Management of the Western Pacific Purse Seine Fishery, signed in 1992; and the Niue Treaty on Cooperation in Fisheries Surveillance and Law Enforcement in the South Pacific Region, which came into force in mid-1993. For a brief overview, see Gerry Geen, ‘Tuna Industry Development in the South Pacific: A Coordinated Approach’, *Development Bulletin*, July 1994, pp.39-41.


\(^{54}\) For details of US policy, see B. Martin Tsamenyi, ‘The South Pacific States, the USA and Sovereignty over Highly Migratory Species’, *Marine Policy*, January 1986, pp.29-41.
American countries unilaterally declaring 200-mile EEZs, the US government undertook to provide compensation to American fishermen whose vessels were seized by coastal states for fishing without licences. Moreover, this compensation would be deducted from foreign assistance granted to any country concerned.55

Provisions included in the Magnusen Act increased the penalties against coastal states by compelling the US government to take retaliatory action against countries that 'interfere' with US tuna operations in the EEZs. This included putting embargoes on tuna imports from the offending countries. As Copes argued, this was not an empty threat, as the US tuna market was the dominant market in the world tuna trade.56

The effect of these two laws was to encourage US fishermen to violate the EEZs of foreign nations. Two highly publicised cases involved American tuna vessels arrested in PNG waters in 1982 and in Solomon Islands waters in 1984. Other violations were recorded but not brought to trial.57

The political-strategic origins of the US multilateral access agreement will be examined in more detail in Chapter 6. The idea of such an agreement was first raised among US policy makers in response to potential Soviet advances in the region. Pacific island countries first debated the issue in late 1983. Negotiations towards formulating a multilateral access agreement between the US and the island states began in late 1984. (The Pacific island position was formulated by the FFA.) Agreement was reached in October 1986 and the Multilateral Treaty on Fisheries Between the Governments of Certain Pacific Island States and the Government of the USA was signed in March 1987. The agreement implicitly acknowledged that coastal states have sovereignty over tuna in their EEZs, but the US did not abandon its interpretation of the Law of the Sea. It took the position that the agreement demonstrated that provisions of Article 64 in respect of 'appropriate international organisation' had been met so the retaliatory provisions of its domestic laws should no longer apply.58 Because of the importance of this agreement for Japanese policy in the region, it is necessary to examine more closely its terms and provisions.

The treaty covered five licensing periods of one year each. These would run from 1988 to 1992. It allowed for a maximum number of 50 vessels to be licensed and included greatly enhanced reporting procedures (including catch data on the high seas and placement of observers on vessels). Of the total financial package agreed to of $60

56 Parzival Copes, 'Access and Management in the Tuna Fisheries of the Pacific Islands Region', p.68.
57 For details, see B. Martin Tsamenyi, 'The South Pacific States, the USA and Sovereignty over Highly Migratory Species'.
58 Parzival Copes, 'Access and Management in the Tuna Fisheries of the Pacific Islands Region', p.69.
million over the five-year period (the total actually received including interest was $66,069 million), 85 per cent was allocated to countries according to catch volume within the various EEZs of the region. The remaining 15 per cent was apportioned equally among all parties irrespective of catch and was in the form of project aid and technical assistance. This 15 per cent component was divided into two parts: the Economic Development Fund (EDF) and Technical Assistance Fund (TAF). The former is for small-scale fisheries development projects; the latter for short-term consultancies, training courses and meetings. The FFA was mandated to serve as coordinator of these funds, although projects were subject to approval by the regional US Agency for International Development (USAID) office. Each country received an annual allocation of $66,666.67 for the EDF and $16,666.67 for the TAF.59

The following points need to be noted. First, the agreement was possible only because of US government support. Of the annual payment of $12 million, $9 million was a direct cash grant to the region provided by the US Agency for International Development in Washington. A further $1 million was channelled through the regional USAID office for development projects. The industry body, ATA, paid $1.75 million in licensing fees (minimum of 35 vessels at $50,000 per vessel) and $250,000 of in-kind technical assistance. Thus the US government paid for more than 80 per cent of the cost of access. There was some dispute at first over payment for access in the form of aid rather than commercial licence fees. But the ‘two-tier approach’ won favour in the end because, according to one report, ‘FFA countries have been far more interested in the bottom line dollar figure than who writes the checks’.60 Moreover, the majority of the US government share was given as a cash grant and was not project tied. The agreed amount was estimated to be around 10 per cent of the catch value. This was a vast improvement on the existing access fees paid to the region, where the rate of return varied between 1.5 and 4 per cent.

The US agreement marked a turning point in the region’s fisheries diplomacy.61 It was an unprecedented achievement in regional cooperation and in the benefits that were

59 Information provided to the author by FFA. All member states of the FFA were parties to the treaty and recipients of access payments. Neither Australia nor New Zealand were beneficiaries of the EDF and TAF, but New Zealand did receive payments on behalf of Tokelau, an island territory under its jurisdiction.


61 In 1992 agreement was reached on an extension of the Treaty for a further ten-year period. A maximum of 55 vessels are to be licensed, with an annual payment of $18 million. According to US State Department officials, there was some difficulty justifying to the Congress the renewal of the Treaty on improved terms, especially given the continuing low fees paid by other DWFNs as well as the absence of any strategic imperative for the US (such as existed in 1986). But the arguments that did prevail were that the treaty had greatly improved relations with the region and was important for the operations of American tuna fleets. In addition, it was necessary to continue the treaty since the related payments would comprise the only substantial American aid to the region, in view of the USAID
secured for the island states from foreign access to their EEZs. It also benefitted countries that were not generally targetted by distant water fishing nations and that did not receive revenue from access fees. The country most affected by the conclusion of this agreement, and the enhanced expectations of island countries that resulted, was Japan.

Another important feature of the multilateral treaty was the fact that US vessels agreed to all administrative requirements and management measures of FFA member countries, including the provision of comprehensive catch and effort data. Put bluntly, there was no incentive for US vessels owners to ‘cheat’ by under-reporting or not reporting fishing effort. Most importantly, the treaty provided the FFA with its first opportunity for assessing the reliability of data provided by operators from other distant water fishing nations. The information provided by US vessels thus strengthened efforts taken by the FFA and PNA to improve terms and conditions of access agreements and enhance surveillance mechanisms.

THE PROPOSED MULTILATERAL ACCESS AGREEMENT WITH JAPAN

At the signing of the US multilateral treaty in Port Moresby in April 1987, the idea of a similar arrangement with Japan was informally discussed by Pacific island leaders gathered there. Then President of Nauru, Hammer de Roburt, making an address on behalf of FFA member countries, asked rhetorically: 'Where do we go from here?' He continued: 'One obvious avenue ... leads towards that other great economic power on the rim of our region — Japan'.62 The South Pacific Forum, which met in Western Samoa in late May 1987, gave political backing to the idea of a multilateral arrangement with Japan, endorsing a regional approach to fisheries negotiations with Japan and requesting the Director of the FFA ‘to facilitate such negotiations promptly’.63

This was precisely what the Japanese Fisheries Agency (and industry) had feared would happen. Although the Pacific island countries mooted an approach that was quite different from the agreement with the US,64 Japanese officials interpreted the initiative as

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62 These comments were recalled by President Hammer de Roburt in his opening address to the first meeting of FFA members to consider a multilateral agreement with Japan, Nauru, 23-26 July 1987. Record of Proceedings, FFA Report, 87/29.

63 Communique, 18th South Pacific Forum, Apia, Western Samoa, 30 May 1987.

64 At the first regional meeting to discuss the issue, countries decided on a two-tiered approach. At the regional level there would be a 'head agreement' that incorporated basic principles and guidelines (with clauses covering, inter alia, compliance with the Regional Register, catch and position reporting, placement of observers, flag state enforcement, and dispute settlement). Countries would then be free to enter into subsidiary access agreements negotiated on a bilateral basis. These would contain details of the access fee, method of calculating fee, vessel numbers and issuance of licences. This approach reflected the concern on the part of some countries to not disrupt their existing agreements with Japan.
one seeking to replicate the American multilateral treaty. Their objections to the proposal centred on the way the US government contributed directly to the access fees paid under the multilateral agreement. It was argued that the Japanese government could not provide the same direct support. Nor could industry afford to pay the same level of access fees that were provided under the US agreement. These objections were valid to some extent, but they appeared to miss the point that the region was not seeking to conclude a US-style access agreement. These arguments continue to dominate Japan's reasons for opposing the multilateral access agreement with the South Pacific.

In order to explain Japan's opposition to the proposed multilateral approach, it is necessary to consider more general concerns on the part of the Japanese Fisheries Agency. The response to the regional initiative was shaped largely by a sentiment that the Pacific island countries were going too far in asserting their authority over the fisheries resources of the region. Questions of principle as well as pragmatism were salient. On the one hand, there was concern that Japan would be further weakened in its position as a DWFN if the Pacific island countries were able to present a common negotiating stand (a cartel-like scenario). This would lead inevitably to upward pressure on access fees and thus to a worsening economic performance by the fishing vessels. In such a situation there would not be the option of moving to other fishing grounds under more favourable access arrangements. But the approach being promoted by the region did leave some flexibility in negotiating bilateral arrangements and deciding access fees on a bilateral basis. Japan's opposition to the proposed regional access agreement was thus linked to broader considerations of resource utilisation and concern at its lack of influence over regional fisheries policy.

The position Japan formally adopted on the multilateral access issue was that it was willing to enter dialogue towards a regional agreement on conservation and management issues. But access would remain confined to bilateral negotiations. When the Japanese government finally agreed to meet with the Pacific island countries to

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65 The Japanese Fisheries Agency and tuna industry maintain that the 'break-even' point for their operations is a 4 per cent rate of return. The FFA estimated in 1993 that Japanese vessels could afford to pay between 6 and 8 per cent as a rate of return (but no more). A multilateral agreement that provided a higher rate of return than this would thus depend on financial support from the Japanese government. This raised the issue of whether the Japanese government would provide a direct subsidy to the industry. For an analysis of the economic conditions of Japan's tuna industry, see Anthony Bergin and Marcus Howard, 'Japanese Tuna Fisheries: Future Trends', *Marine Policy*, May 1992, pp.147-66.


67 The proposed regional arrangement did not contain a minimum rate of return, and thus no automatic increase in access fees was prescribed. But the point of the initiative was to improve the returns for island countries, and thus increases were to be anticipated.

68 This position was conveyed formally by the Ministry of Foreign Affairs (MOFA) to the Papua New Guinea Embassy in Tokyo through a *Note Verbale* on 19 July 1988.
discuss a regional fisheries arrangement in 1989, its aim essentially was to promote
dialogue on management and conservation issues, the ultimate goal being to establish a
regional fisheries organisation in the Pacific which would include both fishing states and
coastal states, participating on an equal basis. This was an issue that dominated and
ultimately doomed consultations, held during the same period, on the question of an
albacore management regime in the region.

Japan’s opposition to the proposed multilateral access agreement was
underscored to some extent by regional (Pacific island) differences on the issue. While
there was a general desire to improve the returns from access agreements with Japan,
there was also concern that a regional agreement would lead to a redistribution of fishing
effort and access payments, thus benefitting some countries more than others. The
experience of the US treaty had demonstrated this.69 Thus political will within the region,
which appeared strong at the outset, gradually weakened by the time formal talks with
Japan began in 1989.70

Following the second consultation with Japan in 1990, the Forum Fisheries
Committee decided that, due to lack of progress, the issue should be given lower priority
in future. The South Pacific Forum meeting in July 1990 adopted this position and efforts
to hold negotiations with Japan were suspended.

In 1993 the FFA decided to once again revive the issue of a multilateral access
agreement with Japan. One of the main reasons for this decision was the rather damning
critique of access arrangements and the low level of fees received by island states,
contained in a report reviewing the ten-year history of the Nauru Agreement.71 The
report highlighted a number of failures on the part of the member states of the PNA in
the implementation of minimum terms and conditions and the Regional Register rules. It
called for a centralised licensing system to be set up and administered by the FFA; for the
PNA to pursue multilateral agreements ‘as a matter of urgency’ and until they reach such
agreements, to consider negotiating en bloc with DWFNs.

Adding impetus to a revival of the multilateral access issue were other
developments: Taiwan announced in 1993 that it would enter into consultations with the
FFA on a multilateral fisheries treaty; the US treaty was renewed for a further 10 years in

69 Japanese officials fed these fears by hinting that some countries would lose out on both access revenue
and fisheries aid if an agreement was signed (see next chapter). This followed a general tendency in
Japan’s fisheries diplomacy to exploit divisions and competition between states in order to maximise its
bargaining position; hence Japan’s preference for bilateral access arrangements.

70 Based on records of meetings held to discuss the issue, July and November, 1987; April 1988; March
1989 and June 1989. For a recent critical assessment of the multilateral approach to Japan, see ‘FSM
Representative Warns Against Unrealistic Comparisons of Fisheries Regimes’, Pacific Report, Vol.7,
No.15, 15 August 1994, p.4.

Review of the Aims and Achievements of the Parties to the Nauru Agreement Concerning Cooperation
and increased dialogue took place between the FFA and Japan on regional management issues (helped in part by the appointment of a new Special Advisor, who was not as hostile to the FFA). While Japan’s policy remained the same in principle, in practice it agreed to meet a number of requirements regarding vessel licensing and monitoring, and provision of catch data. This included compliance with the Regional Register. The unofficial position was that by meeting at least some of the conditions of a multilateral agreement, the issue could be made redundant.72

Regional challenges to Japan were spurred on by the conclusion of a multilateral access agreement with the US (prompted in turn by US political-security considerations). Although the negotiations with Japan on a multilateral arrangement ultimately proved inconclusive, in general relations between the region and Japan became more unstable. The US agreement led to greater confidence and higher expectations on the part of regional states in their negotiations with Japan. There was a greater willingness by some Pacific island countries to challenge Japan on the question of terms and conditions of access. This was reflected in the increased instability in access arrangements. Between 1987 and 1990, the number of months of break-off totalled 50 (twice the rate of the previous four years).73 This included a long-standing break-off, beginning in 1987, between Japan and Papua New Guinea, which had previously been Japan’s most stable partner. An agreement between Japan and the French Territories was also suspended, while several other states (Tuvalu, the Marshall Islands and the Solomon Islands) gave notice that they would also suspend agreements with Japan unless increases in access fees were obtained. The FFA Director declared in late 1988 that ‘Japan’s differences with the region have never been worse’.74

POLITICAL AND ECONOMIC DILEMMAS OF JAPAN’S FISHING INDUSTRY

The issue of a multilateral access agreement was deliberated against a background of growing disaffection with Japan within the region. An important factor underlying this was the growing presence in the region of other DWFNs. In the 1980s the number of distant water fishing fleets (purse seine in particular) expanded significantly. Although

72 Interview, International Affairs Division, Fisheries Agency, Tokyo, July 1993. Despite forming a taskforce in late 1993 to consider the approach that the PNA and FFA should adopt in regard to a multilateral access agreement with Japan, the issue has subsequently been put on hold while the regional fora devote most attention to ways of promoting local industry development, through preferential access agreements and limited licensing arrangements. For a brief overview, see Gerry Geen, ‘Tuna Industry Development in the South Pacific’.

73 FFA estimate.

Japan remained the dominant DWFN (especially in longline and pole and line operations) other countries emerged as strong competitors for access. Apart from the US, these included traditional operators, Taiwan and Republic of Korea, and newly developing DWFNs: Philippines, Thailand and Indonesia (see Table 4.4).

Not only did these countries compete with Japan for access to the region’s fishing grounds, thus forcing up the price of access, but they were also prepared to pay a higher rate of return, due to lower cost structures, especially wage rates, in those countries.\(^75\) The access fees for Taiwanese and Korean fleets were around 6 per cent of the catch value. The higher rate of return was to some extent offset by the poorer quality of compliance with terms and conditions (that is, there was a higher rate of under-reporting and non-reporting by Taiwanese and Korean vessels).\(^76\) Nevertheless, Japan was compelled to address the fact that it alone refused to pay higher fees.

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<tbody>
<tr>
<td>Japan</td>
<td>41</td>
<td>36</td>
<td>38</td>
<td>44</td>
</tr>
<tr>
<td>Korea</td>
<td>11</td>
<td>30</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Taiwan</td>
<td>3</td>
<td>25</td>
<td>35</td>
<td>44</td>
</tr>
<tr>
<td>US</td>
<td>39</td>
<td>36</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Philippines</td>
<td>0</td>
<td>14</td>
<td>13</td>
<td>12</td>
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<tr>
<td>Total</td>
<td>94</td>
<td>141</td>
<td>166</td>
<td>180</td>
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*Source: FFA Regional Register, in Options for Tropical Tuna Management: Considerations for the South Pacific, FFA Report 92/88, 1992.*

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\(^75\) Japanese legislation, amongst other things, precluded the option of employing cheaper crew on Japanese vessels. Legislation restricted the foreign crew quota to 25 per cent of the vessel crew. The industry association, Nikkatsuren, has sought to expand the quota to 40 per cent. FFA News Digest, No.6, November-December 1992, p.11. Wage rates for Japanese crew on distant water fishing vessels were as high, if not higher, than other industry rates in Japan. The upward pressure on wages was due to the declining numbers of young Japanese willing to work on the fishing vessels, especially the distant water vessels. For details, see Fisheries Census reproduced in Japan Fisheries Association, *Fisheries of Japan*, 1991, p.6.

\(^76\) Estimated rates of under-reporting and non-reporting by purse seiners from Japan, Korea and Taiwan in 1990 were as follows: Japan — 15 per cent and 31 per cent; Korea — 28 per cent and 75 per cent; Taiwan — 79 per cent and 5 per cent. The rate of under-reporting is defined as the percentage of the catch not recorded on logsheets from fishing effort that is recorded. The rate of non-reporting is the percentage of the catch from fishing effort which is not recorded on logsheets (some of which may have been taken on international waters). FFA, Options for Tropical Tuna Management: Considerations for the South Pacific, p.10.
Greater demand for access shifted the balance of power in favour of the sellers (that is, the coastal states). The effect was to increase the leverage of the island states, which was strengthened further by initiatives formulated by the FFA and PNA. These include the Palau Arrangement of 1992, which aimed to restrict the number of distant water licences issued to purse seine fleets operating in the region and to give preferential access to those fleets that engaged in joint ventures with Pacific island coastal states. The overall priority of the FFA shifted away from negotiating fee paying access agreements to promoting the harvesting and processing capacity of its members.

Japan’s distant water fishing fleets were caught in an increasingly difficult situation. The waning of their political power vis-a-vis coastal states was matched by an economic decline that had begun in the 1970s and worsened in the 1980s. Economic problems stemmed from shortage of crew and high wages (see above), regulated inefficiency, and declining rates of return due to competition in the Japanese market from cheaper imports. All distant water fleets, with the exception of the large longline vessels (between 200 and 500 gross tonnes) experienced negative rates of return in the ten years to 1989. Skipjack pole and line vessels have consistently recorded the highest losses, although performance may fluctuate considerably within a short period.

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77 This reflected a more general trend, worldwide, of competition among DWFNs for steadily shrinking quotas in coastal state EEZs. Olav Schram Stokke, ‘Transnational Fishing: Japan’s Changing Strategy’, p.238. This competition has led to open conflict between fishing vessels operating in the Pacific island region. For example, Japan has alleged that Chinese vessels are cutting the fishing lines of Japanese vessels. See FFA News Digest, No.1/94, January/February 1994, p.1.

78 Gerry Geen, ‘Tuna Industry Development in the South Pacific’. It has been observed that the growing pressure on Japanese distant water fleets, and phasing out of their operations in key zones such as the US, stemmed from the growing capacity of coastal states to harvest their own resources. This leads to less interest on the part of coastal states in attracting distant water nation participation in licensing arrangements. Olav Schram Stokke, ‘Transnational Fishing: Japan’s Changing Strategy’.

79 The Japanese fleets were bound by government regulations, aimed at controlling tuna supply, that had the effect of increasing their inefficiency. These included a prohibition on overseas basing of longline fleets and transshipment of catch. As a result, vessels had to make the time consuming and costly journey to Japan at the end of each fishing trip.

80 Trading companies have secured an increasing share of the domestic market in Japan (especially the sashimi trade) by purchasing products direct from other DWFNs. This has put downward pressure on prices, despite government measures to stabilise demand and supply. Japan Fisheries Association, Fisheries of Japan, 1991, p.14.

81 Based on findings of a study cited in Anthony Bergin and Marcus Howard, ‘Japanese Tuna Fisheries: Future Trends’; also statistics of earnings provided by Japan industry associations. FFA News Digest, various issues.
pressures on Japanese distant water vessels increased, the ability of industry to respond to them was being undermined.82

Japan's tuna fleets remain highly dependent on access to the region's EEZs (see Table 4.5). The proportion of Japan's fishing operations which is carried out within and adjacent to the EEZs of Pacific island countries varies according to the vessel type and fishing gear used, as well as target species. In 1989, for example, 42 per cent of the total estimated catch of Japan's pole and line fleet was from the region; for longliners the region accounted for about 16 per cent of total catch; and for purse seiners, 78 per cent of total catch.

The dependence of Japanese tuna fleets on access to the region is thus very high for purse seine and significant for pole and line operators. It is not so acute for the longline fleets as a whole, but for some operators the region is a crucial fishing ground. This is due to restrictions imposed by the Japanese government on some vessels which confine them to fishing in central western Pacific waters and areas close to Japan.

Table 4.5: Japan's Tuna Production in the Pacific Island Region ('000 tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gear type</th>
<th>World Total</th>
<th>Western Pacific</th>
</tr>
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<tbody>
<tr>
<td>1989</td>
<td>PL</td>
<td>238</td>
<td>100 (42%)</td>
</tr>
<tr>
<td></td>
<td>PS</td>
<td>177</td>
<td>138 (78)</td>
</tr>
<tr>
<td></td>
<td>LL</td>
<td>254</td>
<td>42 (16)</td>
</tr>
<tr>
<td>1990</td>
<td>PL</td>
<td>178</td>
<td>59 (33)</td>
</tr>
<tr>
<td></td>
<td>PS</td>
<td>191</td>
<td>157 (82)</td>
</tr>
<tr>
<td></td>
<td>LL</td>
<td>259</td>
<td>52 (20)</td>
</tr>
</tbody>
</table>

Notes: Figures have been rounded.
PL: pole and line; PS: purse seine; LL: longline.


This dependence underlies Japan's concerns about existing regional management frameworks. Its position on the proposed multilateral access arrangement reflected, in part, the view that only with the involvement of DWFNs in a regional fisheries organisation could more accurate assessments of stock levels and 'sustainable' catch levels be carried out. In other words, it does not accept that the management measures adopted by the FFA are based on accurate (or at least adequate) stock assessments. Its

82 Although the Japanese government has taken some steps towards assisting the restructuring of the tuna industry, through vessel replacement and vessel reduction programs in the pole and line fishery, in general it has not pursued a 'rigorous' rationalisation program. David Doulman, 'Japanese Distant-Water Fishing in the South Pacific', Pacific Economic Bulletin, Vol.4, No.2, December 1989, pp. 22-8.
fear is that the region’s resources may be subject to over-fishing unless an international fisheries organisation is set up.83

But Japan has also resisted the imposition of measures that restrict the operations of its vessels, especially on the high seas adjacent to EEZs. These measures, designed to enforce conservation of fish stocks within EEZs, have been criticised by Japan as both legally and scientifically flawed. In opposing the imposition of regulations and conservation measures Japan has been increasingly perceived as an irresponsible fishing nation and has become largely isolated internationally. This has introduced new conflicts between Japan and Pacific island states; as well as between Japan and the US. Once again, US pressure (this time direct) on Japan has helped increase the leverage of Pacific island countries.84

THE ENVIRONMENTAL DEBATE AND FREEDOM OF THE HIGH SEAS

The widespread declaration by coastal states of 200-mile EEZs meant that access for DWFNs to these fishing grounds became increasingly circumscribed. One strategy that fishing nations like Japan adopted in the face of this development was to move their distant water fishing operations to the high seas, beyond and adjacent to EEZs. Between 1978 and 1989, Japan’s fishing catch on the high seas increased from 402,000 tonnes to 1,330,000 tonnes.85

Corresponding to this rise in high seas fishing was growing concern among environmental groups and coastal states at the impact of this high seas fishing activity on fisheries resources both on the high seas and within EEZs.86 In the late 1980s and early 1990s, this concern was heightened by evidence that entire stocks of some species had

83 It is estimated by scientists at the South Pacific Commission that the region’s tuna stocks, which account for 45 per cent of annual world tuna catch, could sustain further catch increases. South Pacific Commission, Status of Tuna Stocks in the SPC Area: A Summary Report for 1993, Tuna and Billfish Assessment Programme, Noumea, Working Paper 3, June 1993. This is disputed by Japanese officials. Japan also believes that only through membership of a comprehensive fisheries organisation will its access to the region’s resources be secured, through having influence over the allocation of quotas. At an international meeting in late 1994 between FFA member states and distant water fishing nations, Japan proposed that a working group be set up to study the ‘organisational and financial aspects’ of establishing a ‘framework’ for conservation and management of fish stocks, that includes coastal and fishing nations. Forum Fisheries Agency, Multilateral High-Level Conference on South Pacific Tuna Fisheries, Record of Proceedings, 5-9 December, 1994, Honiara.

84 It is argued here and in the next chapter that Japan has applied linkage tactics in its fisheries diplomacy between its policy of promoting the idea of an international fisheries regime in the Pacific island region and opposing the efforts of island states to control (some) high seas fisheries activities.

85 MAFF, Annual Report on Japan's Fisheries, Fiscal 1991, p.5. The amount of catch taken from foreign EEZs in the same period declined from 2,457,000 tonnes to 952,000 tonnes.

86 The particular species of concern were straddling fish stocks (those that existed both within and outside the EEZs, such as the Atlantic cod off Newfoundland) and highly migratory fish stocks (those that moved through EEZs and the high seas, such as tuna).
collapsed, largely because of over-fishing (for example, the Atlantic cod off Newfoundland and Alaska pollack in the Bering Sea) while other stocks of fish were under severe pressure (such as the North Atlantic bluefin tuna).

Environmental concerns and coastal state fears that their own resources would be adversely affected by high seas fishing have led to the adoption of measures aimed at curtailing, and in some cases imposing moratoria on, high seas fishing. Measures that have been of particular concern to Japan include the United Nations moratorium on the use of large-scale driftnets on the high seas; moves (led by the US) to impose a moratorium on tuna fishing where there is a high level of tuna and dolphin interaction; proposals to include some species of tuna on the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); and moves to restrict the right of freedom of fishing on the high seas through strengthening international law in favour of the rights of coastal states. The latter point refers to the United Nations Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks, convened in 1993. These are discussed in more detail below.

Japan has strongly opposed, and lobbied against, these measures. Differences between Japan and the US, which were evident with the multilateral access agreement in the Pacific, have widened. Essentially Japan has argued for continued fishing on the high seas, on the basis of the 'sustainable use' principle; and for a 'fair balance' between the rights of coastal states and those of fishing states. Japan's position is that measures such as moratoria should be based on scientific evidence that prove that fish stocks are actually in danger of over-fishing. Japan has resisted signing the Convention on the Prohibition of Fishing with Long Driftnets in the South Pacific on the grounds that ‘further information on the scientific basis for the convention’s provisions’ was required.87 The ban on driftnetting was based on what became known as the ‘precautionary principle’. This states that ‘where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponed cost-effective measures to prevent environmental degradation’.88 In other words, the burden of proof lies with the fishing nation, not the coastal state. In arguing against this principle, Japan has declared that ‘It is necessary to enhance the credibility of the findings of scientific research. In this way citizens of each nation will have a greater awareness that fishing does not necessarily lead to destruction of the environment’.89


89 Statement by Matsushiro Horiguchi, Head of the Delegation of Japan, UN Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks, New York, 13 July 1993.
Japan has also perceived measures aimed at protecting certain species (dolphins and whales in particular) to be based on emotional rather than scientific arguments. In the view of one official, such measures could lead to 'overprotection of particular types of species' which would 'destroy the whole ecosystem. [Also] such argument will grow into the extreme position of denial of fishing sardines and krill which are the preys of whales and dolphins'.

In the context of the Pacific island region, Japan and the island states have been at odds over issues regarding the regulation of high seas fishing operations of DWFNs, especially provision of high seas catch data for trips that involve both in-zone and high seas fishing. Japan's position has been that such measures should not be adopted 'unilaterally' by coastal states but be subject to discussion between coastal and fishing nations. The approach that Japan has advocated is for a comprehensive 'regional fisheries organisation', comprised of both coastal and fishing states. For Pacific island countries, this approach would amount to a derogation of their sovereign rights over the tuna resources within the EEZs. They are thus firmly opposed to such an organisation.

But common ground has also been identified in that Pacific island countries and Japan have an interest in promoting access to fisheries resources. In this, there is a mutual concern that environmental lobby groups may adversely affect fishing activity through advocating resource protection measures that curtail fishing operations on a more widespread basis.

**Campaign against use of large-scale driftnets on the high seas**

Driftnetting (also called gillnetting) describes a method of catching fish in large areas where fish are found in low density. Generally, nets are deployed at depths of about 10 metres and may be up to 50 kilometres in length. Driftnets were used to target salmon and squid in the North Pacific and albacore tuna in the South Pacific. The main distant water driftnetting countries were Japan, the Republic of Korea and Taiwan. The controversy about the use of driftnets arose in 1988 and 1989. The immediate antecedents to the controversy were the sudden increase in driftnet vessels operating on the high seas east of New Zealand and in the Tasman Sea. In the North Pacific there was an upsurge of driftnetting on international waters of the Bering Sea.

In both cases, the increase in driftnetting was largely due to the closure of the American EEZ to foreign fleets (which was completed in 1988) and restrictions on access to the Soviet EEZ. This led the driftnet vessels fishing the area to move to the high seas. Other factors that appeared to prompt the increase in driftnetting were a rise in the price of albacore tuna in the Japanese market at this time and the fact that some

90 Kazuo Shima (Deputy Director General of the Fisheries Agency), 'Fisheries and Environmental Issues', Symposium on Central Western Pacific Tuna Fisheries, Tokyo, March 1993.
longliners and pole and line vessels shifted to driftnetting because it used fewer crew and was more cost effective.91

Campaigns to ban the use of driftnets in both the North and South Pacific were driven by essentially the same concerns and arguments. Driftnetting was condemned for being indiscriminate and destructive; for the high incidence of juvenile and non-target species caught; for the danger to fish posed by lost and discarded nets; for being inefficient and wasteful because of the high dropout rate (loss of fish) and damage to fish; and for the navigational hazards it posed.92

In the North Pacific, concern was due mainly to the impact of driftnets on salmon stocks on the high seas, which affected American catches in their EEZ as salmon moved from the high seas to the EEZ. In the South Pacific, the main concern was the impact of drift netting on the albacore fisheries of countries within the region. Both the US and New Zealand had established troll and longline albacore fisheries in the South Pacific. In addition, some Pacific island countries (notably Fiji, the Solomon Islands, Tonga, Vanuatu and New Caledonia) had invested in albacore longline fleets. According to one study, the threat that the rapid expansion of drift netting might over-fish the resource ‘underscored the strong opposition by (these countries) to driftnet fishing in the region’.93

The first regional consultation to discuss the driftnet issue in the South Pacific was held in November 1988. A second consultation was held in March 1989 and a third in June 1989. These meetings developed a strategy to counter the growing trend in drift netting, including embargoes on purchases of fish caught by driftnets and on transshipment of such fish within the region. The South Pacific Forum, South Pacific Conference and Commonwealth Heads of Government meetings in 1989 all gave political backing to this strategy. Initiatives to ban drift netting within the region included the Tarawa Declaration, adopted at the South Pacific Forum meeting in July 1989, which called for a ban on drift net fishing in the region and for the establishment of a management regime for albacore tuna. A conference was held in Wellington, New Zealand in November 1989 to draft a convention to this effect. The Convention for the Prohibition of Fishing with Long Driftnets in the South Pacific (Wellington Convention)

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93 Andrew Wright and David J. Doulman, ‘Driftnet Fishing in the South Pacific: From Controversy to Management’, Marine Policy, September 1991, p.306. Albacore accounts for about 4.5 per cent of the region’s total tuna stock. Most of this is taken from the high seas, unlike the other major tuna species, which are mainly harvested within EEZs.
came into force on 17 May 1991. The convention applies to EEZs of the South Pacific and adjacent high seas.

Also in November 1989, the US House of Representatives passed a resolution in support of the South Pacific Forum initiatives. It called for ‘Japan and Taiwan to immediately cease the use of driftnets in international waters of the South Pacific [and] to furnish immediately all available scientific data on driftnet fishing catch’ to regional organisations. According to one report, the strong US support stemmed from the fact that the US government was anxious to review policy for the South Pacific and act on issues of regional concern. Driftnetting presented such an opportunity. But the South Pacific campaign against driftnetting also gave added weight to American initiatives aimed at curtailing North Pacific driftnetting. The US Congress in 1987 had passed the Driftnet Impact Monitoring, Assessment and Control Act. This Act called for negotiations with driftnetting states regarding effective enforcement of laws and regulations governing high seas driftnetting. If these negotiations did not lead to agreements within 18 months of the enactment of this law, the US President could authorise (after receipt of certification from the Secretary of Commerce) the embargo of fish imports from the country in question. This led to an agreement between Japan and the US in June 1989 providing for cooperation in research and monitoring of driftnet vessels. Agreements with Taiwan and Korea followed.

The various initiatives against driftnetting culminated at the UN General Assembly in November and December 1989. The US presented a draft resolution calling for an immediate ban on driftnet fishing. Japan tabled a counter resolution which called for more scientific research on the impact of driftnet fishing before considering a ban. A compromise resulted in resolution 44/225 on Large-scale Pelagic Driftnet Fishing (adopted on 22 December 1989). This called for a moratorium on all large-scale driftnets on the high seas by 30 June 1992 (unless scientific data proved the method was not harmful); immediate measures to reduce driftnet activities in the South Pacific and cessation by 1 July 1991; and immediate cessation to further expansion of North Pacific

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94 Details of the initiatives of the South Pacific Forum are given in Andrew Wright and David Doulman, ‘Driftnet Fishing in the South Pacific’. By the end of 1993, all but four South Pacific states had signed the Convention. Those that had not were Fiji, Papua New Guinea, Tonga and Western Samoa. It was not clear to the author why these countries had not signed, except for Papua New Guinea which continued to license Taiwanese shark driftnet vessels within its EEZ. The US had signed Protocol I (open to any state whose nationals operated in the convention area) and Canada and Chile Protocol II (open to Pacific Rim countries).

95 House Congressional Resolution 214, Appendix 3; Andrew Wright and David Doulman, ‘Driftnet Fishing in the South Pacific’, pp.330-1.


high seas driftnets. This resolution was revised in December 1991 to enable driftnet fishing to be reduced by 50 per cent by 30 June 1992 and a full global moratorium to be effective by 31 December 1992.

In the face of this regional and international pressure, how did Japan respond? Japan was opposed to and at first resisted the moves to ban driftnetting without what it viewed as sound scientific evidence to prove the dangerous effects alleged by environmental groups in particular. At the first regional consultation on a possible albacore management regime, held immediately after the conference to draft the Wellington Convention, the Japan delegation declared that: ‘We do not think that substantial and direct conflict exists with other forms of fishing by the South Pacific nations’. Japan has continued to argue that scientific evidence should first be presented before measures such as moratoria are adopted.

Japan was also opposed to coastal states unilaterally restricting fishing activity on the high seas. Japan correctly saw the driftnet issue as a harbinger of a wider move to control high seas fishing. For this reason, its position on the proposed regional (South Pacific) albacore management regime was to argue for a broad based approach, that included both DWFNs and coastal states, and covered all tuna harvested from the region, not just albacore.

Finally there was a perception that the campaign against driftnets was not genuinely about resource conservation and environmental issues but was ‘anti-Japanese’ and motivated by other political and economic interests and agendas — for example, trade disputes. It was also seen to be fuelled by ‘emotional’ rather than rational arguments.

98 Details are provided by both Kazuo Sumi, ‘The International Legal Issues Concerning the Use of Driftnets’; and Andrew Wright and David Doulman, ‘Driftnet Fishing in the South Pacific’.


100 Japan’s position that scientific evidence was needed before taking steps to ban driftnetting was supported by the Japanese Fisheries Agency and MOFA (in other words, there existed a general consensus on this issue). On the one hand, this position was legitimate in that there was insufficient data available to estimate safe catch levels for albacore, and thus no concrete evidence to support the claims that the driftnetting was harmful. But in principle it was fundamentally at odds with the position held by the Pacific island countries and the FFA, who argued that the burden of proof that driftnetting was adversely affecting the resources rested with the fishing nation. This became known as the ‘precautionary principle’.

101 Talks between Japan and the region (together with other fishing nations) to establish an albacore management organisation in the South Pacific were held between 1989 and 1991. They foundered on Japan’s insistence that the talks be widened to include all tuna harvested in the region, not just albacore. This was rejected by the FFA members on the grounds that albacore was different in that it was mostly harvested on the high seas beyond states’ jurisdiction. On the other hand, tuna harvested mainly within EEZs could be adequately managed by existing regional machinery.

102 Interview, Former Special Advisor, Norio Fujinami, Tokyo, May 1993.
Ultimately, the Japanese government was compelled to bow to pressure, as evident in the UN compromise resolution in November 1989. It subsequently scaled down activities in the South Pacific and in November 1991 Japan’s Cabinet announced that it would cease all driftnetting by 31 December 1992.\(^{103}\)

Regarding policy towards driftnetting in the South Pacific, in October 1989 the Japanese government announced that the number of vessels allowed to fish in the South Pacific during the coming season would be reduced from 60 to 20. Japan would also carry out research in the Tasman Sea and inspection of Japanese driftnet vessels.\(^{104}\)

Then, at the South Pacific Forum meeting in August 1990, Japan announced that it would cease driftnet fishing in the South Pacific from the 1990-91 season. This was one year ahead of the deadline set by the UN resolution and was presented as a major concession to the South Pacific countries. The representative of the Japan government to the Forum Dialogue declared that ‘this decision has taken into consideration the strong aspiration of the island countries to develop their albacore fishing industry, a major concern of the island countries, as a means of economic expansion’.\(^{105}\) A proviso was added that this measure would prevail ‘until such time as appropriate conservation and management arrangements for South Pacific albacore tuna’ were entered into.

Japan has refused to sign the Wellington Convention. At the 1992 Forum Dialogue Japan’s representative stated that: ‘Japan accepted the UN Resolution of December 1991. But it has not accepted the protocols of the Wellington Convention because it believed that there was a need for further information on the scientific basis for the convention’s provisions’.\(^{106}\) This remains the official position. Unofficially, the view in the Fisheries Agency is that the moratorium has effectively ruled out any possibility of resuming driftnetting, given that the only effective method of collecting scientific data on its impact is by carrying out driftnet fishing, which is no longer permitted.\(^{107}\)

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\(^{103}\) ‘Japan to Cease Driftnet Fishing’, Media Release, 27 November 1991, Minister of External Relations and Trade, New Zealand. The Minister stated in the media release that he had discussed the issue with both the Japanese Foreign Minister and Fisheries Minister during a visit to Tokyo the week before. ‘I know the Japanese Cabinet considered this question very carefully and I am delighted with the position they have adopted’. New Zealand was perhaps the strongest advocate within the South Pacific Forum for a ban on driftnetting.

\(^{104}\) ‘Japanese to Reduce Driftnets’, \textit{The Fiji Times}, 11 October 1989, p.20. Despite this action, Japan, along with Taiwan, was the target of criticism during the Wellington Conference for its failure to completely phase out driftnetting. This led the Japan delegation to condemn what it termed ‘groundless criticism against us’ and complain that ‘our earnest efforts have not received any concrete recognition from the South Pacific nations’. Statement by Japan, First Consultation.

\(^{105}\) Address by Takehiro Togo, Ambassador of Japan, at the Japan-SPF Dialogue, Plenary Session, Port Vila, 3 August 1990.


\(^{107}\) A Fisheries Agency official drew a parallel with the moratorium on whaling, claiming that ‘it is not easy to stop a moratorium once it is in place’. As a result of the UN resolution, the Fisheries Agency
Both international and domestic factors were prominent influences on Japan's decision to end driftnetting. Internationally, Japan was largely isolated on this issue. Its only allies were the other driftnetting nations of Taiwan and South Korea, neither of which carried much weight in international fora. The pressure from the US was a major concern, especially given the threat to invoke measures that would lead to trade sanctions on countries practising the method. It elevated the issue to one that concerned not just the Japan Fisheries Agency and MAFF, but the Ministry of Foreign Affairs (MOFA), the Ministry of International Trade and Industry (MITI) and the Cabinet as a whole. The MAFF minister attributed the decision to end driftnetting to 'other nations' responses to driftnet fishing and Japan's position in the international community'.

The relatively weak position of the driftnetting industry within Japan's distant water fishing industry, and in particular the animosity of the powerful longline and pole and line operators towards the driftnetters, also accounted for the policy shift. Although necessarily united in their opposition to the international push for a moratorium on driftnetting, the various industry groups representing other gear types were themselves rivals of the driftnetters. This stemmed largely from the incompatibility of the various gear types (those using lines were 'enemies' of those using nets and vice versa). More importantly the size of the driftnetting industry was relatively small and in the final analysis was expendable. The number of workers employed in driftnet fishing was estimated to be 10,000, out of a total workforce in coastal, off-shore and distant water fisheries of about 392,000 (1988 figures).

Finally, the decision to end driftnetting was arguably calculated to promote dialogue with the South Pacific countries on regional management issues. According to one assessment (by two FFA officials), the decision had a positive effect on regional discussion on a proposed albacore management regime for the region. 'The cessation of drift-net fishing by Japan in 1990 paved the way for progress to be made on discussions concerning a management regime for South Pacific albacore tuna. These circumstances permitted a more reasoned and rational approach to be taken because the drift-net issue had essentially been depoliticised'. Consultations between Japan and FFA member instituted a program to scrap driftnet vessels and assist workers to move into other areas (such as squid jigging). A compensation package of 20 billion yen was allocated to compensate workers and facilitate the transfer to new technology. Interview, International Affairs Division, Fisheries Agency, April 1993.

108 'Japan Joins Call for Driftnet Fishing Moratorium', Japan Economic Institute Report, No.45B, 6 December, 1991, p.6. International pressure, and especially the media impact of the anti-driftnet campaign organised by environmental groups, was the key factor shaping Japan's policy according to an official in the International Affairs Division, Fisheries Agency. Interview, April 1993.

109 Interview, Executive Director, Nikkatsuren, Tokyo, May 1993.

110 'Japan Joins Call for Driftnet Fishing Moratorium', p.10; also Fisheries of Japan, 1991, p.5.

111 Andrew Wright and David J. Doulman, 'Driftnet Fishing in the South Pacific', p.328.
states on albacore management were ultimately unsuccessful given the conflicting objectives of the FFA and Japan.

The driftnet controversy was a major challenge to the Japanese government. It provoked unprecedented criticism of Japanese fishing practices (which was a concern not only to driftnetters but to the entire fishing industry). In particular, the issue demonstrated the strength of environmental lobby groups and the power of the Western media to mobilise opposition. The length of time that the Japanese government resisted a total ban on driftnetting, also had serious political and diplomatic implications. Japan was isolated in regional and international fora and its position appeared to provoke more general criticism of Japan. From the perspective of the FFA, this delay was symptomatic of the different interests and priorities of Japan and the regional states, that would make joint membership in a broad based tuna management body unworkable.

The most important influence on Japanese policy was most likely US pressure, in particular the trade weapon wielded by the US. This pressure gave weight to Pacific island regional policies. The US has also been behind measures to limit tuna fishing in other parts of the Pacific, which have created further conflicts with Japan.

The tuna-dolphin issue

Environmental concerns have led to restrictions on tuna fishing in the eastern tropical Pacific, where there exists a high interaction of tuna and dolphin. Environmental groups in the US in the late 1980s and early 1990s succeeded in influencing Congress and the Administration to enact a number of laws and amendments relating to ‘dolphin safe’ purse seine fishing. These include the US Marine Mammal Protection Act of 1972, amended in 1988 to limit the dolphin mortality associated with tuna purse seining. It seeks to ban imports of yellowfin tuna and/or tuna products from countries that continue to catch yellowfin in association with dolphin, and from countries that are importing yellowfin tuna from such offending countries. Bans on the latter countries are currently in force against Costa Rica, Italy and Japan.112

In 1990, the US Dolphin Protection Consumer Act was passed by Congress, and required the US fishing industry to adopt measures to limit by-catch of dolphin and to label such tuna products as ‘dolphin safe’ 113 Finally, in November 1992, the US President signed a bill that would place a moratorium on tuna fishing in association with


113 This Act is currently the subject of controversy between two environmental groups who were instrumental in its drafting: Greenpeace, who has claimed the law is being flouted and dolphin safe labelling is simply a public relations ploy; and Earth Island Institute, who has disputed these claims. See 'Tuna Industry Comes Under Fire', *FFA News Digest*, No. 5/93, September/October 1993, pp.3-4; and 'New Row Over Dolphin-Safe Tuna', *FFA News Digest*, No. 6/93, November-December 1993, p.4.
dolphin in the eastern Pacific from March 1994, if one other major fishing nation (Mexico or Venezuela) agreed.

Japan's concern is that these measures will, in the longer term, be adopted more widely and lead to reduced supplies of tuna. Of more immediate concern to Japan's fishing fleets is that these measures will cause purse seine vessels currently operating in the eastern tropical Pacific to relocate into the central western Pacific. This would place increasing pressure on fish stocks in that region, through increased catch effort. The concern is that this would lead to increased competition for access and further deterioration in the economic performance of Japan's fleets. Moreover, it has been argued that measures taken to protect dolphins in the eastern Pacific have distorted stock levels, causing tuna stock levels to increase out of proportion to stocks elsewhere.

Japan's officials have used this issue (in much the same way as the albacore tuna issue and the multilateral access agreement issue) to press their case for an international tuna management organisation for the region to which they would be a party. The FFA has responded that the Palau Arrangement, signed in 1992, precludes the need for such an organisation since it limits licences and hence fishing effort in the EEZs of the western Pacific.

Revision of CITES

The pressure from environmental groups to curtail (if not cease) commercial fishing on the high seas has resulted in a move to list certain species of tuna as endangered, thus restricting their trade. The regime which is responsible for regulating trade in endangered species is CITES, also known as the Washington Convention. This was signed in Washington DC in March 1973. It introduced a system of permits and certificates to protect wild plants and animals while facilitating their trade. The convention defines three levels of protection for species and categorises these under three appendices. The highest level of protection is for Appendix One species. These are species threatened with extinction which may be affected by trade. Trade is strictly curtailed and 'only authorised in exceptional circumstances'. Appendix Two species consists of 'all species which although not necessarily now threatened with extinction may become so unless trade in specimens is subject to strict regulation' (that is, through the issue of export permits or re-export permits to accompany shipments). Appendix Three species are those for which

114 These arguments were made by the Fisheries Agency officials interviewed by the author. See also comments by Kazuo Shima in 'Fisheries and Environmental Issues'.

115 The Palau Arrangement for the Management of Western Pacific Purse Seine Fishery was signed in 1992 by the Parties to the Nauru Agreement. It places a limit on the number of both foreign and domestic purse seiners licensed to fish in the region. In addition, licenses will be issued according to agreed criteria, including the history of compliance and cooperation with FFA member states.
any Party has regulations ‘for the purpose of preventing or restricting exploitation’ and which requires the cooperation of other parties in controlling trade.116

At the eighth CITES meeting, held in Kyoto in 1992, the Swedish government (at the behest of environmental groups, mainly the World Wildlife Fund) proposed the inclusion of Atlantic bluefin tuna in Appendix Two (with one species, Western Atlantic bluefin, proposed for Appendix One).117 This was the first time a commercially harvested tuna was proposed for inclusion on CITES. The US government had been similarly pressured by environmental groups to support the proposal, but decided against the measure. The proposal was subsequently withdrawn after Canada, Japan and the US agreed to reduce their catch. Nevertheless, this development was viewed with alarm in Japan, where it was seen as an indication of the strength of the environmental lobby.118

In the lead-up to the tenth CITES meeting, in Florida in November 1994, a further attempt was made to include Atlantic bluefin tuna in Appendix II. The proposal came from Kenya, allegedly at the instigation of the World Wildlife Fund. According to an industry paper in Japan, Kenya agreed to withdraw its proposal in July 1994, after representations from the Japan Fisheries Agency ‘through diplomatic channels’. The arguments that were made by the Fisheries Agency were that: the proposal was not based on scientific information; the tuna resources are being managed by international organisations (such as the International Convention for the Conservation of Atlantic Tuna, ICCAT); and resource conservation measures had been intensified after the Kyoto meeting, making CITES management unnecessary.119

This issue and the possibility that other species of tuna will be listed as endangered, worries Japan Fisheries Agency officials and industry representatives perhaps more than any other.120 They believe that the consequences could lead to an end to commercial fisheries on the high seas. The issue has possible implications not just for the distant water fishing operators, but for the tuna trade as a whole. The conflict between environmentalist groups and coastal states on the one hand and fishing nations

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117 The Food and Agriculture Organisation (FAO) estimated that while the status of some species is not known, some Northern Bluefin in the Atlantic is exploited beyond its maximum sustainable yield. Northern and Southern Bluefin tuna in the Atlantic are considered depleted. From FAO, World Review of High Seas and Highly Migratory Fish Species and Straddling Stocks, cited in Moritaka Hayashi, "United Nations Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks: An Analysis of the 1993 Sessions".


such as Japan on the other, came to a head with the convening in 1993 of a UN conference to discuss international law governing high seas fishing, and, in particular, highly migratory species and straddling stocks.

**United Nations Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks**

At the UN Conference on the Environment and Development (UNCED) held in Rio de Janeiro in 1992, it was decided that inter-governmental meetings be held to discuss ways to better manage high seas fisheries, within the framework of the Law of the Sea Convention. The impetus largely came from Canada, which, because of the collapse of its cod fishery off Newfoundland, sought stricter regulation of high seas fishing, adjacent to its EEZ. The UN General Assembly resolved, in December 1992, to formally convene a conference in 1993 and requested it to ‘identify and assess existing problems related to the conservation and management of such stocks, consider means of improving fisheries cooperation among states; and formulate appropriate recommendations’.

At the first two sessions of the conference, held in April and July 1993, a clear divide emerged between coastal and fishing states, over ‘the principle of freedom to fish versus managed fishing’. While there was no unanimity within either camp, and priorities and preferred outcomes varied, the division reflected long-held differences in interpretation over relevant sections of the Law of the Sea Convention. On the one hand, the push from coastal states was for a legally binding convention that would effectively limit the freedom to fish on the high seas, and subject this freedom to the interests of coastal states in preserving and managing the resources within their EEZs. On the other hand, there was strong resistance from distant water fishing nations to extending coastal state jurisdiction beyond EEZs.

For Japan, the UN Conference came at a pivotal moment in its history as a DWFN, when its own fishing industry was under increasing economic pressure and international opinion appeared to be turning against high seas fishing. In practical terms, Japan aimed to minimise restrictions regulating high seas fishing, as these would impose a ‘heavy burden’ on its fishing fleets. It is also opposed to sweeping management principles that could lead to moratoria on high seas fishing. One of these is the ‘precautionary principle’. The position that Japan advocated was for ‘regional fisheries

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121 A preceding discussion of the issues was contained in a monograph prepared by the UN Division for Ocean Affairs and Law of the Sea titled *The Law of the Sea: The Regime for High Seas Fisheries, Status and Prospects*, 1992.


124 Interview, International Affairs Division, Fisheries Agency, Tokyo, June 1993.
organisations' that would have 'the fundamental right to determine which specific measures it will take, based on the actual situation in the region'.\textsuperscript{125} Such organisations would comprise both coastal and fishing states. On the question of tuna, there should be an allocation of quotas to both coastal and fishing states. Coastal states should not have sole rights over the fishery.\textsuperscript{126}

This approach was an anathema to the Pacific island states and the FFA. From their perspective it was imperative that the UN conference give full recognition to, and support for, their claims to manage the tuna resources within their EEZs and to measures taken to ensure proper conservation of these stocks. Such measures included, by necessity, regulating some high seas fishing activities. These measures were in part reflected in the revised minimum terms and conditions which required providing high seas catch data as a condition of access (whenever fishing takes place both within an EEZ and on the high seas, during the course of a fishing trip), and strengthening monitoring and policing of fishing on the high seas. The Pacific island countries also wanted backing for their demands that fishing nations like Japan take greater responsibility for the activities of their fleets; that is, they sought a greater elaboration of 'flag state responsibility'. The position of the regional states was summed up in the following way: 'FFA countries consider that they have a legitimate interest in the conservation and management of highly migratory species on the high seas in order to exercise more effectively their sovereign rights within EEZs. [They] need to ensure that no inroads are made to the principle of sovereignty over highly migratory species while within areas of national jurisdiction'.\textsuperscript{127}

At the August 1994 session of the UN conference it was decided that a legally binding treaty would be adopted. This was an outcome that had been favoured by some coastal states but not by distant water fishing nations. In order to work out the finer details of the treaty, to the satisfaction of both groups, the conference was extended into 1995.\textsuperscript{128}

\begin{footnotesize}
\begin{itemize}
\item[\textsuperscript{125}] Statement by Matsushiro Horiguchi, First Session of UN Conference.
\item[\textsuperscript{126}] From discussion with Ambassador Satya Nandan, Chairman of the Conference, New York, February 1994.
\item[\textsuperscript{127}] United Nations Conference on Straddling Fish Stocks and Highly Migratory Stocks, FFA Report 93/33, p.6. One of the special concerns of the Pacific island countries was the question of how to treat the so-called high seas enclaves — that is, those pockets of high seas surrounded by EEZs. These were not subject to any form of international management.
\item[\textsuperscript{128}] 'US, Canada Call for Fishing Treaty', \textit{The Canberra Times}, 17 August 1994. Earlier it was thought that such an outcome would not be feasible due to opposition from major fishing nations, and that a declaration rather than a treaty would be adopted. According to the Chairman of the Conference, 'this would allow for consensus and the introduction of "soft law" which we can build on and eventually create "hard law"'. Ambassador Satya Nandan, Interview, New York, February 1994.
\end{itemize}
\end{footnotesize}
CONCLUSION

Japan’s interests as a distant water fishing nation have grown increasingly complex over time. The strategy of promoting access to coastal state EEZs (a central concern in relations with the Pacific island states) has grown to encompass the question of fishing on the high seas, countering the effects of declining competitiveness, and promoting regional management frameworks that include Japan. The nature of problems facing the industry have also changed over time. These problems and challenges have defined the role and purpose of Japan’s fisheries aid.

Originally, the key issue was access to coastal state EEZs. As the distant water fishing industry came under increasing economic pressures, the need for securing more lenient access terms and conditions emerged as an important issue. Differences within the Japanese fishing industry have also widened, with trading companies increasingly more interested in securing cheaper imports than in engaging in fishing operations. Regional cooperation and collective diplomacy of Pacific island states have put political pressures on Japan and raised the problem of how to counter the strength and cohesion of regional initiatives. US policy on a multilateral fisheries agreement with the FFA member states strengthened regional initiatives and undermined Japan’s negotiating position. Finally, the environmental movement has highlighted the political, if not public relations, problem of convincing the international community of the safety of fishing methods and Japan’s commitment to conservation measures.

Japan’s response to this evolving fisheries agenda has essentially been to attempt to stem the effects of decline and to facilitate, through various measures, gradual adjustments in its distant water industry. But this requires a complex balance between competing political, economic and diplomatic interests. As the driftnet issue demonstrated, Japan’s ‘international role’ and the wider interests of the fishing industry were chosen over the interests of the driftnet industry; but Japan did not willingly make the choice.

It may be argued from the foregoing that the Pacific island region held importance for Japan not simply in terms of the fisheries resources which were located there, but also for the global implications of regional issues. Japan’s fisheries relations with the Pacific island states had direct relevance for Japan’s status as a global fishing power. The problems experienced with the region were problems felt more generally. In this context, it was highly significant how Japan responded in regional terms, for this may have established broader precedents or forestalled challenges elsewhere. Thus, in the Pacific island region, the stakes for Japan’s fishing industry and Fisheries Agency were much higher than might otherwise be assumed.

The following chapter analyses Japan’s fisheries aid policies towards the Pacific island countries. Fisheries aid has been an integral part of government and industry responses to international, regional and domestic economic problems facing the industry.
The underlying purpose of fisheries aid has been to assist industry adjust to the new regime of EEZs. How precisely is fisheries aid utilised and integrated into Japan's political and economic strategies? Has there been a coherent approach to fisheries aid policy? How have bureaucratic and procedural factors facilitated or constrained fisheries aid diplomacy? These questions are taken up in Chapter 5.
5 Japan's Fisheries Aid Diplomacy

The onset of EEZs created a number of problems for Japan. Most important was the anticipated restriction on Japanese access to foreign fishing grounds. The new Law of the Sea allowed for the possibility of a complete phasing out of distant water operations in coastal states' EEZs, which occurred in the case of the US zone by 1988. In addition, there were anticipated costs involved in fishing operations due to the requirement that royalties and fees be paid in exchange for licences; and that joint venture investment be promoted with coastal states.

Thus economic and political challenges confronted Japan, as the world's leading fishing nation, these being to secure access in order to continue fishing, and to ensure the viability of fishing operations by maintaining access costs that were lenient and affordable for the industry. These challenges were particularly acute in the context of Japan's relations with the Pacific island countries, given the importance to Japan's tuna fleets of fishing grounds in this region. Over time, new problems emerged, most notably opposition to high seas fishing based on environmental concerns.

This chapter focuses on Japan's 'fisheries cooperation' policies, in particular fisheries grant aid and the role of the Overseas Fisheries Cooperation Foundation (OFCF). It analyses the dimensions of Japan's fisheries aid to the region, the purposes of this aid and processes linking aid to Japan's policies of promoting and securing its distant water fishing operations. The study shows how aid was a central component of government overseas fisheries policy and closely integrated within government and industry access negotiations with Pacific island coastal states.

The first part of this chapter examines the use of aid in access negotiations. This covers the bureaucratic and procedural factors influencing aid policy, the role of personality among individuals concerned, and questions of policy coordination and conflict. The chapter later looks at aid policy in the context of domestic economic problems in the fishing industry, multilateralism in the Pacific island region, and environmental debates. This approach essentially follows the development of problems and issues that were analysed in the previous chapter.

FISHERIES GRANT AID

By 1973 the widespread introduction of 200-mile EEZs looked increasingly imminent. The United Nations had declared that a third UN Law of the Sea Conference be convened and preparatory sessions began in 1971. A core issue to be resolved at the Conference was the legal status of extended coastal state jurisdiction. In 1973 the formal sessions of the Law of the Sea Conference commenced and it was in the same year that the Japanese government created a special grant aid allocation, within Japan's ODA
budget, that would be specifically for fisheries aid projects — known as fisheries grant aid. The grant aid component of Japan’s ODA was still at that time relatively small. Fisheries grant aid comprised about 6 per cent of this aid. By fiscal year 1975, 1 billion yen was disbursed as fisheries grants, out of a total grant aid budget that year of 16 billion yen.

The grant aid for fisheries was initiated largely through the efforts of a leading politician in the governing Liberal Democratic Party (LDP), Zenko Suzuki. He became Minister of Agriculture and Forestry in 1977 and this also gave him jurisdiction over fisheries policy. Due to the strength of fishing industry groups within his constituency (Iwate Prefecture) Suzuki was a strong advocate of fishing interests and the leader of the fisheries group (*suisan zoku*) within the LDP.

The grant aid initiative was motivated by an expectation that developing coastal states would request fisheries assistance from Japan as a condition of access. Thus special allowance for these requests needed to be made. As a senior fisheries advisor explained: ‘In 1973 the fishing industry anticipated that the 200-mile regime would sooner or later start. At that time they thought that if fishing negotiations started with various countries, these negotiations would be undertaken on the principle of give and take. If we had nothing to give, we would face difficulty. So it was necessary to prepare this grant aid’. In this way, as a Fisheries Agency policy paper asserted, ‘The fisheries grant was born not only as a program to assist fisheries promotion in developing countries but also as an important tool to enable our fishing industry to survive in the era of EEZs’.

This thinking strongly reflected the traditional approach to aid as economic cooperation, which was developed in Chapter 2. It also supported a strategy adopted by the distant water industry and by government in response to the introduction of EEZs, aimed at modifying, through negotiation, restrictive coastal state policies. In order to protect the interests of the fishing industry, the role of aid would be to ‘smooth’ access negotiations — that is, provide additional incentive for coastal states to conclude access agreements with Japan. For this reason it was important to establish a separate aid

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1 Interviews, Norio Fujinami (former Special Advisor to the Minister on fisheries matters), Tokyo, May 1993; Hiroya Sano, President, Japan Fisheries Association, Tokyo, June 1993; Tatsuo Saito, current Special Advisor, Fisheries Agency, Tokyo, May 1993.

2 Interview, Norio Fujinami, Tokyo, May 1993.

3 Tadashi Tsuchiya, Government Programs for Fishery Cooperation, Fisheries Agency, mimeo, n.d. It is important to note that prior to the introduction of fisheries grant aid in 1973, the Japanese government had promoted fisheries cooperation through various programs and institutions. These included the Southeast Asia Fishery Development Centre established in 1968. The underlying rationale for this cooperation, according to a government journal in 1972, was the development of fishery resources for Japanese utilisation, to promote capital investment by Japanese companies, and to facilitate favourable fisheries negotiations with developing countries. *Kaigai gijutsu kyoryoku*, July 1972.
allocation, under the guidance of the Fisheries Agency, which would be closely tied to
the access negotiations.

The fact that a special category of grant aid was created, for the specific purpose
of meeting the requests of developing coastal states, reflected the strength of both the
fisheries industry and its political and bureaucratic supporters (in particular the Fisheries
Agency). But the question of who would control the allocation of the fisheries grant aid
was not settled at the time and would continue to be contentious. On the one hand, it
was clear that the grant aid would be part of the Ministry of Foreign Affairs (MOFA) aid
allocation and be administered by the Japan International Cooperation Agency (JICA),
set up in 1974 to replace the Overseas Technical Cooperation Agency (OTCA). But the
fact that the aid was only for fisheries grant projects and was essentially to secure the
distant water fishing operations of Japan’s fleets gave the Fisheries Agency the principal
role in determining policy. The perception of MOFA, according to a former Special
Advisor, was that this amounted to a derogation of the power of MOFA and a loss of aid
resources.4

The criteria for allocating the fisheries grant aid were not spelt out in detail,
although being grant aid, it was necessary that recipients be developing countries with
low per capita income. As a later policy paper declared, countries could receive fisheries
grant aid if their per capita income was $2,000.5 This was more than double the ceiling
for general grant aid recipients and indicated that the fisheries grants were a special case
of grant aid. The paper also maintained that, as a general principle, first priority is given
to countries with which Japan has fishing agreements ‘under reasonable conditions’. This
suggested that the conditions of access were a factor in the allocation of fisheries grants.
The criteria and policy practice would change over time. For example, although it was
the intention to provide fisheries grant aid only to coastal developing countries and in
order to facilitate access to their EEZs, policy priorities later shifted to building
diplomatic support through fisheries grant aid and extending this aid to non-coastal
states.

Pacific island countries were among the main beneficiaries of this grant aid
category. As Table 5.1 demonstrates, their total share for the period 1973 to 1991 was
20.4 per cent. Countries which received fisheries grants included those that had access
agreements with Japan (the Federated States of Micronesia, Kiribati, the Marshall
Islands, Palau, Papua New Guinea, the Solomon Islands and Tuvalu); those with fisheries

4 Interview, Norio Fujinami. The tension with MOFA was not entirely about loss of resources, according
to Fujinami, but also about the principle of aid as a form of exchange. The MOFA bureaucrat does not
approve of the ‘give and take’ principle. This has continued to influence attitudes and may be one reason
why there is an attempt, at present, to merge the fisheries grant aid within the general grant aid budget.
However, MOFA officials interviewed by the author accepted that fisheries grant aid was a ‘special’ case
and linked to Japan’s fishing interests. This is discussed in more detail later.

5 Tadashi Tsuchiya, Government Programs for Fishery Cooperation.
joint ventures with a Japanese firm (Fiji and Vanuatu); and two countries with neither (Tonga and Western Samoa).

Table 5.1 Fisheries Grant Aid to the Pacific Island Countries as a Share of Japan’s Total Fisheries Grant Aid (million yen)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Fisheries grant total</th>
<th>Pacific island countries</th>
<th>per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>155 (2)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1974</td>
<td>670 (2)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1975</td>
<td>1000 (2)</td>
<td>660 (1)</td>
<td>66</td>
</tr>
<tr>
<td>1976</td>
<td>1,990 (6)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1977</td>
<td>3,000 (7)</td>
<td>550 (2)</td>
<td>18.3</td>
</tr>
<tr>
<td>1978</td>
<td>5,000 (10)</td>
<td>900 (2)</td>
<td>18</td>
</tr>
<tr>
<td>1979</td>
<td>6,000 (12)</td>
<td>1000 (2)</td>
<td>16.6</td>
</tr>
<tr>
<td>1980</td>
<td>5,700 (12)</td>
<td>1,950 (4)</td>
<td>34.2</td>
</tr>
<tr>
<td>1981</td>
<td>5,730 (10)</td>
<td>1,100 (2)</td>
<td>19.2</td>
</tr>
<tr>
<td>1982</td>
<td>8,154 (14)</td>
<td>1,670 (6)</td>
<td>20.5</td>
</tr>
<tr>
<td>1983</td>
<td>6,996 (13)</td>
<td>1,110 (4)</td>
<td>15.8</td>
</tr>
<tr>
<td>1984</td>
<td>8,650 (13)</td>
<td>2,190 (4)</td>
<td>25.3</td>
</tr>
<tr>
<td>1985</td>
<td>8,886 (14)</td>
<td>1,873 (3)</td>
<td>21.0</td>
</tr>
<tr>
<td>1986</td>
<td>8,997 (12)</td>
<td>2,400 (4)</td>
<td>26.6</td>
</tr>
<tr>
<td>1987</td>
<td>2,903 (11)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1988</td>
<td>12,451 (26)</td>
<td>2,647 (10)</td>
<td>21.2</td>
</tr>
<tr>
<td>1989</td>
<td>11,400 (23)</td>
<td>3,534 (8)</td>
<td>31</td>
</tr>
<tr>
<td>1990</td>
<td>7,635 (13)</td>
<td>754 (3)</td>
<td>9.9</td>
</tr>
<tr>
<td>1991</td>
<td>7,415 (16)</td>
<td>775 (3)</td>
<td>10.4</td>
</tr>
<tr>
<td>Total</td>
<td>112,732</td>
<td>23,003</td>
<td>20.4</td>
</tr>
</tbody>
</table>

Notes: Figures in parentheses ( ) are the number of fisheries grants/projects allocated in that year.

Source: Tsusho sangyosho, Keizai kyoryoku no genjo to mondai ten, 1992, pp.974-80.

OVERSEAS FISHERIES COOPERATION FOUNDATION

In the same year that the fisheries grant aid was established, a second initiative was taken by the fishing industry and government. This was the establishment of the Overseas Fisheries Cooperation Foundation (OFCF). The main purpose of this organisation was to support private sector fisheries cooperation with both developed and developing coastal states. The OFCF was essentially set up as a means of channelling government funds to the fishing industry in order to promote private sector fisheries cooperation. This would create commercial networks with coastal states and promote overall fisheries relations. Although described as a non-government agency, its close links with the government are
evident in the role that the Fisheries Agency plays in both the decision making and funding of its operations.6

The OFCF’s initial activities centred on extending loans to Japanese fishing firms that were setting up joint ventures with coastal states or providing other assistance (loans, technical cooperation and infrastructure development) to coastal state governments. Such private sector cooperation was a central part of the strategy of securing access to foreign fishing grounds.7 The OFCF funded up to 70 per cent of the capital investment of joint ventures (see Table 5.2).8

Table 5.2 OFCF Loans to Japanese Fisheries Firms, 1973-90

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (million yen)</th>
<th>Number of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>500</td>
<td>1</td>
</tr>
<tr>
<td>1974</td>
<td>1,960</td>
<td>7</td>
</tr>
<tr>
<td>1975</td>
<td>3,418</td>
<td>15</td>
</tr>
<tr>
<td>1976</td>
<td>2,705</td>
<td>11</td>
</tr>
<tr>
<td>1977</td>
<td>4,591</td>
<td>13</td>
</tr>
<tr>
<td>1978</td>
<td>3,244</td>
<td>20</td>
</tr>
<tr>
<td>1979</td>
<td>5,949</td>
<td>15</td>
</tr>
<tr>
<td>1980</td>
<td>2,801</td>
<td>12</td>
</tr>
<tr>
<td>1981</td>
<td>5,675</td>
<td>14</td>
</tr>
<tr>
<td>1982</td>
<td>8,742</td>
<td>15</td>
</tr>
<tr>
<td>1983</td>
<td>18,453</td>
<td>23</td>
</tr>
<tr>
<td>1984</td>
<td>22,189</td>
<td>23</td>
</tr>
<tr>
<td>1985</td>
<td>23,576</td>
<td>39</td>
</tr>
<tr>
<td>1986</td>
<td>16,552</td>
<td>30</td>
</tr>
<tr>
<td>1987</td>
<td>27,414</td>
<td>24</td>
</tr>
<tr>
<td>1988</td>
<td>22,606</td>
<td>33</td>
</tr>
<tr>
<td>1989</td>
<td>20,166</td>
<td>24</td>
</tr>
<tr>
<td>1990</td>
<td>14,082</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Kaigai gyogyo kyoryoku zaidan, Kaigai gyogyo kyoryoku zaidan yoran, 1993, p.5.

Other activities initiated by the OFCF included a program for inviting leading fisheries officials from coastal states to Japan. These visits (begun in 1974) were intended

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6 Interview, Executive Managing Director, OFCF, Tokyo, June 1993.

7 The Law of the Sea Convention did recognise that joint ventures could form part of the terms and conditions for access established by coastal states. See Article 62 (4).

8 Two types of loans were provided to Japanese firms: no interest loans for the carrying out of technical and other cooperation with foreign governments, and low-interest loans for establishing and in some cases maintaining joint ventures. No actual breakdown by country/firm was available from OFCF. Beneficiaries included Japanese joint ventures in PNG and the Solomon Islands (Taiyo Gyogyo). See below.
to promote dialogue between decision makers in Japan and coastal states. Also initiated in 1974 was a foreign trainee program. Participants in this program were usually from governments or a joint venture partner in the coastal state. The training program, which takes place in Japan, lasts for up to 5 months and involves technical training in specific areas of the fishing industry.

In 1976 a program for the dispatch of experts from Japan to coastal states was started. This may either be at the request of a Japanese firm planning a project in a coastal state and in need of assistance in carrying out the feasibility study; or a joint request of a foreign government and Japanese firm in order to assist in technology transfer. Two types of experts are dispatched: one to provide technical training, and the other to carry out project feasibility studies (the object of these is to identify and assess potential fisheries grant aid projects). Oceania (which includes Australia and New Zealand) has received the largest share of this cooperation: 295 trainees out of a total of 1950; 68 technical experts out of 163, and 103 feasibility study experts out of 272.9

In 1977 the OFCF inaugurated a program to support the provision of goods and services to coastal states as part of access fee payments. What is known as the goods and services program is provided as part of the cost of access. The goods and services component amounts to about 10 per cent of total access fee but may be higher (see Table 5.3). The OFCF funds 75 per cent of the cost of goods and services; industry pays the balance. Usually the goods and services are fisheries related (such as outboard motors, vessels, fishing gear, nets) but they may be more general (office equipment used by the fisheries administration in coastal states). From 1977 to 1993 the largest share of this assistance was received by Oceania (94 cases out of 135).

Japan was the only distant water fishing nation (DWFN) to combine the goods and services as a component of access fee.10 Other DWFNs provided all the access fee in cash and this was preferred by the coastal states. Pacific island governments, in particular, wanted to treat goods and services as an extra benefit of access agreements, not as part of the cost of access. In contrast, the policy of the Japanese government was to treat goods and services as part of the access fee, thus using the aid as a subsidy for the industry.11

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9 *Kaigai gyogyo kyoryoku zaidan yoran*, June 1993.

10 In the early 1990s, the Taiwanese fishing industry provided goods and services as part of access agreements with the Solomon Islands, (according to FFA data). The fact that Japan incorporated a goods and services component within its fee payments reflects several things: the Japanese tuna industry was less competitive than other DWFNs and unwilling to pay higher cash fees; the Japanese government was unwilling to contribute directly to fees (see below); and provision of goods and services was a lucrative business for Japanese manufacturers, although some Pacific island officials noted that at times they were given equipment that was not in working order (that is, factory rejects). Interviews, FFA, Honiara, November 1993.
Table 5.3 Goods and Services as a Share of the Total Access Fee in Agreements between Japan and Pacific Island Countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>Agreement period</th>
<th>% of G/S to total fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSM</td>
<td>1 Jan 1981-31 Dec 1981</td>
<td>13.08</td>
</tr>
<tr>
<td>FSM</td>
<td>1 May 1982-30 Apr 1983</td>
<td>6.56</td>
</tr>
<tr>
<td>FSM</td>
<td>1 Feb 1984-31 Aug 1984</td>
<td>6.56</td>
</tr>
<tr>
<td>FSM</td>
<td>1 Aug 1984-31 Aug 1985</td>
<td>9.16</td>
</tr>
<tr>
<td>FSM</td>
<td>1 Aug 1985-31 Aug 1986</td>
<td>11.35</td>
</tr>
<tr>
<td>FSM</td>
<td>1 Aug 1986-31 Aug 1987</td>
<td>14.23</td>
</tr>
<tr>
<td>FSM</td>
<td>1 Aug 1987-31 Aug 1988</td>
<td>7.87</td>
</tr>
<tr>
<td>FSM</td>
<td>1 Aug 1988-31 Aug 1989</td>
<td>7.00</td>
</tr>
<tr>
<td>FSM</td>
<td>1 Aug 1989-31 Aug 1990</td>
<td>5.63</td>
</tr>
<tr>
<td>FSM</td>
<td>1 Aug 1990-31 Aug 1991</td>
<td>4.61</td>
</tr>
<tr>
<td>Kiribati</td>
<td>1 Sep 1983-31 Aug 1984</td>
<td>10.64</td>
</tr>
<tr>
<td>Kiribati</td>
<td>1 Sep 1984-31 Aug 1985</td>
<td>9.97</td>
</tr>
<tr>
<td>Kiribati</td>
<td>1 Sep 1985-31 Aug 1986</td>
<td>23.13</td>
</tr>
<tr>
<td>Kiribati</td>
<td>1 Sep 1986-31 Aug 1987</td>
<td>20.96</td>
</tr>
<tr>
<td>Kiribati</td>
<td>1 Sep 1987-31 Aug 1988</td>
<td>11.78</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>1 Apr 1981-31 Mar 1982</td>
<td>13.04</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>1 Apr 1982-31 Mar 1983</td>
<td>13.79</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>1 Apr 1984-31 Mar 1985</td>
<td>14.79</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>1 May 1985-30 Apr 1986</td>
<td>15.28</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>1 May 1986-30 Apr 1987</td>
<td>15.05</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>1 May 1987-30 Apr 1988</td>
<td>14.16</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>1 May 1988-30 Apr 1989</td>
<td>7.28</td>
</tr>
<tr>
<td>Palau</td>
<td>1 Apr 1980-31 Mar 1981</td>
<td>24.78</td>
</tr>
<tr>
<td>Palau</td>
<td>1 Aug 1986-31 Jul 1987</td>
<td>12.50</td>
</tr>
<tr>
<td>Palau</td>
<td>1 Aug 1987-31 Jul 1988</td>
<td>12.50</td>
</tr>
<tr>
<td>Palau</td>
<td>1 Aug 1988-31 Jul 1989</td>
<td>12.50</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>1 Oct 1978-30 Sep 1979</td>
<td>14.29</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>1 Oct 1979-30 Sep 1980</td>
<td>31.35</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>1 Oct 1980-30 Sep 1981</td>
<td>30.96</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>1 Jan 1983-31 Dec 1983</td>
<td>27.66</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>1 Jan 1984-31 Dec 1984</td>
<td>40.84</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>1 Jan 1985-31 Dec 1985</td>
<td>14.83</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>1 Jan 1986-31 Dec 1986</td>
<td>34.28</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>1 Jan 1987-31 Dec 1987</td>
<td>42.59</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>1 Jan 1988-31 Dec 1988</td>
<td>11.25</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>1 Jun 1986-30 Jun 1987</td>
<td>20.59</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>1 Jun 1987-30 Jun 1988</td>
<td>27.00</td>
</tr>
</tbody>
</table>

Source: FFA (compiled by the FFA at the author’s request).

Papua New Guinea is not included in Table 5.3 because it was firmly against inclusion of goods and services as part of the access fee. It was able to enforce this requirement, partly because of its importance to Japan as a fishing zone; and partly because it was less dependent on fisheries aid and fees as government revenue. It has also been observed that island governments were ambivalent about goods and services. The fisheries administrators in general were in favour of this component because they were the main beneficiaries. On the other hand, the political leaders and other sections of the national governments preferred cash fees because it supplemented government revenues.

Table 5.3 is notable for the disparity between countries in terms of the proportion of goods and services they received compared to access fees. This in part reflects fishing effort. When fees are calculated on a per vessel system, the fee is proportional to the fishing and catch effort (the goods and services are a lump sum payment). However, there were countries that received relatively high absolute amounts of goods and service (for example, Kiribati). This may reflect both a greater willingness to accept goods and services as part of fee payment; but also an essentially weak bargaining position. Kiribati failed to achieve increases in access fees despite terminating its agreements with Japan in 1981 and 1983. Goods and services were thus in lieu of higher access fees.

Since the mid-1980s the OFCF has been closely involved in aid project finding and evaluation. This is crucial to ensuring that the fisheries grants are allocated to countries which have priority in access negotiations. As Chapter 3 argued, allocation of grant aid depends on projects being identified and requests made. Project finding and development is usually undertaken by consultant firms commissioned by the Japanese government (or sometimes operating independently of government). One of the key consultant organisations in the area of fisheries aid is the Overseas Agro-Fisheries Consultants Company (OAFIC). Details of its operations in the Pacific island region and the clients for whom it carried out the work are provided in Table 5.4.

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13 Interviews, fisheries officials, FFA.

14 Some details are provided in Yoshiaki Matsuda, ‘Changes in Tuna Fishing Negotiations’. For example, in November 1981 (before Kiribati adopted the per vessel system) an agreement for 12 months was reached, based on 210 million yen (access fee) and 25 million yen (goods and services). In general details, of access fees paid by Japan to countries in the region are not available.

Table 5.4 Activities of OAFIC in the Pacific Island Region (to 1991)

<table>
<thead>
<tr>
<th>Country &amp; project</th>
<th>Client</th>
<th>Amount (thousand yen)</th>
<th>Period of service</th>
<th>Field of service</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiji</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Fisheries</td>
<td>JICA (Grant)</td>
<td>18,711</td>
<td>Sep 1989 - Mar 1991</td>
<td>(I/P) Refrigeration</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Finding</td>
<td>OFCF</td>
<td>2,400</td>
<td>Oct - Nov 1991</td>
<td>(P/F) Fisheries</td>
</tr>
<tr>
<td>Study</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Kiribati</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Finding</td>
<td>OFCF</td>
<td>1,500</td>
<td>Mar 1989</td>
<td>(P/F)</td>
</tr>
<tr>
<td>Study</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Marshalls</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repair Service for Refrigeration Complex</td>
<td>OFCF</td>
<td>3,500</td>
<td>June - Aug 1989</td>
<td>(O &amp; M) Refrigeration Engineering</td>
</tr>
<tr>
<td><strong>Palau</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fishing</td>
<td>JICA (Grant)</td>
<td>29,440</td>
<td>Nov 1987 - Mar 1991</td>
<td>(F/S &amp; I/P) Fishing Port Ice Plant</td>
</tr>
<tr>
<td>Community Development</td>
<td></td>
<td>93,840</td>
<td>1991</td>
<td></td>
</tr>
<tr>
<td><strong>PNG</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Study on Project Formulation</td>
<td>JICA (T/A)</td>
<td>3,000</td>
<td>Feb - Mar 1988</td>
<td>(P/F) Fisheries</td>
</tr>
<tr>
<td><strong>Solomons</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Fisheries</td>
<td>ADB (T/A)</td>
<td>46,000</td>
<td>Feb - June 1984</td>
<td>(F/S) Tuna &amp; Artisanal Fisheries</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fishery Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tuvalu</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Finding</td>
<td>OFCF</td>
<td>1,560</td>
<td>July - Oct 1986</td>
<td>(P/F) Fishing Community</td>
</tr>
<tr>
<td>Study</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Vanuatu</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Village Fisheries</td>
<td>JICA (Grant)</td>
<td>16,403</td>
<td>Sep 1985 - Mar 1987</td>
<td>(F/S &amp; I/P) Coastal Fishery</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28,000</td>
<td>1987</td>
<td></td>
</tr>
<tr>
<td><strong>Whole Region</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fisheries Development</td>
<td>UNIDO</td>
<td>5,000</td>
<td>Nov 1989</td>
<td>(P/F) Fish Processing</td>
</tr>
</tbody>
</table>

*Notes:* I/P = Implementation; P/F = Project Formulation; O&M = Operation and Management; F/S = Feasibility Study (Basic Design); D/D = Detailed Design.

*Source:* OAFIC (data provided to the author).
Since the late 1980s, the OFCF has also provided specific programs of assistance for Pacific island countries, in addition to the established types of cooperation. These are the Fisheries Development Assistance for Pacific Island Nations (FDAPIN) program and the Technical Cooperation for Fisheries Development program.\textsuperscript{16}

In general, OFCF links are only with countries that have fisheries agreements and/or joint ventures with Japan. Indeed, its raison d'etre is to promote fisheries cooperation with coastal states 'with whom Japan has mutually beneficial fisheries relationships'.\textsuperscript{17} The status of the OFCF as a 'semi-government' body (unlike JICA) has made it relatively easy for government to use 'overseas economic cooperation' as direct subsidies to the fishing industry (for example, the goods and services program). The OFCF has proved increasingly important as a channel for economic assistance that bypasses the procedural and bureaucratic processes required of grant aid. The OFCF has thus been the basis for policy innovation in the area of fisheries aid. This is examined in more detail later.

\textbf{JICA TECHNICAL COOPERATION IN THE FISHERIES SECTOR}

Another source of fisheries aid is technical cooperation provided by JICA. This involves a similar range of activities as provided by the OFCF. These are dispatch of experts and volunteers, receiving trainees, supply of equipment, project type technical cooperation (which combines the foregoing components), and development surveys. Unlike grant aid, there is no separate category of technical cooperation in the fisheries sector. But it is possible to disaggregate most technical cooperation provided by JICA into the various sectors.

Although there is no explicit policy for fisheries-related technical cooperation that links aid and access, in practice the correlation between aid and access is high, especially in equipment supply (see Table 5.5). Other types of fisheries related technical cooperation (experts, trainees and volunteers) are often allocated to countries where there are fisheries grant projects, since these projects need skilled support staff.\textsuperscript{18}

\textsuperscript{16} Details are provided in \textit{Kaigai gyogyo kyoryoku yoran}, June 1993; also Masaru Okamoto, 'Japan’s Fisheries Cooperation', Symposium on Central Western Pacific Tuna Fisheries, OFCF, Tokyo, March 1992. The FDAPIN carries out maintenance and repair of fisheries equipment and infrastructure provided as grant aid and OFCF aid. Details are included later in this chapter.

\textsuperscript{17} OFCF, ‘Details of Major Activities’, 1993, p.4.

\textsuperscript{18} All Pacific island countries have received JICA technical cooperation relating to fisheries in the form of experts, trainees and volunteers. The largest numbers have gone to Papua New Guinea, Fiji, Tonga, the Federated States of Micronesia, the Solomon Islands, Kiribati and the Marshall Islands.
### Table 5.5  JICA Fisheries Related Equipment Supply, 1986-91.

<table>
<thead>
<tr>
<th>Year</th>
<th>Recipient</th>
<th>Access agreement</th>
<th>Amount (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>Palau</td>
<td>yes</td>
<td>17.4</td>
</tr>
<tr>
<td>1987</td>
<td>Kiribati</td>
<td>yes</td>
<td>13.5</td>
</tr>
<tr>
<td></td>
<td>Solomon Is.</td>
<td>yes</td>
<td>13.6</td>
</tr>
<tr>
<td>1988</td>
<td>Fiji (a)</td>
<td>no</td>
<td>11.6</td>
</tr>
<tr>
<td>1989</td>
<td>Fiji</td>
<td>no</td>
<td>18.3</td>
</tr>
<tr>
<td></td>
<td>Kiribati</td>
<td>yes</td>
<td>12</td>
</tr>
<tr>
<td>1990</td>
<td>FSM</td>
<td>yes</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>Kiribati</td>
<td>yes</td>
<td>2.3</td>
</tr>
<tr>
<td>1991</td>
<td>Palau</td>
<td>yes</td>
<td>9.6</td>
</tr>
</tbody>
</table>

Note: (a) Fiji was a recipient of fisheries grant aid (for reasons discussed more fully below). This created a basis for receiving fisheries related technical cooperation which was often given in conjunction with capital grants.


### ADMINISTRATIVE CHANGE AND CONSOLIDATION

Fisheries policy has primarily been the responsibility of the Fisheries Agency. In 1948 the Fisheries Agency was established as an 'outer bureau' of the Ministry of Agriculture and Forestry. It was charged with regulating the fishing industry: coastal, off-shore and distant water. The introduction of the EEZ regime placed new administrative demands on the government. These mainly stemmed from the need to negotiate access agreements with foreign governments and regulate overseas fishing operations. In response to these changes, the Fisheries Agency was restructured and the name of the Ministry was also changed in 1978, to the Ministry of Agriculture, Forestry and Fisheries to reflect the enhanced role and importance of fisheries.

Within the Fisheries Agency, which still retained most authority over fisheries policy, the task of managing relations with coastal states and negotiating access agreements lay with the Oceanic Fisheries Department, and specifically the International Affairs Division. This Division collectively administered the fisheries agreements Japan negotiated with coastal states as well as international agreements to which Japan is a party. The Division also included the Office for Overseas Fishery Cooperation which was responsible for liaising with the OFCF, the Economic Cooperation Bureau of MOFA and JICA.

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19 Japan is a signatory to 14 international fisheries agreements. Those administered by this Division include the Convention on Future Multilateral Cooperation in Northwest Atlantic Fisheries (NAFO), the Convention on the Establishment of an Inter-American Tropical Tuna Commission (IATTC), and the International Convention for the Conservation of Atlantic Tunas (ICCAT).
Relations with the Pacific island countries were coordinated by the Nanpo (southern part) section of the International Affairs Division. This also had responsibility for relations with Australia, New Zealand, and South Africa. Other sections within the Division are responsible for East Asia (Republic of Korea and China), Russia, the US, the UN and Canada.\(^{20}\)

The International Affairs Division is headed by a Director and two Councillors who lead negotiations with coastal states and at international fora. In the case of the Pacific island countries, the leading policy maker is the Special Advisor to the Minister of Agriculture, Forestry and Fisheries. The creation of this post coincided with the period of transition, when 200-mile EEZs were being declared world-wide. The Special Advisor, appointed by the Minister, is a relatively autonomous actor. He works most closely with the Director General of the Fisheries Agency, although he is ultimately responsible to the Vice-Minister and Minister.

The first Special Advisor was appointed in 1977 to be in charge of access negotiations, essentially with countries with whom Japan did not already have fishing agreements. This tended to be southern hemisphere countries (since Japan had already become involved in negotiations with the US, Canada, the USSR, Korea and China). The first Special Advisor to be appointed was a long-serving official in the Food and Agriculture Organisation (FAO), Norio Fujinami. He was asked by the Japanese government to take up the new position in 1977. He subsequently stayed on until 1991. His main responsibility was negotiating agreements with the Pacific island countries. As such, he was the main influence on Japan’s fisheries policy towards, and hence relations with, the Pacific islands during this crucial period. His successor, Tatsuo Saito, a former Deputy Director General of the Fisheries Agency, has held the position since 1991.

It has already been noted in the previous chapter that the Special Advisor leads negotiations both for government to government ‘umbrella’ agreements and government to industry subsidiary agreements.\(^{21}\) Thus he represents both the government and the industry associations. In both roles, policy decisions are taken by the Special Advisor. This is most important at the level of deciding the terms and conditions of the agreement. Representatives of industry groups (Nikkatsuren, Kinkatsukyo, Kitamaki and Kaimaki) present at the negotiations generally do not contribute, but allow the Special Advisor to speak on their behalf. Although the industry groups are formally responsible for deciding what terms and conditions to accept, the Special Advisor may use his power as

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\(^{20}\) From discussions with officials in the International Affairs Division, Fisheries Agency.

\(^{21}\) The Japanese government representation at these negotiations is usually made up of Fisheries Agency officials, rather than MOFA officials. This was explained in terms of budgetary considerations: that is, it is impossible on budgetary grounds for MOFA to also participate in negotiations (which usually take place outside Japan).
spokesman to reject terms offered by coastal state governments, which industry would be willing to accept.22

The power of the Special Advisor extends to influencing the direction of fisheries grant aid. The Special Advisor may decide what countries are a priority for fisheries grants and, once access negotiations have been concluded, the Special Advisor may facilitate project approval, liaising with the Overseas Fisheries Cooperation section and through this channel, with various sections of the aid bureaucracy. This is examined in the case of Papua New Guinea-Japan negotiations. But first, the more general pattern of linkage is described.

NEGOTIATING ACCESS AGREEMENTS WITH PACIFIC ISLAND COUNTRIES

Fisheries grant aid was linked in principle to Japan’s access agreements. This was evident both at the level of general policy and in actual flows of aid. However fisheries grant aid could be provided to countries in anticipation of access agreements being concluded sometime in the future. Thus there was not a strict correlation between Japan’s access partners and recipients of fisheries grants.23

From the mid-1970s, which coincided with the beginning of the era of EEZs as well as the start of Japan’s ODA program to the region, until the mid-1980s, the majority of grant aid from Japan to the Pacific island countries was fisheries grant aid (see Table 5.6). In most cases the recipients of fisheries grant aid were countries which negotiated access agreements with Japan. But there were some countries which, in the 1970s and early 1980s, received significant amounts of fisheries grant aid but with which Japan did not negotiate access agreements or joint venture arrangements (Tonga and Western Samoa). These states did form part of the coastal state community in the South Pacific and were members of the South Pacific Forum Fisheries Agency (FFA). Both Tonga and Western Samoa had also advocated a broad-based regional fisheries organisation in the late 1970s, when the issue was being debated. These factors may have influenced Japanese aid policy.

While fisheries grant aid was provided at the request of the island governments, often the request would be initiated by Japanese fisheries industry representatives during

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22 Norio Fujinami was often doing this, according to Pacific island officials present at negotiations. Interviews, FFA, Honiara. Fujinami justified his leading role in negotiations on the grounds that industry groups were often at odds with one another, and thus it was necessary for their position to be 'streamlined'. Interview, Tokyo, May 1993.

23 Interview, International Affairs Division, Fisheries Agency, Tokyo, April 1993; Norio Fujinami, Tokyo, May 1993.
<table>
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**Notes:**
(a) Negotiations between PNG and Japan to re-start the agreement were underway and aid was incorporated as part of the rate of return. See next section.
(b) The agreement between Japan and Tuvalu broke down in 1992.

**Source:** Compiled from MOFA, *Official Development Assistance Annual Reports*, 1985-94; FFA.
access negotiations. This was described by Fisheries Agency officials in Japan as follows.

When negotiating access agreements, requests for fisheries grants and goods and services were solicited by industry and in some cases received. Thereupon industry representatives would initiate an aid request by lobbying the Fisheries Agency (often through the Special Advisor) to allocate grant aid to the country concerned. The OFCF would be approached directly to provide goods and services. At the recommendation of the Special Advisor, the International Affairs Division would then direct the OFCF to carry out a project identification mission or, if a grant aid project was already identified and officially requested, it would facilitate the feasibility study process and allocation of funds through liaison with the Grant Aid Division of MOFA and with JICA (see Figure 5.1). The key point in regard to this process is that private aid diplomacy would be conducted outside the regular channels of official aid diplomacy.

The link between fisheries aid and access was an issue that clearly troubled the Pacific island governments. The issue was first raised during discussion at the South Pacific Forum meeting in 1982. In the Communique issued at the end of the meeting, it was made clear that the Pacific island leaders ‘deplored the increasing tendency of distant water fishing nations to link the grant of aid with the receipt of fisheries access’ and called on distant water fishing nations to desist from this practice. The main concern of the leaders was that the linking of aid and access was denying countries a fair return for access to their EEZs. The threatened denial of fisheries grant aid on the basis of non-agreement was also a concern to the region. But the weak position of the Pacific island states, most of which could afford neither a loss of aid nor access fees, meant that the practice of linking aid and access continued.

Fisheries aid had both economic and diplomatic purposes. It was an indirect subsidy to industry — a contribution to the cost of access. It was also designed to be a goodwill gesture, thereby gaining preferential access to EEZs. These two aspects are

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24 Various Pacific island officials acknowledged in interviews with the author that fisheries projects were offered to their governments by Japanese industry representatives, who suggested that facilities such as cold storage plants would be available as grant aid if a request was submitted. Pacific island officials also observed that while they sometimes sought aid to establish domestic fishing industries (and a harvesting capacity of their own), the Japanese government was reluctant to provide aid that had the potential to create competition in the region for its own fishing fleets. Thus Japanese economic interests took precedence over the preferences of the recipients.


26 Communique, 13th South Pacific Forum, Rotorua, New Zealand, 9-10 August 1982. While Japan was not mentioned, this statement was directed at Japan since it was the one DWFN that had a policy of using aid in this way.

27 Given regional dissatisfaction with the rate of return offered by Japanese industry (noted in the previous chapter), fisheries aid was a compromise between the demands for higher fees and what industry was prepared to pay. As demands for higher access fees intensified in the late 1980s, the economic function of fisheries grant aid became more pronounced.
closely linked; however precedence appeared to be given to the economic rather than the diplomatic objectives of aid policy. This is reflected in the fact that despite regional misgivings, Japan continued to link fisheries aid and access. In addition, in access negotiations, for example with the Papua New Guinea government, described below, fisheries grant aid policy was clearly formulated with a view to being a subsidy to the access fee. The emphasis on using aid as an indirect subsidy in turn reflected domestic economic problems in the fishing industry, which worsened in the 1980s.

In the late 1980s and 1990s, the correlation between fisheries grant aid and access agreements increased. Only countries with access agreements with Japan received fisheries grant aid. This is reflected in Table 5.6 above. Two exceptions in this period were Fiji and Papua New Guinea, which received fisheries grants without having an access agreement.

Policy with respect to Fiji was influenced at the outset by a fisheries joint venture between the Fiji government and Itoh-chu Shoji. This ended with the withdrawal of the Japanese partner in 1987. Until the early 1990s, Fiji continued to receive fisheries grants.

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28 This practice became evident in the early 1980s. In negotiations between Japan and Kiribati in 1981-82, the Japanese side refused to pay Kiribati 3 per cent rate of return as requested. In the final agreement, industry paid 75 per cent of the access fee, while government provided 25 per cent in aid. *Pacific Magazine*, April 1982, p.15.

29 It is also the case that aid to the region diversified away from the previous emphasis on fisheries grants. This in part reflects the nature of requests from island countries, which preferred projects in other areas.
This was rationalised by the Fisheries Agency on the grounds that Fiji was an important country within the region (a regional ‘opinion leader’) and that it should therefore be supported for diplomatic reasons. In the early 1990s policy towards Fiji changed, and it was no longer ‘eligible’ to receive fisheries grants. This is covered later in the chapter. Papua New Guinea received a fisheries grant in 1989 in anticipation of re-starting a fishing access agreement with Japan. When the anticipated agreement failed to be concluded, further fisheries grant aid was suspended.

PAPUA NEW GUINEA-JAPAN FISHERIES NEGOTIATIONS

Papua New Guinea (PNG) was the first Pacific island country to enter into an access agreement with Japan. The agreement with PNG was Japan’s most stable access arrangement in the region (in the period until 1987). It was also one of the most important. The PNG zone is the third largest in the region after French Polynesia and Kiribati. It also has one of the richest fishing grounds. This was reflected in the distribution of Japan’s fishing effort in the region. In the period 1984 to 1986, the average share of Japan’s longline effort in PNG waters was 25 per cent (the largest was the Federated States of Micronesia with 35 per cent); for purse seiners, the average share was 52 per cent (compared to 41 per cent for the Federated States of Micronesia). There was no recorded pole and line effort in PNG waters for that period.30

Consultations between PNG and the Japanese fishing associations to review the access agreement were first held in Tokyo in July 1985. At these talks the PNG delegation mooted a number of changes to the agreement. These included a shift to a 4 per cent cif rate of return.31 At the next round of negotiations, held in December 1986, the PNG delegation made a new set of demands. Most notable was an increase in the access fee, from the previous negotiating position of 4 per cent to 10 per cent plus statutory fees.32

The main reason for demanding an increase in the rate of return was the high rate of return expected from the US multilateral treaty (estimated at between 10 and 12 per cent) and the belief that PNG was in a strong bargaining position because it had one of the largest and richest fishing grounds in the region. A further condition that PNG attached to its proposed rate of return was that no goods and services be included in the

30 FFA statistics. The other major DWFN in PNG was the US. In 1984, 50 per cent of US purse seiners operating in the region were licensed to fish in PNG’s EEZ. Significantly, PNG was the major beneficiary of the US multilateral fishing agreement, receiving approximately one-third of all treaty payments between 1988 and 1992.

31 cif is an acronym for cost, insurance and freight.

32 This and the following information on PNG talks with Japan are from documents provided to the author by the PNG Embassy, Tokyo.
access fee. As noted above, opposition to goods and services as part of the access fee was a long-standing position of the PNG government.

The December 1986 and subsequent February 1987 negotiations produced a deadlock. With the failure to conclude a new access arrangement the existing arrangement lapsed in March 1987.

According to the chief negotiator of the Japan delegation, Special Advisor Norio Fujinami, the reason for the break-off was the demand by the PNG side for a 10 per cent rate of return. This demand came as a shock as there was an expectation that the negotiations would proceed from the previously agreed basis of 4 per cent. Fujinami therefore asked the Japanese industry associations whether they were prepared to pay the higher rate of return, not just for PNG but for all other countries, since it was 'logical' that the PNG agreement would set a precedent for all others. If industry was not prepared to pay the same rate elsewhere then it was 'logical' that they abandon the PNG fishing zone. Thus Fujinami took indirect responsibility for initiating the break-off.

Fujinami was quick to link PNG's new demands to the US multilateral access agreement. In an effort to discredit the US agreement a paper was circulated by Fujinami among regional governments. It highlighted the 'aid' component of the US agreement and compared this to what Japan provided to the region. The levels of access fees (defined as that share paid by industry) in US and Japanese agreements were also compared. According to this analysis, it was argued that Japan was in fact paying more in access fees: 4 per cent compared to 1.5 to 1.7 per cent paid by US industry. When 'aid' (defined as government contribution) was added, Fujinami calculated Japan's fisheries grant aid to be equivalent to 4.1 per cent of catch value in 1986; and non-fisheries grant to be 8.4 per cent. He concluded that, overall, Japan's (bilateral) arrangements provided greater benefits to the region than the US multilateral treaty.

This analysis was thus based on the assumption that Japan's fisheries grant aid was a part of Japan's contribution to the access fee. It was also suggested that general grant aid was a similar contribution. Most significantly it equated the US government's cash contribution to the region (under the multilateral treaty) with that of Japan's project-based grant aid. This was at odds with the way the regional governments

33 Norio Fujinami, Development of Fisheries Relations between Japan and PNG, mimeo, March 1988. Observers at the negotiations attributed the break-off to Fujinami's outright dismissal of the PNG position, which did not allow for serious negotiation and compromise. This led the PNG officials to walk out of the talks in anger.

34 Interview, Norio Fujinami, Tokyo, May 1993. In access negotiations between Kiribati and Japan in late 1986, the Kiribati government had also requested an increase to a 10 per cent rate of return. In 1988, a number of other countries demanded increased access fees and gave notice of intention to terminate their agreements with Japan. See 'Japan and Islands in Fisheries Dispute', The South Sea Digest, No.18, Vol.8, 25 November 1988, p.1.

35 Norio Fujinami, Development of Fisheries Relations between Japan and PNG, pp.8-10.
perceived the respective contributions (and a reason why they were opposed to the linkage of aid and access).

A fundamental problem was that Japan’s grant aid was not conducive, in practice, to being used as a part of access fee payments. Fujinami did acknowledge this fact when he argued that ‘Japan cannot make a package agreement of access arrangement and aid program (because) the aid is provided project by project to specific countries’.36 His tactic was to emphasise Japan’s aid contributions as a way of influencing the PNG government to continue the existing bilateral access agreement. For example, Fujinami alluded to the change of PNG’s policy relating to acceptance of project tied grant aid37 and said that such aid would be provided to PNG as soon as a fisheries agreement was concluded. But as long as PNG denied access to Japanese vessels, it would not be eligible to receive fisheries grant aid. ‘Fisheries aid can be provided to any country unless its 200-mile waters are closed against Japanese operations’.38

Despite acknowledging the difficulties of using grant aid as part of access fees, an attempt to formalise the link between aid and access in a special fee formula was made in 1988. This reflected the anxiety of Japan’s fishing industry to reactivate its access agreement with PNG. Again the Special Advisor played a leading role.

The event that precipitated this was the arrest of a Japanese longliner, Take Maru No.32, for fishing illegally in PNG waters. A district court in the Milne Bay province fined the boat’s captain 500 kina ($580) and ordered confiscation of the vessel along with catch and gear.39 In an agreement signed on 2 December 1988 by the PNG Minister for Fisheries and Marine Resources and an agent for the Japan Fisheries Association (acting on behalf of Nikkatsuren), the PNG government undertook to release the vessel and in return the Japan Fisheries Association agreed to pay the sum of 100,000 kina. Both sides also undertook to reach agreement, if possible within six months, on a new access arrangement.40

The most crucial part of the agreement was the undertaking from the Japanese side to base the access arrangement on a 6 per cent rate of return. This was the PNG position at that time, having revised the original 10 per cent demand. Within days there was clarification from the industry association, Nikkatsuren, that this 6 per cent was to be composed of a 4 per cent fee from industry and 2 per cent as aid from the Japanese

36 Norio Fujinami, Development of Fisheries Relations between Japan and PNG, p.2.
37 PNG had a long-established policy of accepting only untied grants. This policy was relaxed in the mid-1980s.
38 Norio Fujinami, ‘Development of Fisheries Relations between Japan and PNG’, p.2.
40 Agreement Between the Independent State of Papua New Guinea and the Japanese Fisheries Association Concerning the Release of the Japanese Fishing Vessel, Take Maru No.32.
government. The industry representative sought confirmation from the Minister that this was the PNG government’s understanding.\textsuperscript{41}

Later that month, the Japanese industry associations sent a mission to PNG and informed the PNG Minister for Fisheries (as well as PNG’s Prime Minister) that a fisheries grant equivalent to 2 per cent of catch value would be made in 1989. They declared that the ‘Fisheries Agency would undertake best efforts to provide fisheries grant in 1989 considering the request, made by the (PNG) Minister of Fisheries and Marine Resources, which is equivalent to CIF 2 per cent of the value of the catch’.\textsuperscript{42}

A position paper noted that it was not possible for the industry to make a firm commitment of aid amounting to 2 per cent ‘because of the budget system’. As a compromise it was suggested that if the PNG government wanted ‘verification of firm commitment of the fisheries grant of CIF 2 per cent’, the access agreement would only become effective once the fisheries grant had been confirmed. Thereafter, the Fisheries Agency ‘will continue its efforts to provide fisheries grants in the same manner as in 1989’. The mission predicted that fisheries grants may eventually become ‘customary’.\textsuperscript{43}

The key issue, as reflected in the above statements by the Japanese fishing industry, was how to commit, on an on-going basis, a grant that was equivalent to a proportion of the access fee. To make such a commitment under Japan’s grant aid system was recognised as highly problematic, given the project basis of Japan’s grant aid and the procedural requirements of the annual budget cycle.

In 1989 PNG received a fisheries grant of 193 million yen, the first stage in a coastal fisheries development project (and the first fisheries grant aid project since 1975). The grant was given on the basis that it was equivalent to 2 per cent of catch value, in anticipation of an access agreement being concluded. That year, two rounds of negotiations, held in Tokyo and Manila, failed to reach agreement on an access arrangement. A second phase of the coastal fisheries project, planned for implementation in 1990, was put on hold.

Three factors contributed to this outcome:

1) The \textit{Take Maru} agreement (and subsequent fisheries grant allocation) was a departure from standard PNG government procedures. It raised questions about who authorised the aid and whether there would be implications for non-fisheries aid requests.\textsuperscript{44}

\textsuperscript{41} The PNG Minister did not confirm this understanding in writing. The ‘understanding’ appeared to have been conveyed verbally to the Japanese industry representative, and hence confusion was perpetuated.

\textsuperscript{42} Explanatory Note of Japanese Fisheries Mission, 20 December 1988.

2) The fisheries aid and access agreement had been reached largely through the efforts of PNG’s then Minister for Fisheries acting on behalf of provincial rather than national interests. His mandate was therefore questionable. This appeared to contravene another basic principle of PNG aid policy.45

3) The position of MOFA, which when approached by the PNG government for clarification about future fisheries aid commitments, contradicted the position of the fishing industry groups by stating that aid could not be committed in advance of projects being approved.46

By August 1990 the PNG government had returned to its original position that it would not accept a package of aid and access fee (that is the 2 per cent/4 per cent formula) and insisted that the rate of return be 6 per cent. It also announced that it would begin licensing Japanese vessels on an individual basis by November 24 if no agreement was reached. In an effort by Japan to forestall this move and conclude an agreement, talks between the PNG government and Japanese negotiators were held in Port Moresby in November 1990.

When the negotiations took place, both sides appeared to have hardened their positions. While the PNG representative declared that ‘6 per cent CIF was an integral part of the fee formula’, the Japanese negotiator (Fujinami) reiterated the offer of a 4 per cent access fee plus 2 per cent aid. This 2 per cent was estimated to be about 1.3 million kina per year. He again alluded to ‘Japan’s fiscal situation’ in arguing that Japan could not provide an on-going commitment of grant aid, similar to the US government provision under the Multilateral Access Treaty. He also opposed the planned introduction of an individual licensing system arguing that this would make it difficult for Japan to monitor the operations of its vessels. In arguing against any increase in access fee, Fujinami maintained that:

1) 6 per cent would lead to fewer vessels purchasing licences and thus less revenue for PNG. It may also encourage under-reporting.

2) No new fisheries aid would be provided to PNG without an access agreement, and existing (fisheries aid) projects would be suspended.

3) Other Pacific island countries had complained to Japan that PNG had received a fisheries grant without any access agreement. This aid had been given in anticipation of an agreement being reached. Thus there was an implicit obligation on the part of PNG to reciprocate.

44 These procedures require a project identified by the Department of Fisheries and Marine Resources (DFMR), to be appraised by the Department of Finance and Planning before a donor is sought. DFMR, ‘Summary of Fisheries Developments in Papua New Guinea’, PNG/OFCF Colloquium, November 1989.

45 This principle was that provincial governments may not negotiate aid assistance directly with foreign governments. DFMR, ‘Summary of Fisheries Developments’, p.16.

46 Interview, PNG Embassy, Tokyo, February 1993.
4) The *Take Maru* settlement in 1988 had been based on a 4 per cent/2 per cent formula and the then PNG Minister for Fisheries had verbally agreed to this.

The PNG representative stood firm against these arguments. On the question of fisheries grants being denied or withheld until an access agreement was concluded, he simply stated that the PNG government would seek clarification of this from Japan’s MOFA.47

A number of issues stand out from the foregoing study. The above negotiations demonstrated the role of Japanese fishing industry groups in negotiating grant aid with a recipient government. The negotiations also revealed the way the size of a proposed project was determined as a proportion of the access fee. Aid was also promised, in advance of the project being formally approved. These practices were deviations from ‘official’ aid procedures. Fisheries grant aid was also incorporated within a fee formula as an indirect subsidy to the payment of access. This attempt was ultimately unsuccessful. This raises the question of whether negotiating tactics were working at cross-purposes; or whether bureaucratic and procedural factors were at fault. Both explanations are in fact pertinent.

During the negotiations with PNG the Special Advisor used the promise of aid, and conversely the withholding of aid, as a lever to pressure the PNG side. The use of such tactics reflected both his negotiating power and the fact that his mandate also extended to issues of fisheries aid. The pressure applied on PNG by the negotiator may also have reflected the growing sense of crisis in Japan’s distant water fishing industry. In fact, the negotiator justified his rejection of PNG demands for a higher rate of return on the grounds that acceptance would set a precedent throughout the region. Policy emphasis was on containing the damage caused by the US multilateral treaty, by making an example of PNG, rather than saving the Japan-PNG access agreement.

It has been suggested by observers that personality accounted for much of the style of the negotiations, not just between Japan and PNG, but between Japan and other Pacific island states. Fujinami was known to be a demanding and uncompromising negotiator. This could well account for the poor results in Japan’s negotiations with PNG; that is, his negotiating style antagonised the PNG negotiators and the opportunity for reaching a compromise was lost. The Special Advisor clearly underestimated PNG’s determination not to give in to pressure. This was also a case where PNG officials sought to undermine the authority of the Special Advisor by challenging his interpretation of fisheries aid policy and soliciting the support of MOFA in this respect.

Apart from negotiating tactics, bureaucratic and procedural factors were important. Fisheries grant aid was clearly the special preserve of the Fisheries Agency.

47 From documents provided to the author by the PNG Embassy, Tokyo. PNG’s position was that the 6 per cent rate of return was ‘non-negotiable’. Since this remained their position, the talks ended in deadlock and no further progress was made. Japan has not provided any more fisheries grant aid to PNG.
But there were obvious conflicts, if not contradictions, in policy between the Fisheries Agency and MOFA; namely, whether or not future commitments of fisheries grant aid could be guaranteed. This had the effect, in part, of undoing the fisheries aid diplomacy conducted by the Special Advisor and industry. MOFA tended to adhere to formal procedures, at least in official statements. It is also notable that the Special Advisor was inclined to use aid procedures as a justification for his refusal to accommodate regional demands for higher access fees (through a direct government subsidy). This argument was especially salient in negotiations for a multilateral access agreement.

How did procedures shape fisheries aid policy? Procedures were an obvious constraint on diplomacy. Fisheries grant aid required consultation and coordination among several ministries and agencies — MOFA, Fisheries Agency, Ministry of Finance (MOF) and JICA. This increased the risk that conflicts over policy might arise and that official statements would be contradictory. The budget cycle was another constraint, since it required annual authorisation of projects. A further constraint (not spelt out in the above negotiations since it did pertain to Papua New Guinea as much as to other countries) was the limitation on the number of aid projects — generally restricted to one grant aid project a year.

In an effort to strengthen its influence over fisheries aid, as well as to increase the number of fisheries grants available to the region, the Fisheries Agency introduced a new grant aid initiative in 1987 called the small-scale fisheries grant. One objective of this aid was to overcome the existing restriction on providing more than one grant aid project a year to Pacific island countries.

### SMALL-SCALE FISHERIES GRANT AID

A new form of fisheries grant aid was officially brought to the attention of the Pacific island countries at an OFCF-sponsored symposium in Tokyo on South Pacific Fisheries Development in late September 1987. The small-scale fisheries grant (SSFG) was to fund projects that were smaller than the usual grant aid projects; that is, less than 100 million yen ($700,000) and more than 10 million yen. The funds would be allocated from the fisheries grant aid budget. The Japanese government was prepared to receive one application from each eligible country.48

In announcing the new form of fisheries grant aid, an official from the Fisheries Agency’s Overseas Fisheries Cooperation Office explained its purpose and intentions. Ostensibly, the SSFG was designed to be more responsive to the special needs of the island states. Pacific island governments had become increasingly vocal in their criticism of the quality of Japan’s fisheries grant aid. This was reflected in the opening statement

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48 Conference Report, Symposium on South Pacific Fisheries Development, OFCF, Tokyo, 28 September to 3 October 1987. This is not to be confused with small-scale grant assistance, introduced by MOFA in 1989. The size of the latter grant was to be a maximum of 5 million yen.
of the Pacific island countries' representative to the OFCF symposium. The representative made the following criticisms: 'Island governments have become increasingly disillusioned and impatient with Japan's fisheries aid. There has been a lack of consultation with island governments, a refusal to supply commercial development assistance, and the supply of goods and services at inflated prices'. He added that 'island governments want to see less restrictive aid policies and closer collaboration on all aid matters to ensure that their development goals and national priorities are furthered'.

The SSFG was intended to provide the Japanese government with a mechanism for responding to the 'smaller' requests from the island governments, which were in line with the small scale of their economies. Aid would thus become 'even more meaningful and useful'. It was also predicted that through the SSFG Japan could 'respond more quickly and flexibly to requests'. But there were other, more important, considerations underlying the new aid program. These were alluded to in the discussion that took place at the symposium following the announcement of the SSFG.

The Fisheries Agency officials who introduced the SSFG scheme made clear that this aid would be available only to countries with fisheries agreements with Japan. The explanation was given as follows: 'Since the SSFG is aimed primarily at solidifying and maintaining mutually beneficial relationships, the SSFGs are restricted to those countries holding fisheries agreements with Japan. The OFCF will dispatch project finding missions to identify and develop appropriate programs. Evaluations will be conducted with consideration given to the progress of fisheries negotiations taking place'.

The SSFG can be understood, in this context, as providing Japan's fisheries negotiators with an additional bargaining tool: an incentive for Pacific island countries to continue their bilateral access agreements with Japan. This was also the purpose of the regular fisheries grant aid. But the provision of that aid was constrained by Japan's grant aid policy limiting the number of grant aid projects provided to regional countries to one a year. Thus in the years when non-fisheries grants were provided, there could not be any fisheries grant aid. As the Fisheries Agency official stated: 'SSFGs are seen as a way to extend assistance during the interim years'.

49 South Pacific Countries Representative Opening Remarks, Conference Report, Attachment 3. These criticisms were echoed by fisheries officials interviewed by the author at the FFA. They reflect the emphasis in Japanese aid policy on promoting Japan's commercial and economic interests, which has the effect of reducing the diplomatic returns to Japan.

50 The key point that was suggested at the symposium was that the SSFG would be administered through the OFCF and not JICA. David J. Doulman, 'Japanese Distant-Water Fishing in the South Pacific', Pacific Economic Bulletin, Vol.4, No.2, December 1989, pp.22-8.

51 Conference Report, p.95.

52 Conference Report, p.100. This policy was described in another Fisheries Agency paper: 'We can provide general grant for only one project in a fiscal year. If you request a grant for [a] non-fisheries project, we cannot ...[provide] fisheries grants in the same fiscal year. The SSFG is the only exception to this rule'. Tadashi Tsuchiya, Government Programs for Fishery Cooperation. It is important to note
In this way, the overall level of fisheries grant aid available to the region could be increased. According to a Fisheries Agency official: ‘The Fisheries Agency wanted to further increase aid to the South Pacific region, hence the creation of the small scale fisheries grant’. The desire to increase fisheries aid was perhaps to take advantage of anticipated increases in Japan’s overall aid to the region resulting from the Kuranari Doctrine (see next chapter). But it also reflected concern that island country demands for higher access fees would follow from the US multilateral treaty. There was thus a need to provide greater economic assistance as a way of meeting these demands.

The SSFG initiative was greeted with interest but also confusion by the Pacific island countries represented at the symposium. Much of this stemmed from the procedures for delivering the aid that were suggested by the Japanese officials. It was not clear how the SSFG differed from the normal fisheries grant aid. It was also not clear how Pacific countries should apply for the aid and whether governments in the region were to be officially notified of the SSFG by MOFA. To this latter question, the Fisheries Agency officials expressed some uncertainty and stated that this would need to be discussed with MOFA. This ‘hesitation’ was because it was not a new grant that was being introduced but a new method of using funds.

The question of whether or not MOFA was aware of the SSFG initiative before it was presented to island governments at the OFCF symposium was not clarified. What was clear was that the SSFG was a Fisheries Agency initiative and it would be used according to policy priorities of the Fisheries Agency and industry. In other words, it would be a new policy tool for the Fisheries Agency. Moreover the OFCF would carry out all the preliminary project work. The role of MOFA and JICA was to be kept to a minimum.

How did this work in practice? One of the first test cases of the SSFG was PNG. It received a small-scale fisheries grant in 1989, which was provided in anticipation of an access agreement being concluded. The aid was calculated according to an agreed amount, equivalent to 2 per cent of the catch value (193 million yen), which was in fact greater than the prescribed ceiling for SSGA. Although the grant was made available relatively promptly, it did not succeed in overcoming bureaucratic constraints. Most notably, the grant was still subject to annual budgetary procedures of the Japanese government. When the PNG government sought assurance from MOFA about future grant aid allocations, MOFA denied that aid could be committed in this way.

that the one project per year limit was not strictly applied for all countries, but for most countries it was the ‘rule’. From the late 1980s, there was a change in that most countries began to regularly receive at least two projects a year. In the two years following the introduction of the SSFG, the number and amount of fisheries grants to the region reached a record high (see Table 5.1).

53 Conference Report, p.104.
The other issue that was of importance in respect to SSFG was the fact that regional states were increasingly requesting non-fisheries projects as grant aid from Japan. These included countries who were Japan's fishing partners in the region. SSFG became the back-up form of aid; to be used when the Fisheries Agency wanted to provide fisheries grants, but when the bulk of aid allocations went towards another sector. In the 1990s, most of the fisheries grants to the region have been designated as SSFGs.

MOFA'S POLICY ON FISHERIES GRANT AID

At this point it is necessary to consider the position of MOFA in more detail. To what extent were there policy differences between MOFA and the Fisheries Agency and how did these impact on aid policy? Unlike the Fisheries Agency, MOFA does not officially recognise any linkage between fisheries aid and access agreements. Its policy merely states that fisheries aid is intended to address the world's 'food problem' and to contribute to the economic and social development of developing countries.54 The most that has been admitted, in any official statement, is the 'possibility (that) the situation of the fishing relationship between the country and Japan might be considered'.55

Unofficially, MOFA officials do recognise the special nature of the fisheries grant aid. Former head of the Oceania Division, Nobuaki Tanaka, expressed the view that fisheries aid was linked to access 'in principle'. He also observed that the Fisheries Agency was able to mobilise aid resources, independently of MOFA, through its links with the Ministry of Finance and LDP politicians. Another Oceania Division official declared that fisheries aid 'should be used to smooth fishing relations (with developing countries)' but he qualified this position by stating that such aid 'should not be completely tied to fishing agreements'.56

MOFA officials admitted that on occasion they were required to 'censure' the Fisheries Agency for its tactics, especially during fisheries negotiations when threats of withholding aid were made. Pacific island governments would, on such occasions, seek clarification from MOFA on such policy, as the PNG government did in its negotiations with Japan. These instances did not appear to result in any change of practice by the Fisheries Agency. The conclusion that may be drawn is that the role and influence of

54 See, for example, A Guide to Japan's Aid, Association for the Promotion of International Cooperation, Tokyo, 1993, p.24.


56 Interview, Oceania Division, Tokyo, June 1993. Nobuaki Tanaka was interviewed by the author in Bangkok (where he was then based) in April 1993. The Grant Aid Division in MOFA also defers to the Fisheries Agency: the official in the Division in charge of clearing requests for fisheries grants is seconded from the Fisheries Agency.
MOFA was not significant (although by contradicting the Fisheries Agency, it did contribute to blocking the conclusion of an access agreement with PNG).

At the same time it was apparent that MOFA and the Fisheries Agency did on occasion work closely together. For example, ambassadors posted by Japan to the region were required to promote Japan’s interests, especially fisheries interests. One ambassador, posted to Fiji in February 1987 and accredited to Kiribati and Tuvalu, was chosen specifically for his expertise on fisheries matters. Fisheries industry officials also saw the ambassador as ‘one of them’.57

Problems between MOFA and the Fisheries Agency arose mainly from a lack of coordination between the two bureaucracies. While MOFA generally deferred to the Fisheries Agency on fisheries policy (for example, on the issue of a multilateral fisheries agreement), they also failed to communicate with the Fisheries Agency on policy initiatives of their own that would impact on the latter’s interests. Such was the case with the Kuranari Doctrine, delivered in early 1987. In planning this initiative, which was the first foreign policy statement by Japan relating to the Pacific island region, no input was provided by nor even solicited from the Fisheries Agency. Ironically, the political initiative appeared to influence regional expectations primarily in the area of Japan’s fisheries policy, particularly with regard to the conclusion of a multilateral access agreement.58

As a result, the Fisheries Agency (and chief negotiators in particular) took a dim view of the Kuranari initiative. In interviews with the author, the Kuranari Doctrine was described as rhetoric or, at worse, ‘propaganda’; it was claimed that it raised ‘false expectations’ and the Pacific island countries did not receive anything concrete as a result.59 The general opinion of the Fisheries Agency was that MOFA did not understand the nature of Japan’s fisheries interests and policy in the region.

The above tensions result from an overlapping sphere of jurisdiction between the Fisheries Agency and MOFA and the fact that foreign policy and overseas fisheries policy are interrelated. In this context, there are also obvious tensions in terms of

57 The Ambassador in question was killed in a car accident in Fiji in mid-1990. Before being posted to Fiji he had held the position of Consul General in Seattle, where fisheries was the principal policy area.

58 See ‘Agency’s Next Problem: the Japanese’, Islands Business, June 1987, p.24. In subsequent bilateral negotiations Japan was asked to deliver on its political declarations of support to the region by developing appropriate fisheries arrangements. For example, in negotiations between PNG and Japan in 1989, PNG’s Ambassador to Japan stated: ‘We believe Japan must now come to the party and meet its political declarations of support for the Pacific region’s development through practical arrangements such as in the fisheries area’. Opening Address by His Excellency Sir Joseph Nombri on the Occasion of the PNG/Japan Colloquium on Fisheries Cooperation, Tokyo, 20 November, 1989.

59 Interview, Norio Fujinami, Tokyo, May 1993. Both Fujinami and his successor were dismissive of any potential Soviet threat in the region, which had served as the principal catalyst of the Kuranari Doctrine. Their concerns focused instead on US fisheries policy in the region, which were seen to pose a direct threat to their interests.
preserving respective ministerial powers and prerogatives. This leads to a perceived need to assert distinct priorities and policies.

Policy differences between MOFA and the Fisheries Agency have essentially been over the balance between economic and diplomatic goals. MOFA is more inclined to assess aid in diplomatic terms. A Fisheries Agency official, seconded to JICA, observed that MOFA had argued against the continuation of fisheries grant aid as a special category of aid because 'Japanese fishermen have been refused access to so many fishing zones, [and it appeared] the aid is not working'. This was affirmed by an official in the Grant Aid Division of MOFA. On the other hand, the Fisheries Agency has tended to stress the economic importance of aid (in the context of access negotiations). This approach is opposed by MOFA, however, which does not approve of using aid to subsidise the operations of a domestic industry.

Fisheries aid was designed to be both a political and an economic instrument of the government and industry. The foregoing study has examined the use of aid as a tool in access negotiations. It has highlighted the close links between fisheries aid and Japanese access negotiations as well as some of the problems underlying attempts to link the access fee and receipt of grant aid under a formal arrangement. It should be noted that, with the exception of Papua New Guinea, in all cases where disputes led to a temporary suspension of an access agreement, new agreements were negotiated. This indicates that while there was dissatisfaction with (if not resentment of) the economic returns from access agreements with Japan, most countries were unwilling to forego the aid and access fees they received under these agreements. But the 1990s have seen some shifts in the position of Japanese industry and negotiators. In response to increased competition from other DWFNs and the stronger bargaining power of island states, the Japanese fishing industry has agreed to pay up to 5 per cent rate of return in recent agreements negotiated on a bilateral basis with some countries.

The remainder of this chapter examines fisheries aid policy in the context of domestic economic problems in the distant water industry, the proposed multilateral access agreement and the rising environmental lobby. The next section examines the role of aid in supporting joint ventures, which was part of the strategy for promoting the operations of Japan's distant water industry.

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60 Interview, JICA, Tokyo, May 1993; Grant Aid Division, MOFA, May 1993.

61 This issue was raised in interviews with the President of the Japan Fisheries Association Hiroya Sano, the former Special Advisor, Norio Fujinami, and present Advisor, Tatsuo Saito, and officials in the Fisheries Agency, JICA and the Oceania Division, MOFA.

62 It appears that Japanese fishing interest is now mainly focused on the Federated States of Micronesia, the Marshall Islands, Palau, the Solomon Islands and Kiribati. A new agreement between Japan and Tuvalu was reached in March 1994 following protracted negotiations which centred mainly on the access fee. Prior to this new agreement, a Memorandum of Understanding was signed by the OFCF and Tuvalu on fisheries cooperation. *FFA News Digest*, No.1/94, January-February 1994, p.1.
AID AND JOINT VENTURES

Another basis for fisheries aid was to support joint ventures between coastal states and Japanese companies. Joint ventures were generally established by the large trading companies (shogo shosha) as part of the fishing expansion that occurred after the Second World War. Joint ventures were established in the New Hebrides (Vanuatu), PNG and Fiji. These included transshipment facilities and fish processing plants. The era of EEZs created additional incentives for establishing joint ventures. By establishing shore-based facilities, processing plants and fishing fleets in collaboration with coastal states, distant water fishing states aimed to acquire favourable and more secure access to resources, as well as to rationalise their operations. Joint venture cooperation was recognised in the Law of the Sea Convention as a legitimate condition of access to EEZs of coastal states. In recent years joint ventures have evolved as part of a strategy for addressing economic adjustment problems in the distant water fishing industry, especially the problems of crew shortages and competition from cheaper imports into the Japanese market. Fisheries grant aid and the OFCF have aimed to assist industry in setting up joint ventures. Aid policy has also been motivated by concern about ensuring the on-going viability of joint venture operations.

Solomon Taiyo

A joint venture between Taiyo Gyogyo and the Solomon Islands government, initiated by Taiyo Gyogyo in 1973, was a direct response to the changing international Law of the Sea. Under the terms of the original joint venture, Taiyo provided capital to build a cannery and shore facility and charter fishing vessels from Japan.63 In the 1980s, the company expanded its operational capability. The expansion of the joint venture centred on establishing a new cannery and commercial centre at the town of Noro in the Western Province. The expansion was in line with the Solomon Islands government plan for decentralisation of domestic industry. It was also an attempt to shore up the viability of the joint venture, which had been plagued by financial problems from the outset.64

The development was undertaken in a five-year period from 1985 to 1990. It was dependent largely on the combined resources of several aid agencies and donors. OFCF loans to Taiyo Gyogyo financed the new $12 million cannery; the Asian Development Bank funded a new power station with a loan of $7.2 million; the


64 Interviews conducted by the author in Tokyo as well as with the Managing Director of Solomon Taiyo, Honiara. According to company officials the main source of the financial problems was the fact that the joint venture was not structured to be profitable. It was set up to allow for a high debt to equity ratio and for shareholders to extract income from cash flow rather than profits. Also see Anthony V. Hughes, 'High Speed on an Unmade Road'.
European Development Fund (EDF) provided a $10 million grant for associated infrastructure development including water supply, roads and wharf; and the Japanese government provided fisheries grant aid (1.8 billion yen/ $11.23 million) also for infrastructure development at the Noro township. This included an oil terminal (leased by the Solomon Islands government to Solomon Taiyo), cold storage facilities and a community centre.65

The contributions of aid to support this development reflected the importance of the Solomon Taiyo joint venture to the Solomon islands economy. The joint venture remains a crucial source of export earnings (estimated at 48 per cent in 1993) and employment (about 10 per cent). Thus a priority for the Solomon Islands is to keep the joint venture afloat. But such assistance also subsidises the operations of a Japanese firm, and provides an incentive for its continued participation in the joint venture.66

It has been suggested that Taiyo Gyogyo (re-named Maruha in 1993) has attempted to withdraw from the joint venture on a number of occasions due to financial losses and that there is a strong sentiment within the Taiyo company that it should withdraw.67 The fact that it remains is due, in no small measure, to the support of the Japanese government (through ODA and OFCF cooperation). The Japanese government interest in supporting the joint venture includes the issue of keeping its access to the Solomon Islands EEZ.

Instability inherent in the relationship, due in part to Solomon Islands government policy, points to an uncertain future for the Solomon Taiyo joint venture. This was evident during the negotiations for a new joint venture agreement in 1993. The Solomon Islands government had proposed selling its share of the company to the provincial

65 Details are from JICA, Basic Design Study for Noro Fisheries Infrastructure Development Project, March 1989; also Solomon Taiyo Ltd, company publicity material.

66 According to a senior Solomon Islands official, the infrastructure provided by Japan’s grant aid was not exclusively for use by the joint venture but there was no one else who could make use of it. The community centre was one part of the grant aid package that had been proposed by Taiyo Gyogyo and was initially intended to be a dormitory for fishermen. But under the requirements of grant aid (which stipulate that aid should not be for commercial use), the proposal was re-worded as a community centre. The official also said that Taiyo Gyogyo had helped ‘push through’ the grant request by lobbying key ministries in Tokyo. He added that when a European Community delegation had visited the Solomon Islands to inspect progress on the implementation of the EDF grant, there had been ‘surprise and consternation’ that it was primarily assisting the operations of a Japanese joint venture partner. Interview, Honiara, November 1993.

67 Interviews, Honiara; Tokyo. The trend in the 1980s has in fact seen Japanese joint venture partners withdraw from the region. These included Itoh-Chu Shoji, which withdrew from a fishing and canning joint venture in Fiji in 1987; Mitsui, which withdrew from Vanuatu in 1987; and a subsidiary of Mitsubishi and Nikkasturen (Kaigai Gyogyo Kabushiki Kaisha), which withdrew from PNG in 1982. The main reasons were commercial losses, and in the case of PNG, problems relating to transfer pricing. Companies also moved away from direct fishing activities to importing and distribution. In general, Japanese firms have faced strong competition from other fishing and processing nations, especially in Southeast Asia. For details see Geoffrey P. Ashendon and Graham W. Kitson, ‘Japanese Tuna Fishing and Processing Companies’, in David J. Doulman (ed.), The Development of the Tuna Industry in the Pacific Island Region: An Analysis of Options, East–West Center, Hawaii, 1987, pp.255-70.
government. This proposal triggered a strong reaction from the Taiyo management, which reportedly argued that if the central government withdrew, then the joint venture would not receive any further bilateral aid 'because the Japanese Government recognised central governments and not provincial governments'. The Solomon Islands government subsequently withdrew the proposal and a new joint venture agreement was concluded.

**Kiribati Marine Training Centre**

The Japanese tuna industry also sought to address, through fisheries aid, the problem of securing cheaper sources of labour on its fishing fleets. As was noted in the previous chapter, a key problem for distant water fishing fleets is the growing shortage of Japanese crew. This is a problem in terms of costs (high wages paid to Japanese crew contribute to lack of competitiveness). But it is also a problem that may determine the fate of Japan as a fishing nation; that is, without a new generation of Japanese fishermen, Japan cannot continue to be a fishing nation.

Domestic legislation allows for a foreign crew quota on Japanese vessels of 25 per cent. Industry is seeking to raise this to 40 per cent. Distant water fleets have increasingly relied on foreign crew. By mid-1994, a total of 2,311 foreign crew were employed on 398 Japanese tuna vessels. Indonesians dominate, followed by Peruvians.

One other major source of crew for the Japanese tuna industry is Kiribati. In 1988 a project was initiated in Kiribati which aimed at training fishermen from Kiribati as crew for Japanese tuna vessels. The Marine Training Centre, as it was called, was a unique 'joint venture' between JICA, OFCF and Nikkatsuren, on the one hand, and the Kiribati government on the other.

Details of the cooperation provided to the Marine Training Centre include a fisheries grant in 1988 of 130 million yen. This was used to construct a dormitory, classroom, laboratory and training vessel. JICA support included equipment supply, which between 1987 and 1990 amounted to 27 million yen; 12 JICA experts and 7 trainees between 1989 and 1991. OFCF has provided equipment and experts; and Nikkatsuren has provided equipment.

68 This argument was used by representatives of the Taiyo company, not by Japanese government officials. It is another demonstration of the way the Japanese private sector presumes to speak for the government on aid policy. 'Japan Opposes Shares Sale in Solomons', *The South Sea Digest*, Vol.12, No.25, 12 March 1993, p.1.


70 The uniqueness stemmed in part from the cooperation between JICA and OFCF. It was noted in Chapter 3 that there was very little coordination between the two technical cooperation agencies.

71 Details of the grant aid and JICA technical assistance are provided in Gaimusho, *Waga kuni no seifu kaihatsu enjo*, Vol.2, 1992 and JICA, *Annual Reports*, various issues. OFCF cooperation is in *Kaigai*
By the beginning of 1993, 180 students had graduated from the Marine Training Centre and, by mid-1994, 159 were employed on 20 Japanese pole and line vessels, 5 longline vessels and 2 purse seiners. A tuna industry journal described these graduates as ‘an indispensable source of manpower, especially for Japan’s skip-jack vessels’. The employment of graduates from the Marine Training Centre also provides a valuable source of foreign exchange for Kiribati (in the form of remittances). The third phase of the project commenced in 1994 and will run until 1996.

**Federated States of Micronesia National Fisheries Corporation**

In October 1994 agreement was reached between the Federated States of Micronesia (FSM) and Japanese tuna fisheries organisations on cooperation in the export of fresh tuna to Japan. Nikkatsuren agreed to invest in the FSM’s National Fisheries Corporation. Meanwhile a company was created by four fishing organisations to support the National Fisheries Corporation by providing guidance, funds and air freight connections to Japan. The joint venture aimed to promote the development in the FSM of a tuna export industry by providing ‘an air freight system’. Capitalisation for the new company, to be called Tuna Material Company, is estimated at 10 million yen, and will be financed by the OFCF. Tuna to be air freighted to Japan will be provided by Japanese fleets operating in FSM waters. The company will finance the operational costs of aircraft used in the joint venture.

This joint venture grew out of concern on the part of Japanese fishing enterprises operating in the FSM about the rapid increase in Chinese and Taiwanese operators in the FSM which has contributed to the expansion of fresh tuna exports to Japan. This has put increased pressure on the fresh tuna market in Japan. The objective of the ‘cooperation’ is stated clearly in terms of gaining ‘influence’ with the FSM government on questions of limiting access of Taiwanese and Chinese vessels, while ‘stabilising’ Japan’s own access arrangements. As an industry journal explained, ‘as a partner in the cooperative venture, Japan may now gain a voice in asking the FSM to suppress such unrestrained expansion of fishing effort by third nations’.

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73 The four organisations are Kinkatsukyo, Kaimakikyo, Nikkatsuren and Hokubu Makiami.


As with most fisheries grant projects, both the Maritime Training Centre and the Noro fisheries infrastructure project depend on the provision of technical cooperation from Japan in order to function properly. This includes ‘experts’ and equipment supply. There is a thus a need for support on an on-going basis. Failure to provide such support to projects in the past meant that infrastructure either was left idle or was poorly utilised.\textsuperscript{76} In part this was a problem of coordinating technical cooperation with grant aid and reflected procedural complexities in Japan’s aid system. But there was also a low priority put on maintenance of projects and whether or not they operated efficiently, if at all.

In the late 1980s and 1990s, more attention began to be paid to the question of maintenance of projects and the coordinating of grant aid with technical cooperation. This was evident in new initiatives adopted by the OFCF. As the following section suggests, these initiatives were part of an effort by Japan to make bilateral access agreements more attractive and beneficial to its fishing partners in the region. The underlying concern was to weaken regional support for, or interest in, a multilateral access agreement.

**BILATERAL VERSUS MULTILATERAL ACCESS AGREEMENTS**

A fundamental consideration in regard to the issue of a regional access arrangement was the perception that Japan could negotiate more beneficial access arrangements at the bilateral level. This was because Japan had more leverage over countries under bilateral agreements. Pacific island countries were encouraged to continue with their bilateral arrangements rather than support a multilateral agreement. Japan’s fisheries aid was an important part of its diplomacy in this policy area.

The possible impact of a multilateral fisheries agreement on Japan’s fisheries aid to the region was a central issue in the discussion and negotiations that took place. There was a genuine concern within the region that existing aid relations may be jeopardised by a multilateral agreement. In arguing against the proposal, Japanese negotiators stressed the good relations that Japan and the region enjoyed under existing bilateral arrangements. In this context, it was also suggested that perhaps there was some basis for treating Japan as a ‘special case’, given its long history as a fishing nation in the region and its contributions to the development of fishing industries in some Pacific island countries. This referred in part to the grant aid projects that Japan had provided. It

\textsuperscript{76} Foundation for Advanced Information and Research, *Japanese ODA to Pacific Island Countries: Current Problems and Future Perspective*, Committee for Oceania and Pacific Island Countries, FAIR, Tokyo, 1993. Also, information provided by PNG officials on the state of the Kavieng National Fisheries College, established in 1977 with Japanese grant aid.
also referred to the joint ventures that fisheries grants (and OFCF loans) had helped keep afloat.\footnote{The case in point is the Solomon Taiyo joint venture (cannery and fishing operations) in the Solomon Islands which was discussed earlier. Japanese government support has ensured the continuation of this joint venture.}

Apart from the tactic of ‘reminding’ countries of the benefits they enjoyed from bilateral aid and access arrangements, there were attempts in some instances to use aid to pressure countries in a more overt way. This was the background to problems between Japan and Fiji, which came to a head in 1992. Fiji was a major beneficiary of fisheries grant aid, until it was informed by the Japanese government in 1992 that there would be no further provision of fisheries grant aid unless it agreed to an access agreement with Japan.\footnote{At first, the reason given for not providing further fisheries grants to Fiji was that Fiji was too ‘developed’ and rich to receive grant aid. The Fiji authorities were advised to redraft a project that they had requested from Japan (a fishing wharf complex near Suva) so that it could be seen to have regional benefits. After the request was re-submitted as a ‘regional’ project, the decision that was relayed by Japan to Fiji was that the project approval depended on an access agreement being concluded.}

Fijian officials believed that the pressure to conclude an access agreement (where none had existed before) was in part to undermine the regional support for a multilateral agreement with Japan. Fiji was regarded as an important country in the region and, in diplomatic terms, a regional ‘opinion leader’. Thus to conclude an access agreement with Fiji would encourage other countries to continue with their bilateral arrangements.\footnote{See reports in \textit{The Fiji Times}, 28 and 29 December 1992; and \textit{Pacific Islands Monthly}, May 1993, pp.9-11. Fiji was not regarded as a good fishing area by Japan, hence no access agreement had been concluded in the past.}

Fisheries Agency officials and the Executive Director of Nikkatsuren confirmed, in interviews with the author, that Japan was seeking an access agreement with Fiji, and that this was to be mainly ‘symbolic’ of good relations between Fiji and Japan. Fijian officials described the proposed agreement as one ‘of convenience’ that aimed to have a ‘demonstration effect’ on other countries. While the Fijian Cabinet has rejected the linkage between aid and access, and this remains one of the reasons why no access arrangement has been concluded, some Fiji government officials are inclined towards signing an agreement in order to ‘get the aid rolling’. At stake is a major port development near Suva which has been in the ‘pipeline’ for several years.\footnote{Interviews, Director of Fisheries, Government of Fiji; and Permanent Secretary for Foreign Affairs and External Trade, Government of Fiji, Suva, January and July 1993.}

In order to further encourage the Pacific island countries to continue with bilateral agreements, the Fisheries Agency introduced several initiatives to promote assistance to the region through the OFCF (in addition to the SSFG described above). These were the only programs that the OFCF developed for specific countries or regions. They included the Fisheries Development Assistance for Pacific Island Nations

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(FDAPIN), a five-year project which started in April 1990. It has a budget of approximately 500 million yen a year. Its aim is to carry out maintenance and repair of fisheries equipment and infrastructure provided under grant aid and OFCF aid. A regional office was established in Fiji (despite the fact that the actual work was centred in Micronesia) to coordinate the activities of the project.

The other initiative was a project titled Technical Cooperation for Fisheries Development. This was introduced in 1988-89 and tied closely to access agreements with Pacific island countries. According to a policy paper, the project aims 'to contribute to the securement [sic] of fishing rights and interests of Japan'. It focused on promoting coastal fishing development. The estimated annual budget was between 100 and 150 million yen per country.81

Recipients of both these projects are countries which have access agreements with Japan. The initiatives aimed to make bilateral access agreements with Japan appear more attractive and more beneficial to the Pacific island states. They reflected concerns about instability in access arrangements that became more acute in the late 1980s. Both initiatives were funded by a special subsidiary budget in OFCF, provided by the Fisheries Agency. Thus budgetary and other bureaucratic procedures, applicable to fisheries grant aid, could be circumvented.

From the foregoing study, it can be seen that the Japanese government responded to the initiative on a multilateral agreement by providing incentives to island states (grants and OFCF aid) to continue with their bilateral agreements. The evidence suggests that this tactic succeeded to some extent, at least in terms of encouraging countries with bilateral agreements to continue with these arrangements. For example, the Federated States of Micronesia, one of Japan's most important fishing partners, has made quite plain its preference for keeping access arrangements bilateral. At the same time, it is aware of the need to maximise benefits from its resources. According to a government minister, 'We always view fisheries negotiations with the greatest caution because it is our only resource. We cannot afford to [be] high-handed with the distant water fishing nations but we also cannot afford to be ripped off'.82

The approach preferred by the Federated States of Micronesia is to support a combination of bilateral and multilateral arrangements, including an 'umbrella agreement' with Japan that incorporates minimum terms and conditions. The evidence suggests that although the Pacific island states have not succeeded in persuading Japan to either support a multilateral access agreement or to significantly increase bilateral fee payments, they have gradually succeeded, through collective diplomacy, in enforcing a number of

81 Masaru Okamoto, 'Japan's Fisheries Cooperation'; also interview, OFCF Regional Office, Suva, July 1993.

measures aimed at enhancing compliance with regional terms and conditions of access. This includes direct registration on the Regional Register and demonstrates the value and success of multilateralism in the region.

The position of Pacific island states was based on a pragmatic assessment of the benefits accruing from bilateral agreements and what Japan’s distant water fishing industry could afford. What was industry able to afford and why was there reluctance on the part of the Japanese government to provide a direct subsidy to industry in the same way the US government provided a subsidy under the terms of the US multilateral agreement? This question, which is taken up in the next section, is especially pertinent in considering government policies of support for the distant water fishing industry.

THE DOMESTIC POLITICS OF FISHERIES AID

It was noted in the previous chapter that the distant water fishing industry has been undergoing a process of economic decline, which has been exacerbated by international developments. The Japanese government, in response, has taken various measures to support the industry and to alleviate the effects of adjustment. But there are also limits to what it considers politically feasible; hence the importance of fisheries grants and OFCF aid as a less direct but also less politically contentious form of support. The policy objectives of the Fisheries Agency, as set out by an official in the mid-1980s were:

1) To achieve stable operations in overseas fishing grounds. In this context, Japan has enhanced international fishery cooperation with various coastal states enabling Japanese vessels to fish in overseas fishing grounds.

2) To maintain and cultivate fishery resources in coastal waters around Japan and to effectively utilise these resources.

3) To improve the economic conditions of fishermen suffering from sharply increased costs of production, stagnated prices and gradual decrease in fish consumption. Therefore the Agency encourages the fishing industry to reduce production costs through rationalisation of fishing operations and introduction of energy saving types of fishing vessels and gears through special financial loan program and favoured tax policy for fishing industry. 

The third point above reflects the changing economic conditions of Japan’s fishing industry. The economic problems of Japan’s tuna fleets have been the ostensible reason why Japan’s fishing industry and government have resisted paying higher access fees. The 4 per cent rate of return was described by one industry official as the ‘break-even’ point for their operations. The fact that they paid higher rates of return to countries such as Australia was because of the higher market value of the catch (bluefin tuna).

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84 Interview, Nikkatsuren, Tokyo, June 1993. This claim is treated with some scepticism by the FFA. The FFA has estimated that fishing fleets could afford between 6 and 8 per cent, depending on the vessel size. It has been estimated that the access fee as a proportion of total operating costs varies between 0.2 per cent and 6 per cent, depending on vessel size and gear type. Fuel and labour account for the bulk of
The availability of fisheries grant aid and OFCF cooperation, and the willingness of the Japanese government to use this aid to support access negotiations with the Pacific island states, meant that industry had a way out of paying higher rates of return.

But the Fisheries Agency has not always supported policies favoured by the distant water industry. A key factor shaping government policy has been the domestic political climate in Japan. This was evident in policy on a multilateral agreement with the region and whether or not the government should directly contribute to access fees.

When the FFA members first proposed a multilateral access arrangement with Japan in 1987 it was the Fisheries Agency and Special Advisor who led the strong opposition against the initiative. The Japanese tuna industry, on the other hand, was supportive in principle. Not only did they favour a regional access agreement in order to secure access for their fleets in the face of competition from other fleets, they also favoured a government contribution to access fees, similar to that provided by the US government. The problem was that they were unsuccessful in persuading government to ‘change its policy ... and use direct linkage between fishing access and aid’.85

Why were they unsuccessful? This negative response by government is especially striking in view of the political rhetoric at the time that had declared Japan’s concern about Soviet intrusion and the intention to contribute to the region’s economic and political development and stability. It is obvious from this that fisheries issues were not considered to be part of Japan’s foreign policy initiative (the Kuranari Doctrine).

Apart from the different positions on questions of management of tuna,86 domestic political factors were of importance. There was a view, reflected by senior fisheries officials that the proposal would not have sufficient political support, and therefore that MOF would not be pressured to allocate the necessary financial resources.

On the one hand, MOFA and the Oceania Division in particular, did not lobby for the proposed multilateral agreement. This would be a logical source of political support. While MOFA appears to have taken its cue from the Fisheries Agency, who led decision making in this area, it was nevertheless apparent that MOFA officials did not support the use of government funds to subsidise the operations of Japan’s fishing fleets.87


85 Interview, Tsutomu Watanabe, Executive Director, Nikkatsuren, Tokyo, May 1993. The industry representatives seemed resigned to the position taken by government on this issue.

86 It is apparent that Japan’s fisheries negotiators used the issue of a multilateral access arrangement to try and gain ground on a broad-based regional fisheries organisation in the region, that would have given Japan some say over questions of resource allocation and utilisation.

87 This was discussed earlier. Former Oceania Division Director, Nobuaki Tanaka, argued that the proposal for a multilateral access agreement was not taken seriously by his Division because it did not appear to have the full support of the region; nor was the regional position clearly stated.
On the other hand, there was an assessment by the Fisheries Agency that political support for the multilateral agreement would not be forthcoming in the Diet. This was seen to reflect the following factors: 1) a decline in political influence of the fishing industry due to population decline in fishing areas, thus a smaller voting basis for the fishing industry; 2) financial difficulties of the large and medium-sized fishing enterprises, which meant they were not as significant political contributors as in the past; and 3) fragmentation of the fishing industry due to competition and rivalry between different groups, which also reduced their political influence.88

Strong political support was regarded as a prerequisite for persuading MOF to allocate resources as part of a fisheries agreement. It was the assessment of the Fisheries Agency and Japan Fisheries Association that a proposal for providing a direct subsidy to the fishing industry in the form of a contribution to a multilateral access agreement would be strongly opposed by MOF on the grounds of 'keeping financial discipline'. It was argued that the 'subsidisation of access fees would trigger increased demands from coastal nations'. Moreover, the Japanese negotiator would not seek 'to ensure the lowest possible fee for Japanese industry'.89

A final factor that may have influenced policy on the multilateral access agreement was the changing priorities of the Fisheries Agency. Increasingly, Japan was facing the prospect of environmental concerns and campaigns threatening closure of fishing grounds not only in EEZs but also on the high seas. Thus there was a new imperative for fisheries aid: to build diplomatic support for Japan in international fora (where new policies and international laws were being developed) and to use aid in ways that demonstrated Japan's concern about environmental consequences of fishing and conservation of stocks. Access to foreign EEZs for Japan's fleets was not the sole (or principal) objective of fisheries grant aid. The priority was to keep the seas open to all fishing activity. This new aid agenda is discussed below.90

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88 These assessments were given by a number of observers in Japan interviewed by the author. They included senior government officials, industry leaders and scholars. Population decline in the fisheries sector is evident in census figures. See MAFF, *Fisheries Statistics of Japan 1991*, Statistics and Information Department, Tokyo, 1993, pp.24-5

89 That is, the negotiator would not aim to keep fees low. Interview, former Director General of the Fisheries Agency, Tokyo, June 1993.

90 It was suggested by a former Director General of the Fisheries Agency that this new priority for fisheries grant aid would mean less emphasis on using aid in concert with access negotiations. Interview, Tokyo, June 1993.
Japan’s role as a fishing nation, and as an advocate of the principle of freedom to fish, had created a serious image problem by the time the UN Conference on straddling fish stocks and highly migratory species (discussed in the previous chapter) was convened. In part, this ‘image problem’ was the result of Japan’s policies, and its insistence that practices such as driftnetting were not harmful to the marine environment. But its problems were also due to the way public perceptions in Western countries had altered, largely through the successful campaigns of the environmental protection lobbies, which had redefined the fisheries agenda (especially when it came to such issues as marine mammals). This process of change was traced back by Japanese officials to the early 1970s when protection of cetaceans (whales in particular) became an international issue.91

Japan’s fisheries aid has gradually assumed an important role in seeking to both counter this negative image and build support for Japan in international fora. More recently it has been directed towards playing a positive role in fisheries conservation and management. The evolution of this policy shift has not been without problems. On the one hand, the tendency among some policy makers and fisheries industry officials was to simply pressure countries to support Japan, using aid as a negative sanction. In 1987, at an OFCF symposium, a Fisheries Agency representative declared that there were at least two criteria for providing fisheries grants: ‘When the Japanese government selects the countries to which it provides fisheries grants, criteria include that the recipient country must have a fisheries agreement with Japan and it must take a supportive position to Japan in various international organisations’.92

This approach to aid proved counterproductive to some extent, as the policy has itself been the focus of criticism, and thus damaging to Japan. At the height of the driftnet controversy, allegations of aid pressure were prominent in media reports.93 These allegations also surfaced during the International Whaling Commission Conference (IWC) in Japan in May 1993.94 Despite such criticism, it appears that the public relations

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91 Kazuo Shima, 'Fisheries and Environmental Issues', Symposium on Central Western Pacific Tuna Fisheries, Tokyo, March 1993.


93 See, for example ‘Japan Denies Solomon Aid has Strings’, *The Fiji Times*, 31 July 1989, p.11. At the time of the 1989 South Pacific Forum meeting, there was some expectation, according to Japanese media reports, that Pacific island countries would not introduce ‘firm measures’ against driftnetting because of the importance of Japan’s aid to the region. This aid afforded certain ‘protection’ of Japan’s interests. *Minato shimbun*, 11 July 1989 and 17 July 1989, cited in Andrew Wright and David J. Doulman, 'Driftnet Fishing in the South Pacific; From Controversy to Management', *Marine Policy*, September 1991, pp.303-37.
‘war’ remains an essential part of Japan’s response. As criticism of Japan has deepened, attitudes in Japan have hardened.95

A former Director General of the Fisheries Agency described the strategy of building diplomatic support for Japan as follows:

The current situation is one where Japan is targeted by environmentalists. My feelings are that we have to defend our interest and the general principle of sustainable utilisation of renewable resources. In order to achieve this objective we want to see as many nations as possible take the position ... that sustainable utilisation does not deplete resources ... Economic cooperation in the field of fisheries should be extended to many countries, so that they benefit from this position. [Part of this policy meant giving fisheries aid to countries] where there is no expectation of gaining access in return. Such a country is Nepal. There is no possibility of fishing there, but Nepal is interested in fish, they eat fish. So we should work for the same principle.96

Within MOFA there was also a perception that fisheries aid should serve the purpose of building diplomatic support for Japan. But the results to date, according to a Grant Aid Division official, have not been very encouraging. During the IWC Conference in Japan in 1993, it was observed that out of ten developing countries, only one (St Lucia) voted the same way as Japan.97

The strategy of giving aid in exchange for diplomatic support has been somewhat modified, in the face of the continuing criticisms of Japan and concerns about the environmental impact of its fishing practices. By 1992 there had emerged a new policy related to the environment. At an OFCF Symposium, the Director of the Office of Overseas Fishery Cooperation in the Fisheries Agency declared that fisheries aid, in addition to its existing objectives, would henceforth be extended to:

promote fishery-related projects with the view of contributing from a global standpoint to the appropriate management and effective utilisation of fishery resources, including high seas resources, and conservation of the fisheries environment, recognising the vital role that fisheries should play in solving the food problem that is of concern to mankind as a whole, and to guarantee the transfer of our precious resources in a favourable condition to future generations.98

What does this entail? Essentially it means using fisheries aid to make a constructive contribution to conservation measures. This can be viewed as part of a


95 This was evident in a range of editorials at the time of the IWC Conference in Japan. See Mainichi shimbun, 16 May, 1993; Sankei shimbun, 16 May, 1993 and Yomiuri shimbun, 16 May, 1993.

96 Interview, Tokyo, June 1993. Another non-coastal state to benefit from fisheries aid recently is Bolivia.

97 Interview, Grant Aid Division, MOFA, May 1993.

process of building a leadership role in fisheries (and in particular tuna) conservation. Such a role has been articulated by prominent industry figures, such as the President of Nikkatsuren. In August 1992 he stated that: ‘Japan must move to become a leader amongst tuna producers and must act in harmony with the environment’. Other reports called for Japan to set the pace for responsible fishing practices (limiting catch, using environmentally sound fishing techniques, and supporting conservation measures).

At the UN Conference on highly migratory fish stocks and straddling fish stocks, a key part of the agenda was about providing assistance to developing countries so that they might carry out conservation and management measures within their EEZs. The ‘Special Requirements of Developing Countries’ were described at length by the Chairman of the Conference in his Negotiating Text, prepared after the second session of the Conference. Japan fully supported this approach. In his opening statement the head of the Japan delegation declared that: ‘It is essential for the appropriate management of high seas fisheries that developed countries transfer to developing countries the technology they need to conduct scientific research, handle data and pursue fishing operations in a responsible manner. Japan has enhanced its fishery cooperation in response to requests from developing countries, and intends to further expand such cooperation in the future’. According to the Fisheries Agency, Japan would be in favour of providing aid (a ‘special fund’) to support efforts of developing countries to conserve their resources, especially highly migratory species, within their EEZs.

As with other ‘fisheries cooperation’ policy, it is the Fisheries Agency that has taken the lead in this area of environmental cooperation. The Fisheries Agency has also utilised the OFCF as a channel for promoting new forms of aid and technical cooperation. In 1993 a new program of assistance for the Pacific island countries was announced, titled ‘Coral Reef Natural Resource and Environment Policy Cooperation’. It will be administered by the OFCF and focus on those states that are Japan’s main fishing partners in the region. According to an industry publication:

The Fisheries Agency plans to first restore the resource inside the reefs into a healthy condition before utilising it as a tourist resource ... and a stable food supply for the residents; improve local management techniques, create a ‘marine pasture’ suited to local environmental conditions, and to provide technical

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100 Negotiating Text, Prepared by the Chairman of the Conference, UN Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks, New York, 12-30 July 1993.


assistance for the conservation and management of those marine mammals that are likely to come under the regulations of CITES.  

The report suggested that the main rationale for this program was to promote a more positive image for Japan. 'The Fisheries Agency feels that Japan has been viewed mainly as a country that goes around catching all the fish there are to catch. Japan would certainly like to wipe away such a negative image. [The Fisheries Agency] feels that some new direction in fishery cooperation may help do this'. Out of the OFCF's total fisheries cooperation budget in 1994 of $50.6 million, $1.2 million would be allocated to the above project.  

Beyond image building, it is likely that this new emphasis on conservation has another side. It was observed earlier that the declared intent of Japan's new approach to fisheries aid was in order to contribute to 'the appropriate management and effective utilisation of fisheries resources'. This points to the integration of aid and management practices. The question arises: how will fisheries aid be used to promote Japan's preferred management approach? It is clear that for Japan, an 'appropriate' management regime is one that includes both DWFNs and coastal states. The push for a comprehensive fisheries organisation is a fundamental part of Japan's fisheries diplomacy in the Pacific island region. The provision of fisheries aid is certain to be conditional to some extent on Japan's inclusion within regional policy making fora.

CONCLUSION

Japan's fisheries aid was conceived and introduced in response to international changes in the Law of the Sea. It was clearly a defensive measure, one which sought to protect the operations of the distant water fishing industry. In the Pacific island region, the political rationale for aid was combined with economic considerations, as aid was used as an indirect 'top-up' to access fees. Direct subsidies were provided by the OFCF.

Over time, the function of fisheries aid evolved in response to new challenges and problems. For example, aid, used in conjunction with joint ventures, provided a basis for training foreign crew to help meet the shortfall in Japanese labour. It also helped keep a major cannery and fishing operation joint venture viable. The SSFG was a way of increasing (or at least maintaining) fisheries grants to the region, especially at a time when relations with the region were becoming more problematic. Fisheries aid initiatives were a way of addressing regional demands for more beneficial access arrangements, without taking more difficult adjustment measures or more politically contentious decisions, such as providing a direct subsidy to industry under a multilateral agreement.


Environmental aid was a response to the ‘image’ problems faced by Japan and the political challenge posed by the environmental lobby.

Policy was not always consistent. The use of aid in conjunction with access and the poor quality of some fisheries aid led to resentment of Japan and undermined the ‘goodwill’ that aid was also designed to create. The emphasis on conservation measures detracted from the use of aid to support access negotiations. Attempts to pressure countries to support Japan in international fora conflicted with the goal of improving Japan’s international image as a fishing nation. This inconsistency has reflected the shifting priorities of Japan’s fishing industry. The study also suggests that aid may be utilised as a short term measure to compensate for political and economic weakness: to ease adjustment in a declining industry on the one hand and to undermine regional challenges (such as the multilateral access initiative) on the other. In this context aid is not necessarily a function of national strength.

The case of fisheries aid demonstrates the process of close coordination between a government agency and an industry or private sector group. Although government and industry relations were not always harmonious, fisheries aid was foremost a government tool to be used in the interests of industry. Administrative structures facilitated this approach. The OFCF was especially important as a channel for government aid to the private sector; it also coordinated fisheries grant aid policy.

But the foregoing study also shows the effects of aid procedures and bureaucratic politics, in particular the problems of formal linkage of aid and access. Procedures are not readily amenable to the political use of aid, as in negotiations with Papua New Guinea. Moreover, policy differences if not rivalry between ministries may complicate and undermine aid diplomacy, as the Papua New Guinea case revealed. This case also showed how recipients may play on bureaucratic differences in Japan’s aid administration in order to counter the negotiating position of Japanese officials.

A fundamental problem for fisheries aid diplomacy, however, was the existence of a competing aid policy agenda with respect to the Pacific islands. This was based on quite different ideas, objectives and policies. The Kuranari Doctrine, discussed in the next chapter, revealed how Japanese diplomacy was marked by an absence of a clear vision of Japan’s interests in the region or of an integrated and coherent set of policies.
6 Competing Agendas: The Kuranari Doctrine and Japan’s Aid Diplomacy

In the 1980s Japan’s political relations with the Pacific island region expanded significantly. The region was gradually included within Japan’s foreign policy and broad political/strategic rationales for building ties with the island countries came to be articulated. These rationales supported an increasing aid presence and aid flows to the region. Policy towards the region was spelt out in a foreign policy doctrine delivered by the Foreign Minister while visiting Fiji in 1987 — known as the Kuranari Doctrine. A central part of this policy was a plan to double Japan’s ODA to the region.

What were the motivations and objectives of this policy or doctrine? How was the aid doubling plan rationalised? What was the impact on Japan’s aid flows to the region? How did bureaucratic factors shape the policy decisions? Finally, how did the Kuranari Doctrine fit in with and relate to the ongoing fisheries aid agenda in the region?

This chapter examines the background to the development of this doctrine; the motivations and perceptions of the policy actors involved; and the implementation of the policy, especially relating to ODA. It explores the extent to which the Kuranari Doctrine was a case of ‘strategic aid’ and reassesses what is meant by the term ‘strategic aid’ as applied or used in the literature on Japan’s ODA.1

In analysing the origins of the Kuranari Doctrine, it is necessary to examine several strands in Japan’s foreign policy in the early 1980s, as well as developments in the Pacific island region. These include the emergence of the Pacific Basin cooperation concept, the idea of comprehensive security which integrated aid within a national security framework, and the outlook and posture of the Nakasone government. The analysis also considers American perceptions of security in the Pacific island region and the regional policy of the South Pacific Forum.

PACIFIC BASIN COOPERATION

The origins of the Pacific Basin cooperation movement date back at least to the late 1960s. In 1967 then Japanese Foreign Minister Takeo Miki had sought an elaboration of

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1 In general ‘strategic aid’ is a term that is confined to academic and media analysis of Japanese ODA and is not used officially. Most writers have used the term in reference to aid policy that is primarily aimed at countering Soviet influence and supporting Western (mainly US) security interests. For this reason strategic aid is largely a function of Cold War politics and its political objectives relate to shoring up global and regional security. The term does not describe the content of aid but the purpose of aid. See Dennis Yasutomo, The Manner of Giving: Strategic Aid and Japanese Foreign Policy, Lexington Books, Lexington, 1986; and Juichi Inada, ‘Japan’s Aid Diplomacy: Economic, Political or Strategic?’, in Kathleen Newland (ed), The International Relations of Japan, Millenium Publishing Group/MacMillan, London, 1990.
an ‘Asian Pacific policy’ based on increased cooperation and aid programs. A proposal for a Pacific free trade area was also mooted at this time and consultations to promote this idea led to the first Pacific Trade and Development Conference (PAFTAD) in 1968, an academic based forum. 2 Official policy in Japan did not progress very much beyond this until 1978, when Prime Minister Masayoshi Ohira spoke of a ‘Pacific Rim Community’ during the election campaign of that year. Ohira subsequently established a Pacific Basin Cooperation Study Group as one of nine informal research groups. The chairman of the study group was Dr Saburo Okita. 3

During a state visit to Australia and New Zealand in January 1980, Ohira and Okita discussed the ideas included in the interim report of the Study Group with the Australian and New Zealand Prime Ministers. This led to the convening of a seminar in September 1980 in Canberra made up of government officials, academics and representatives of the private sector from Australia, Canada, New Zealand and the United States, the five ASEAN countries, South Korea and the Pacific islands. This meeting was the first Pacific Economic Cooperation Conference (PECC). 4

Prime Minister Ohira stopped over in Port Moresby on his way home from the state visit to Australia and New Zealand in January 1980. This three-hour visit was the first by a Japanese Prime Minister to a Pacific island country. Although considered a waste of time and an unnecessary burden on Ohira by some of the Prime Minister’s officials, 5 this event marked a small turning point in the relationship between Japan and the region. PNG had been independent since 1975 and some other island countries attained independence as early as the 1960s. But until 1980, the official contact between

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2 Since the early 1960s, Japanese scholars and business leaders have led debates about and proposals for a pan Pacific community. In addition to PAFTAD, the Pacific Basin Economic Council was set up in 1968 to promote private sector cooperation and Japanese business leaders played a prominent role in this forum. Issues of development assistance were central to the Japanese proposals. The focus of Foreign Minister Miki’s initiative in 1967 was the fact that ‘the central issue for all Asian nations was the problem of poverty and any solution must be predicated upon a combined effort by both the developed Pacific nations and the developing countries in Asia’. Hadi Soesastro, ‘Pacific Economic Cooperation: The History of an Idea’, in Ross Garnaut and Peter Drysdale (eds), Asia Pacific Regionalism, Readings in International Economic Relations, Harper Educational Publishers and Australia-Japan Research Centre, 1994, p.80. See also Saburo Okita, Japan’s Challenging Years: Reflections on my Lifetime. Allen and Unwin/Australia - Japan Research Centre, 1983 and Kiyoshi Koijima, ‘Economic Cooperation in a Pacific Community’, in Paul F. Hooper (ed.), Building a Pacific Community: The Addresses and Papers of the Pacific Community Lecture Series, East–West Center, Hawaii, 1982.

3 In late 1979 Okita became Foreign Minister. He was succeeded, as Chairman of the Study Group, by two university professors, Tsuneo Iida and Seizaburo Sato, who produced an interim report in January 1980 and a final report in July 1980. Saburo Okita, Japan’s Challenging Years, p.95.

4 Saburo Okita, Tightrope: Balancing Economics and Responsibility in Japanese Diplomacy, 1979-1980, Institute for Domestic and International Policy Studies, Tokyo, 1992, pp.45-50. In this text, Okita elaborated on Japan’s thinking and philosophy behind Pacific economic cooperation. In particular, he stressed the need for Japan to diversify its sources of supply and markets, and to integrate more fully its diplomacy towards the various parts of the Pacific Rim and Oceania.

5 Saburo Okita, Tightrope, p.50.
Japan and region remained minimal. Moreover, Japan was then a very minor aid donor, although its potential had been noted.6

Although Okita later wrote that the countries of Oceania were 'vital to the Pacific cooperation initiative', it was apparent that this referred initially only to Australia and New Zealand. Japan's Pacific diplomacy had not taken account of the island countries of the Pacific. Okita admitted that it was not until he and Ohira visited New Zealand in January 1980 that the question of what role the Pacific islands would play in the proposed regional 'structure' was discussed. Then New Zealand Prime Minister, Robert Muldoon, had made inclusion of the Pacific islands, and specifically Japan's support for aid to the region, a condition of New Zealand's support for the Pacific cooperation concept.7 The final report of the Pacific Basin Study Group subsequently made reference to existing regional organisations in the South Pacific and to the potential benefits to the island countries of Pacific-wide cooperation, especially in such areas as energy and transportation systems.8

The significance of Japan's Pacific Basin diplomacy was that it created a foreign policy context in which to make policy towards the Pacific island region: in other words it provided a framework in which to integrate the region within Japan's broader political and economic interests. In this way, the Pacific Basin movement served to reinforce the view in Japan of the Pacific island countries as a strategic entity, politically if not economically homogeneous. Although the focus of this diplomacy was ostensibly economic, especially as it evolved through PECC, the political aspects grew more prominent under Prime Minister Yasuhiro Nakasone.

In January 1985, Prime Minister Nakasone underscored the growing importance of relations with the Pacific island countries when he visited Fiji and PNG. During the visit he pledged greater cooperation and in the style of omiyage (souvenir) diplomacy, donated $500,000 to the University of the South Pacific. Nakasone later explained the basis for this cooperation in an interview: 'In light of the importance of these islands' economic and political stability to the peace and stability of the Pacific region, Japan has been extending as much economic and technical cooperation as possible in fishing,
tourism and other areas'. In this interview, the Prime Minister alluded to Japan’s role in the region, not in terms of the intrinsic importance of relations with the island countries (such as in the fisheries sector) but of their importance in the wider Asia Pacific region and Japan’s need to fulfil its ‘responsibility as an industrial member of the regional community’. In keeping with the broad strategic concerns of the Nakasone government, the main thrust of his Oceania visit was securing Australian and New Zealand support for his ‘Four Principles’ of Pacific Basin cooperation: 1) respect for initiatives of ASEAN countries, 2) cooperation in all fields of economy, culture and technology, 3) cooperation open to countries outside the region, and 4) cooperation carried out with initiatives of the private sector rather than by the government’s direct guidance. Nakasone used the visit to Fiji and PNG to affirm Japan’s role as a Pacific nation that shared common interests with the Pacific island countries.

COMPREHENSIVE SECURITY

The idea that Japan’s security was broad-based (economic as well as military) and dependent upon a ‘comprehensive’ range of counter-measures (military, political and economic) had existed at least since the early 1970s when resource security became a major concern in the wake of the first oil crisis. The evolving international Law of the Sea regime at that time also challenged Japan’s traditional access to the distant water fisheries resources. The decision to establish a special category of fisheries grant aid in 1973, as a way of securing Japan’s access to fisheries resources, attested to the approach to aid as a tool for promoting Japan’s economic security.

A study group established by Prime Minister Ohira in 1979 provided the first elaboration of the concept of ‘comprehensive security’. The report of the Comprehensive National Security Study Group, finalised in July 1980, advocated three levels of security effort: ‘self-reliant efforts; efforts to turn the international environment into a favourable one — creation of a more peaceful international order; and intermediary measures — cooperation with countries important to Japan and sharing common interests’. Integral to all three levels was economic cooperation and assistance. The report argued for an ‘increased and improved ODA program’ on the basis that Japan could not expect to play a significantly greater military security role (defence outlays would be lower than other Western powers); on the grounds of Japan’s dependence on developing countries for resources and the need to promote relations with these countries; and because of Japan’s comparatively high growth rate and capacity for allocating resources to ODA. It also


argued that 'many countries are hopeful of assistance from Japan because it is a reliable economic power ... free of political ambitions'.

The report included diplomatic efforts within this framework of national security. In this context it advocated a greater political role by Japan, especially to promote stability in the Asia Pacific region. The Pacific Basin Cooperation Concept was seen as one initiative that would contribute to the goal of regional stability.

Implicit in the recommendations of the report was the idea that Japan’s national security was linked inextricably to the international system, (the idea of interdependence) and that Japan’s own economic well-being rested on the stability of developing countries and the maintenance of ‘friendly relationships’ with those countries. In this context, the role of aid was perceived as central to Japan’s national security efforts.

These ideas were spelt out more explicitly in another policy document, prepared by the Ministry of Foreign Affairs (MOFA) in November 1980. This was an attempt by MOFA to clarify the rationale of its aid policy, in particular to shift the emphasis away from commercial and economic considerations. ODA was defined as the ‘cost of building an international order to secure Japan’s overall national interest’. The policy document essentially reiterated the arguments for increased ODA that the Ohira study group had made. These included the argument that Japan should make greater efforts, by economic means, to establish a peaceful and stable international environment (since it could not make direct military contributions). It also included the argument that in light of Japan’s dependence on developing countries, especially for natural resources, aid could play a role in alleviating Japan’s economic vulnerabilities, by contributing to the economic stability of those countries.

Policy recommendations on Japan’s relations with the Pacific island countries, prepared for MOFA in 1980 and 1981, reflected these arguments of ‘comprehensive security’ as a rationale for ODA. Written by academics and former diplomats, these reports extensively surveyed political and economic conditions in the region, and elaborated on the approach Japan should adopt in its relations with the island countries. To some extent the more important relations with Australia and New Zealand overshadowed analysis of relations with the Pacific islands. At the same time, Australia’s and New Zealand’s own ties with, and interests in, the region (as the dominant Western powers and aid donors to the region) helped define the content of Japan’s approach to the Pacific island countries.

13 Gaimusho, Keizai-kyoryoku no rinen — seifu kaihatsu enjo wa naze okonau no ka, Kokusai Kyoryoku Suishin Kyokai, Tokyo, 1981.
14 Gaimusho (ed.), Hachiju nendai no nichigo kankei, Tokyo, 1980; and Gaimusho (ed), Hachiju nendai no waga kuni taiyoshu gaiko, Tokyo, 1981.
The reports attempted to articulate a set of policies towards the region and in particular a clearer rationale for aid to the region. As the 1981 report argued:

It seems that ODA is the most effective means of economic cooperation in many of the Pacific island nations because of their levels of economic development and their given natural resources. ODA is generally divided into four categories: 1) food and emergency assistance from humanitarian viewpoint; 2) assistance for the development of energy and resources for Japanese economic development; 3) assistance for development of economic and social infrastructure to promote economic development and fulfillment of basic human needs in recipient countries; and 4) strategic assistance to promote peace and stability in certain areas indispensable to Japan. The basic attitudes of Japan’s ODA towards the Pacific island countries are in the third and fourth categories. The first and second categories are not important but may become so in the future.16

This elaboration of ODA policy is notable for its emphasis on the geopolitical component of security, rather than the economic component (resources). While it was recognised that Japan’s foreign policy interests in the region were based on economic factors (the presence of natural resources — fisheries, forests and minerals — and its tourism potential as well as geopolitical factors (regional security and possible superpower rivalry)17 the approach to aid policy in these reports appeared to concentrate on political stability rather than promoting resource security. This was the emphasis in subsequent foreign policy initiatives, as the later analysis demonstrates.

In general, ‘comprehensive security’ was a concept that described the approach to ODA in Japan, especially in the 1970s and early 1980s. It was also an attempt to integrate the various goals of ODA. Its prominence faded from official reports in the 1980s.18 But its legacy was evident in policy towards the Pacific island countries. It established, as a principal goal, the use of ODA to promote ‘peace and stability’. This was generally defined in terms of supporting Western security interests. The promotion of political stability, as a rationale for ODA, was strongly evident in the foreign policy posture of Prime Minister Nakasone.

15 The importance to Japan of Australia and New Zealand, and especially the possible implications of Japan’s policies for these two countries’ own relations with the island states, is noted by Alan Rix, ‘Japan’s Role in the South Pacific Region’, p.298.

16 Gaimusho (ed.), Hachiju nendai no waga kuni taiyoshu gaiko, pp.93-4.

17 For a further elaboration of Japan’s perceived interests in the region at this time, see Shizuo Saito, Taiheiyo jidai, Shinyusha, Tokyo, 1983. Saito was one of the authors of the 1981 MOFA report on relations with the Pacific island region. He was also a former Ambassador to Australia. Japanese media reports in the early 1980s saw the need for Japan to ‘contain the spread of Soviet power and influence’ in the Pacific and described Japan’s aid as motivated by geopolitical concerns. See The New Pacific, April 1981, p.9.

NAKASONE’S FOREIGN POLICY POSTURE AND STRATEGIC AID

Under Nakasone (Prime Minister from 1982 to 1987) the comprehensive security concept became integrated more closely with the US-Japan security alliance. Nakasone’s diplomatic style and emphasis was a marked departure from that of his predecessors. The slogan adopted and promoted by Nakasone was ‘Japan the international state’ (kokusai kokka). His policies (domestic and foreign) were based upon the promotion of a strong national identity and greater internationalism. He sought an equal partnership with the US, which involved a more active defence role and a more unequivocal commitment to burden sharing, especially in the defence relationship with the US.19

Containing the Soviet Union was the main strategic objective of the alliance and in this context, aid was increasingly promoted as a contribution to regional and global security. ODA was therefore a way to fulfil the requirements of burden sharing and partnership, as well as to accommodate the limits on expanding Japan’s own military defence effort. The foreign policy posture of the Nakasone government led to a closer identification with US security concerns and created the basis for closer collaboration between the US and Japan. In the Pacific island region, Japan’s foreign policy closely followed the direction set by the US.20

Under Nakasone’s leadership the concept of strategic aid became more clearly defined. The use of the term also began to feature in academic and media writing. The essential features of what was termed strategic aid were its identification with Western (namely US) security interests; its political function (to support countries/regions important to the West); and the implicit rationale (in Japan) that this aid was a form of burden sharing (to mitigate trade tensions with the US; and to supplement the lack of a military defence effort). Emphasis was on increasing aid levels, not on changing the type of aid provided.

US PERCEPTIONS OF SECURITY THREATS IN THE SOUTH PACIFIC

The Nakasone era coincided with a perception of heightened threat on the part of the West, especially from the Soviet Union. American thinking about security in the Pacific island region was in line with this trend and influenced Japanese perceptions of the


20 For example, before a Diet research committee in 1985, a MOFA official described Soviet activities in the region as ‘considerably political’ and called for the West to ‘stand guard’ against possible threats. Isami Takeda, ‘Japan’s Aid to the South Pacific Region’, in Bruce Koppel and Robert M. Orr, Jr.(eds), Japan’s Foreign Aid: Power and Policy in a New Era, Westview, Boulder, 1993.
region. A significant factor was the anti-nuclear policies prevalent in the region in the early to mid-1980s, which were viewed as undermining Western strategic interests and advancing the interests of the Soviet Union. The main issues of concern to the US were the regional South Pacific Nuclear Free Zone Treaty (SPNFZ) adopted in 1985, the anti-nuclear constitution in the US Trust Territory of Palau, Vanuatu’s anti-nuclear and non-aligned posture, the New Zealand Labour government ban on nuclear armed and powered ship visits (effective since 1985 and which led to the abrogation of the ANZUS alliance), and an anti-nuclear Labour Party in Fiji (formed in 1985).21

It is perhaps ironic that Japan had played a part in fuelling regional anti-nuclear sentiment and the subsequent regional treaty (SPNFZ). This stemmed from its attempt in early 1980 to dump low level nuclear waste in the Pacific ocean, north of the Ogasawara Islands.22 In 1981 a team of officials from Japan’s Science and Technology Agency toured the region in order to gain the understanding and support of the island countries. But they were urged at each stop not to proceed with the plan. Their request to visit Vanuatu was denied. At the South Pacific Forum meeting in August 1981, Japan’s plan to dump nuclear waste brought the issue of a nuclear free zone back onto the Forum agenda.23 Tuvalu and Vanuatu both sought a Forum resolution condemning nuclear waste dumping and nuclear testing. Vanuatu also mooted the possibility of a nuclear free zone. This was strongly opposed by both New Zealand and Australia.24

Nuclear issues were thus one source of tension between the region and Western powers. But the primary source of tension centred on exploitation of the region’s fisheries in particular tuna. American policy not to recognise coastal state sovereignty over tuna (a highly migratory species) fuelled conflict with the Pacific island states.25 As early as 1982 some US policy makers recognised that this issue had the potential to push

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21 For a survey of these issues, see Stewart Firth, Nuclear Playground, Allen and Unwin, Sydney, 1987. ANZUS was the defence alliance between Australia, New Zealand and the US.


23 The South Pacific Forum had not pursued this concept since the mid-1970s when a proposed regional nuclear free zone had lapsed (in part due to French government policy ending atmospheric nuclear tests and Australian and New Zealand opposition to the proposal).


25 Conflict essentially stemmed from the US tuna industry failure to comply with licensing conditions set by island states. This in turn led to the activation of economic embargos by the US on those island governments that arrested US vessels caught fishing 'illegally'. Two significant cases involved PNG in 1982 and the Solomon Islands in 1984. For details of US policy and its relations with the Pacific island states see B. Martin Tsamenyi, ‘The South Pacific States, the USA and Sovereignty over Highly Migratory Species’, Marine Policy, January 1986, pp. 29-41.
the island states into closer relations with the Soviet Union and/or deny access to American nuclear vessels.26 A regional treaty formalising access for American vessels to the economic zones of the South Pacific was therefore proposed as a way of avoiding such confrontation. Dialogue with the US on the issue of a multilateral access arrangement tentatively began in 1984. This may not have progressed very far had not Kiribati, in October 1985, signed a fishing agreement with the Soviet Union (the first such arrangement involving the Soviet Union in the region). In 1986, Vanuatu also signed an access arrangement with the USSR, while other Pacific island countries, for example Fiji, mooted the possibility of doing the same.27

Against this background, which generated extreme alarm in the US about Soviet ‘in-roads’, the US government concluded a multilateral access agreement with the Pacific island countries in October 1986.28 The main feature of this agreement, which was to run for five years, was the US government’s commitment of $10 million a year in cash and fisheries aid to the island countries as payment for access. The American tuna industry, in turn, was required to pay only $2 million a year. This agreement was thus essentially dependent upon the US government’s economic support. The American motivation to conclude what was an unprecedented agreement (both for the US and the region) was largely based upon security concerns. This agreement was therefore an explicit example of American strategic aid to the Pacific island region.29

This was not the first case of strategic aid by the US in the Pacific island region. US aid policy to Fiji was an earlier example of this approach. Fiji had agreed in 1983 to allow US nuclear armed and powered vessels access to Fiji ports. This policy was rewarded in late 1984 when Fiji’s Prime Minister, Ratu Sir Kamisese Mara, became the first Pacific island leader to be received at the White House. During this visit, the US government pledged bilateral aid to Fiji, which would make that country the exception in US aid policy to the region (where countries generally received aid through regional programs managed by the USAID office in Fiji).30

26 See statement of Congressman Paul McClosky Jr., quoted in B. Martin Tsamenyi, ‘The South Pacific States, the USA and Sovereignty’, p.40.
29 Media reports of the US-South Pacific negotiations focused heavily on strategic and political imperatives shaping American policy. For example, see the series of articles in The Australian (October 1986) by Bruce Loudon. Both the Pentagon and the CIA were reported to be lobbying the US Administration to conclude an agreement, citing a ‘Soviet quest for economic and political influence in the South Pacific’ as the motive behind their pursuit of fishing rights. See ‘Reagan Under Pressure to Find $20m for Island States’, The Age, 30 August 1986.
30 Details of US aid policy to the region in the 1980s and the distribution of aid are given in United States Aid to the South Pacific, Regional Development Office, South Pacific, USAID, November 1987.
Thus in the 1980s the US made clear its commitment to strategic aid to the South Pacific. The US also made clear that it expected Japan to adopt a similar approach. In US-Japan consultations in the 1980s, according to media reports, American officials had emphasised the need for Japan to offer increased economic aid to the Pacific island countries, and to take greater responsibility for countering the ‘Soviet drive’. The explicit statement of American expectations about Japan’s role in the region was an integral part of the Kuranari Doctrine developed by Japan.

It was a major irony, however, that the US decision to enter into a multilateral fisheries access agreement with the region had damaging implications for Japan’s own fisheries agreements in the region, for example with PNG. The US treaty was also the catalyst for mounting regional pressure on Japan to adopt a similar multilateral approach to fishing arrangements. Here was a case, then, of US strategic aid policy proving counter-productive to the interests of its ally, Japan.

**SOUTH PACIFIC FORUM OVERTURES AND JAPAN’S RESPONSE**

The emergence of a new policy towards the island states was also facilitated by overtures initiated by the South Pacific Forum. In August 1985, at the South Pacific Forum meeting in the Cook Islands, a resolution was adopted calling for closer cooperation between the region and Japan. The issue was considered late in the meeting. The resolution stated: ‘The Forum, taking into account Prime Minister Nakasone’s visit to the region and the current level of Japanese aid to Forum states, requested SPEC to explore the establishment of dialogue with Japan with a view to obtaining further assistance for the Smaller Island Countries (the Cook Islands, Kiribati, Niue and Tuvalu) in particular’.

The Forum resolution, the first time that Japan was targetted for assistance in an explicit way by the regional body, was formulated in the context of policy towards assisting the special needs of smaller island countries (SICs). A committee on SICs had

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31 See, for example, Nayan Chanda, ‘No More Free Rides: The US Wants Japan to Play a Major Political Role’, *Far Eastern Economic Review*, 2 October 1986, pp.27-8. The report quoted an American official as stating that the US expected Japan to play a role ‘not only in economic aid’ but ‘in curbing Soviet influence’ in the Pacific island region.

32 As noted in the previous chapter, it was mainly Fisheries Agency officials in Japan who viewed US policy in this light. The officials from MOFA, interviewed by the author, did not perceive (or admit to) any connection between US policies and their own fisheries interests. Differences between MOFA and the Fisheries Agency on this issue reflect more general tensions in Japan’s relations with the US. While MOFA was primarily concerned with promoting diplomatic and security aspects of relations with the US, the more problematic economic aspects of the relationship were mainly the concern of other ministries, for example MITI. MOFA aimed to ameliorate friction with the US arising from economic differences through political and aid initiatives.

33 *Agreed Record and Communique, 16th South Pacific Forum, Cook Islands, 6 August 1985*. The South Pacific Bureau for Economic Cooperation (SPEC) is the secretariat of the South Pacific Forum.
been established after the 1984 Forum meeting. Its focus was to find ways to utilise regional cooperation more effectively in the interests of SICs. The resolution on Japan thus appeared narrow in scope, especially when compared with the statement at the 1985 Forum meeting on relations with the Peoples Republic of China. It noted the ‘successful visit’ to the region by the General Secretary of the Chinese Communist Party (in April 1985), which had ‘emphasised China’s strong interest in playing a helpful and constructive role in the region’. The statement also noted ‘Australia’s offer to facilitate productive contacts between China and those Forum Island Countries that might wish to develop their relations with China’.

The first step in the dialogue with Japan occurred in April 1986 with a visit to Japan by the Director of SPEC. The aim of the visit was to explore Japan’s attitude towards providing assistance to the SICs, especially in the sectors of fisheries, transport, employment and telecommunications. Discussion focused on the regional telecommunications program and regional shipping. According to an assessment of SPEC, ‘the discussions revealed a willingness on the part of Japan to develop the overall relationship with member countries, including aid relationship, but also revealed a lack of information and understanding within the Japanese administrative system of the South Pacific, its development needs and regional programs’.

During the same visit, the question of Japanese observer status at the South Pacific Forum was raised by Japanese officials. This may have been an attempt to enable Japan to provide aid directly to SPEC, as Japan does not generally provide aid to organisations from which it is excluded. The SPEC Director undertook to raise the question with the SPEC Committee working on a review of the SPEC agreement. This was done in May 1986. A request by the Director for more information from Japan on its enquiry did not receive a response by the time of the Forum meeting in August. The consideration of the matter was deferred.

The Forum Communique in 1986 called for a continuation of the dialogue with Japan. A second visit to Japan by the SPEC Director took place in November 1986. This followed up earlier talks on regional cooperation and specific projects that Japan could become involved in. On this occasion discussion of political issues was included, specifically decolonisation and the reinscription of the French territory of New Caledonia.

34 Agreed Record and Communique, 16th South Pacific Forum. This statement possibly was responding to the stronger political commitment to improving relations with the South Pacific voiced by the Chinese leader, Hu Yaobang, during his regional tour. During the visit to Fiji he had stressed the importance of peace in the region, support for regional cooperation, rejection of any military aspirations in the Pacific and opposition to any other countries seeking leadership within the Asia-Pacific region. He also pledged greater aid to the island countries. ‘Chinese Seek Stronger Ties with Us’, Fiji Sun, 23 April 1985, p.3.


on the UN list of territories awaiting decolonisation. The Forum sought the backing of the Japanese government on the UN vote on reinscription.

The policy approach of the South Pacific Forum at this time was to work out ways in which Japan would be able to support regional programs. The main areas of concern were: SICs, telecommunications, transport and tourism. The Forum overtures provided information to Japan’s policy makers about the region and helped to enhance its profile in Japan at a time when the Japanese government was reappraising its policy towards the region. But the extent to which the policy makers in Japan were influenced by the SPEC representations on aid to regional projects was limited, as Japan’s policy subsequently revealed.37

Hence the antecedents to the Kuranari initiative included a number of factors. Pressure from the US on Japan to assume a greater aid presence in the region had been building (motivated primarily by the perceived Soviet ‘in-roads’). The opportunity to develop a dialogue with the region had also been opened up with the South Pacific Forum’s overtures to Japan. Meanwhile under Prime Minister Nakasone, Japan’s aid policy had developed an increasingly political/strategic rationale, if not orientation: as an instrument of ‘comprehensive security’ and as a contribution to the ever-growing American demands for ‘burden sharing’. Nakasone provided the leadership and the political will to openly embrace strategic aid as part of a more forthright foreign policy posture. Japan’s evolving Pacific Basin diplomacy provided a foreign policy context in which to place the region and its importance to Japan. The rhetoric of Pacific cooperation was invoked in declarations about Japan’s relations with the region. This supported an emphasis on regional peace and stability. MOFA reports on Japan’s aid policy to the Pacific island countries reflected this approach; emphasising the need to promote stability in the region. Japan’s economic security was not a prominent factor in MOFA policy papers or rationales for aid to the region.

FORMULATING THE KURANARI DOCTRINE

The immediate origins of the Kuranari Doctrine lay in the policy planning begun in mid-1986 by the head of the Oceania Division in MOFA. This section analyses the formulation of the Japan’s aid initiative to the Pacific island countries. Attention focuses on the policy actors (their perceptions and motivations) as well the policy making process. The impact of bureaucratic structures is also examined.38

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37 This is analysed in more detail below. It refers, however, to the decision by Japanese policy makers to channel their regional aid through the United Nations Development Program rather than SPEC.

38 The following analysis is based largely on interviews with MOFA officials who were active in this area at the time. It also relies on discussions with scholars and other observers in Japan. Press and other reports have also been used. Not all of the sources (especially interviews) are cited specifically in the notes.
The actors

The task of formulating policy towards the Pacific islands primarily lay with the Oceania Division of MOFA, and in particular with the Director of that Division. The Oceania Division is located in the Bureau for European and Oceanic Affairs. This included (as of 1992) two divisions for West Europe, one for East Europe and one for the Soviet Union. The Bureau is primarily concerned with Europe and the Soviet Union, which hold a far more important place in Japan’s foreign relations than does Oceania (Australia, New Zealand and the Pacific islands). The Director of the Oceania Division tends to enjoy a significant degree of autonomy over policy, relative to other division directors. He is more free to set his own direction, although the extent to which he exercises his initiative depends largely on the individual holding the position.39

In mid-1986 a new director, Nobuaki Tanaka, joined the Oceania Division. He previously held the position of Deputy Director, Policy Coordination Division, in the Minister’s Secretariat. In the formulation of the Kuranari Doctrine this actor played the most central role. Other prominent actors were also from the political side of MOFA (as opposed to the aid and economic cooperation sections of the Ministry). They included the Director of the Policy Coordination Division (who, among other things, decided the schedule of diplomatic visits), the Administrative Vice-Foreign Minister, and the Private Secretary to the Foreign Minister. These actors may be defined as primary policy makers, central to instigating the initiative.

In policy development, a wider range of policy actors was involved. These included the directors of the various divisions of the Economic Cooperation Bureau in MOFA; sections of the Budget Bureau of the Ministry of Finance (MOF), in charge of allocating resources, the Foreign Minister after whom the policy was named and who reportedly had a personal interest in the island countries, and the Cabinet, which approved the Minister’s regional visit. These actors were important in shaping the outcome of policy and may be called secondary policy makers.

Finally there were important policy actors outside of the government who either closely advised government policy makers (for example an academic at the University of Tokyo, Seizaburo Sato) or who played a more supportive role. In the latter category were groups that helped to put pressure on MOF to increase budget allocations — such as the think-tank, Foundation for Advanced Information and Research (FAIR), under the auspices of MOF — and create an atmosphere supportive of such increases. The media was particularly influential in this respect. Some private sector actors also served as informal intermediaries.

39 The Oceania Division does not fit easily into any one regional bureau. While being a part of the European and Oceanic Affairs Bureau, the director and deputy director of the Oceania Division also attend meetings of the Asian Affairs Bureau, although they are somewhat of an outlier in this setting as well. Interviews, Oceania Division, MOFA.
The policy approach

When the new Director to the Oceania Division took up his appointment in mid-1986 he did so with a preconceived policy agenda. What was described as his ‘main task’ was to find ways to ‘counter the Soviet Union in the South Pacific area’. According to Tanaka, this task had been spelt out to him by his former head, the Director of the Policy Coordination Division (a senior diplomat, Yukio Sato). Soon after joining the Division, the new Director accompanied the Parliamentary Vice-Foreign Minister, Usuoki Urano, on a visit to the region. This included Papua New Guinea, Vanuatu and Fiji.41

This visit reinforced certain perceptions that Tanaka had already formed about the situation in the region and Japan’s role there: Japan’s lack of interests and lack of influence in the region meant there was little upon which to build policy; the preoccupation with the Soviet presence (especially the extent to which Soviet fishing vessels could be used for surveillance) combined with a lack of intelligence about the Soviet Union’s objectives in the region; and the need to coordinate policy with other Western powers (especially the US and Australia). In addition, during the visit island representatives (such as the Director of SPEC) expressed the view that Japan should do more for the region. On his return, Tanaka began what he called ‘his Pacific campaign’.

The approach taken by the Director was to seek to increase substantially Japan’s aid presence in the Pacific region. The general target was to double aid flows. There was no specific time frame, just a ‘quickly as possible’ approach. This emphasis on aid was based on the view that the island countries ‘needed cash’, which was why the Soviet Union had succeeded in signing fishing agreements with some countries. If Japan offered more aid, it would fill that need and the island countries would not accept Soviet overtures. The view of policy makers was that since the Japanese aid allocation to the region was very small, it would not affect overall aid allocations to double the region’s share; but it would make a big difference to the region.

There were two components to the policy approach developed by Tanaka. One was to build a domestic consensus supporting the need for an initiative to the Pacific islands. This meant popularising the view that there were security interests at stake in enhancing Japan’s aid presence. The US was seeking and would welcome a greater Japanese role in the region. This in turn would give credence to the arguments put to MOF and aid divisions of MOFA that more aid was needed. Implicit in this approach was the view that an attempt to get more resources allocated to the region would not succeed unless there were strong reasons, based on Japan’s national interests, to support the increase in aid. The prevailing view within MOF and aid divisions was that Japan was already doing enough and that the island countries would not be able to absorb more aid.

40 Interview, Nobuaki Tanaka, Bangkok, April 1993.
There was also a lack of interest throughout MOFA in South Pacific affairs in general. This first approach relied on media coverage, the work of a MOF think-tank (FAIR) and informal overtures by influential, private sector actors.

The second component, which complemented the first, was to formulate a political initiative that would not only attract a lot of attention internationally but would also generate the necessary momentum domestically for achieving the proposed aid commitment. This took the form of a ministerial visit to the region and the articulation of a foreign policy statement, which was elevated to the status of ‘doctrine’. Since such visits are expected to be marked by an announcement of aid or a new diplomatic initiative, the purpose of the ministerial visit was to serve as such a policy catalyst. As Yasutomo noted, foreign policy initiatives, especially those incorporating aid pledges, are generally designed for ‘maximum public relations effect’.42 This may be one reason why the Pacific aid initiative was labelled a ‘doctrine’.

**Developing the policy: the media, FAIR and private sector**

The campaign to popularise concern about the Pacific island countries was based on encouraging media coverage of regional developments. Media interest in Japan’s South Pacific diplomacy gradually developed in 1986. The general tone of these reports borrowed heavily from Western media reporting of political issues in the region and was alarmist in the portrayal of the Soviet Union. An article in *The Japan Times* on 1 August, titled ‘Change comes to the American Lake’ was indicative of this approach.43 The frequency of these reports increased significantly towards the end of 1986, in the lead-up to the Foreign Minister’s visit to the region. Tanaka claimed that he orchestrated this coverage, to some extent, by selective feeding of information to the media, often exaggerating the extent of Soviet intrusion.44 During and immediately after Foreign Minister Kuranari’s visit to the region in January 1987, media interest was at its height, fuelled partly by dramatic events such as the military coup in Fiji in May 1987. Through 1987 and to a less extent in 1988 media interest in strategic and political events in the Pacific island region continued.45

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43 This article included a warning that the era of ‘unchallenged and unquestioned American domination of the Pacific’ was over and unless care was taken to allocate resources and attention to the region, ‘the hitherto absent Russian bear would be ready to pick up the pieces’. Other articles that concentrated on Soviet activities in the Pacific region were published in the *Asahi shimbun*, 1 July (morning edition) 1986 and *Nihon keizai shimbun*, 27 August 1986.
44 The media coverage of the Kuranari trip is covered in more detail below. According to Tanaka, the Soviet ‘threat’ was deliberately exaggerated in media briefings in order to highlight the need for a Japanese initiative in the region. This approach was questioned at times by the Soviet Union Division in MOFA, which was concerned about the possible effect of such reporting on relations with the Soviet Union.
In addition to media coverage of issues in the region, the work of the FAIR Committee for Oceania and the Pacific Islands helped focus on the issue of Japan's aid to the region. FAIR was established in 1985, under the auspices of MOF. It grew out of Prime Minister Ohira's Pacific Basin Cooperation Study Group. FAIR is essentially a policy think-tank with an international network of affiliate members. It oversees research on a wide range of policy areas and issues, promotes the exchange of information and interaction of policy makers, business people and academics and sponsors various symposia, conferences and study programs.

The main task of the FAIR Committee for Oceania and the Pacific Islands was to develop a report on Japan's aid policy to the Pacific island region. Although not released until early 1988, the drafting of what was called the Pacific Aid Initiative paralleled the development of Japan's diplomatic approach to the region (the Kuranari Doctrine). The Director of the Oceania Division was one of the Committee members and initially viewed the FAIR Committee as a way to bring pressure on MOF to allocate a greater share of resources to the region. Five members of the Committee were from MOF while the Chairman of FAIR's Executive Board was an influential former official of MOF — Yuichiro Nagatomi. Although not directly involved in the work of the Committee, Nagatomi was interested in the preparation of the Pacific Aid Initiative and helped to publicise and promote it. The assessment of some members of the Committee, including Tanaka, was that the Committee ultimately exercised very little influence on Japan's aid policy, although it did build on the momentum of the Kuranari Doctrine. Its main contribution perhaps was to elaborate on aid policy recommendations for the region. In this context, it was of more interest to foreign observers, being the first major report in English on Japan's aid policy to the Pacific island countries. As far as generating increased resources for the region, it was perceived to be far less significant than the Foreign Minister's visit.

One member of the FAIR committee was the Honorary Consul for Kiribati and Tuvalu, Tokugoro Kuribayashi. As the President of Nanyo Boeki Kaisha (NBK) Corporation, Kuribayashi presided over one of the oldest Japanese trading companies in

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45 Other events that helped keep attention focused on the Pacific islands included a conference in Western Samoa in August 1987, sponsored by the Association for the Promotion of International Cooperation (APIC) and MOFA. See for example 'South Pacific No Longer the Isolated, Peaceful Island Paradise', The Japan Times, August 10, 1987. A Pacific islands conference in Tokyo in August 1988 sponsored by the Sasakawa Peace Foundation also attracted media interest.

46 The name FAIR is regarded by some in Japan as a pun on the call for 'fair trade' by the US and others, since FAIR was formed at a time of intense trade friction between Japan and the US.

47 See Pacific Aid Initiative: A Proposal for Japanese Assistance to Pacific Island Nations, FAIR, Committee for Oceania and Pacific Island Countries, April 1988. Written by academic members of the Committee, this report closely resembled the Kuranari Doctrine in its analysis of Japan's role in the region and the principles and ideas that should inform aid policy. It also echoed the popular alarm about strategic and political developments in the region.
the Pacific islands. The NBK Corporation had dominated commerce in Micronesia and parts of the Gilbert Islands in the 1930s and 1940s. After the end of the Second World War, their operations had ceased but the company was ‘reborn’ in the 1950s and resumed operations in the islands. Amongst other things, it secured the contracts for projects supplied to the US Trust Territory of Micronesia by the Japanese government, under the terms of the 1969 reparations agreement. Kuribayashi became the Honorary Consul for Kiribati in 1983, and in that capacity he facilitated a number of ODA projects, acting as an advisor to both the Kiribati and Japan governments.48

Kuribayashi actively supported a greater ODA presence by Japan in the Pacific. In the period leading up to the Kuranari initiative, he argued (both publicly and in a submission to the MOFA) for a greater effort by government and the private sector to promote economic development in the region. He warned that ‘the fragile Pacific island nations will be compelled to break away from the free world ... unless the Japanese Government and private sector join hands to make an all out effort to grapple with the problems of development aid’. Kuribayashi sought a ten-fold increase in Japan’s ODA to the region together with a greater effort by business in promoting joint ventures and infrastructure development. He also articulated a somewhat romantic idea of Japan’s role in the Pacific: declaring that he ‘felt strongly that the development of the industries and economies of the South Pacific nations is a mission entrusted to Japan’.49

Kuribayashi’s role was twofold: as an advocate in the campaign to increase aid to the Pacific islands and, perhaps more importantly, as a promoter of development projects that could channel increased Japanese aid as well as private sector investment to the region. The development with which he was most closely associated was the proposal to transform Christmas Island in the far east of Kiribati into an international space and communications centre. Kuribayashi, as the secretary to a Japan-based lobby group, the Pacific Space Centre Council, has been trying to attract Japanese support for the proposal. It is estimated that the total project, which envisages the development of a space shuttle launching base as well as tourism facilities, would require an investment (public and private) of $8 billion.50 Although the prospects for proceeding with the scheme remain uncertain, at least one component of the proposed development, a 1000


50 'Shuttle Base in the South Pacific', Nikkei sangyo shimbun, 8 June 1987. The Japan government already maintains a satellite tracking station on Christmas Island and has built a hotel on the island to house technicians. For further details of Christmas Island development plans, see Kokusai kaihatsu janaru, No.453 (3), 1993, pp.54-63.
A 1,000 ton passenger/cargo vessel, was provided under Japanese ODA to Kiribati in 1991 (valued at 1.2 billion yen). This project was not provided explicitly as part of the development of Christmas Island. However, in a draft ‘Basic Policy for Development of Christmas Island’, prepared by Kuribayashi, a 1,000 ton passenger and cargo vessel was listed as a ‘basic item’ to be sought under the Japanese ODA program.

Planning the Ministerial visit

The second, related strand in formulating policy towards the region involved preparations for a Ministerial visit to the region and elaboration of Japan’s policies and principles in relations with the island countries. The process of deciding to include a visit to the region on the Minister’s agenda began with consultations between the Director of the Oceania Division, the Director of the Policy Coordination Division in the Minister’s Secretariat, Yukio Sato, who was in charge of organising the diplomatic schedule, the private secretary of Mr Kuranari, and the Administrative Vice-Foreign Minister. According to Tanaka, the main obstacle lay with convincing the Minister’s Secretariat of the need to include the Pacific island region in the Minister’s itinerary. In this, support of the above actors was crucial. The Minister himself did not play a direct role in the decision. But he was interested in the region and was sympathetic to the development needs of the islands countries.

It was decided that the Foreign Minister should travel to Fiji, Vanuatu and Papua New Guinea following planned visits to Australia and New Zealand, where the Foreign Minister and other Cabinet colleagues were scheduled to hold Ministerial consultations in January 1987. This would provide the opportunity for Japan to brief Australia and New Zealand of its Pacific island initiative. The visit to Fiji would be marked by the declaration of Japan’s commitment to the Pacific islands and a statement of policies including pledges of aid. It was up to Tanaka to write the speech for the Foreign Minister. Shortly before the Kuranari visit, Tanaka travelled to Washington and briefed State Department and Pentagon officials of Japan’s proposed policy to the Pacific islands. American officials pledged to support Japan, by such indirect means as urging the World Bank to provide more aid to the region. But the US itself would not be able to commit more aid funds. According to Tanaka, the visit to Washington affirmed the existence of two common security concerns shared by the US and Japanese governments.

There are mixed opinions about the degree of interest and involvement that Kuranari had in the development of this policy. According to his bio-data, Kuranari had a keen interest in the South Pacific because of his involvement in remote islands affairs in Japan. See Isami Takeda, ‘Japan’s Aid to the South Pacific Region’. While some observers dispute this, suggesting that Kuranari simply ‘read the speech’, it does appear that the initiative was helped by the fact that Kuranari was personally interested in the region. This was not necessarily for sentimental reasons but, according to Tanaka, ‘because he (Kuranari) was anxious to extend new horizons’.

The US government had recently pledged almost $60 million over a five-year period under the multilateral access agreement between the US and the region. This was in addition to existing aid programs administered by the regional USAID office.
in the South Pacific. These were that Soviet fishing vessels were seeking home ports and this could lead to a possible rocket launching base in Kiribati; and that Soviet air routes would be strengthened and wide-bodied jets would secure landing facilities in Vanuatu.54

Building a favourable ambiance

In planning the visit to the region one issue that was crucial to how Japan’s initiative would be received, was decolonisation. In the mid-1980s, growing violence and confrontation in the French territory of New Caledonia between pro-independence Kanaks and pro-French settlers had encouraged the South Pacific Forum to seek international support to resolve the question of the territory’s future.55 The first stage in this process was to seek to re-enlist New Caledonia on the UN list of territories awaiting decolonisation. This would require the French government to report to the UN Decolonisation Committee on preparations towards eventual independence for the territory. The South Pacific Forum had agreed in 1986 to take this step, in the face of strong opposition from France. A vote on the issue was expected to be taken at the UN General Assembly on 2 December (one month before Kuranari’s visit to the Pacific).

During the SPEC Director’s visit to Tokyo in November the issue had been discussed and Japan’s support on the vote had been sought. This may have been influential, but Tanaka attributed more significance to the lobbying of Australia and New Zealand which both strongly supported the vote. Ultimately the question that carried most weight was how the vote would impact on the forthcoming visit to Oceania. A negative vote (or abstention) would cast a shadow over Japan’s Pacific initiative. The final decision on the issue was made in a ‘roundtable’ session presided over by the Administrative Vice-Foreign Minister. Arguing strongly in favour of abstention was Japan’s Ambassador to France and the West European Division of MOFA. Arguing in favour of support was the Oceania Division and the Japanese Ambassador to Australia (who made the case from Australia by phone). The Administrative Vice-Foreign Minister was responsible for the decision eventually made to vote in support of reinscription.56

The decision to support the vote at the UN was unprecedented. It was the first time Japan had broken ranks with its key Western allies on such an issue. The US, Canada and Britain were among countries that abstained in the vote. France was reported to be so shocked and affronted that the French President refused to meet with

54 Interviews, Nobuaki Tanaka, Bangkok, April 1993; officials, Oceania Division, MOFA, Tokyo, November 1992.

55 For more details on New Caledonia, see Helen Fraser, New Caledonia: Anti-Colonialism in a Pacific Territory, Peace Research Centre, Canberra, 1988.

56 This was described by observers as a personal ‘contest’ between the Ambassadors to France and Australia, who were contemporaries in MOFA and ‘class mates’ at university. The Administrative Vice-Foreign Minister was a former Ambassador to Australia and his close relations with Australia may have swayed policy in that direction.
Kuranari during a subsequent visit to Paris in mid-December. According to Tanaka the spillover effect of this decision was far more positive than expected. It created a 'very favourable ambiance' during the Foreign Minister's tour of the Pacific region.

**The media coverage**

Extensive media coverage preceded Kuranari's visit to the region. This highlighted a number of issues: Japan's 'mission', the security and strategic context, and regional allies, support for Japan. The Oceania Division, in the lead-up to the regional tour, heavily promoted its initiative in the Japanese media. It labelled the political statement to be given in Fiji the 'Kuranari doctrine' and this was quickly picked up and used in the press reports. One of the first media references to the forthcoming political initiative as 'Kuranari doctrine' appeared in *The Japan Times* on 13 December, a month before the speech was given in Fiji. In this article an unnamed MOFA official predicted that the initiative would be 'truly eye catching'. The article described some of the expected outcomes of the visit: a doubling of aid (especially grants), increased high level exchanges, and scholarships. The article pointed to an increased Soviet presence as one reason why Japan needed to play a greater role in the region, which was 'strategically essential' to Japan given the maritime transportation routes it included. The declining influence of other Western countries in the region made the new initiative more imperative.

Several days later the Foreign Minister met with ambassadors from Pacific island countries resident in Japan (Papua New Guinea and Fiji) and from Australia and New Zealand. He briefed them about Japanese policy and explained Japan's aim in the region as the promotion of 'solidarity and economic development'. He promised that Japan would extend more aid. Cabinet approval for the Minister's visit was given a short time later, although this was essentially a formality. A detailed exposition of the contents of the Kuranari Doctrine was published in the media on 31 December. This revealed that Kuranari would 'spell out a five point package including support for independence, regional cooperation, political stability, economic prosperity and heart to heart interchanges'. It added that Kuranari 'plans to state that Japan is an Asian Pacific power

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57 'Kuranari's Oceania Trip Aimed at Boosting Japan's Presence in Pacific', *The Japan Times*, 6 January 1987. This article suggested that the positive support for the region on the New Caledonia issue also foreshadowed the foreign policy principle to be announced by Kuranari on his visit: 'that Japan will never encroach on independence or hamper autonomous initiatives'.

58 'Japan Seeks Greater Role in Development of South Pacific Island Nations', *The Japan Times*, 13 December 1986.

59 'Envoys from Pacific Countries Meet Kuranari', *Nihon keizai shimbun*, 19 December 1986; also 'Kuranari to Define South Pacific Policy During January Visit to Region', *The Japan Times*, 20 December 1986.

60 'Foreign Minister Kuranari to Visit Oceania', *Nihon keizai shimbun*, 23 December 1986.
both historically and geographically [and] Japan will perform its duty as a member of the non-communist world'.

Further reports, at the time of Kuranari’s departure in early January, previewed the contents of the Kuranari Doctrine. One report declared that the Foreign Minister ‘will announce that Japan will boost its development aid to the South Pacific, help the mini-states formulate development plans, help protect the stable political environment of the region, and invite more junior leaders to Japan’.

During Ministerial talks in Australia, the first stage of the regional tour, it was reported that Kuranari expressed concern about the Soviet Union in the region and requested Australian cooperation, arguing that ‘friendly cooperative relationships between Japan and Australia would build a favourable foundation for the West in the South Pacific region’. Media reports also highlighted the positive response of regional countries to Japan’s policy initiative. Australia, New Zealand and Fiji were described as pleased with the interest that Japan had taken in the region. Only the Soviet Union was reported to be critical.

In general, media reporting of the Kuranari initiative promoted and endorsed the idea of strategic aid; that is, aid to promote ‘peace and stability’ and support the Western defence effort. To embrace such an overtly political rationale for aid was unusual, but symptomatic perhaps of the changing approach to aid in Japan, especially under the Nakasone government. It also reflected the perceived need to arouse public or political interest in economic assistance to the island countries. The Japanese media appeared to accept the premise of MOFA policy makers that Japan had no other compelling national interests in the region that would justify an increased aid presence.

In one analysis, it was suggested that ‘Japan’s commitment to increased economic assistance to the region can be interpreted as forming an important link in the US-initiated strategy to counter the growing Soviet presence’. The same analysis also argued that behind Japan’s ‘Pacific policy’ was the perception of policy makers that contributing to ‘maintaining peace and security in the region [would] mitigate the pressure from the US and other Western allies’ stemming from Japan’s trade surpluses. The report did caution, though, against ‘blindly accepting the US view of Soviet strategy in Asia’ as a pretext for increasing aid. It suggested that Japan could best contribute to stability by assisting the development efforts of island countries and in this context urged that Japan ‘help aid recipients sell more to Japan’ (by further opening up its markets).

64 See reports in *Nihon keizai shimbun*, 10, 12, 13 and 14 January 1987.
Significantly, it described the 'new Pacific policy' as 'an extension of the Fukuda Doctrine'. Like their Japanese counterparts, Western media reports also focused on the strategic motivations underlying the Kuranari initiative.

Public opinion and aid to the Pacific islands

The assumption of policy makers was that Japanese political and public interest in foreign policy to the Pacific islands was weak, primarily because there was an absence of strong pre-existing ties with the region. This led them to popularise, mainly through the media, a perception that there existed a political imperative in providing aid to the region.

One of the main sources of information about public opinion on Japan's international affairs is the 'Survey of Public Opinion on Foreign Affairs' conducted each year by the Public Information Office of the Prime Minister's Secretariat. These surveys regularly included questions about which countries were of greatest interest to the respondents and which countries Japan should give economic aid to. In the years 1980 to 1987, the Pacific island countries were the lowest in terms of interest and priority for aid. In 1987, only 1.4 per cent chose the Pacific islands as the countries of most priority in future Japanese aid. Not surprisingly, Asia scored the highest (41.4 per cent). It should be noted, though, that a significant proportion (27.1 per cent) preferred Japan to 'cooperate evenly' with all countries.

On the question of countries of greatest interest, the inclusion of Australia and New Zealand within the category of Oceania obscured, to some extent, the level of interest in the island countries. Nevertheless, in the October 1986 survey it was still the area of lowest interest (7.1 per cent). The highest, once again, was Asia (43.4 per cent). On the other hand, a significant proportion believed that relations with countries of Oceania were important (in October 1988, 71.8 per cent). The main reasons for considering relations with Oceania important were, overwhelmingly, economic: trade and economic relations (47.4 per cent) and resources (33.1 per cent). Once again, Australia and New Zealand obscured these results as far as the Pacific island countries were concerned.

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65 Editorial, Nihon keizai shimbun, 31 January 1987. The Fukuda Doctrine was the statement of principles governing Japan's relations with ASEAN countries, articulated by Prime Minister Takeo Fukuda in 1977. The Fukuda Doctrine was primarily concerned with allaying ASEAN fears that Japan aspired to a military role in the region. This did not appear to figure in Japan's policy towards the Pacific island countries.


67 These were reprinted in Hiroshi Nakajima, 'Japanese Interest in Oceania, 1979-88', Journal of the Pacific Society, July 1989, pp.21-5.
These surveys support the view that, relative to other areas, the Pacific island region was not considered a priority in Japan’s foreign relations (and especially in foreign aid). But the results are somewhat ambiguous. For example, in the area of cultural exchange, in 1988 Oceania was second to Asia as the region which should receive most emphasis in cultural exchange programs. Between 1985 and 1988 the number of respondents emphasising cultural exchange with Oceania doubled (from 10.1 per cent to 21.5 per cent).

This emphasis on economic and cultural relations may reflect the fact that domestic opinion in Japan is generally averse to Japan playing a strategic role in foreign affairs (as this tends to resemble a military posture). This perception extends also to foreign aid. The popular support for aid is because of its non-military (if not non-political) nature. There is some difficulty, therefore, reconciling the overt strategic rationale promoted by MOFA to publicise its aid initiative to the Pacific island region and the public sentiment against such an approach. The conclusion that may be drawn is that the publicity campaign surrounding the formulation of the Kuranari Doctrine was aimed primarily at influencing bureaucratic elites (in MOFA and MOF) and foreign observers. As for the general public, it was sufficient perhaps to raise awareness of the region and of Japan’s policy initiative. In addition, it could also be a test-case: as part of a gradual process to build Japanese public acceptance for a more political role in world affairs.

The foregoing analysis has suggested that the policy makers instrumental in formulating the Kuranari Doctrine heralded from the political sections of MOFA (rather than from the Economic Cooperation Bureau other ministries). Policy was developed primarily within MOFA and in consultation with MOF. What appeared to preoccupy leading policy makers, as well as commentators, was the role of Japan in countering perceived Soviet in-roads in the Pacific islands and thereby supporting US foreign policy goals. These were themes that were prominent in Japan’s foreign policy statements about the Pacific islands in the 1980s. They reflected the overall priority of MOFA policy makers to demonstrate Japan’s ability to assume a more politically assertive foreign policy. The Pacific island region was a new ‘diplomatic frontier’ and thus provided an opportunity for MOFA to further extend its foreign policy in support of Japan’s security alliance with the US.

Increasing Japan’s aid presence was rationalised in terms of promoting political stability, not on the basis of specific interests such as in the area of fisheries. The emphasis was on aid as an instrument for promoting regional security and Western strategic interests. The next section explores in more detail the impact of the Kuranari initiative on Japan’s aid flows to the region.

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THE AID COMPONENT OF THE KURANARI DOCTRINE

The initial commitment

What did the Kuranari statement propose in terms of specific aid pledges and what were the reasons for this? It is first important to note that the Kuranari speech was essentially a political statement that concerned itself primarily with elaborating on Japan’s ‘basic thinking on the development of relations with the Pacific island countries’.59 Five principles were advanced in respect of this ‘basic thinking’. These were the promotion of bilateral relations and respect for countries’ ‘autonomous initiatives’; support for regional cooperation and strengthening of dialogue with the South Pacific Forum; preservation of political stability in the region; provision of economic assistance (details below); and the building of mutual understanding. In this context Papua New Guinea and Fiji were invited to participate in the Youth Friendship Program for the 21st century.70

Despite the media publicity, which had referred to an aid doubling plan for the region, this was not actually stated in the speech. The fourth principle of Japan’s ‘basic thinking’ on relations with Pacific island countries stated that:

> Japan will provide as much assistance as possible to make the region economically more prosperous. Japan intends to expand its economic cooperation and to review cooperation modalities in order that their effectiveness may be enhanced ... I have ordered a study of the ways to expand Japan’s cooperation yet further. For this purpose I shall be sending a government survey mission to this region within the present fiscal year to formulate new guidelines for future bilateral assistance.

The one explicit announcement about aid to the region was that Japan was committing $2 million to a special Pacific islands fund to be created within the United Nations Development Program (UNDP), subject to Diet approval. The fund would be used to support various projects within the region. No actual projects (bilateral or regional) were announced. This UNDP fund, described by Tanaka as ‘the big breakthrough’ for multilateral aid to the region, was developed through consultation primarily between the Oceania Division, the Multilateral Cooperation Division of the Economic Cooperation Bureau and MOF’s Budget Bureau. It was chosen as the preferred approach to aid at that time largely because it bypassed the complicated and time-consuming procedures that dominated bilateral project aid. As a lump sum commitment, it did not need to be justified (to MOF) according to specific projects to particular countries (where per capita income of the recipient and other factors would be

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70 This is a cultural exchange program administered by JICA. It was first proposed by Nakasone in 1983 as a way of promoting ties with the ASEAN countries. Under the program (which began in 1984) youth leaders are invited to Japan to experience Japanese society and a range of cultural activities including home-stays. For details, see JICA, Annual Report, 1991, Tokyo, pp.51-3.
taken into account). Moreover, bilateral, project based aid depended upon the identification and request of ‘good projects’ — something the Oceania Division in particular could not count on.71

According to Tanaka, there was resistance on the part of the Economic Cooperation Bureau in MOFA, and in particular the then Director of the Grant Aid Division, to an increase in bilateral aid to the region. This was because of the perceived low aid absorptive capacity of the island countries. 'He [the Grant Aid Division Director] insisted that Grant Aid could not do any more for the region'. MOF’s position was that it would be willing to look at more projects, but they would need to be ‘good projects’.72 The commitment to increase bilateral aid was therefore couched in more general terms and left to the forthcoming survey mission to facilitate.

There were two reasons why the UNDP was chosen as the aid conduit instead of SPEC. One was that, because Japan was not a member of the South Pacific Forum, it did not appear that Japan could give funds directly to the organisation; and the other, more controversial reason, was because the Oceania Division was not confident about the effectiveness of the South Pacific Forum or convinced of its political significance.73 This decision was quickly criticised by regional leaders (in particular the Director of SPEC). It led the Director of the Oceania Division to press for a new aid commitment to SPEC.

The follow-up

In late March 1987, the economic survey mission promised in Kuranari’s speech left for a tour of four Pacific island countries: Fiji, Vanuatu, Western Samoa and Kiribati. It was headed by the Director of the Development Cooperation Division in the Economic Cooperation Bureau of MOFA.74 The aim of the mission was to ascertain priority areas

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71 This refers to the preferred criteria of grant aid projects that MOF as well as Grant Aid Division adhere to. In general, there is a preference for large-scale capital projects geared towards infrastructure development and ‘basic human needs’. Important considerations include ‘self-help’ and economic feasibility (ostensibly the ability of the recipient to maintain the project and pay for its operation). The number of potential beneficiaries was also a key factor (see Chapter 3).

72 Interviews, Nobuaki Tanaka, Bangkok, April 1993. Although the view of the Grant Aid Division’s Director was not confirmed, the position described by Tanaka echoed comments made by Grant Aid Division officials. For the Grant Aid Division, the main priorities are identifying and implementing projects that MOF will accept and that fit the criteria of ‘good projects’. But it is also sensitive to what are the most important foreign policy issues or relations at any one time.

73 These were the reasons given by Tanaka in interviews with the author. Officials from the Oceania Division in MOFA suggested that the main problem with the Forum Secretariat/SPEC was that it did not adequately represent the interests of its members. Other observers noted that Japan’s policy towards the South Pacific Forum was to some extent coloured by the presence of Australia and New Zealand in the organisation. Japan did not view the South Pacific Forum as an organisation of developing states and thus was reticent about channelling aid through SPEC. Interview Tsutomu Kikuchi (PECC Pacific Islands Taskforce), Tokyo, May 1992.

for cooperation and ways to increase aid to the region. It was also required to follow up
mechanisms for disbursing the UNDP special fund for Pacific island countries.

It had been decided that in allocating aid under the UNDP Special Fund, priority
would be placed on three types of projects: those that benefit the whole region (transport
and telecommunication), those that benefit smaller island countries, those that could not
be provided under the bilateral aid framework (which would include the above two
categories).

Perhaps recognising the constraints on increasing bilateral grant aid, the mission
argued that Japan would have to be as flexible as possible in its dealings with those
countries ‘some of which are too small be covered within the existing framework of
Japan’s aid’. Although it recommended that Japan ‘expand its cooperation more
flexibly’, the mission proposed that multilateral aid be promoted so as to supplement its
bilateral cooperation. It also suggested that Japan give ‘greater consideration to the
importance of SPEC as a regional organisation’ and recommended that there be more
donor coordination to avoid duplication or waste.75

One of the issues raised by the survey mission was the role multilateral donor
agencies could play in the region; it mentioned specifically the Asian Development Bank
(ADB).76 This was followed up by the Director of the Oceania Division in mid-1987.
Tanaka met with the head of the ADB (Masao Fujioka) and discussed the prospects for
the bank providing more assistance to the Pacific island countries. He was informed that
a conference on the ADB in the South Pacific region was already scheduled for August
that year and that the bank, in principle, was in favour of an increased role in the
region.77 Tanaka saw the ADB as a way of increasing Japan’s aid contributions to the
Pacific, albeit indirectly. The role that the ADB could play was to provide loans,
technical assistance and co-financing to the region, which would supplement bilateral
ODA flows. The ADB was thus perceived as a vehicle to promote Japan’s foreign policy
agenda in the region. That MOFA could suggest such a role reflected the close
association with and influence in the ADB that Japan has enjoyed since its inception.78

75 Details are in Kenji Kanasugi, ‘Japanese Aid Policy in the South Pacific Region’, Pacific Economic

76 This emphasis on multilateral aid may also reflect the emergence of a ‘comprehensive development
strategy’ in Japanese aid policy that was evident in the late 1980s. This strategy emphasised the role in
development financing of the private sector and multilateral agencies. In particular, the role of ODA was
to be a catalyst for private sector flows to the developing countries. This was based on the assumption
that development problems could not be solved by ODA alone and that Japan’s ODA could not increase
substantially for an indefinite time. See Dennis Yasutomo, ‘Japan and the Asian Development Bank’, in
Koppel and Orr, Japan’s Foreign Aid, pp.305-40.

77 For details of the ADB’s past and projected assistance to the region, see report of this meeting: The
Asian Development Bank in the South Pacific: Symposium cum Workshop on Country Development
Strategies for the South Pacific Developing Member Countries, Auckland, New Zealand, 5-7 August
1987.
The decision by MOFA to channel the multilateral aid initiative through the UNDP and not SPEC had clouded the Kuranari visit and undermined the diplomatic goodwill Japan had expected to build with the region. The need to pay more attention to the indigenous regional bodies (such as the South Pacific Forum and SPEC) was noted by the Japanese survey team to the region. It was also a matter of concern at the May South Forum Pacific meeting in Apia, Western Samoa. Some island leaders viewed Japan's decision as an indication of the lack of recognition that the Forum enjoyed internationally. Some also requested that the $2 million to be administered by the UNDP be managed by SPEC instead. This was reflected in the communique of the meeting as follows:

The Forum welcomed progress in the Dialogue with Japan, including the visit by the Foreign Minister to the South Pacific ... and his announcement of a $2 million fund for the Pacific islands. The Forum also requested Japan to regard SPEC as a conduit for regional funds and to adapt its aid procedures to meet the special needs of the South Pacific. The Forum also expressed the hope that Japan [would] expand its development assistance to the region.79

In August that year the Chairman of the South Pacific Forum (the Prime Minister of Western Samoa) and the SPEC Director visited Japan. This was in line with the proposal put to the region by Kuranari that immediately prior to or following each Forum meeting, Japan would invite the two leading officials of the Forum to Japan. During this visit the question of channeling Japanese aid through SPEC was raised. This had been mooted when the Survey Mission had visited the region in late March and the Oceania Division Director had since been actively pushing for an annual allocation direct to SPEC. The decision was subsequently taken to allocate $400,000 to SPEC in 1988, to form part of its Work Programme Budget.

How, and on what grounds, was this decision made? As noted earlier, MOFA had chosen the UNDP over SPEC because it did not believe that it was feasible to direct funds through an organisation of which Japan was not a member. It had also doubted the political importance or competence of SPEC. A clear shift in policy occurred subsequently. According to Tanaka, he had decided after Kuranari's visit in January to press for an aid allocation to SPEC 'because the SPEC Director had complained so much at the time'. In subsequent negotiations with MOF, 'we appealed to the political nature of the South Pacific Forum and also to the fact that the UNDP fund did not satisfy the region'. It appears that this argument was helped by the recommendations of both the Survey Mission and the FAIR Committee for Oceania and the Pacific Islands. This aid

78 This is covered in detail in Yasutomo, 'Japan and the Asian Development Bank'. Yasutomo makes the point that this close association is largely due to the special ('intimate') relationship between the Japanese government and the Bank's President, who is usually an ex-MOF official (p.318).

79 Agreed Record and Communique, 18th South Pacific Forum, Apia, Western Samoa, 30 May 1987.
was channeled through the Multilateral Cooperation Division of the Economic Cooperation Bureau.80

In addition, the policy of funding regional organisations was more flexible than it was portrayed initially. A senior MOFA official elaborated on this policy in a 1990 article:

Direct grant assistance to regional organisations such as the South Pacific Forum does not lend itself to the existing scheme of Japan's grant assistance which is based on bilateral government to government requests. Thus it is not possible to provide a direct grant to the Forum Secretariat [SPEC] for a comprehensive coverage of a certain regional project. It is possible, however, to respond to bilateral requests from a government participating in a regional project, if the project is accorded a high priority by the government and is deemed to be good and feasible. Significant cooperation with regional organisations can [also] be effected through donation of funds to regional organisations, the despatching of Japanese experts and other means.81

Problems in Japan's relations with SPEC (re-named the Forum Secretariat in 1988) continued, particularly with the Director (since 1988 the Secretary General), whose blunt and forthright style of diplomacy was a source of some tension. At the 1989 Forum meeting the Secretary General recommended that the annual visits to Japan by the Forum leadership be dropped in favour of the annual post-Forum dialogue being introduced that year. One reason given was that the meetings in Japan were generally with officials (rather than at the ministerial level) despite the Forum delegation being led by a head of government. It was argued that this undermined the 'dignity' of the Forum. The decision was taken that the post-Forum dialogue become the main approach to dealing with Japan. But the Forum also recommended that the Director decide on an ad hoc basis whether to continue with the visits to Japan.82

How to measure the effect on bilateral aid

It is widely assumed that the Kuranari initiative was a catalyst for increasing bilateral aid levels. Indeed, this was the intended effect of the initiative. Significantly, the assessment of Tanaka (then head of the Oceania Division) was that the Kuranari Doctrine only had a marginal effect on bilateral aid flows to the region. He believed that after the initial

80 Because this was an initiative of the Oceania Division (and not the Economic Cooperation Bureau), direct negotiations between the Oceania Division and Budget Bureau of MOF were necessary. In this case, political arguments supporting the aid initiative were more salient, than if the negotiations were between the Economic Cooperation Bureau and MOF.


82 It was the view of some leaders that the visits were worth pursuing. The problem raised by the Secretary General could be overcome if the Chairman (who was a head of government) only participated in ministerial and prime ministerial meetings, while the Secretary General conducted meetings at the officials level. Agreed Record and Communique, 20th South Pacific Forum, Tarawa, Kiribati, 10-11 July 1989.
commitment (evident in the UNDP aid and later SPEC aid), aid sections of MOFA as well as MOF paid only ‘lip service’ to the policy of directing more aid to the region. He suggested that after the multilateral aid initiative, which seemed to satisfy the immediate goal of making a concrete aid commitment, ‘MOF did not consider it necessary to give more bilateral aid at an accelerating speed’.

The actual aid figures reveal a somewhat different picture; a short-term though significant rise in grant aid that followed the political initiative. Bilateral grant allocations in 1989 reached their highest level ever: 9.3 billion yen (compared with 5.3 billion yen in 1987 and 5.9 billion yen in 1988). This was an increase of more than 55 per cent between 1987 and 1989. This was not the largest jump in grant aid to the region in any single year (grant aid had risen by 64 per cent between 1983 and 1984 and 82 per cent between 1979 and 1980). But the earlier increases had begun from a substantially lower point. By 1988 Japan was donating 5.9 billion yen in grant aid to the region and it had reached a previous high of 6.4 billion yen in 1986.83 Some sections of the aid bureaucracy had begun to view this as the limit to Japan’s aid effort to the region (apart from the occasional yen loans to Papua New Guinea).

The significance of the years 1988 and 1989 is that the impact on bilateral grants of the Kuranari initiative in early 1987 would take about two years to become effective. The process of deciding on projects and approving their allocation for fiscal year 1989 would probably have occurred in fiscal year 1988. The actual projects approved had to be identified and requested rather earlier (1987 or before). It is notable that the increase in aid in 1989 was realised mainly through providing an unusually high number of large-scale grant aid projects. Among the large components of Japan’s aid to the region in 1989 were a hospital in Kiribati (921 million yen), a hospital in Papua New Guinea (1,923 million yen), a fisheries infrastructure project in the Solomon Islands (1,018 million yen), an airport terminal in Tonga (784 million yen), an airport terminal in Vanuatu (1,115 million yen), the second stage of a port development in Western Samoa (913 million yen), and fisheries infrastructure in the Federated States of Micronesia (649 million yen). All were large infrastructure projects and in some cases unprecedented in their scale for the region (for example the PNG hospital grant).84

The other significant increase in aid occurred with technical assistance: between 1987 and 1988 technical aid rose by 42 per cent (2.2 billion yen to 3.1 billion yen). This was the largest increase in a single year in technical aid to the region. It is likely that this

83 Statistics are from Gaimusho, Waga kuni no seifu kaihatsu enjo (various issues), Tokyo. See tables in Chapter 1.

84 JICA Basic Design Studies for these projects give some indication of when they were formulated and approved (since the dispatch of a team to carry out a Basic Design Study usually signals approval, by MOFA at least). The time taken to put this team together may delay the process. For some projects (the Solomon Islands, for example) the Basic Design was not carried out until late 1988. Note that only two of the large infrastructure projects in 1989 were fisheries grant projects.
increase coincided with the Kuranari initiative but, given the shorter lead time required for allocating and dispatching technical cooperation, the increase was realised faster. Technical assistance continued to grow at a steady (though slower) rate and reached a peak of 4 billion yen by 1992.

The analysis is not conclusive that there was a political cause underlying the pattern of bilateral aid, but it strongly suggests there was one. It is likely that the Kuranari initiative helped to accelerate aid flows, but this effect was not sustained at the level that policy makers had aimed for (that is, double the volume). The level of grant aid in 1990 dropped back to 6.8 billion yen (a decline of 26 per cent). This points to a short-term impact on aid levels that mirrored what was in fact a short-term political interest in the region (as the next section argues). The question remains: how did political considerations impact on decisions concerning grant aid to the Pacific island region?

As discussed in Chapter 3, the various sections of the aid bureaucracy, including different parts of MOFA, have different aid policy priorities and criteria. Translating policy declarations into practice required coordination between the various parts of the aid bureaucracy and balancing different interests and perspectives. In the case of the Kuranari initiative, MOF and the Grant Aid Division (reluctantly) agreed to 'look at more projects' for the region. But this depended on projects being identified and requested. To achieve the goal of increased bilateral grant aid to the region, it was necessary to secure the cooperation of various ministries and agencies in undertaking project identification and development.85

If MOFA policy makers did seek the cooperation of other ministries in the development of the Kuranari initiative, this did not appear to include the Ministry of Agriculture Forestry and Fisheries (MAFF) or the Fisheries Agency.86 It was also clear that the Fisheries Agency did not share MOFA's view of security issues in the region. For them, the main threat to Japan's (economic) interests was posed by the US, not the USSR. At the same time, the Fisheries Agency did anticipate that fisheries aid flows to the region would increase as a result of the Kuranari initiative and this led to a new form of aid, the small-scale fisheries grant. But the purpose and use of this aid would be restricted to those countries where Japan had close fishing relations.

The evidence suggests that the Oceania Division was able to mobilise MOFA and MOF support for the policy of increased aid to the region in the short term. But it did

85 The Ministry of Transport, for example, indicated its intention to research projects that would promote infrastructure development in the region. See 'Japan to Help South Pacific Nations to Promote Tourism', Nihon keizai shimbun, 19 August 1986.

86 Tanaka did not meet with the Special Advisor for Fisheries Matters (Norio Fujinami) nor other officials in the Fisheries Agency. According to Tanaka, 'MAFF had nothing to do with our policy' (the Kuranari Doctrine). He argued that while fisheries 'are important' and should be borne in mind, 'political initiatives and ODA initiatives do not depend on their [MAFF's] opinion'. The FAIR Committee for Oceania and the Pacific Islands, which drafted the Pacific Aid Initiative, also did not include any Fisheries Agency officials. Nor did it refer to fisheries issues.
not follow this through in the longer term. Table 6.1 gives the pattern of grant aid flows to individual countries in the period 1988 to 1993. This reveals the erratic pattern of aid flows to countries, which in turn is a reflection of the number and size of projects provided. The table shows the increase in total grant aid in 1989, but also the uneven flows that subsequently followed. This suggests that ministries were not successful in identifying consistent numbers of large grant projects to countries in the region. This may be attributed in part to the fact that some countries had difficulty supporting large infrastructure projects. But it may also reflect the nature of strategic aid policy, and the fact that political interest in the region was not sustained. The nature and objectives of strategic aid, as evident in the case of Japan’s Kuranari Doctrine, are analysed in the next section.

Table 6.1  Japan's Grant Aid to Pacific Island Countries, 1988 - 1993 (million yen)

<table>
<thead>
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<tr>
<td>Fiji</td>
<td>245</td>
<td>352</td>
<td>52</td>
<td>1,146</td>
<td>1,043</td>
<td>68</td>
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<tr>
<td>Kiribati</td>
<td>130</td>
<td>1,011</td>
<td>630</td>
<td>1,183</td>
<td>107</td>
<td>-</td>
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<tr>
<td>Marshall</td>
<td>648</td>
<td>599</td>
<td>337</td>
<td>375</td>
<td>588</td>
<td>148</td>
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<tr>
<td>FSM</td>
<td>515</td>
<td>672</td>
<td>824</td>
<td>749</td>
<td>1,130</td>
<td>1,193</td>
</tr>
<tr>
<td>Palau</td>
<td>330</td>
<td>493</td>
<td>414</td>
<td>404</td>
<td>469</td>
<td>691</td>
</tr>
<tr>
<td>PNG</td>
<td>2,129</td>
<td>2,126</td>
<td>1,839</td>
<td>1,888</td>
<td>1,739</td>
<td>1,243</td>
</tr>
<tr>
<td>Solomon</td>
<td>897</td>
<td>1,018</td>
<td>909</td>
<td>4</td>
<td>122</td>
<td>1,041</td>
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<tr>
<td>Tonga</td>
<td>270</td>
<td>824</td>
<td>613</td>
<td>548</td>
<td>517</td>
<td>671</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>107</td>
<td>146</td>
<td>-</td>
<td>396</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>-</td>
<td>1,115</td>
<td>352</td>
<td>4</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>W.Samoa</td>
<td>690</td>
<td>925</td>
<td>674</td>
<td>854</td>
<td>1,457</td>
<td>1,342</td>
</tr>
<tr>
<td>Total</td>
<td>5,961</td>
<td>9,281</td>
<td>6,644</td>
<td>7,551</td>
<td>7,181</td>
<td>6,403</td>
</tr>
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DISSECTING STRATEGIC AID: OBJECTIVES AND AGENDAS

Rhetoric and reality

The Kuranari Doctrine aimed to be a catalyst for achieving a political goal of significantly increasing Japan's ODA flows to the Pacific island region. It was openly admitted that this initiative was aimed at countering the perceived in-roads of the Soviet Union in the South Pacific. The rationale (which has come to to be identified with strategic aid) was that aid would pre-empt Soviet offers. It would also serve to shore up regional stability. But what did this mean? Did Japan intend to play a more active political role in the island
countries? Was aid to be used to exert influence in the region and thus enable Japan to exercise leverage in the interests of political stability?87

A test case for this occurred not long after the visit to the region by Kuranari. In May 1987 the democratically elected Coalition government in Fiji was overthrown by a military coup, triggering unprecedented instability in that country. The response that was taken by Japan was much less critical of events there than the responses of Australia, New Zealand or other Western countries (including Britain and the US). In particular there was no automatic suspension of aid, unlike the US for example, which is compelled by law to stop aid in the event of a military coup or similar event.88 The initial reaction of the Japanese government was to 'wait and see'. One official was reported as stating that: 'Japan will continue to extend economic aid regardless of government changes because the construction of hospitals and other assistance are not closely related to politics'.89 The sentiment of key policy makers and policy advisors, however, was somewhat critical of the Western reaction to events in Fiji. Australia and New Zealand in particular were viewed as too intrusive, fuelling instability through their hostile and antagonistic responses.90 This was later reflected in the FAIR report (the Pacific Aid Initiative), which pointed to a need to support and be sympathetic to the expression of indigenous Pacific island political and economic systems.91

Commentary in the Japanese media viewed the foreign policies of the overthrown Coalition government as symptomatic of regional instability (the non-aligned and anti-nuclear elements in particular). It questioned how the Kuranari Doctrine fitted into that picture and suggested that Japan was not living up to the spirit of Kuranari's declaration. 'Japan has the power and the responsibility to provide South Pacific nations with the maximum assistance and to set a positive example in region'.92 But then Director of the Oceania Division, Tanaka, suggested that the Fiji coup 'did not create problems for us as the Kuranari Doctrine made no mention of domestic instability. We were not going to get involved in domestic problems, [which are] too delicate'.

The Fiji coup indicated that Japan's concern for stability seemed confined to political rhetoric about Soviet intrusion. It did not signal a new approach to aid policy;

87 For a discussion of the ambiguities and problems inherent in strategic aid policy, see Dennis Yasutomo, The Manner of Giving, especially ch.6, pp.117-9. He raises questions such as 'How exactly does economic assistance contribute to national security?' and 'Is aid enough?'.

88 Details of the US Foreign Assistance Act are contained in United States Aid in the South Pacific, USAID, November 1987. Food aid and disaster relief activities are excluded from the suspension provisions.


90 Interview, Professor Akio Watanabe, University of Tokyo, November 1992.

91 FAIR, Pacific Aid Initiative, pp.12-3.

that is, using aid to influence politics in recipient states, in the way other Western
countries did. Another issue (that of New Caledonian independence) was perhaps more
revealing of Japan’s diplomatic approach and priorities in the region. It also reflected the
way aid would be directed towards supporting those priorities.

After breaking ranks with France and other Western powers by voting in support
of New Caledonia’s reinscription at the UN in early December 1986, Japan subsequently
reversed its position. It abstained in the vote taken in October 1987 on a South Pacific
Forum-sponsored resolution ‘urging France to follow UN principles on
decolonisation’.93 Australia and New Zealand were the only Western countries to
support the resolution. A shift in Japan’s position had been evident during the visit in
August 1987 to Japan by the Forum Chairman (the Prime Minister of Western Samoa).
Kuranari reportedly ‘urged the Prime Minister not to take a radical course in supporting
the independence movement’ in New Caledonia. He advocated instead a moderate
approach based on dialogue with France ‘in order to gain international credibility’.94

Tanaka attributed the shift in Japan’s policy to the fact that France had lobbied
very hard to change Japan’s position, including sending Gaston Flosse, the French
Minister for Pacific Affairs, to Japan. Although Tanaka suggested that Japan’s position
was reconsidered on the grounds that ‘France played a security role in the region in
support of our objectives’ (that is, it helped keep the Soviets out), he also admitted that
the main concern of MOFA was with relations with France and not the issue of
decolonisation or relations with the South Pacific Forum countries. Once France began
to put pressure on Japan, the response was to support France. Moreover, one key
(perhaps unintended) objective had been realised: France could not take Japan’s vote for
granted. In Tanaka’s assessment, ‘Our vote (in December 1986) was so shocking to
France ... I believe we should make more diplomacy like that — so countries like France
take notice of us and take us seriously as a global power’. Thus the outcome was to
elevate Japan’s standing in its relations with France. The other, more ostensible,
objective had also been realised: to create goodwill in the region in the lead-up to the
Foreign Minister’s visit.

Following the set-back at the UN, in a meeting between Pacific island
representatives in Tokyo and Kuranari, the Japanese Foreign Minister sought to explain
Japan’s policy. He reportedly told them that ‘Japan knows there are disappointments’ but

93 Washington Pacific Report, Vol.6, No.3, November 1987. The result of the vote was 69 in favour, 46
abstentions and 17 non votes.

94 ‘Kuranari Urges Samoan Leader to Moderation over New Caledonia Independence’, The Japan
Times, 25 August 1987. Prime Minister Nakasone also advocated dialogue in his meeting with the
pledged future cooperation. The statement was a reference to economic cooperation rather than cooperation on political issues. The promise of aid was a way of allaying friction; it was also perhaps an attempt to influence regional policy.

This issue illustrates what essentially motivated Japan's strategic aid policy. The declaration of intent in the Kuranari Doctrine and the subsequent aid commitments demonstrated Japan's support for Western security interests and its intention to play a more active political role in the Asia Pacific region. In this sense it was a diplomatic exercise. The Kuranari Doctrine (as with Japan's policy on New Caledonia) was essentially a quest for recognition on the international stage. In this quest, the 'target' of Japan's policy was not the recipient countries so much as the Western powers with whom Japan identified and, to a certain extent, aspired to emulate.

In addition, the Kuranari initiative aimed to provide the basis of a political role in the region, but one that reflected the personal ambitions of individual policy makers. As the Oceania Division head later declared: 'My whole objective was to establish policy for the South Pacific which would be geared to the Soviet in-roads. I also aimed to [support] our need for taking diplomatic initiatives on all fronts of foreign policy. The South Pacific was virgin territory, so we had an interest to expand our political influence in the region'. The way this influence would be exercised was conditioned to some extent by the other priority of supporting Western security interests, hence the position on New Caledonia.

It is significant, though perhaps not surprising, that with the benefit of hindsight, the Soviet Union was perceived by the architects of the Kuranari doctrine as a hollow threat. According to Tanaka, he realised 'later' that the Soviet Union's quest for fishing access in the Pacific came about not from strategic ambitions but from their need for protein: 'Fishing agreements were essential and good for them. But the Soviets didn't explain this very well at the time; and everyone was afraid of the Soviets then'. It is not clear when the threat receded in the minds of the policy makers. Certainly the fact that the Soviet Union failed to renegotiate fishing agreements with Kiribati and Vanuatu was a significant factor. But the evidence suggests that by 1989, two years after the Kuranari initiative, the 'Soviet threat' was no longer a salient concern or an effective argument for aid, and other political rationales were utilised.

This is demonstrated by the attempt to increase multilateral aid to the region. After the decision to allocate an annual contribution to the Forum Secretariat (the first donation was in 1988), the Oceania Division attempted to increase subsequent allocations. But MOF resisted these requests (and it is possible they were not pressed strongly by the Oceania Division). It was not until 1992 that the decision was taken to increase the allocation, but even then it was only raised marginally: from $400,000 to

$500,000. This was announced at the Dialogue between the South Pacific Forum and Donors, following the South Pacific Forum meeting in July 1992. According to Oceania Division officials, there was difficulty finding ‘persuasive arguments’ to put to MOF (and presumably to MOFA in general) as to why the amount should be increased. ‘There was nothing as dramatic as the Soviet threat ... the only political argument we could mobilise was that in the South Pacific Forum communiques, policy in support of or against Japan was made’. The controversy over driftnet fishing demonstrated the potential influence that the South Pacific Forum exercised in the international arena. After this it was easier to justify increased aid to the Forum Secretariat.96 The donation of aid to the Forum Secretariat was thus aimed, in part, at allaying criticism of Japan and enhancing Japan’s profile (if not influence) in the regional body. This echoes the policy of using aid to build support for Japan on environmental issues, as discussed in the previous chapter.

The role of foreign pressure

If Japan’s main interest was to ‘do something’ that would impress its allies and at the same time raise its standing internationally, was this an indication of Western (mainly American) requests that Japan do more in the region? To what extent was Japan prompted by others into announcing an aid and diplomatic initiative for the region? It was suggested earlier that American security concerns in the Pacific island region had led to expectations and to pressure on Japan to assume a greater aid presence in the region. Moreover, US policy had already embraced the need for strategic aid (as evident in the multilateral fishing access agreement).

It is clear that MOFA coordinated its Pacific diplomacy to some extent with the US State Department (for example, Tanaka’s trip to Washington prior to Kuranari’s regional tour). Moreover, by 1986 media reports had made explicit the American expectation that Japan should play a security role in the region. This served to encourage the view that America supported and indeed had sought a greater aid presence by Japan in the Pacific island region. In the process described by Orr, foreign pressure was in part solicited by MOFA officials in order to put pressure on the more intransigent elements of the decision making system (MOF in particular). The Oceania Division used the US to bolster its position and leverage in relation to MOF and other sections of MOFA. Tanaka openly admitted to this approach. He suggested that since there were few economic interests in the region, the most effective argument for aid to the region was political: ‘If we have the Pentagon or State Department on our side, it is easy to wrench the arms of the Ministry of Finance. So in this case we stressed US appreciation for our efforts’.97

96 Based on discussion with Oceania Division officials (and former officials). Note that the driftnet issue is covered elsewhere.

97 Utilising foreign pressure in this way was described in detail in Robert M. Orr Jr., The Emergence of Japan’s Foreign Aid Power, Columbia University Press, New York, 1990. Tanaka denied that the Kuranari Doctrine was directly influenced by, or was the outcome of, US pressure. He argued that policy makers in Japan would rather set their own agenda than respond simply to the policy agendas of other
Consultations about the Pacific island region also took place with Australia and New Zealand. Here the situation was somewhat different to that concerning the US. It was not as necessary to attract the attention and encouragement of Australian or New Zealand. It was important, however, to ensure their support and also to learn from their experience. The forum for these talks with Australia was the Australia–Japan Ministerial Committee, which since 1985 included the region on its agenda. The Kuranari initiative was also preceded by discussions with Australian and New Zealand representatives, both in Tokyo and the region. This was interpreted as a way for Japan to brief the two Western countries which ‘regard the island nations as being within their sphere of influence’.

But the process of consultation was marred by both mutual suspicion and tensions that flowed from underlying problems in the bilateral relationship. At the Australia–Japan Ministerial talks in January 1987, the Australian Foreign Minister Bill Hayden welcomed Japan’s ‘clear commitment’ to the region, especially its support at the UN on the New Caledonia issue. But he suggested that regional stability, which was an interest shared by both Japan and Australia, would continue to be undermined unless Japan took further action in opening up its markets to Australian imports. In particular, he stressed that Australia’s ability to ‘play a political and strategic role in the region’ was being damaged by Japanese protectionism. Tanaka recalled that Australian policy makers ‘often stressed the low absorptive capacity of the islands and that we should not overwhelm them’. He interpreted this as indicating some ambivalence on Australia’s part towards Japan playing a greater role in the region.

Australia’s position was essentially three-fold: it could not keep Japan out of the region; Japan could play a constructive role in the region if it adapted its aid policies and practices; and Australia should encourage and assist Japan to do this. But the Australian perception was that while Australia gave advice to Japan at the time of the Kuranari Doctrine (for example, Australia encouraged the idea of a South Pacific Trade Office in Japan), this advice was ignored. This reflected, in part, Japan’s failure to adapt its aid

states. This may be true of the individuals involved, however overall policy cannot be understood without consideration of US preferences and pressures emanating from the broader bilateral relationship.

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98 MOFA, *Diplomatic Bluebook*, 1986, p.64. In the early 1980s it had already been noted that Japan needed to cooperate with Australia and New Zealand in maintaining ‘stability and prosperity’ in the region. See MOFA reports *Hachiju nendai no nichigo kankan*, 1980; *Hachiju nendai no waga kuni taiyoshu gaiko*, 1981.


system to accommodate the needs of its recipients. As for the question of rivalry in the region, Australia's Ambassador to Fiji commented: 'We don't mind seeing more Japanese aid [in the region]. We are not competing with Japan. Our dominant aid presence in the region is a fact not an ambition'.

Japan's aid initiative towards the Pacific island region was not simply a reaction to pressure from other donors or from recipient countries. But it was a policy initiative that was built through consultation and coordination with other countries, and which harnessed other countries' interests. On the one hand, this secured political leverage for the Oceania Division and other MOFA actors through promoting American support for the initiative. On the other hand, it was perceived as necessary in order to 'explain' to Japan's Western allies what its policy interests and objectives were in the region. The emphasis on promoting transparency in Japan's foreign policy was seen to be important by the policy makers in MOFA. It reflected a more general reticence, if not a lack of confidence, about playing a political role in the international arena.

Strategic aid and the policy process

The way the Oceania Division Director approached the question of aid increases to the region (as a group) was conditioned to some extent by the procedures and processes of Japan's policy making system. For example, the decision to make a multilateral aid commitment to UNDP, rather than attempt to announce a series of aid pledges and projects to individual countries, was a pragmatic move, predicated on the assumption that commitments could not be made until projects were requested, processed by aid divisions of MOFA in consultation with other ministries and approved by MOF. Moreover, this system was constrained by the single year budgeting framework, according to which there could be no (formal) undertaking to commit funds in advance of the budget allocation being made on an annual basis.

The multilateral pledge, on the other hand, was both regional in scope, thus potentially beneficial to the whole region, and (once committed) outside the immediate purview of MOF and other bureaucratic rules. It was therefore more 'eyecatching' and more flexible in meeting the needs of the region. For instance, it could be utilised in

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101 The process of building greater coordination between donors in the region, which effectively began at the time of the Kuranari Doctrine, is discussed in the next chapter. For an overview of some of the issues see 'Australia, Japan Close to Agreement on Regional Aid Coordination', Pacific Report, Vol.2, No.17, 14 September 1989, p.6.

102 Interview with John Trotter, Australian Ambassador to Fiji, Suva, January 1993.

103 Tanaka also initiated consultations with Britain and France, following the Kuranari tour of the region. These focused on aid policy.

104 There are parallels in the regional aid commitment announced in the Kuranari Doctrine and the regional aid pledges to ASEAN made by Prime Minister Fukuda in 1977. Both were designed for public
ways that Japan's bilateral grant aid could not be, such as supporting regional and small-scale projects. The choice of using the UNDP, however, reflected a conservative approach: that is, the assumption that Japan's procedures would not accommodate a direct grant to the South Pacific Forum/SPEC, an organisation from which Japan was excluded.

But the Kuranari Doctrine also revealed the way bureaucratic procedures may be preempted or adapted in response to political pressure. This was a case of what Rix has described elsewhere as a 'special aid relationship'. The Pacific island region was elevated (albeit briefly) to a special aid relationship. Two features stand out as a result. One, the aid initiative came from Japan and in particular the political sections of MOFA, not from recipients, although their expectations helped to facilitate policy. Aid increases were supported at the highest levels of MOFA (Foreign Minister, Administrative Vice-Foreign Minister, and the head of the Policy Coordination Division of the Minister's Secretariat). This support helped to override, at least initially, objections by aid sections in MOFA as well as misgivings by MOF. Moreover, economic feasibility was to some extent subordinated to political necessity; in this case priority was put on doubling aid to a group of countries that was perceived as 'difficult' (as relatively small recipients, with low aid absorptive capacity, limited resources and an already high aid per capita level).

The second feature was that aid policy (at least at the declaratory level) was directed not simply at the recipients but also at other 'targets'. While the impact of aid on the recipients' economic conditions and their political relations with Japan was important, a more salient consideration was to demonstrate to other donor countries (and its Western allies) Japan's capacity for taking political initiatives. In this way Japan hoped to acquire kudos with these countries. By highlighting the political return to Japan in these terms, the Oceania Division and other sections of MOFA were able to secure a commitment to substantially increase aid to the region and to even intimate an aid doubling plan despite the absence of projects upon which to base this quantitative target.

In the longer term, the bureaucratic procedures governing bilateral grant aid were not substantially altered or did not give in significantly to political directives. Aid policy continued to be influenced by the procedural formalities and guidelines that prevailed relations effect, both avoided more difficult decisions about increasing bilateral aid, and both failed to satisfy the recipient countries.

105 One of the ways that the UNDP Special Fund was utilised was to contribute $700,000 to a Trust Fund established by the Tuvalu government, which aimed to create a sustainable flow of funds to the government to be used as budgetary support. See Isami Takeda, 'Japan's Aid to the South Pacific Region'.

106 Alan Rix, *Japan's Economic Aid*, pp.234-41. The countries identified by Rix as having a special aid relationship with Japan include the Middle East, Indonesia, South Korea, Burma and Brazil. They constituted 'an elite group of recipients outside normal classification of less developed countries by per capita income'. There were usually extensive capital, information and human resources flows between Japan and these countries.
before. Chief amongst these was the emphasis on large-scale infrastructure projects, provided as bilateral aid. But this policy approach was ultimately a constraint on aid flows to the region due to difficulties that small island countries experienced in both devising and maintaining large projects.107

CONCLUSION

The analysis of the Kuranari Doctrine has suggested that aid policy was essentially motivated by political considerations. It was primarily aimed at gaining recognition for Japan in the wider political context (mainly for US and other foreign consumption). It was also motivated by the personal agendas and ambitions of key policy makers in MOFA. The rhetoric underlying this initiative emphasised the Soviet 'threat' and the need to pre-empt or counter these in-roads in the Pacific island region. But the policy itself appeared to lack coherence and substance.

Subsequent policy (for example on New Caledonia) revealed that there was little effort to address directly the concerns and interests of the region; and that the focus and priority of MOFA was elsewhere. The Kuranari Doctrine was targeted primarily at other Western allies/donors. Most telling perhaps was the failure on the part of MOFA to address what was the main point of contention between the region and the Western states at this time (that is, fishing arrangements). As one newspaper editorial in Japan stated: 'Would the island countries have signed a fishing agreement with the Soviet Union if they felt [Japan] would offer a better one?'108 That policy makers in Japan failed to address this issue is significant.

The fact that the Kuranari Doctrine was concerned foremost with political relations with other donors and Western allies introduced tensions in relations between Japan and the region (the very countries the policy was ostensibly aimed at supporting). As observed in the previous chapter, the Kuranari Doctrine was interpreted by Pacific island officials as providing a basis for negotiating more favourable fisheries arrangements, including perhaps a multilateral access agreement. But this was clearly not within the scope of the policy. In addition, the failure by MOFA to address regional concerns or support regional priorities (support on New Caledonia, aid to the Forum Secretariat) led to disappointment; and this perhaps diluted the political goodwill with the region that may have Japan built up.

What is striking in the formulation and development of the Kuranari initiative is the way Japan's aid policy was rationalised in political and strategic terms rather than in economic terms. Economic rationales had no place in this policy agenda. Nor were

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107 Oceania Division officials found it 'incredible' that some countries could not manage 'one request' a year. Interview, Oceania Division, November 1992.

Fisheries Agency officials included or consulted in the development of the policy. This may reflect the fragmented and decentralised decision making processes, which meant that separate aid policies could be promoted. But there were also fundamental differences in perceived policy interests and priorities. Fisheries Agency officials viewed the main ‘threat’ to Japan’s interests in the region to be the US and not the Soviet Union. MOFA officials meanwhile did not accept that US strategic aid policy (embodied in the multilateral fisheries treaty) had directly harmed Japan’s fishing interests in the region. Nor did they appear concerned about the implications of the Kuranari Doctrine for Japan’s own regional fisheries interests.109

The Kuranari Doctrine was a demonstration of ‘strategic aid’ policy to the extent that it was rationalised in terms of enhancing regional security and Western strategic interests. These arguments (especially US concern) were used in justifying aid increases to the region and were perceived as instrumental, by MOFA policy makers, to realising their objectives. But the Kuranari Doctrine was also formulated according to prevailing bureaucratic constraints and shaped by what established aid policy procedures would accommodate. Its approach was essentially conservative.

The impact on aid flows to the region was essentially short term and limited; it neither achieved its aid doubling target nor maintained aid flows at the 1989 peak. This reflects the relatively short-term nature of the political interest; and the fact that policy objectives were perceived to be achieved once the initial commitment to increase aid was made. In this context, strategic aid policy may be understood as designed mainly to produce a public relations effect. The pattern of aid flows also reflects Japan’s complex aid procedures and difficulties finding large projects in the region, that fit these procedures.

What also emerges are the problems of translating declared intentions into practice without transforming policy making frameworks and structures. There were difficulties realising the goal of doubling aid to the region under the existing policy procedures. The nature of domestic policy making structures was covered in Chapter 3. How responsive these are to pressures for reform is taken up in the next chapter in the context of Japan’s approach towards multilateral aid policy frameworks in the Pacific island region. This is a pressing issue in Japan’s aid diplomacy given how the political and diplomatic weight of Japan’s ODA is dependent largely upon the ability to address the concerns and interests of both donors and recipients.

109 There was thus an inherent conflict between the political objectives of strategic aid (burden-sharing) and Japan’s economic interests in the fisheries sector (reflecting a more long-standing ‘economic cooperation’ rationale).
Regional and Multilateral Frameworks in Japan’s Aid Diplomacy

In order to cope with transnational regional problems, Japan will cooperate more closely with international organisations and other frameworks for regional cooperation.¹

When Foreign Minister Kuranari declared Japan’s commitment to support economic development in the Pacific island region, the specifics of this undertaking were not spelt out. This was because the actual task required of Japan was more than simply allocating larger sums of aid to the region. Problems inherent in increasing aid to the region were acknowledged by both the Economic Cooperation Bureau in the Ministry of Foreign Affairs (MOFA) and the Budget Bureau in the Ministry of Finance (MOF), which doubted whether the island countries could absorb more aid from Japan. This raised the issue of how to adapt Japan’s existing aid modalities, and make them more suitable to conditions in small island countries. Reference to reviewing aid modalities was made in the Kuranari Doctrine and was carried further by the survey team that visited the region in late March 1987.

The issue of enhancing Japan’s aid to the region reflected a broader challenge confronting Japan’s aid program in the late 1980s and 1990s: how to introduce procedural and policy reform that satisfied or addressed the criticisms and demands of other donors and the needs of recipients. The underlying dilemma for Japan was that the leadership role expected of Japan in international development required reforms and innovations that challenged the administrative and political foundations upon which Japan’s aid program had been built.

This chapter examines Japan’s aid policies towards Pacific island regional organisations and multilateral frameworks.² The study explores the way Japan has responded to external pressures to reform its aid program, its interest in participating in regional donor dialogues and Japan’s approach to policy conditionality. This is essentially an analysis of the bureaucratic influences on aid policy and, in particular, the influences on Japan’s approach to aid reform. This includes Japan’s approach to global development issues, such as the environment.

¹ MOFA, Japan’s Official Development Assistance Charter, Tokyo, 30 June 1992.

² The distinction made between regional and multilateral in this chapter is essentially between region-specific and more broad based (if not global) institutions and diplomacy. The discussion in this chapter refers primarily to the coordination of bilateral aid in multilateral fora and to the provision of aid to regional organisations.
PACIFIC ISLAND REGIONAL ORGANISATIONS

Pacific island regional organisations, especially the South Pacific Forum, have been at the forefront of initiating dialogue with Japan, as well as with other donors. They have actively sought Japan’s engagement in the region, as described in the previous chapter, and lobbied Japan to support regional development, including aid to regional organisations. How Japan has responded to these overtures is an indication of its willingness and/or capacity to adapt its aid program in line with the expectations and needs of recipients. This section first examines policy towards the South Pacific Forum followed by discussion of policy towards the South Pacific Commission. It analyses Japan’s position on regional aid, as well as the response to innovations recommended by a Japan International Cooperation Agency (JICA) study group on aid to the region.

The South Pacific Forum Secretariat and post-Forum Dialogue

The second principle of the Kuranari Doctrine, spelling out Japan’s ‘basic thinking’ regarding the Pacific islands, was an endorsement of regional cooperation and specifically of the South Pacific Forum. ‘Japan, a country of the Asia Pacific community, will support and assist existing arrangements for regional cooperation among the Island States’. The one substantive offer that was made in support of this principle was set out as follows: ‘Japan fully recognises the political significance that the South Pacific Forum bears and ... Japan will invite the Head of State/Government of the Chair country and the Director of the SPEC to visit Japan either immediately before or after the annual meeting of the Forum’.3

As discussed in the previous chapter, Japanese policy makers in MOFA were initially not convinced of the importance of the Forum or of its effectiveness. This was one reason for the decision to channel the regional aid initiative through the United Nations Development Program (UNDP) instead of the Forum Secretariat. The fact that the Kuranari statement highlighted the South Pacific Forum as the key regional organisation and sought to cultivate links with the organisation can be seen in part as a political gesture in response to the Forum’s overtures. But given that the Kuranari statement was described by its architect (the former head of the Oceania Division) as a ‘standard foreign policy speech’, it may also have reflected a tendency in Japanese foreign policy to support ‘indigenous’ regional organisations.4 The reasons for this in the context of the South Pacific Forum are examined in more detail below.


4 ASEAN is the most obvious example but a more recent one is the South Asian Association for Regional Cooperation (SAARC). A speech that outlined Japan’s support for SAARC was given by Prime Minister Kaifu to the Indian Parliament on 30 April 1990. The comment from the former head of the Oceania Division, Nobuaki Tanaka, was made in an interview in Bangkok in April 1993.
In 1989 Japanese officials attended the first post-Forum Dialogue. This was a meeting between South Pacific Forum representatives (usually three heads of government) and the representatives from the leading donor countries in the region. These countries included the UK, the European Community, France, the US, Canada, Japan and the People’s Republic of China (PRC).5 The post-Forum Dialogue, held immediately after the South Pacific Forum Heads of Government meeting, was introduced in part as a way of increasing the Forum’s international standing. It was modelled on the ASEAN post-ministerial conference. Discussions were not confined to issues of aid but to a broad spectrum of economic, political and security issues.

Japan’s representatives to successive post-Forum Dialogues used the occasion to declare their support for the South Pacific Forum and for regional cooperation. At the 1990 dialogue, the Japanese representative declared that ‘cooperation with the South Pacific Forum forms the main pillar of our policy towards the South Pacific’. Moreover, ‘support for regional cooperation and support for economic prosperity are the two wheels of our axle’.6 At the third dialogue in 1991, the Japan representative was elevated to the level of Parliamentary Vice-Foreign Minister. In his statement he reaffirmed Japan’s policy of support for the Forum. ‘Japan fully recognises the geo-constraints and traditional value of the South Pacific region and will work together with the South Pacific Forum for regional cooperation based upon mutual trust through constant dialogue’.7

At the 1992 Forum Dialogue, also attended by the Parliamentary Vice-Foreign Minister, regional cooperation was again singled out as an important feature of Japan’s South Pacific diplomacy: ‘Intensifying our support for this Forum is an integral part of our policy toward the South Pacific’. The statement also highlighted the importance of bilateral aid in Japan’s relations. ‘Development aid is Japan’s main vehicle for supporting the efforts of the Island nations of the South Pacific’. The Vice-Minister continued: ‘Japan also realises that regional cooperation is crucially important in the South Pacific area’.8

5 Australia and New Zealand, as full members of the South Pacific Forum, were not part of the post-Forum Dialogue. Since 1993, the post-Forum Dialogue has also included ‘Taiwan/Republic of China’, although this takes place in a separate consultation and only with those countries that desire to hold a consultation. According to the Forum Secretariat, ‘participation by island countries in the [Taiwan] consultation was not regarded as representative of the Forum’. *Forum News*, No.6, September 1992, p.11. The PRC has strongly criticised the attendance of Taiwan. However, four Pacific island countries recognise Taiwan and not the PRC.

6 Address of Takehiro Togo, Ambassador of Japan, at the Japan-SPF Dialogue, Plenary Session, 3 August 1990, Port Vila.

7 Address by Muneo Suzuki, Parliamentary Vice-Minister for Foreign Affairs of Japan, at the Japan-SPF Dialogue, Plenary session, 1 August 1991, Pohnpei.

To what extent has the Japanese government provided tangible support to the Forum? As the previous statement by Vice-Minister Kakizawa implied, Japanese ODA and its policy of support for the regional organisation remained quite separate components of Japan’s foreign policy. This is underscored by the limited financial assistance that Japan provided to the Forum Secretariat. Since 1988 Japan has provided an annual grant of $400,000 to the Forum Secretariat. This is used for regional programs (especially energy, trade and investment). In 1992, Japan announced it would increase this to $500,000. This contribution amounted to 8 per cent of the Forum Secretariat’s extra program budget (see Table 7.1). In addition, Japan has provided the Secretariat with small-scale grant assistance. In 1993, Japan presented a grant of $44,000 to the Forum Secretariat. According to a statement accompanying the signing of the Memorandum of Understanding: ‘Japan appreciated the important role played by the Secretariat in the South Pacific and the grant was a token of that appreciation’.9

Table 7.1  Forum Secretariat Budget, 1991-94 (Fiji $’000 )

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<tr>
<td>Regular</td>
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<td>2,405</td>
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<td>2,788</td>
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<tr>
<td>Extra:</td>
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<td>2,850</td>
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</tr>
<tr>
<td>Total</td>
<td>11,70</td>
<td>13,80</td>
<td>13,47</td>
<td>12,09</td>
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Note: (a) Covers work programs: Economic Development, Legal and Political, Administration, Energy, Telecommunications, Trade and Investment, Civil Aviation, Maritime and, until 1993, the ACP/European Community Unit.


The above choice of words was perhaps more apt than intended. Japan’s assistance to the Forum Secretariat has essentially been of a ‘token’ kind. This is recognised by the leaders and officials of the South Pacific Forum. From the outset Forum member states sought to use the Dialogue as a way of encouraging Japanese contributions to regional programs. At the first Dialogue in 1989 the Forum Secretariat noted that ‘Japan remains hesitant about channelling significant funds through the Secretariat’ while, at the same time, it ‘wants to strengthen its relations with South Pacific organisations and seeks to intensify its relationship with the Forum because of its political and economic role’. It called on Japan to channel more ODA through the

9 This grant was for the acquisition of 10 computer sets. Forum News, No.11, December 1993, p.9. See previous chapter for background to the decision to provide budgetary support to the Forum Secretariat.
Secretariat 'which is now better geared to accept this task'. This was a reference to the recently introduced South Pacific Organisations Coordinating Committee (SPOCC). It was anticipated that SPOCC would provide a mechanism for effective coordination among regional organisations and eliminate duplication (an issue of concern to Japan, as discussed more fully below). The question of Japan giving more aid on a regional basis was continually raised by Pacific island leaders in subsequent post-Forum Dialogues with Japan, as well as at the visits to Japan by the Chairman and Secretary General of the Forum.

One request that has repeatedly been made by the Forum Secretariat is for Japan to fund a regional South Pacific trade office in Tokyo, similar to the ASEAN trade office. This request was at first refused, mainly on the grounds that such an office would not be feasible given the small volume of Japan-South Pacific trade. Officials in Japan have also reasoned that such an office was not necessary because trade between the region and Japan had increased significantly since the late 1980s. But the Forum Secretariat has maintained that, despite some 'export successes', the Pacific island countries have found Japan 'a problem market because of language difficulties, different customs, high costs, lack of official marketing support services and market access limitations generally'. In 1994 MOF agreed to allocate 2 million yen in its 1995 budget to fund a feasibility study on the proposed South Pacific Regional Office (also called the South Pacific Economic Exchange Centre). This was strongly supported by the Oceania Division in MOFA. But Oceania Division officials remained pessimistic about the prospects of this centre being established.

So far, requests by the South Pacific Forum and Secretariat for more financial assistance from Japan have not been met. In 1990, for example, the Secretary General of the Forum Secretariat, on a visit to Japan, sought $4 million from the Japanese government for regional projects to be coordinated by the Secretariat, in the areas of telecommunications and shipping. Negotiations over provision of this grant eventually broke down and the Forum Secretariat (successfully) sought funding from other donors.


11 According to the Vice-Minister for Foreign Affairs, speaking at the post-Forum Dialogue in 1992, the region's exports to Japan had increased by 85 per cent in the previous six years.


13 Interview, Deputy Director, Oceania Division, Canberra, April 1995. The official suggested that MOF was unlikely to support the proposal because this would establish a precedent for other regional organisations to also request funds for regional offices in Tokyo.


15 According to a former official in the Forum Secretariat, the main cause of disagreement was over procedures governing the implementation of the proposed grant. While the Japanese government wanted...
The Forum Secretariat has continued to seek more financial support from Japan, but according to the Secretary General, Ieremia Tabai, ‘Japan has not yet been convinced that there is a regional program that needs assistance’.\(^\text{16}\) Ironically, it has been a private businessman from Japan, Ryoichi Jinnai, who has provided the largest ‘Japanese’ donations to the Forum Secretariat. In 1992 Jinnai, who heads a finance company, the Promise Loans Company, donated $1.4 million for the construction of a new conference centre at the Forum Secretariat headquarters. In 1990, he donated $1.2 million to fund the participation by island member countries of the South Pacific Forum at the International Garden and Greenery Exposition in Japan.\(^\text{17}\)

The Japanese government’s policy towards the South Pacific Forum has been essentially to maintain a presence at the post-Forum Dialogue and to use the Dialogue as a stage from which to expound on Japan’s ‘international contributions’. In fact, most of the speeches by the Japan representatives to the Dialogue dwelt on Japan’s policy towards global issues such as the environment, ODA and international peacekeeping. Another theme that recurred in the statements to the dialogue was the ‘geopolitical interdependence’ of the Asia Pacific region. The South Pacific Forum was described as playing a ‘central role in fostering political stability and economic development’; this in turn was dependent upon ‘the stability and prosperity of the entire Asia Pacific region’. In this context Japan’s representatives assumed a leadership role. For instance, it was claimed that Japan ‘endeavoured to make the viewpoint of the Asia Pacific reflected in discussions at the Group of 7 Summit’.\(^\text{18}\)

Perhaps more important than the elaboration of Japan’s ‘international contributions’ was Japan’s use of the post-Forum Dialogue to counter or defuse criticisms of Japan’s policies. Two highly controversial issues were driftnet fishing in 1989 and Japan’s proposed shipment of plutonium through the region in 1992.\(^\text{19}\) In both

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\(^\text{16}\) Interview, Yokohama, March 1993. He suggested that the ‘environment program is one area we would like Japan’s support [but] they are a bit slow to respond’. The kind of environment related support the Forum Secretariat was seeking was spelt out by the Secretary General in his speech ‘Environment Problems and Issues in the South Pacific’, Conference on Local Initiative in Asia Pacific Region, Yokohama, March 1993.

\(^\text{17}\) *Forum News*, No.4, March 1992, p.4. These donations were secured largely through personal contacts between the former Secretary General of the Forum Secretariat, Henry Naisali, and Ryoichi Jinnai.

\(^\text{18}\) From statement to the post-Forum Dialogue, 1992. The reference to Asia Pacific ‘interdependence’ echoes earlier statements by Japanese leaders on policy towards the Pacific island region (see previous chapter).

\(^\text{19}\) Driftnet fishing was dealt with in Chapter 4. On plutonium shipments, at the 1992 Forum meeting Japan expected strong criticism of its possible shipment of plutonium through the region. The Japanese government did not reveal the actual route in advance of the shipment, which occurred in late 1992. A
cases the post-Forum Dialogue was a focus for regional discussion and for the Japanese government it was an opportunity to present its side of the story. As a MOFA official observed, referring to the driftnet issue: 'We have learnt from this experience the vital importance of mutual communication and understanding'.

The Japanese government has in fact placed high priority on initiatives aimed at countering criticisms of its policies and addressing what it perceives to be unfair or biased views. These have been mainly related to fisheries and nuclear issues. For example, in October 1994 Japan's Science and Technology Agency, in collaboration with MOFA and the Ministry of International Trade and Industry (MITI), organised a seminar on nuclear issues and a study tour of nuclear facilities in Japan for Forum member countries. The initiative, which cost 40 million yen, was motivated by a perception in Japan that the 'region's lack of understanding about atomic energy had caused a slanted opposition' to plutonium shipments. This tour was reported to have been less than successful in placating the region.

The importance of the South Pacific Forum and of securing a presence at the post-Forum Dialogue also rested on the collective diplomacy that members displayed in international fora such as the UN. Policies such as voting for candidates to the UN Security Council could be influenced at these meetings. MOFA usually took the opportunity of the post-Forum Dialogue to thank Pacific island countries for their support.

Thus, the South Pacific Forum was essentially of diplomatic importance to Japan. The budgetary support provided to the Forum Secretariat, together with the relatively high level political attendance at post-Forum dialogues, was a token gesture of this importance. Japan's priority was to influence the Forum on issues important to Japan.

large contingent of Japanese officials were present at the South Pacific Forum to deal with questions. In the event, the Forum simply presented a letter to the Vice-Foreign Minister requesting 'timely information' from the Japan government on its plans. The strongest critic of Japanese policy on plutonium shipments was the President of Nauru, who spoke out against the plan at both the South Pacific Forum meeting in July 1992 and at an anti-nuclear forum held in Tokyo in October 1992. See Kakuya Ishida, 'Nauru's Dowiyogo to Attend Plutonium Safety Forum', The Daily Yomiuri, 28 September 1992, p.2.


21 'Participants Critical of Japanese Government Sponsored South Pacific Forum Nuclear Tour', Asahi shimbun, 10 October 1994 (morning edition), p.30. It is significant that while Japan allocated 40 million yen to this study tour, it was prepared to allocate only 2 million yen to fund a feasibility study of the South Pacific Economic Exchange Centre, something the region has put a high priority on. Japan has also sponsored various regional fisheries meetings in Japan, usually under the auspices of the Overseas Fisheries Cooperation Foundation (OFCF).

22 MOFA, especially the Oceania Division, maintains that the political importance of the region (and basis for Japan's aid to the region) is the votes that the island countries have in international fora and the fact that they may have influence on policies of importance to Japan. Interviews.
rather than to address economic development issues. Requests by the Forum Secretariat for more substantive economic support from Japan were not met. The reasons for this, which are explored in more detail below, included a lack of political and bureaucratic support in Japan and resistance to changing grant aid procedures. Japan's ambivalence about support for regional organisations was also evident in policy towards the South Pacific Commission.

The South Pacific Commission

Soon after the visit to the region by Foreign Minister Kuranari, MOFA declared its interest in joining the South Pacific Commission (SPC). Unlike the South Pacific Forum, where membership was restricted to independent and self-governing Pacific island states and Australia and New Zealand, the SPC has a more broad based membership. It includes all members of the South Pacific Forum, plus non-self-governing Pacific island territories and metropolitan governments. Its work programs mainly focused on community health and education, rural development (especially agriculture), fisheries research and a major statistical service for the region. The SPC is not a forum for discussing issues that could be construed as 'political'.

The official position put forward by MOFA was that 'if invited by a consensus of the SPC members, Japan may seriously consider joining the organisation'. Unofficially, the view was taken that it would be better to be in the SPC than not, so as to 'know the region better'. More importantly, membership would enable Japan to contribute more assistance to the region, on a multilateral basis.

The Economic Cooperation Bureau of MOFA took a contrary position. For them, the problem was convincing MOF of the merits of financially supporting the SPC. To some officials, the SPC and the Forum Secretariat were seen to be engaged in essentially the same type of programs. The perceived duplication between the SPC and the Forum Secretariat were grounds for not supporting regional organisations and, more specifically, for not becoming a member of the SPC.

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23 These are France, the US, the UK and New Zealand. In 1993, the UK announced its intention to withdraw from the SPC.

24 For an overview of the SPC (and all other regional bodies in the Pacific island region), see South Pacific Organisations Coordinating Committee, Forum Secretariat, Suva, 1991.

25 Sadaaki Numata, 'Japan's Cooperation with the South Pacific Region', p.12. According to the then head of the Oceania Division, Nobuaki Tanaka, he had opposed Japan's request for membership of the SPC: 'I thought it ridiculous that we should request membership. They [France and other members] should come to us'. But he was overruled by more senior officials, including the Director General of the Bureau for European and Oceanic Affairs. Interview, Bangkok, April 1993.

26 Interview, former Deputy Director of the Oceania Division, MOFA, Tokyo, April 1993. But this official also observed that from Japan's perspective, neither Australia nor New Zealand appeared particularly in favour of admitting Japan to the SPC.
By 1992, the Oceania Division’s interest in membership had also weakened. One official in the Oceania Division commented that Japan ‘was not in a hurry to join the SPC’. It would use the time that the SPC was taking to decide whether or not to admit Japan (which would require amendment of the Canberra Agreement) to decide its position.28 Ironically, this change of heart coincided with a new sense of urgency on the part of SPC members to include Japan. This resulted from Britain’s pending departure from the SPC, announced in 1993. Rather than amending the Canberra Agreement, the SPC Conference agreed in 1993 that new members would be admitted by resolution and not by amendment of the Canberra Agreement. This would make it easier for new members to join the SPC.

In 1994, however, the Japanese government indicated that it may not seek membership of the SPC. The official statement made to the SPC by Japan’s representative was that Japan ‘will continue to consider the membership question from the point of view of whether a consensus emerges among members and whether compatibility with Japan’s ODA scheme will be ensured’.29 An Oceania Division official explained that MOFA continued to be concerned that there was duplication between the SPC and Forum Secretariat; that the future of the SPC was uncertain; and that Japan may not be eligible for membership. The underlying factor however remains funding: membership would require additional financial allocations and there was not sufficient political support in Japan for further contributions.30

It was suggested earlier that Australia was perceived by some officials in MOFA to be not in favour of Japanese admission to the SPC. The Australian concern, according to the Australian Ambassador to Fiji, was that ‘to amend the Canberra Agreement would not just mean letting in Japan, but also the two Chinas, Russia and Chile. This would not only politicise the SPC but overwhelm the small island countries for whom the SPC is their only forum’.31 At the 1993 SPC Conference, however, the Australian representative, Gordon Bilney, declared that ‘Australia would support Japan if it sought membership of the SPC in place of Britain’.32

27 Interview, Grant Aid Division, MOFA, Tokyo, December 1992.
28 Interview, Oceania Division, MOFA, Tokyo, June 1992. The document that created the SPC was drawn up in Canberra in 1947; hence its title, the ‘Canberra Agreement’.
30 Interview, Deputy Director, Oceania Division, Canberra, April 1995.
31 Interview, Ambassador John Trotter, Suva, January 1993.
Japan’s policy towards the SPC is not influenced by MOFA alone. The Fisheries Agency also has an interest in the issue. Arguably of most importance to Japan is the Tuna and Billfish Assessment Program, based at the SPC. This carries out the main research on tuna stocks in the region (through a tuna tagging program). Since 1992 Japan’s Fisheries Agency has provided raw data on catch levels of Japanese fleets to the SPC, mainly on the grounds that a Japanese scientist is now engaged in research in the SPC’s Tuna and Billfish Assessment Program.

It does not appear that MOFA policy on SPC membership has been coordinated with the Japan Fisheries Agency. Japan’s policies towards the regional fisheries organisations and programs are conducted primarily by the Japan Fisheries Agency, not by MOFA. While the Fisheries Agency’s support for the SPC has been tempered by its more long-standing policy of seeking to establish an international fisheries organisation in the region, it is also evident that (from Japan’s viewpoint) membership of the SPC is a condition of Japan’s vessels providing more timely and comprehensive catch data to the SPC. Japan’s fisheries officials maintain that the ‘current structure’ of fisheries research and management bodies in the region means than decisions are made without prior consultations with fishing nations, and research programs are hindered by budgetary constraints. They assert that Japan has a legitimate claim to participating ‘on an equal basis’ in regional fisheries management frameworks, given that Japan is also a ‘custodian’ of the region’s resources.

A decision to not seek membership of the SPC would probably rule out the possibility of Japan providing more substantial amounts of aid to the SPC on a multilateral basis. This has implications for Japan’s fisheries cooperation with the SPC. Conversely, fisheries interests may ultimately determine the level of Japan’s participation in the SPC.

The above analysis of Japan’s policy towards the South Pacific Forum and SPC has pointed to an ambivalent attitude towards regional organisations. While supportive of regional cooperation in principle (and rhetoric), in practice there has been little tangible, financial support for the regional programs under the SPC and Forum Secretariat. The following section explores reasons for this, in the context of the response to proposals made by a task force on Japan’s aid policy to the Pacific islands set up by JICA.

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33 The SPC tuna research program has also been expanded into Southeast Asia through channels established under the Pacific Economic Cooperation Conference (PECC) taskforce on fisheries. Japan has not been active in funding these activities although it has been engaged in dialogue with the region through various fisheries fora.

34 This means data that includes both in-zone and high seas catch that have not been disaggregated.

35 The Japan Fisheries Agency is reluctant to provide more aid and other assistance to the SPC and Forum Fisheries Agency (FFA) as long as it is excluded from these organisations.

36 Multilateral High-Level Conference on South Pacific Tuna Fisheries, Record of Proceedings, 5-9 December 1994, Honiara.
The JICA Study Group

In 1991, JICA established a study group to examine problems in aid implementation to the Pacific island region and find ways of overcoming these. It submitted its report in December 1991. This was part of a process underway since 1987 in JICA and MOFA which aimed to establish clearer aid principles for each recipient country, taking into account their specific development plans, needs and priorities. The study group was composed of academics rather than bureaucrats, although a special task force was formed within JICA itself.37

There were three sets of proposals included in the report. The first was titled 'Creating the organisational framework for aid to the entire region'. This called for 1) creation of a regional aid forum; and 2) increasing funding to regional organisations. The first recommendation appeared to envisage an almost permanent body where meetings of donors could be held on a regular basis in order to avoid duplication and build 'complementary ties drawing on the respective strengths of each donor or recipient country'. The second recommendation declared that 'efforts are needed to expand the scope of eligibility under the current principle of bilateral agreements between governments for ordinary grant aid cooperation, to include regional organisations and thereby address the entire Oceanian region'.38 It suggested circumstances under which regional aid should be promoted: when aid could be provided more efficiently and effectively to the region as a whole (such as the transportation and communication sectors); and when aid would serve to promote 'regional harmony' (for example, in the education sector, where the aid resources could be shared by all countries, rather than centred on one country).

The second set of proposals focused on strengthening project formulation, implementation and evaluation processes, through establishing mobile support teams stationed in the region and equipped with budgets to undertake field studies. This aimed to improve the quality of bilateral grant aid. The proposal envisaged increased budget support to JICA officials in the region and greater autonomy for these officials to decide how to use funds. It also recommended that JICA assist countries with the recurrent cost of projects, which continued to be an on-going problem in the region.39

37 The study group did not have any policy making powers but was essentially to advise government ministries (MOFA in particular) in making policies. See Chapter 3 for discussion of the role of these groups in aid policy.

38 Regional Study Group for Development Assistance to Oceania, Regional Study for Development Assistance to Oceania, JICA, December 1991, p.27 (in English and Japanese). The proposal for a 'regional aid forum' was to some extent pre-empted by the initiation of a donor-recipient dialogue in 1991, coordinated by the South Pacific Forum Secretariat. This is dealt with later.

39 This problem was also highlighted by the FAIR Committee for Oceania and Pacific Island Countries in its report Japanese ODA to Pacific Island Countries: Current Problems and Future Perspectives, FAIR, Tokyo, March 1993 (in English and Japanese). There was in fact some overlap in the (academic) membership of the two study groups. According to the FAIR report, which carried out follow-up studies
A third set of proposals called for an expansion of small-scale grant assistance (SSGA). The introduction of the SSGA in 1989 was one of the first attempts by the Japanese government to respond to the problems of its grant aid (in particular, its large scale, and unwieldy, complicated procedures). The SSGA was not proposed specifically for the Pacific island countries, but they have been amongst its main beneficiaries. An annual budget of $10 million is set aside for the SSGA. Projects that are supported under this scheme are between $50,000 and $80,000 (or a maximum of 5 million yen). The main advantage of the SSGA is that it not only supports small projects but the Japanese embassies have authority to negotiate the grant contract with the implementing agency. Japan volunteers, working in the recipient country under the Japanese Overseas Cooperation Volunteers (JOCV) program, generally carry out the project identification work. These features were intended to simplify and speed up the dispensing of aid.

The proposal to channel more aid through regional organisations, in the interests of efficiency and regional harmony, did not meet with a positive reaction in MOFA, either with the Oceania Division or the Economic Cooperation Bureau. According to MOFA officials, the problem with utilising regional organisations in the Pacific (such as the Forum Secretariat) as aid channels is that they were unable to aggregate the interests of their members and coordinate the diverse development needs of the Pacific island states. In other words, there were ‘too many differences and conflicts inherent in regional organisations’. A second reason that was given was that Japan was not adequately represented within these organisations and thus did not have any decision making influence. Such influence would ensure that there was some oversight by Japanese officials of Japan’s financial contributions. The only instance where Japan would support a regional program or project was when the project had a bilateral base. In other words, if the request was from a government participating in a regional project, support would be forthcoming if ‘the project is accorded high priority by the government and is deemed good and feasible’. These arguments justified the limited financial support given to the Forum Secretariat and the SPC by Japan.

What does seem to be a major obstacle for Japan providing aid to regional organisations is adapting aid policy procedures to accommodate the provision of regional grants. The case of providing a large grant to the Forum Secretariat for telecommunications and shipping, mentioned earlier, is illuminating. The negotiations of Japanese aid projects in four Pacific island countries, infrastructure was not utilised effectively and equipment installed was not maintained adequately. This resulted from limited financial resources available to island governments and lack of technical expertise. The recommendations of the FAIR report were similar to those contained in the JICA study.

40 Reference was made to the need to ensure that ‘tax payers’ money was not wasted’. Interviews with Oceania Division officials, November 1992 and April 1993. Also interviews with Grant Aid Division, December 1992 and Technical Cooperation Division, January 1993.

41 Sadaaki Numata, ‘Japan’s Cooperation with the South Pacific Region’, p.11.
broke down over the method of providing funds to the proposed regional projects and
the degree of control over implementation that Japan wished to retain.

In addition to procedures, principles underpinning Japan’s aid program have also
been resistant to change. For example, there was strong opposition from policy makers
to any funding of the recurrent cost of grant aid projects, although in practice it was
becoming increasingly apparent that some recurrent cost financing was necessary. One
senior official in the Economic Cooperation Bureau reasoned as follows: ‘We believe in
the philosophy of self-help, so countries should be encouraged to maintain projects
themselves and not be too dependent forever on aid’. He also argued that since the
Japanese aid budget was limited, it was not possible to support the recurrent cost of on­
going projects ‘and commit ... to new projects’.42

Principles and procedures are in turn politically defined. Any change that involves
shifting power away from one ministry or agency is a direct challenge to that agency. It is
likely that political considerations influenced the response to the proposal for mobile
JICA support teams to undertake project evaluation. The proposal was described as ‘too
complicated’ to be implemented.43 The main problem with this proposal is that it requires
more financial resources to be allocated to JICA and greater autonomy to be given to
JICA missions in the field. This would challenge standard aid decision making
procedures whereby allocations are decided through a process of bargaining and
consultation between ministries in Tokyo (especially MOFA and MOF). The implication
of giving greater autonomy to JICA would be a lessening of MOFA’s influence over aid
decision making. Past experience has shown that such proposals rarely win support,
given that MOFA’s priority is to preserve its jurisdiction over aid policy.44

The only area that has seen some movement in the direction recommended by the
JICA study group is with SSGA. This is the least contentious of the proposals since it
does not require major changes to aid policy or procedures. The number of small-scale
grant projects to the region grew from 6 in 1989 to 26 in 1993. It is important to note,

42 Interview, Director, Research and Programing Division, Economic Cooperation Bureau, MOFA,
Tokyo, October 1992. The main exception to this rule appears to be the fisheries aid sector. Some
recurrent cost financing and maintenance of fisheries projects is undertaken by the Overseas Fisheries
Cooperation Foundation (OFCF).

43 Interview, Director, Research and Programing Division, Economic Cooperation Bureau, MOFA,
Tokyo, October 1992.

44 The division of labour between MOFA and JICA was discussed in Chapter 3. Essentially, MOFA acts
as a policy maker and JICA as the implementing agency (specifically for grant aid and technical
cooperation). But with greater professional resources at its disposal, JICA is in a position to challenge
MOFA’s political authority. Recommendations made in 1988 by the Administrative Management
Bureau of the Management and Coordination Agency in fact called for JICA to be put in change of the
grant aid budget, as well as project contracting and implementation. But, as Rix observed, ‘the grant aid
budget is one of MOFA’s largest budget items and shifting it to JICA would remove one of the
ministry’s main sources of bureaucratic power’. Alan Rix, Japan’s Foreign Aid Challenge: Policy
however, that some countries have not received SSGA from Japan, while the bulk of Japan's grant aid to the region continues to be channelled into large-scale infrastructure projects.45

The above objections to the proposals of the JICA study group reflect a combination of bureaucratic and procedural conservatism, if not rigidity. The somewhat lofty goals articulated by the JICA study group in arguing for changes to Japan's aid policy have clearly not carried much weight. The authors of the JICA report appealed to globalist ideals in arguing for these reforms: that Japan could 'make an extremely significant contribution by adopting a long-term and broad view point on international interdependence and welfare where its contributions are not just carried out in the expectation of achieving short-term benefits'. They argued that this 'would further help to publicize and make known to the rest of the world Japan's commitment to international responsibility'.46

What this outcome also points to is that the Pacific island countries and regional organisations have not carried sufficient weight to influence Japan's policies beyond the declaratory level. Bilateral, project-based aid remains the preferred approach for Japan. This approach provides opportunities for Japan to exercise influence and leverage more directly on individual countries. It also provides benefits to private sector and commercial interests in Japan. More generally, the present structure permits other ministries some influence over aspects of JICA's operations.47

The foregoing analysis has suggested that while supportive of regional cooperation and of playing a role in regional fora, aid bureaucrats (this includes MOFA and MOF) are resistant to moving too far from the traditional bilateral approach to aid. In the international arena there has occurred in recent years a shift in donor practice towards new frameworks for coordinating bilateral aid policy, engaging in dialogue and participating in joint aid projects. This trend is reflected in the Pacific island region. It has led to increasing pressure on Japan to adapt aid procedures and aid policy. The following section examines Japan's participation in the new multilateral aid fora and its position on


46 Regional Study for Development Assistance to Oceania, pp.13-14. There are also practical reasons for supporting Pacific island regional organisations: they provide channels for multilateral aid, which, in turn, would help to address the problems of limited aid personnel in Japan, and the lack of flexibility in its bilateral aid programs. The UNDP Pacific island fund was initiated by Japan in part to overcome these problems.

47 It should be acknowledged, of course, that Japan is not alone in favouring a bilateral approach to aid. Many donors in the region place priority on their bilateral programs. In a recent statement on Australian aid to the Pacific islands, the Australian Minister for Development Cooperation and Pacific Island Affairs declared that 'The predominant emphasis of Australia's aid partnership with the South Pacific continues to be on a bilateral approach, delivered through country programs'. Hon. Gordon Bilney, 'The Philosophy and Process of Australia's Aid Partnership with the South Pacific Region', Centre for South Pacific Studies, University of New South Wales, 27 October 1994.
policy frameworks that are now being promoted by the donor community. It assesses the extent to which bureaucratic and procedural factors noted above have influenced Japan’s policies in these areas.

**JOINT PROGRAMMING, POLICY COORDINATION AND DONOR DIALOGUE**

MOFA has distinguished between two types of aid coordination: project coordination and policy coordination.48 This section first examines project coordination in the context of Australia-Japan joint programming.

**Australia-Japan aid cooperation**

Discussions between Australian and Japanese officials on developments in the region (and specifically on Japan’s role in the region) began in 1985 at the Australia-Japan Ministerial Committee. The importance to Japan of cooperation with Australia and New Zealand in formulating its aid policy towards the region had already been noted in reports commissioned by MOFA in 1980 and 1981 (see previous chapter). The immediate antecedents of Australia-Japan aid cooperation can be traced to 1988 when Prime Minister Takeshita visited Australia. This visit produced a formal agreement on cooperation between Australia and Japan for an expanded Japanese aid program.

In mid-1988 Australian officials from AIDAB held detailed discussions in Tokyo with Japanese aid officials. These consultations raised the possibility of joint aid projects. But they mainly focused on ways in which Australian experience in the region could be harnessed to assist Japanese planners to identify suitable projects.49 In this context, plans for proceeding with ‘parallel aid projects’ already undertaken in Western Samoa were developed. In 1989 agreement was reached to continue with parallel projects and for Australian technical consultants to ‘have access’ to Japanese aid projects. The decision to move ahead with joint aid projects ‘in appropriate cases’ was also taken.50

Parallel aid projects focused mainly on airport construction and development.

Three major projects were carried out in the region:

**Western Samoa, Faleolo International Airport**

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<th>Japan —</th>
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<td>grant (1985, 1986) expansion of the terminal;</td>
<td>runway expansion and improvement;</td>
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49 ‘Expanded Aid Program will be Test of Wider Relations’, *Pacific Report*, No.8, 7 July 1988, p.3.

50 ‘Australia, Japan Close to Agreement on Regional Aid Coordination’, *Pacific Report*, Vol.2, No.17, 14 September 1989, p.6. The difference between joint projects and parallel projects is essentially determined by the level of coordination between the donors. Joint projects combine the resources and efforts of the two donors from beginning to end, including feasibility studies. Parallel projects are complementary but carried out separately.
New Zealand — airport lights and electricity supply system;
Canada — light maintenance vehicles.

Vanuatu, Bauerfield International Airport
Japan — grant (1989) for new terminal and aviation facilities;
Australia — runway expansion;
New Zealand, France, the UK and the
European Community — miscellaneous assistance.

Tonga, Fua-amotu International Airport
Japan — grant (1989) for terminal, feeder runways and aprons;
Australia — runway expansion and landing instruments and equipment;
New Zealand — control tower and automatic control equipment;
European Community — communication facilities.\(^{51}\)

What was officially termed ‘Australia–Japan joint programming’ was first discussed in detail at a high level consultation in Suva in August 1991 with officials from Australia, Japan and the government of Fiji. The decision to include Fiji in this approach underscored Japan’s interest in promoting aid relations with Fiji, on the grounds that Fiji was a regional ‘opinion-leader’ and influential in South Pacific regional fora. But the fact that Fiji’s per capita income exceeded the ceiling that was put on grant aid recipients (see chapter 3) meant that it was necessary to rationalise continuing aid on the grounds that the projects were ‘regional’, thus benefitting other countries as well as Fiji.\(^{52}\)

The next step was taken in April 1992 at a second trilateral meeting in Canberra. At this meeting it was agreed to proceed with planning for implementation and that the initial projects would be drawn from the health sector. A joint Japan–Australia project identification mission visited Fiji in September 1992. The mission examined a list of possible projects put forward by the Fiji government and settled on two: ‘the further development of a health promotion program to serve Fiji with links to the regional centres’; and ‘the development of an integrated health care system on the island of Taveuni’. One criterion for the proposed projects was that they ‘offer direct or indirect benefits to other Pacific nations’.\(^{53}\)

The ostensible objective of the joint programming was ‘to enable the two countries to undertake development cooperative activities on a scale that might not be

\(^{51}\) Sadaaki Numata, ‘Japan’s Cooperation with the South Pacific Region’, p.12.

\(^{52}\) Despite attempts by MOFA and JICA to persuade Fiji to accept loans from the Overseas Economic Cooperation Fund (OECF) and not grants, it appears that Fiji will continue to receive grant aid for ‘regional’ projects. ‘Japanese Impress Rabuka’, The Fiji Times, 31 October 1994, p.5.

\(^{53}\) Other criteria were that the projects be among priorities listed by the government of Fiji; and that they ‘take into account the capabilities of the two donors and if possible added advantage should be obtained to parties involved through cooperation via a tripartite rather than usual bilateral channels’. Government of Fiji, AIDAB, JICA, A Report of a Joint Japan/Australia Project Identification Mission in the Health Sector of Fiji, September 1992.
possible for either Australia or Japan as a single donor'. But the underlying rationale was more political. Joint programming was in line with a recommendation of an Australian Parliamentary Committee that argued in 1989 that Australia should ‘actively seek to involve Japan in consultations regarding aid to the region’.

According to Australia’s Ambassador to Fiji, the initiative for joint programming came specifically from a former head of the Australian International Development Assistance Bureau (AIDAB). ‘The aim was to draw the Japanese into the region; to get them so involved that they could not get out’. This was echoed by Fiji officials. In other words, joint programming was intended to be a way of ensuring Japan’s on-going commitment to development cooperation in the region. Australian officials also aimed to improve the effectiveness of Japan’s ODA by seeking to make it more like Australian aid, following similar principles and procedures. Ambassador Trotter admitted to misgivings about this approach. He suggested that rather than make Japan’s aid more like Australian aid, the reverse was actually more likely to happen.

Japanese officials, meanwhile, were largely pessimistic about the prospects for joint programming with Australia. The prevailing attitude towards joint projects was summed up by one MOFA official as follows: joint programming ‘sounds good in theory but it is not very practical’. The reasons why this approach was deemed not very practical included language difficulties, different financial years, the fact that for Japan all projects must be implemented within one fiscal year, and ‘inefficiency’ in that there were ‘too many actors involved’.

Apart from procedural factors that hindered aid coordination, there were also tensions that related specifically to relations with Australia. According to an official in

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54 Ministry of Finance (Fiji), Brief for Fiji Delegation to the Joint Australia/Japan Programming Mission, Sydney, April 1992.


56 Interview with Ambassador John Trotter, Suva, January 1993.

57 Generally, the Australian approach is to announce an annual disbursement in advance, which is not linked to specific projects. The aid may be used for various programs and projects, and shifted around as appropriate. It is thus highly flexible, unlike Japan’s aid.

58 Interview. It had earlier been noted that there were underlying reservations in AIDAB about being seen ‘too much at Japan’s side on the ground’. ‘Australia, Japan Close to Agreement on Regional Aid Coordination’, Pacific Report, Vol.2, No.17, 14 September 1989, p.6.

59 Interview, Director, Research and Programing Division, Economic Cooperation Bureau, MOFA, Tokyo, October 1992.

60 Similar problems were observed in the case of US-Japan joint projects, which originated in the early 1980s and mainly focused on South and Southeast Asia. One Pacific island country was involved — Tonga. See Dennis Yasutomo, The Manner of Giving: Strategic Aid and Japan’s Foreign Policy, Lexington Books, MA, 1986, pp.104-5.
the Grant Aid Division: ‘Other donors have more experience and this can complement our lack of experience and expertise. But the problem is that we cannot always accept aid proposals of other donors — especially Australia. We feel that Australia views the South Pacific in a special way — emphasising certain countries. And sometimes they will try to impose their view on the recipient. In this case we must support the recipient’.61

Significantly, at the time that the Australian, Japanese and Fijian governments were negotiating implementation of a joint project in Fiji, the official ODA Report published by MOFA in 1991 signalled a move away from this approach. It noted that there were many difficulties in undertaking joint projects: that they ‘require more effort and time than ordinary bilateral projects’. It also noted ‘differences between the aid systems of Japan and those of its partners’. Thus a joint project ‘is very difficult to implement successfully’. The Report concluded that ‘from now on policy-level coordination would be the main form of (Japan’s) aid coordination and the emphasis on joint projects would be further reduced’.62

Despite carrying out preliminary feasibility studies of the joint project in Fiji, this has not gone ahead. It may be argued that Japan’s position on joint projects was essentially the same as that for aid to regional organisations. While at the rhetorical level MOFA declared its interest in joint programming, in practice there was an unwillingness to adapt aid procedures. The emphasis was on keeping control over the aid process. In addition, political tensions emerged in relations with Australia.

**Development partners policy dialogue**

Policy-level coordination refers to the cooperative process by which donors and recipients collectively work out ‘the most effective and efficient ways to provide assistance’.63 The need for ‘new consultative aid coordination mechanisms’ had been mooted in 1987, in the context of increased aid to the region from new donors (Japan) and multilateral agencies. It was suggested that an ‘aid consultative mechanism will protect South Pacific nations from administrative and economic waste, as well as serve to further strengthen institutions within the region’.64

More specifically, policy coordination aims to address the macro-economic policy context within the recipient country, according to prescriptions of structural adjustment

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61 Interview, Grant Aid Division, MOFA, Tokyo, December 1992.

62 MOFA, *Japan’s Official Development Assistance, 1991 Annual Report*, p.159. This view was qualified in subsequent ODA reports of MOFA. The difficulties were highlighted, although joint programming continued to be described as one form of donor coordination.


set out by the World Bank and the International Monetary Fund. The emphasis on policy level coordination has become increasingly pronounced in multilateral aid fora since the late 1980s. This had much to do with the combination of economic recession in Western donor countries, which led to fiscal austerity measures; the end of the Cold War, which removed political imperatives to aid; the apparent economic success of those developing countries pursuing market and export oriented development strategies; and the deepening cycle of poverty in other developing countries, burdened with debt, overpopulation and environmental degradation.

The direct impetus to aid donor coordination in the Pacific island region was provided by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development. In December 1991, DAC held a meeting to review development and aid issues in the Pacific island region. It noted that ‘the most important overall observation was that economic performance in the region did not meet expectations despite the provision of very substantial amounts of development assistance’. Meanwhile, ‘similar island economies had achieved much better performance over a comparable period’.

The review came up with two sets of recommendations to improve the economic performance of the Pacific island countries — one pertaining to the policies of regional countries and the other to the policies and practices of donor states. For the Pacific island countries, the following objectives were identified:

- the improvement of macro-economic policy settings;
- the development of an appropriate policy environment and planning framework;
- the fostering of a more balanced economy with a dynamic private sector;
- increased participation by communities and women in particular;
- the development of human resources and potential;
- the provision of basic economic and social infrastructure;
- to devise strategies that are environmentally sustainable;
- the reduction of population growth rates where they are not sustainable.

For donor countries there were four key challenges:

- improving aid coordination and policy dialogue;
- dealing with unmanageable recurrent cost burdens;
- correcting inappropriate patterns of technical cooperation;
- streamlining burdensome aid modalities.

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These recommendations were in line with the World Bank approach to development in the region, and the problems facing both donors and recipients. The World Bank focus was on ‘the need to invest in people, to foster a climate for enterprise, integrate into the global economy, and to pursue stable macro-economic policies’.68 Developed countries needed to, amongst other things, increase the quality and quantity of financial assistance to developing countries.

Formal consultations between the member states of the South Pacific Forum and the major donor countries and organisations to the region (named ‘development partners’) were first held at the Forum Secretariat in early 1991. A number of issues were discussed. These included private sector development, recurrent cost issues of aid delivery, progress in the development of strategic planning and policy formulation capacities, human resources development and refinement of aid consultative mechanisms. In July 1991, the meeting of the South Pacific Forum endorsed the continuation of ‘high level economic discussions between Forum Island Countries and the region’s major development partners’.69

The first Pacific Island Countries/Development Partners meeting produced ‘broad acceptance of the need to strengthen macro-economic policy formulation and planning strategies’.70 Policy recommendations included the need to encourage export oriented policies and eliminate distortions in the pricing system, financial deregulation, labour reform and taxation reform. These issues dominated the second Pacific Island Countries/Development Partners Meeting, held at the Forum Secretariat in Suva in March 1992. The meeting attracted participants from international aid agencies, UN agencies and regional organisations, as well as donor countries and Pacific island countries. It had two basic themes: ‘improved aid delivery through more effective planning, policy dialogue and consultation; and strengthening the role of the private sector and improving the provision of technical assistance and training’.71 The Forum Secretariat also undertook to develop a statement of regional priorities to enable donors to address needs in keeping with regional priorities. The aim would be to ‘reduce duplication, ensure activities have a regional focus and provide for greater collaboration on regional programmes’.72

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70 Forum Secretariat, Report of Pacific Island Countries/Development Partners Meeting, Suva. 9 - 12 March 1992. The Australian Ambassador to Fiji suggested that Pacific island countries were at first wary of the dialogue approach, suspecting that it may strengthen donor influence over domestic policies.


The third Pacific Island Countries/Development Partners meeting, held in April 1993, considered the second World Bank Regional Economic Report, produced in cooperation with the Asian Development Bank. The major theme of this report was the so-called 'Pacific paradox' — continued slow growth despite relatively high levels of aid and investment and reasonably prudent macro-economic management. The meeting also continued discussion of established issues: a strategy for regional programs, design and appraisal of technical assistance, and measures for improving national level aid coordination.

Australia was at the forefront of the regional initiative for donor dialogue and policy coordination. One of the main arguments that Australian policy makers used in order to underscore the need for donor dialogue and for policy reform on the part of both donors and recipients was the 'changed global circumstances' and the fact that aid flows to the region would be increasingly difficult to attract. In this context, it was necessary to make more efficient use of aid flows that were unlikely to increase and may in fact decline. Citing the World Bank's second Regional Economic Report, which had reflected on the 'disappointing' economic performance of the Pacific island countries in the 1980s, Australia's Minister for Pacific Island Affairs asked rhetorically: 'has there not been an observable shifting of attention away from the South Pacific region on the part of some of its more traditional partners as they have found themselves having to address pressing priorities elsewhere? Does this not make it all the more the urgent that we strive to attune ourselves as closely as possible to changed global circumstances?'

The most obvious demonstration of this shift was the decision by the US Agency for International Development (USAID) to terminate its aid program in the South Pacific in 1994. The US aid program in the region in 1993 amounted to $7.5 million (excluding payments under the fisheries treaty). All programs will be phased out by 1995. Donor

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74 According to the World Bank report, real GNP grew by about 0.1 per cent in the 10 years between 1982 and 1992. This compared unfavourably to other small island countries, such as those in the Caribbean and Indian Ocean.


76 'US Budget Cuts Lead to Less Aid for Pacific', Pacific Islands Monthly, May 1994, p.5. This move followed a directive from the US government that USAID close 21 missions by the end of fiscal year 1994. While the official rhetoric spoke in terms of the need to 'rationalise and reorganise the USAID', the main imperative for the budget cuts was the redistribution of a reduced aid budget towards new ('in vogue') priorities including Eastern Europe and former Soviet republics. Programs to the Pacific that will not be cut include those tied to treaty obligations (the multilateral fisheries access agreement) and aid to regional organisations (the SPC [$1 million] and the South Pacific Regional Environment Program [$90,000]). Interview, US State Department, Washington DC, February 1994.
reticence about providing additional funding to the region was also apparent at the Small Islands Development Conference convened in Barbados in 1994.77

Japan has declared its support for aid policy coordination and has participated in the Forum/Development Partners Dialogue. Japan’s role in the donor dialogue has been muted, however, and it has not taken any initiatives in this area. This is in contrast to Japan’s role in sponsoring donor coordination and dialogue on assistance to Mongolia, the Philippines, Cambodia and Africa.78 With respect to the Pacific island region, the official position is that ‘consultation with other donor countries is important to avoid duplication of efforts or waste of limited resources and to harness the experiences, expertise and resources [of other donors]’.79 Other considerations include the benefits of information sharing and enhanced policy transparency.

Conversely, there are obvious difficulties for Japan in subscribing to some of the prescriptions of the multilateral agencies. Japan’s aid practices in the Pacific context are in fact implicated in the criticisms made by DAC. Especially pertinent were DAC recommendations that called for ‘dealing with unmanageable recurrent cost burdens’ and ‘streamlining burdensome aid modalities’.80 The earlier discussion of Japan’s response to the JICA study group proposals indicated a lack of political will to adapt policy procedures. This raises the question: what is the purpose of Japan’s participation in donor coordination and dialogue if it is not serious about reforming its aid ‘modalities’?

It may be argued that by engaging in regional dialogues, which have not required any major institutional adjustments on Japan’s part, Japan has taken its place beside other donors and played the role of a ‘responsible’ member of the donor community. But to what extent has Japan been motivated by an interest in influencing donor and recipient policies through applying conditionality to its ODA? This question has implications for the broader debate about Japan’s leadership role in international affairs.

POLITICAL AND ECONOMIC CONDITIONALITY

In Chapter 2 it was observed that Japan has traditionally not applied policy conditionality to its ODA in order to encourage structural adjustment measures or political reforms in


78 See for example, MOFA, *Japan’s Official Development Assistance 1994 Annual Report*, p.215. With the exception of Africa, the role in sponsoring donor consultations on Mongolia, Cambodia and the Philippines is in keeping with the active role Japan has taken on development issues in Asia.


recipient countries. The long-standing rationale for this approach has been that conditionality erodes the sovereignty of recipient countries. It has also been suggested that Japan has been averse to policy conditionality such as stipulated by the World Bank because this tends to be politically unpopular in recipient countries.\(^81\) Hence the only time Japan uses its aid as an instrument to encourage 'reforms' in recipient countries is when its aid is channelled through multilateral fora.

This policy of not applying conditionality to bilateral aid has started to change, but not necessarily in line with the development orthodoxy promoted by institutions such as the World Bank. For example, MOF officials in Japan have sought to shift the World Bank to a position on structural adjustment that more closely resembles Japan's experience.\(^82\) This is reflected in the ODA Charter, which argues that cooperation with international financial agencies 'ensures that Japan's perspective on ODA is adequately reflected in the international organisations'.

On political issues, Japan has also promoted an approach to conditionality that is distinct from that of other donors. The ODA Charter, adopted in 1992, integrated four guidelines for ODA which had been announced by Prime Minister Kaifu in April 1991. According to these guidelines, in the implementation of its ODA Japan would 'pay full attention to 1) trends in military expenditures of recipients; 2) trends in the development and production of weapons of mass destruction; 3) trends in the export and import of arms; and 4) efforts to promote democratisation, the introduction of a market oriented economy and basic human rights'.\(^83\) Japan would 'reconsider' its aid policy if reversals in these areas occurred.\(^84\)

The key feature of the Charter is that it does not 'lock' Japan into a fixed approach to political conditionality. There are no provisions for automatic aid

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\(^{81}\) Barbara Stallings, 'Development in the 1990s: US and Japanese Paradigms', in Barbara Stallings et al., Common Vision, Different Paths: The United States and Japan in the Developing World, Overseas Development Council, Washington DC, 1993. This concern about popularity does not appear to hinder equally unpopular policies of linkage (such as with fisheries aid policies).

\(^{82}\) This refers primarily to the question of the role of the state and of industrial policy: the so-called 'activist government model of East Asian development' versus the free market approach, based on liberalisation and privatisation. See Juichi Inada, 'Democratization, Marketization and Japan's Emerging Role as a Foreign Aid Donor', International Studies Association Conference, Washington DC, 30 March 1994. The World Bank publication that reflects Japan's approach to structural adjustment policy is World Bank, The East Asian Miracle: Economic Growth and Public Policy, Oxford University Press, New York, 1993.

\(^{83}\) Japan's Official Development Assistance Charter, 1992. See Chapter 3 for further details of the background to the ODA Charter.

\(^{84}\) Orr sets out a rough schedule for implementing these principles: 'The review process would involve three distinct steps: Japan would remind the recipient during annual consultations of the principles adopted. If the recipient continued to violate the principles then the second year the aid volume would be frozen. A third year of non-compliance would result in initial reduction of commitments'. Robert M. Orr Jr., 'Political Agendas: A New World Order Through Foreign Aid?', in Barbara Stallings et al., Common Visions, Different Paths, p.85.
suspensions. This is possible since the principles of the Charter do not have any legal status but are simply guidelines. In practice, the aid principles have been applied 'flexibly' and cautiously by MOFA. Although new aid commitments were suspended to some countries for reversals in democratisation and human rights violations (Malawi, Kenya, Sudan, Nigeria, Gambia, Haiti, Burma), aid has also been resumed to some countries in the absence of any improvement in the human rights situation (Burma); while in other cases Japan preferred to use 'quiet diplomacy and demarches' than the aid lever (China, Indonesia, Peru and Thailand).  

At the 1991 post-Forum Dialogue, Japan's representative was questioned about the application of the aid principles in policy towards the Pacific islands. The Parliamentary Vice-Foreign Minister replied that the principles 'would only apply to countries which were considered politically unstable or had large military spending. These principles do not therefore apply to Forum island countries'. There has been no indication since then that this position has changed.

The ODA Charter may be viewed primarily as an attempt at enhancing policy transparency for domestic and international consumption, rather than a serious attempt at promoting political or economic reform in developing countries. The cautious approach to human rights issues is justified on the grounds that Japan has a different interpretation of human rights — one more sensitive to 'indigenous' (as opposed to Western) forms of political development. In other words, Japan has an 'Asian view' of human rights.  

But the Charter also reflects underlying conflicts of interest in Japan's ODA program. In particular, there is a conflict between the objectives and expectations of other donors in promoting policy conditionality; and Japan's economic and political relations with recipients. It is notable that suspensions of aid have only been effected in countries where there are no significant economic interests at stake. This suggests that where there is a necessary trade-off between the more abstract goals embodied in the Charter and Japan's interests in preserving a bilateral relationship, the latter will carry more weight.

In this context it is important to note that application of the ODA principles depends on the agreement of other ministries since it is not MOFA alone which decides on aid allocations. Thus other ministries' opinions (including MITI) will influence

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87 This is discussed more fully in Sandra Tarte, 'Japan Ties New Strings to its Help', *Islands Business Pacific*, January/February 1993, pp.39-41. In general, MOFA claims that 'in comparison with other industrial nations, [Japan] attaches greater importance to and respects more the circumstances of the recipient'. See 'Interview with Economic Cooperation Bureau Director-General, Hiroshi Hirabayashi', *Nihon keizai shimbun*, 1 October 1994, p.13.
decisions about implementing the Charter. This introduces economic, commercial and domestic political considerations, as well as diplomatic opinions. Moreover, the case by case procedure of aid decision making permits an *ad hoc* approach to the question of policy conditionality.88

**Japan's contributions to global and regional environment conservation**

A principle of the ODA Charter is that 'environmental conservation and development should be pursued in tandem' and that Japan 'will support efforts by developing countries to overcome environmental problems'. Japan's policy in this area has essentially been to declare new aid commitments that establish quantitative targets for aid to support environment conservation. At the Earth Summit in 1992, Prime Minister Miyazawa announced plans to increase environmental aid to $7 billion between 1992 and 1997. This compared to the $2.3 billion disbursed between 1989 and 1991.

Environmental aid, described as the 'most prominent new issue to appear on the development agenda in the last decade',89 clearly illustrates the dilemmas and challenges facing Japan's aid program. Despite the declaration of aid targets, the actual implementation of policy is hindered by a number of problems. One writer has suggested that there are two main problems for Japan in this area.90 One is a lack of institutional adjustment within Japan's aid program. Several ministries and agencies vie for a share of this aid and have established separate programs. For example, JICA and the OECF have introduced environmental guidelines, while MITI and MOFA both have established separate environmental research facilities. There is thus competition over resources and a lack of overall policy coherence. The aid program also continues to emphasise infrastructure and equipment supply (which Japan's private sector may deliver) rather than more innovative aid, such as technology transfer or debt-for-nature swaps.91

A second problem is recipient country ambivalence about the importance of the environment. Moreover, there remains a lack of clarity about the relationship between environment and development. Developing countries are often unwilling to introduce environmental conservation measures at the expense of economic growth. MOFA

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88 According to a senior MOFA official, policy change is more likely to be in the overt linkage of aid and human rights at the rhetorical level than more substantive change. What was previously rationalised in non-political terms (such as recall of Japanese aid workers in times of turmoil for their own security) will henceforth be articulated in political terms (stopping aid because of human rights reversals). Interview, Director of Research and Programming Division, MOFA, October 1992.


91 It is important to note that Japan has also channelled environmental aid through multilateral fora, especially UN agencies. These include the UN Environmental Program and the International Tropical Timber Organisation, which is based in Japan.
officials have claimed that ‘such projects (for the environment) are not often requested by developing countries’.92 This problem is compounded by the fact that Japan’s aid system relies on requests from recipients to initiate a project.

To these may be added a third problem (which is in fact linked to the above), a conflict between policy goals of ‘economic cooperation’ and of environment conservation. In other words, the problem is how to marry the interests of economic ministries and the private sector with the global environment agenda. This is evident in the areas of resource extraction and industrial development. Promoting ‘development’ in these areas may directly contribute to problems of resource depletion and pollution. To address this dilemma, one writer has suggested that environmental aid be framed in terms of ‘traditional rationales’ of Japanese ODA; for example, expansion of export markets or resource security.93 This would encourage allocation of additional resources of aid that could attack the ‘root causes’ of environmental problems. But this still leaves the difficulty of distinguishing between environmental and development goals.

The Pacific island region, through the South Pacific Regional Environment Programme (SPREP),94 has identified a number of areas where Japanese assistance would be welcome. These include the research, development and transfer of technologies to increase energy efficiency and promote alternative energy sources.95 But a positive response from Japan has not been forthcoming. This suggests that, contrary to the view expressed above that there was a lack of initiative from developing countries in this area, the problem is more one of reconciling recipient needs with Japan’s own policy priorities and aid procedures.

One aspect of Japan’s aid to the region that is clearly environment-oriented is in the fisheries area, as discussed in Chapter 5. Japan has announced initiatives that aim to promote conservation of marine life in coastal states economic zones. It strongly supported cooperation with developing states at the United Nations Conference on Highly Migratory and Straddling Fish Stocks. But, as was argued in Chapter 5, this aid was a reaction to criticisms of Japan’s fishing practices and to measures that threatened to foreclose the option of high seas fishing. Its main objectives are to counter criticisms of Japan, to build a more positive image of Japan as a fishing nation by taking steps to ensure the ‘sustainable’ use of resources, and to secure the continuing operations of Japan’s fishing fleets.

94 Based in Western Samoa, SPREP is now an independent, inter-governmental organisation. It was previously attached to the SPC.
95 Ieremia Tabai, Secretary General, Forum Secretariat, ‘Environment Problems and Issues in the Pacific’.
The record of Japan's aid in the environment area has reflected more general characteristics of Japan's aid program. It has reacted to policy agendas set by others; it has been defensive of Japan's interests and image; it has emphasised quantitative targets rather than qualitative change; and it has put priority on bilateral ties and the economic and political interests at stake in those relations rather than multilateral frameworks. Environmental aid has also followed more general procedures of Japanese aid: emphasising bilateral infrastructure development and an *ad hoc*, case by case, approach to policy.

**CONCLUSION**

A prediction made in 1989 that Japan 'is set to become the largest aid donor to the South Pacific region, with an emphasis more likely on multilateral assistance to the whole region rather than its formerly more piecemeal approach of bilateral aid'\(^{96}\) has clearly not been borne out. The above analysis has suggested that Japan’s aid diplomacy towards the Pacific island countries is not shifting towards a new emphasis on regional fora or new regional frameworks for ODA. This is despite rhetoric, particularly from MOFA, that has strongly supported regional cooperation and multilateral dialogue on aid and development. What the analysis does suggest is that Japan’s aid diplomacy is proceeding on several fronts simultaneously.\(^{97}\)

Japan is continuing to emphasise its traditional bilateral approach to aid and has not provided significant financial assistance to regional programs or regional institutions. Despite this bilateral emphasis, Japan has engaged in the post-Forum Dialogue and in the Forum-sponsored aid donor coordination. This has not required major institutional adjustments by Japan, so it has been possible to participate in multilateral fora without changing policies or procedures. On project coordination and joint programming with Australia, the record was mixed. On the one hand, Japan solicited advice from Australia on how to expand its aid program. It was also apparent that MOFA officials were sensitive to Australia’s dominant position in the region and sought to consult with Australia in advance of its aid initiative. On the other hand, joint programming, which was an idea imposed on Japan by Australia, did not prove successful. Both Australia and Japan clearly had misgivings about this approach in terms of the implications for their own aid policies.

\(^{96}\) Joint Committee on Foreign Affairs, Defence and Trade, *Australia's Relations with the South Pacific*, p.193.

\(^{97}\) This paraphrases Susan Pharr's observation about how Japan's policy on infrastructure development aimed on the one hand to incorporate this traditional emphasis into its 'aid philosophy', while seeking at the same time to gradually reduce the proportion of aid spent on infrastructure. Susan J. Pharr, 'Japanese Aid in the New World Order', in Craig C.Garby and Mary Brown Bullock (eds), *Japan, A New Kind of Superpower?*, Woodrow Wilson Center Press, Washington DC, 1994, p.171.
Japan's approach to policy conditionality, a feature of the donor dialogues, has been cautious and concerned primarily with retaining policy flexibility (that is, to apply conditions on an *ad hoc* basis). This has been rationalised, in part, on the grounds that Japan has a different view of political and economic development to other Western countries and the international finance agencies. Essentially, this position enables Japan to promote established policy objectives, while accommodating donor demands that Japan's aid program conform more closely to multilateral frameworks. In the area of environmental aid, which is touted as a major component of Japan's 'international contributions', the approach has been to emphasise established procedures and modalities, and to use aid in order to promote Japan's foreign policy goals; for example, in the fisheries area.

The analysis suggests that the resistance to multilateral frameworks and regional aid stems from bureaucratic conservatism, which in turn reflects the need to balance political and economic interests underpinning Japan's aid program. Bilateral aid may be more amenable to supporting particular foreign policy goals. It also promotes the role of the private sector in delivering aid. Existing procedures enable different ministries and agencies to continue to influence aid decisions, in line with the interests of their private sector 'clients'. Bureaucratic resistance to change stems from opposition to losing policy making power. For example, in respect to the policy innovations recommended by the JICA study group, the only area to be incorporated was the SSGA. Other proposals, which required devolving more power to JICA as well as providing aid to regional organisations, have not been acted on.

These factors constrain Japan's ability to play a leadership role in international development fora. This includes defining development debates and influencing the policies of other states. It may be argued that the goal of playing a leadership role in international affairs is subordinated to promoting particular economic, political and bureaucratic interests. The analysis also suggests that as long as the 'economic cooperation' principles continue to shape the policies and procedures of ODA, the broader political role of Japan's aid program will be limited.
8 Conclusions

The issue for Japan is how aid can best be used to achieve Japanese goals while enhancing the welfare of people in developing countries who need it.¹

The central question in this study is ‘What are Japan’s goals in providing aid to the Pacific island region?’ The argument is that ODA goals are neither uniform nor immutable. Japanese aid policies have been motivated by a range of different interests and objectives. Aid policies have been formulated by different parts of the aid bureaucracy, often without close coordination.

ODA to the Pacific island region has, over time, responded to an increasingly complex set of problems and pressures. This has reflected the broadening of Japan’s ODA program as a whole to encompass economic, political and diplomatic goals. Japan’s aid policies to the Pacific island countries developed in the 1970s in response to challenges in the international Law of the Sea regime, as a way to secure access and protect the operations of Japan’s distant water fishing fleets. The task of securing access to coastal state economic zones widened in the 1980s and 1990s to include confronting regional management initiatives, protecting access to high seas fishing grounds, and easing the problems of adjustment facing the Japanese fishing industry. This part of Japan’s aid program was primarily shaped by the Fisheries Agency and industry groups.

Economic challenges were joined in the 1980s by strategic-political pressures, mainly emanating from the United States. Japan sought to contribute more to Western security efforts and to demonstrate its willingness to play a political role in regional affairs. This served as a rationale for increased aid flows under the Kuranari Doctrine, a policy initiative conceived and developed by the Ministry of Foreign Affairs (MOFA).

More recently, the challenge to Japan has been to adapt aid procedures and policies to regional and multilateral frameworks, in order to address development, environment and security issues. There have been growing expectations both from other donors and recipients in the region that Japan reform its aid policies and procedures, cooperate in joint aid programming and contribute to regional organisations. This is part of a broader process of using aid to demonstrate international leadership, which Japanese leaders have declared is a fundamental component of Japan’s foreign policy.

The changing aid policy context has raised a number of dilemmas. Most important are the underlying tensions within Japan’s aid program between its various goals and objectives. The extent to which these tensions are resolved depends on the administrative structures underpinning ODA and, in particular, the presence of

¹ Alan Rix, Japan’s Foreign Aid Challenge: Policy Reform and Aid Leadership, Routledge, London and New York, 1993, p.3.
coordination or conflict between policy makers. This is a crucial factor shaping Japan’s performance as an aid donor.

The study of Japan’s ODA to the Pacific island countries has shown how the decentralised aid bureaucracy in Japan has responded to the broadening of ODA goals and objectives. This has highlighted on-going coordination of policies between the government and private sector according to the principles and objectives of ‘economic cooperation’, but increasing conflicts between ministries and agencies within the aid administration. Thus, the approach that is developed integrates both the bureaucratic politics perspective of aid policy making and the ‘modified strong state’ paradigm.

While the bureaucratic politics model is central to explaining the incremental and reactive nature of Japanese policy making, the ‘modified strong state’ paradigm is crucial to explaining the integration of the private sector into the aid bureaucracy and hence the coordination of public and private sector interests in ODA policy. But what the foregoing study reveals is the dynamic interplay of political, economic, private sector and bureaucratic factors underpinning Japan’s ODA policies. There is conflict between Japan’s political/diplomatic goals on the one hand, and economic agendas on the other. This has made it more difficult to promote traditional economic interests through ODA. More generally, decision making procedures complicate and constrain the use of ODA as a foreign policy tool. This study suggests that while no one model of Japan’s aid system may account for the presence of competing aid policies and the problems of adapting the aid administration to shifting policy objectives, a more encompassing framework may be applicable to case studies of Japan’s ODA.

This study has argued that Japan’s fisheries interests have been the paramount influence on allocation of fisheries aid. There are linkages, both in policy rationale and in practice, between fisheries aid and the issue of access (including terms and conditions of access) to recipient states’ exclusive economic zones (EEZs). The special category of grant aid for fisheries was introduced precisely for the purpose of protecting the distant water operations of Japan’s fishing fleets. This reflects a long-standing principle of Japan’s ODA: economic cooperation with developing countries in order to support Japan’s economic interests (in this case, resource security). Key individuals have had a decisive impact on aid allocation and applying linkage. But while the institutional structures of Japan’s ODA program have facilitated close coordination between government and industry, the process of tying aid to access was complicated by aid policy procedures and bureaucratic politics. More specifically, procedural rigidity, the protracted project cycle, and the different views and interests of bureaucratic actors in aid policy have meant that in practice the linkage of aid and access was not always straightforward.

This policy area demonstrates the difficulty of achieving ‘Japanese goals while enhancing the welfare’ of recipients. The purpose of fisheries aid is to support the interests of Japan’s distant water fishing industry, ostensibly by providing assistance to
coastal states. But in reality fisheries aid has been used as a ‘second best’ attempt to meet demands by regional states for improved terms and conditions of access. It has served as an indirect subsidy to industry and, at times, a negative sanction in negotiations with the region — that is, as a political tool or an ‘influence attempt’ in the statecraft tradition.

While Japan’s fisheries aid may play an important role in assisting Pacific island states to develop their fishing industries, the approach to aid has not always put priority on the welfare of recipients nor on building goodwill between Japan and the region. Japan’s role as aid donor in the fisheries domain is seen to be driven primarily by its interests as a fishing nation; its aid has been viewed at times as a way of dividing the region and undermining multilateral initiatives. In addition, the quality of aid has been criticised for being inflated in cost, not based on adequate consultation with the region, and not aimed at addressing development needs of the region. These factors have created tensions between Japan and the island states.

Under the Kuranari Doctrine, aid policy was directed not primarily at the interests of the recipients or of Japan’s fisheries industry but at elevating Japan’s political status in the context of relations with other donors (the US in particular). This was a priority of MOFA and reflected a gradual politicisation of Japan’s ODA policies in the 1980s. The Kuranari initiative demonstrated how aid policy may develop in new directions without close coordination with existing aid agendas. The Kuranari Doctrine also highlighted the potential conflicts inherent in Japan’s ODA program — between supporting political and economic goals.

To the policy makers in MOFA, the Pacific island region was a new diplomatic frontier. Burden-sharing, or supporting US strategic goals, was the main agenda. For the policy makers in the Fisheries Agency, on the other hand, the region was familiar territory, with which it had a long history of negotiation, cooperation and, at times, acrimony. Japan’s fisheries diplomacy was a special area, run by policy specialists who carefully tailored aid policy with fisheries access. They did not appreciate the diplomatic ‘offensive’, with all the trappings of a foreign policy ‘doctrine’. To make matters worse, when the diplomats lost interest in the region and moved on to other issues, they left behind a more muddled and unstable relationship.

While MOFA officials talked mostly about ‘political stability’ and the ‘Soviet threat’, the Fisheries Agency was more preoccupied with US policy. The multilateral access agreement between the region and the US had directly challenged the interests of Japan’s fishing fleets. In this context, Japan and the US were rivals. US aid policy was being used in a way that undermined the negotiating position and power of Japan’s fishing industry and Fisheries Agency. The Kuranari declaration of support for the region unintentionally put additional pressure on the Fisheries Agency to address regional concerns regarding access agreements. As a result of both the US agreement and the Kuranari Doctrine, the Fisheries Agency and industry had to mobilise aid resources in
order to counter the regional demands for higher access fees and multilateral arrangements.

One question that stands out in all of this is why, if MOFA concern had really been about the Soviet threat, MOFA officials did not respond in kind — with an approach to fisheries agreements that would have made Soviet access agreements less attractive? This, after all, had been the US response. Would not Japan’s aid have been more ‘effective’ if utilised in the same way? Several factors were important in shaping policy to the region. The Fisheries Agency was opposed to such an approach (and this also reflected the influence of the Special Advisor at the time, Norio Fujinami). It wanted to keep arrangements bilateral, flexible and on terms that best suited the industry. MOFA was opposed to using aid to subsidise the operations of Japan’s fishing industry. MOFA also, traditionally, did not concern itself with fisheries aid policy. Finally, the multilateral approach would have meant a major shift in aid policy procedures, away from project based, bilateral grant aid.

This last factor has shaped Japan’s approach to regional and multilateral policy frameworks. Although Japan has engaged in multilateral donor dialogue, and declared its support for regional cooperation and participated in joint programming, it has maintained a long-standing preference for bilateral, project based aid. While Japan is responsive to international pressure and concerned about its status and image as a donor, it has not demonstrated strong commitment to policy reform. In fact, Japan has avoided measures that require major administrative and institutional adjustment. This raises another issue: how to play the role of a leading donor, meeting international and regional expectations, given the prevailing administrative and political structures underpinning ODA.

The resistance to reforms is largely due to the nature of the bureaucratic and economic interests that have supported, and in turn have been supported by, Japan’s ODA since its inception. Ministerial jurisdictions are jealously preserved and expanded only at the expense of another ministry or agency. The threat to power posed by reforms, which call for redistributing control over aid resources, creates resistance to change and hence a preference for the status quo. The role of the private sector in delivering ODA is also central to Japan’s aid program.

As a result of these structural factors, there is a strong tendency for aid allocations to be decided on an ad hoc basis where private sector, political and bureaucratic actors share input and shape outcomes. Policy innovation is driven mostly by criticism (both domestic and foreign) and by concerns about Japan’s ‘security’, broadly defined. This is evident in most cases covered in this study, including fisheries

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2 It is possible that this reflects a concern by MOFA about appearances — namely, that it should not appear an economically self-interested donor.

grants, the multilateral aid to the United Nations Development Program (UNDP) and to the Forum Secretariat; fisheries joint ventures; and the new environmental focus in fisheries aid.

Decision making structures facilitate decentralisation and thus diversity of interests in ODA. But conversely, fragmentation of decision making structures and processes has meant a lack of coherence in aid policy and at times conflict between various parts of Japan’s aid program. This is most evident in the area of fisheries aid and the Kuranari aid initiative.

Assessing aid as economic statecraft

The concept of aid as economic statecraft suggests several levels at which to analyse the goals of Japan’s aid diplomacy; namely 1) in terms of relations with recipients; 2) in terms of relations with other developing countries; and 3) in terms of relations with other donors and/or allies. Japan’s goals have been broadly divided into those of the fisheries industry and Fisheries Agency, and those of MOFA.

In the area of fisheries aid, the main target of policy was the actual recipients. Japan aimed to influence the policies of recipients regarding the access fee. Aid was both a subsidy to the fishing industry and a lever in negotiations with coastal states. The goal of policy makers was to keep access fees to levels the industry could meet. More generally, Japan sought to encourage recipient states to support it on regional management issues and to guarantee its vessels secure access to their economic zones. There have also been attempts to defuse opposition to Japanese policies (such as driftnet fishing) and to build diplomatic support for Japan.

Non-fisheries aid has been motivated by the goal of securing diplomatic support of recipients in international fora. The declared intention to preempt Soviet offers of aid (which underpinned the Kuranari Doctrine policy) did not appear to subsequently feature in Japanese aid policy. But the main target of non-fisheries aid was other countries, mainly other donors. The goals of Japan’s aid policies have been to attract attention to its international efforts, especially with regard to playing a role in promoting regional ‘political stability’. This policy was encapsulated in the Kuranari Doctrine. The fact that so much media attention surrounded this initiative was symptomatic of the public relations effect it was designed to achieve. An unstated agenda was to defuse tensions or criticisms over broader economic relations, such as trade, by demonstrating political commitment to contribute to development in the region. Japan has also adopted measures, such as the ODA Charter, in response to criticisms and to pressures that it play a more constructive role through ODA in addressing global development and security issues.
What does the foregoing study suggest about the effectiveness of Japan’s aid diplomacy in respect of these goals?

In terms of influencing recipient policies, Japan has succeeded in maintaining reasonably low access fees in most of the arrangements it has in the region, but it failed to re-start an important agreement with Papua New Guinea because of disagreement over the fee level (and Japan’s proposed aid and access fee formula). Moreover, while bilateral arrangements may have been relatively easy to influence, Japan failed to stem the tide of multilateralism in the region. This has been spurred on mainly by the success of the US multilateral access agreement, which led to more concerted efforts in concluding other regional management and conservation arrangements. These have put additional pressures on the fishing industry. There has also been strong opposition to Japan on other issues, especially nuclear and environmental ones.

Where there is less contentious debate, island states have generally found it to be in their interests to support Japan (such as supporting Japanese candidates in international fora). This reflects the importance of Japan’s economic assistance to regional countries. But it is likely that Japan would enjoy better relations with the region if it took steps to address regional requests, such as the proposed regional economic centre in Tokyo. This has been resisted so as not to set what is seen as an unwanted precedent with other developing countries.

In terms of relations with other donors and allies, while the Kuranari Doctrine achieved the desired effect of establishing the view that Japan’s commitment to the region had entered a new, more meaningful phase, the other side of the coin was that this introduced new tensions in Japan’s foreign relations. These stemmed in part from conflicts in other areas (such as between the US and Japan in the fisheries domain). But there were also problems of adapting Japan’s aid program to regional initiatives favoured by other donors, notably Australia. In general, Japan’s policy innovations have not succeeded in easing tensions with key allies, in part because they do not go very far towards addressing donor concerns, and in part because they have the potential to pose a political challenge. This is reflected at the global level in US-Japan relations.

There are problems for Japan in using aid as a foreign policy tool. Although aid is utilised in ways that aim to address perceived threats and challenges in the international domain, this study has shown that Japan’s ODA is not a very flexible or decisive policy instrument. In making policy, there is a need to compromise and to consult. This leads to delay and to opportunities for conflict between policy makers. This process also obstructs innovation and reform. Policy makers may work at cross-purposes, extending from individuals to ministries and agencies — for example, between MOFA and the Fisheries Agency; MOFA and the Ministry of Finance; and even MOFA and the Japan

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4 Although there is no quantitative evidence on hand to demonstrate Pacific island voting patterns in the United Nations, regional officials acknowledged in interviews with the author that they generally voted in favour of Japanese candidature in the Security Council or for other international posts.
International Cooperation Agency (JICA). Aid policy making is marked by decentralisation and fragmentation of power, overlapping jurisdictional domains, and different views of the purpose of aid in relation to Japan’s national interests.

This finding challenges the view that Japan’s ODA is ‘strategically coordinated’. Although this is certainly the intention of policy makers most of the time, the reality is more complex. The finding also challenges the view that Japan’s aid diplomacy has been ‘extremely successful’ and that, in broader terms, Japan has ‘overwhelmingly achieved [its] national goals of economic security ... economic superpower status and foreign recognition of its achievements’. The analysis of Pacific island multilateral diplomacy in the fisheries domain revealed how small and extremely vulnerable states may enhance their leverage in relations with Japan, and counter pressures and threats from a significant aid donor.

**Issues of power**

The common view of Japan’s role in the Pacific island region is that it is an economic giant that is capable of, if it has not already attained, dominance not just in aid but in the ‘totality of relations’. Japan’s economic importance to the region certainly should not be underestimated, especially for countries which are highly dependent on ODA and face the prospect of declining aid revenues from other sources. This study attests to the influence that Japan’s ODA may have. For example, when negotiating access agreements, most countries in the region have been unwilling to forego (indefinitely) the benefits of fisheries aid and access fee revenue. But what is ‘aid power’?

As suggested in Chapter 1, aid power refers to the ability to influence, using resources that have a ‘reasonable semblance of a market price’. This definition does not rule out power based on political or military factors, in addition to economic factors. The discussion of Japan’s use of aid as a form of statecraft in relations with the Pacific island states points to an emphasis on economic influence.

In this study, questions have been raised about the limits of aid power, and about how to translate economic influence into political influence. Japan’s ability to project power through aid depends on a complex set of factors, not least the convergence of political interest in Japan, with policy actors working together, rather than at odds. The study points to procedural rigidity, the existence of competing policy agendas, and an absence of close coordination within the aid administration. These factors constrain the use of aid as a foreign policy tool. In this context, it is necessary to question simplistic assertions that Japan’s volume of aid amounts to ‘aid power’.

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6 Alan Rix, *Japan Foreign Aid Challenge*, p.176.
It is also the case that aid is sometimes used as an attempt to compensate for weakness in other areas (for example, to ease adjustment in a declining industry). In other words, rather than a statement of national strength, it may be that aid is sometimes driven by internal weakness. This was apparent in the area of fisheries aid diplomacy. Japan’s position as a fishing power was weakened significantly by the Law of the Sea Convention, which exacerbated economic problems of the distant water fishing industry. Aid resources were mobilised in an effort to counter political challenges posed by the new regime. But while the Law of the Sea regime undermined the interests of Japan, it strengthened the bargaining power and leverage of the Pacific island countries. Japan’s fisheries aid diplomacy was a response to, and an attempt to counter, the multilateral initiatives of the Pacific island states.

The study reveals elements of power on the part of the small island states not usually considered in analyses of Japan-Pacific island relations. These include regional cooperation and collective diplomacy by the island states, based largely on the legal framework created by the Law of the Sea Convention. US-Japan rivalry as fishing powers, and US policy in support of regional positions, have also strengthened the position of the island states in relations with Japan. Cold War politics elevated the importance of the region in the foreign policy calculations of both the US and Japan, and island states were successful in exploiting Western concerns about the Soviet Union in order to attract more aid. These factors have increased the power of the island states vis-a-vis Japan. Collective diplomacy has boosted the combined weight of countries in international fora; it has also led to multilateral measures such as the US multilateral fisheries treaty. In some cases, island states have utilised bureaucratic politics in Japan to their advantage, as a bargaining tool. For example, Papua New Guinea responded to aid pressure in fisheries negotiations with Japan by questioning the authority of the Fisheries Agency, and addressing its concerns to MOFA. This led to contradictory policies being articulated.

Another point that is important when considering the question of aid power is the kind of dependence that is generated. Japan’s aid flows to the region are often irregular, reflecting the problem of adapting processes and procedures to conditions in the region, as well as ambivalence about the importance of aid to the region. Aid is usually centred on large-scale infrastructure projects. The benefits of infrastructure development may not easily be translated throughout society. Large-scale infrastructure projects often create untenable cost burdens for island states. In some cases, projects end up as ‘white elephants’, especially if there is no back-up support in the form of ‘experts’ for

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7 There is a tendency to treat Japan’s aid flows as an indicator of its broader power in global terms. See, for example, Gavan McCormack, ‘Pacific Dreamtime and Japan’s New Millennialism’, *Australian Outlook*, Vol.43, No.2, August 1989, pp.64-73.
instance. Moreover, in the absence of infrastructure projects being identified and requested, flows are not continuous from year to year.

The result is an uneven dependence on Japan. There is also uncertainty about the nature and reliability of Japan's aid commitment to the region. Experience of Japan's aid policies have tempered regional expectations of Japan. The hard-line approach of some officials in Japan towards Pacific island countries, for example the treatment of Tuvalu, also fed the view that Japan is a difficult and not very generous donor.

The thesis raises a number of questions that may be taken up in further studies. If extremely small states have succeeded, to some extent, in balancing Japan's economic weight with political and diplomatic strategies, what implications does this have for Japan's aid relationships where there are less extreme disparities between Japan and recipients? How far have aid relations between the Pacific island states and other donors reflected similar patterns; are there lessons for the region in terms of its conduct of aid diplomacy more generally?

**Future directions**

Japan's political commitment to providing aid to the region has long been shaped by the salience of specific foreign policy and economic objectives. This commitment has not rested on provision of aid as an end in itself.

Japan's ODA to the Pacific islands has mainly been driven by threats and challenges to its interests in the international arena. But, in this context, it is perhaps more of a problem for the region that Japan now perceives few compelling interests, apart from fisheries, in providing aid to the Pacific island states. This in turn has weakened the political will in Japan to address regional concerns. The study suggests that policy innovation (for example, fisheries grant aid and multilateral aid to the Forum Secretariat) has generally resulted from political and economic pressures. These also required a domestic political environment supportive of new aid measures. While fisheries interests still command interest in Japan, it also seems that the fate of the distant water fishing industry is no longer of sufficient political concern to generate support for

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8 This was underscored by the experience of Papua New Guinea. A fisheries training vessel, provided by Japan as part of a grant to establish the National Fisheries College in 1977, ceased operations in 1983 after Japan withdrew its expert. An assessment by Papua New Guinea officials in 1989 found that, overall, 'resources and facilities were inadequate to carry out effective training'. Department of Fisheries and Marine Resources, 'Summary of Fisheries Developments in Papua New Guinea', PNG/OFCF Colloquium, Tokyo, November 1989. Evaluations of other Japanese aid projects revealed that recurrent cost and maintenance are a principal problem in the region. See FAIR Committee for Oceania and Pacific Island Countries, *Japanese ODA to Pacific Island Countries: Current Problems and Future Perspectives*, FAIR, Tokyo, March 1993.

9 Tuvalu is Japan's smallest recipient in the region and has few national resources. In Chapter 3, it was noted how the Economic Cooperation Bureau in MOFA was planning to reduce aid to Tuvalu after it was alleged that Tuvalu's Prime Minister was critical of Japanese ODA. Problems of Japan's aid were highlighted by the fate of a fisheries project (a fishing wharf) provided to Tuvalu by Japan. Soon after the completion of the project in 1992, the wharf was destroyed by a storm. It has since not been replaced.
more direct contributions to the region under a multilateral agreement. Nor, with the end of the Cold War, is there more broad based political interest in the region sufficient to support the introduction of other policy reforms.

But Japan's contributions are still vital to the region's economic development. Regional leaders believe that Japanese private sector and government support is crucial to the economic future of their countries. For this reason, the Forum Secretariat, as regional coordinator and interlocutor, has been at pains to stress that the island states are an integral part of the Asia Pacific region and hence their interests should not be forgotten.  

It was evident as early as 1988 that the Japanese government did not expect ODA to continue indefinitely or even to play the key role in regional development. Foreign Minister Kuranari, speaking at the Sasakawa Pacific island leaders conference, stated that while the government of Japan had taken the initiative in promoting economic cooperation with the Pacific islands, 'in the long run it is the private sector that would be expected to assume primary responsibility in extending cooperation to the region'.

This statement was directed at 'private aid' such as the donations of the Sasakawa Peace Foundation. It also reflected the broader Japanese view of aid as economic cooperation. This view holds that the government is not responsible for the development of recipient countries but works to promote and support private sector activity (for example, providing national infrastructure development), which ultimately holds the key, especially for small-scale industry development. As MOFA policy makes clear: 'the development of vigorous business activity by the private sector is vital to the advancement of the developing countries, and it is important to recognise that aid can contribute to the creation of environments for such activity through improvement of industrial and social infrastructure'.

Japanese policy on supporting private sector links between Japan and the region has been promoted through the Pacific-wide economic fora. In 1988 an initiative was taken to establish a Pacific Islands Nations Task Force in the Pacific Economic Cooperation Council (PECC). Introduced by Dr Saburo Okita at the Osaka PECC General Meeting, this initiative aimed to consolidate closer ties between the region and

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10 See, for example, Statement by Ieremia Tabai, Secretary General, Forum Secretariat, to Fourth APEC Ministerial Meeting, Bangkok, Thailand, 10-11 September 1992.


12 The Sasakawa Foundation established a Pacific islands fund in 1988 with an endowment of 3 billion yen. A total of 267.7 million yen was spent on projects in the three years between 1990 and 1992. Data provided by Sasakawa Peace Foundation.


14 PECC was formally the Pacific Economic Cooperation Conference.
PECC. The terms of reference of the task force, drawn up in 1989, included developing entrepreneurial skills and small business joint ventures, promoting private sector cooperation between PECC countries and the region, and involving the region more effectively in PECC.\(^{15}\)

But despite being introduced by Japanese officials, there was little tangible support for the task force once it was created. Japan opposed measures, recommended by other members of the task force (US and Taiwan) that required a substantial financial commitment by Japan, including the funding of a proposed ‘information exchange centre’ in the region.\(^{16}\) These ideas were seen to be too much a radical departure from the work of existing PECC task forces. The response perhaps also demonstrated a lack of Japanese political and private sector interest in the region. The limited support for the proposal to establish a Pacific regional office in Tokyo in order to facilitate trade, investment and tourism links between Japan and the region also indicates a lack of strong commitment to the goals of supporting private sector development.

Perhaps more important than the PECC framework in terms of the future direction of Japanese aid to the region is the Asia Pacific Economic Cooperation (APEC) forum. APEC may primarily be a vehicle for promoting regional trade liberalisation, but aid issues are also on its agenda. APEC is viewed in Japan as one way of promoting a policy of ‘South South cooperation’.\(^{17}\) Also called ‘APEC version triangular cooperation’\(^{18}\), this refers to cooperation between developed and more advanced developing countries in providing aid to less developed countries. The emphasis, since this approach was mooted, has been on ASEAN cooperation.\(^{19}\) For example, both Singapore and Thailand have concluded agreements with Japan to undertake joint dispatch of ‘experts’ to third countries as technical cooperation. Another case of ‘trilateral cooperation’ involves the cooperation of Thailand, Malaysia, Indonesia and Philippines with Japan in providing ‘experts’ to help resettle refugees in Cambodia. The funding for this cooperation is provided by Japan through a United Nations Development Program fund.\(^{20}\)

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16 Interview, Professor Akio Watanabe, University of Tokyo, February 1993; ‘Standing Committee Meetings I and II’, Pacific Cooperation Newsletter, No. 16, Spring 1991, p.1. Professor Watanabe was Japan’s leading representative on the PECC Pacific Island Nations Task Force.

17 Interview, Technical Cooperation Division, MOFA, Tokyo, January 1993.


The Asia Pacific fora will likely play a more important role in Japan's future aid policy. It is possible that Japan may delegate some responsibility for Pacific island regional development to other countries through the APEC forum. But a more urgent issue at present is building on the regional dialogue among island states and coordination among donor countries. It is necessary for both the region and Japan to demonstrate commitment to building closer cooperation, not just on aid issues but across the economic and political spectrum.

In this context, the region is well placed to build on the experience in the fisheries domain, where there are complementary and interlocking ties between Japan and the island states. Managing relations with Japan in this area has required regional cohesion and collective diplomacy, as well as building alliances with other major powers. The result has seen a gradual move towards institutionalised regional arrangements and gradual acceptance of these by Japan.

Japan's future role in the region will depend on its commitment to policies and reforms that promote development in island states, in ways that achieve optimal results for both donor and recipient. An interesting task for further study would be identifying other areas where regional cooperation and Japanese interests can work together in this endeavour. The search for common ground in Japan-Pacific island relations has probably only just begun.

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21 These were described in Chapter 7. See also Savenaca Siwatibau, 'Policy Discipline from Outside?', Pacific Economic Bulletin, Vol.9, No.2, December 1994, pp.46-50.
APPENDIX 1

List of Interviewees


David Blackstock, Director, Legal and Political Division, Forum Secretariat, Suva, Fiji, January 1993.

Akira Chiba, Assistant Director, Grant Aid Division, Ministry of Foreign Affairs, Tokyo, Japan, 22 May, 1993.

Masaru Ebihara, Director, Project Operations Division, Overseas Fisheries Cooperation Foundation, Tokyo, Japan, 12 March, 1993.

John Fritz, First Secretary, Embassy of Federated States of Micronesia, Tokyo, Japan, 3 June, 1993.

Norio Fujinami, Former Special Advisor to the Minister of Agriculture, Forestry and Fisheries, (Fisheries), Tokyo, Japan, 12 May, 1993.


Yasuo Ishimoto, Managing Director, Overseas Agro-Fisheries Consultants Company, Tokyo, Japan, 6 July 1993, 9 July 1993.


Tokuya Kikuchi, Executive Managing Director, Overseas Fisheries Cooperation Foundation, Tokyo, Japan, 28 June, 1993.

Yoshiyuki Kimura, Assistant Director, Oceania Division, Ministry of Foreign Affairs, Tokyo, Japan, 24 June, 1993.

Seiji Kojima, Director, Research and Programming Division, Ministry of Foreign Affairs, Tokyo, Japan, 29 October, 1992.


Peniasi Kunatuba, Director of Fisheries, Ministry of Primary Industries, Suva, Fiji, January 1993.


Hiroshi Matsuura, Oceania Division, Ministry of Foreign Affairs, Tokyo, Japan, May, 1992.


Hiroshi Nakajima, Executive Director, The Pacific Society, Tokyo, Japan, 23 March, 1993.

Masaaki Nakamura, International Department, Federation of Japan Tuna Fisheries Cooperatives Association, Tokyo, Japan, 26 May, 1993.

Yutaka Nakamura, Oceania Division, Ministry of Foreign Affairs, Tokyo, Japan, 6 November, 1992.


Dr Saburo Okita, Chairman, Institute for Domestic and International Policy Studies, Tokyo, Japan, May 1992.

Dr Robert M. Orr, Jr., Institute for Pacific Rim Studies, Temple University, Japan, Tokyo, Japan, February, 1993.

Shizuo Saito, Former Ambassador to Australia, Tokyo, Japan, November, 1992.

Tatsuo Saito, Special Advisor to the Minister for Agriculture, Forestry and Fisheries (Fisheries), Tokyo, Japan, 18 May, 1993.

Hiroya Sano, President, Japan Fisheries Association, Tokyo, Japan, 24 June, 1993.

Kuni Sato, Former Deputy Director, Oceania Division, Ministry of Foreign Affairs; Embassy of Japan, Bangkok, Thailand, 28 April, 1993.

248

Ieremia Tabai, Secretary General, Forum Secretariat, (meeting in Yokohama, Japan) 7 March, 1993.

Yasuho Tadokoro, Director, Fisheries Cooperation Division, Japan International Cooperation Agency, Tokyo, Japan, 17 May, 1993.

Futoshi Takahashi, Grant Aid Division, Ministry of Foreign Affairs, Tokyo, Japan, 25 February, 1993.

Takeshi Tanabe, Development Cooperation Division, Ministry of Foreign Affairs, Tokyo, Japan, 16 March, 1993.

Nobuaki Tanaka, Former Director, Oceania Division, Ministry of Foreign Affairs; Counsellor, Embassy of Japan, Bangkok, Thailand, 20 April, 1993; 26 April 1993.


Atsushi Ueno, Grant Aid Division, Ministry of Foreign Affairs, Tokyo, Japan, 16 December, 1992.

Kenichi Unno, President, Overseas Fisheries Cooperation Foundation, Tokyo, Japan, 28 June, 1993.

Professor Akio Watanabe, University of Tokyo, 15 February, 1993.


Tsutomo Watanabe, Executive Director, Federation of Japan Tuna Fisheries Cooperatives Association, 20 May, 1993.

Andrew Wright, Deputy Director, Forum Fisheries Agency, Honiara, Solomon Islands, November, 1993.

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268


