Japan's Aid Diplomacy and the Pacific Islands

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Key to symbols used in tables

n.a.	Not applicable
..	Not available
-	Zero
.	Insignificant

Figures are in US\$ unless otherwise stated.

Acronyms

AIDAB	Australian International Development Assistance Bureau
ATA	American Tunaboat Association
AusAID	Australian Agency for International Development
CITES	Convention on the International Trade in Endangered Species of Wild Flora and Fauna
c.i.f.	Cost, insurance and freight
DAC	Development Assistance Committee
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
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
SPC	South Pacific Commission
SPEC	South Pacific Bureau for Economic Cooperation
SPREP	South Pacific Regional Environment Programme
SSFG	Small-scale fisheries grants
SSGA	Small-scale grant assistance
USAID	United States Agency for International Development

Pacific island region and exclusive economic zones

The policy challenge

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 (Kuranari 1987).

When the Foreign Minister of Japan, Tadashi Kuranari, visited the Fiji capital, Suva, in January 1987, he announced a new beginning in the relationship between Japan and the Pacific island countries. Some of these islands had once been the smallest fragments of Japan's empire. Japan's forced retreat from the region in the wake of her defeat in the Second World War had led to a hiatus in political and economic contact. Both were only slowly reestablished. The Kuranari visit signalled that Japan's post-war 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 double its official development assistance to the region. This speech was known as the Kuranari Doctrine.

Aid ties between Japan and the Pacific islands were initiated in the 1970s, at a time when the region was being transformed by two international trends: the end of colonialism and the new international Law of the Sea regime. Most of the colonies that had once made up the region attained statehood and sovereignty between 1962 and 1986. In the same period, the new legal framework governing national and international jurisdiction over marine resources created 200-nautical-mile exclusive economic zones from 1977.

As the world's leading fishing nation, Japan was profoundly affected by the new Law of the Sea regime, the implications of which were particularly marked in the Pacific. National exclusive economic zones measured about 20 million square kilometres, many times the region's land area. They included 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 (Ministry of Agriculture, Forestry and Fisheries, and Food and Agriculture Organisation, various issues).

Japan's interests in the region as the leading distant water fishing nation were the main motivation for its incipient aid program to the island countries. Fisheries grant aid was the principal instrument for both securing fishing rights to the exclusive economic zones of the island states and contributing to their development.¹ In its first ten years, the most consistent and striking feature of Japan's aid to the region was the high proportion of fisheries grant aid—70 per cent of the total grant aid from Japan between 1975 and 1986. 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 (about 1 per cent), it received a comparatively large share of fisheries grant aid (about 20 per cent) (see Ministry of International Trade and Industry 1995).

In the 1980s, challenges to Japan's traditional access to the fishing grounds of the region intensified as the island states strengthened their collective efforts at fisheries management. Although fisheries remained a compelling motive underlying its aid programme, Japan's interests in the region broadened. The Cold War introduced a political security agenda that, in the mid-1980s, elevated the region to a more prominent place in Japan's foreign policy. It was to demonstrate Japan's allegiance to the United States, its willingness to assume a 'security burden' and its capacity to play a more active role in world affairs that led Foreign Minister Kuranari to Fiji in 1987 and underpinned the pledge to double aid to the island countries.

In the years since Kuranari's visit Japan has secured a position in the region as the largest or second largest bilateral donor. This paralleled its rise to become the world's largest donor of official development assistance. At the global level it has confronted growing pressures from donors and recipients to demonstrate 'aid leadership' and to reform its aid policies and procedures. Japan's aid program is the object of scrutiny and criticism at the regional level as well. Among the main criticisms are the complex and cumbersome aid procedures, its preference for large-scale infrastructure projects (that are seen to benefit, primarily, Japanese contractors), and its emphasis on bilateral, project-tied aid.

Japan's evolving aid policies in the South Pacific have reflected the struggle to balance the competing pressures from the donor community

and recipients with its own national priorities. In this context, the dynamics of its aid administration, whereby bureaucrats and their private sector clients compete for power and influence in the decision-making process, have proved decisive. Underlying the struggle to come to terms with its role as an 'aid power' is an absence of a common or coordinated view among policymakers of Japan's 'national interest' and the role of aid in promoting those interests.

Conflict between policymakers has characterised Japan's aid diplomacy towards the Pacific islands manifested in competing agenda of Japan's fisheries policymakers on the one hand and those in the Ministry of Foreign Affairs on the other. Different sections of Japan's aid bureaucracy have promoted separate aid policies which have at times worked at cross purposes. In the fisheries domain government decision-making has been complicated by pressures from a fractious and divided domestic industry which is struggling for survival. The once powerful fisheries groups are facing the prospect of retreat from distant water fishing in the face of declining profits, competition from other distant water fishing nations and greater restrictions on fishing activities due in part to strengthening conservation measures under international law.

The challenges to Japan's traditional access to the fishing grounds of the South Pacific are more compelling than ever in the 1990s as a result of new developments in the Law of the Sea. These may further circumscribe fishing, including on the high seas. Politically, the Pacific island region remains a major battleground for the ongoing contest between powerful fishing nations and small coastal states.

Economically, the Pacific island region is emerging as a testing ground for new donor strategies aimed at addressing intractable development problems and dilemmas. In the 1990s, the problem of deepening, if not permanent, aid dependence among countries of the region has given rise to heightened tensions and politically charged relations between some island governments and the international donor community. These countries are regarded as prime candidates for more interventionist aid policies that, if implemented on a coordinated and multilateral basis, would require significant innovations to Japan's existing aid policies and practices.

Japan's efforts at formulating a coherent and coordinated aid strategy towards the Pacific island countries are examined here. Factors that determine or influence decisions about Japan's aid allocations to the region are explored through an analysis of Japan's evolving

fisheries aid policies, the aid doubling plan incorporated in the Kuranari Doctrine, and the emergence of a multilateral approach to aid to the region.

Japan's aid policymaking

There is close coordination between private sector and government actors in order to advance strategic economic interests through official development assistance. There is also close coordination between government ministries and those private sector interest groups who benefit from aid contracts and who are active in the identification and delivery of aid projects. This government-private sector coordination, built on interlocking institutional ties, is a major factor underpinning resistance in Japan to aid reforms, especially those mooted by other donors and by recipients.

There have been problems of coordination however between government actors within the aid administration. For example, the formulation of the Kuranari Doctrine by Foreign Ministry officials was in response to an agenda that both failed to incorporate, or further the interests of, the fisheries sector. This had implications for Japan's fisheries interests, and the use of aid as a tool of Japan's fisheries diplomacy.

Bureaucratic differences have provided recipients with an occasional source of leverage in responding to aid pressures from Japan, especially in the context of fisheries negotiation. Meanwhile, the role of foreign or external actors introduces a key dynamic. Changes in Japan's aid program are essentially in reaction to pressures and constraints emanating from the external environment. Pressures have emanated from other donors, but also from recipients acting collectively and through coalitions forged in both global and regional fora.

Far from being passive recipients of 'friendship aid',² 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 (that is, fisheries access). In addition, the Pacific islands have been an arena for US-Japan rivalry, as competing fishing powers, and this has given the island states more leverage. The extreme disparities between Japan and recipient countries may thus be balanced to some extent by diplomatic and bureaucratic factors. Small island states may significantly enhance their negotiating power through a combination of collective diplomacy, alliance building and exploiting opportunities provided by international regimes (the

Law of the Sea). They may even gain advantage from bureaucratic divisions and rivalry in Japan's aid administration.

Here questions are raised about the limits of aid power and the problems of translating 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 interests in Japan, with policy actors working together rather than at odds. The evidence points to procedural rigidity, the existence of competing policy agenda, and an absence of close coordination within the aid administration. These factors constrain the use of aid as a foreign policy tool.

In a complex and decentralised bureaucratic setting, and in the absence of a 'political centre' for aid policy, it is necessary for policy actors to negotiate trade-offs and compromises involving both private sector and government actors. This process becomes more difficult the greater the number of policy actors and diversity of policy goals. It is especially problematic in the absence of formal channels for promoting 'horizontal policy coordination' within the aid bureaucracy. The emphasis of policymakers tends to be on preserving or enhancing organisational autonomy and influence, especially in the event of conflicts between the priorities of different actors. While this mitigates against coordination and cohesion within the bureaucracy, links between the state and their private sector 'clients' may be strengthened.

Complications may also arise if there is a need to adapt aid policies and procedures to changing policy interests and goals. Policy innovation becomes more difficult to achieve because it depends on accommodating diverse interests; or involves difficult trade offs. Thus policy change tends to be incremental, reflecting 'least drastic and controversial' positions. This may undermine relations between the private sector and government, if it weakens the will or capacity of the state to promote certain societal interests.

As a catalyst for change, the impact of external pressure is likely to be extenuated under these circumstances. This is most often in the form of other donors or significant players (the United States, the United Nations); but also recipient states, acting individually or collectively, through regional and multilateral fora.³ External pressure may promote change but to the extent that other governments or donor agencies influence Japan's aid goals, they may also be policy advocates and thus add to the complexity of the policymaking process.

Policy procedures play an important role in shaping outcomes. They become the means by which innovation is stifled and bureaucratic

interests protected. To the extent that this becomes a source of policy dysfunction, it undermines the traditional purpose of the official development assistance system in Japan, whereby procedures and processes were created to achieve policy goals more effectively.

The above paradigm suggests that the key to policy coordination versus conflict is the number, power and range of policy actors or advocates (including recipients and other donors), their goals and interests (and how compatible these are) and the extent of policy coordinative capacity (whether there are channels that compel or require coordination). The personality of individual policymakers may also be a crucial variable.

Policy goals

Here, the diversification and interaction of four broad sets of policy goals is emphasised: foreign economic (especially fisheries), diplomatic, domestic interest group/ private sector, and bureaucratic.

- **Foreign economic**—in general this refers to the traditional policy goals of Japan's aid (resource security, trade development and the promotion of foreign investment). This study emphasises fisheries interests and the way these have shaped aid policy goals, from being limited essentially to protecting Japan's traditional access to the fishing grounds of the South Pacific, to coping with problems of structural adjustment within the Japanese distant water fishing industry, countering the challenges of regional cooperation by South Pacific coastal states and addressing environmental and conservation concerns, both global and regional.
- **Diplomatic**—this refers to more traditional foreign policy priorities. These include good political relations with other states, support for Japan's position in international fora, international prestige and status, and security (broadly defined). Initially Japan had few diplomatic goals in the South Pacific outside of fisheries. Over time, relations with the region became important in their own right and as part of enhancing Japan's relations with the United States. Diplomatic goals diversified and became more divorced from fisheries interests. Conflict also emerged between the economic self interest inherent in Japan's fisheries diplomacy, and the diplomatic imperatives of creating goodwill and a positive image as an aid donor.

- **Domestic interest groups**—apart from the fisheries sector, this includes those private sector actors whose interests are in extracting commercial benefits from delivering aid projects. Fisheries industry goals regarding official development assistance were initially in line with government policy goals (that is, securing fishing rights at relatively cheap rates), but over time, conflicts emerged both between different sections of the fishing industry, and between industry and government, making policy goals (private sector and state) more difficult to reconcile. On the other hand, the commercial interests of the private sector engaged in the 'business' of aid have remained fairly constant, and supported by bureaucratic goals. But increasingly these goals of supporting domestic business through aid projects have conflicted with diplomatic goals that aim to establish Japan's credentials as a leading aid donor.
- **Bureaucratic**—this refers to the way different ministries and agencies view the ends of aid policy in terms of the interests and objectives of their organisation (and sometimes the personal ambitions and agenda of individual policymakers). The role of various ministries and agencies is highlighted insofar as they share responsibility for aid policy decision-making and contribute to the complexity and rigidity of procedures. Bureaucratic goals have always shaped Japan's aid policies, but they were not initially a source of policy dysfunction in respect to the South Pacific. However, competing agenda of Ministry of Foreign Affairs and the Fisheries Agency; resistance by key ministries (such as Finance) to policy innovations; and the political implications of reforms mooted by external actors, to bring Japan's aid policies more in line with those of other donors, have highlighted the importance of bureaucratic interests and goals.

Given the diversity of organisations with a stake in official development assistance and their diverse agenda, conflicts over policy are inevitable. Procedures and processes are integral to promoting and aggregating bureaucratic interests in aid policy. Policy outcomes reflect the relative weight of bureaucratic actors and their organisational goals. The decision-making system may thus exert a strong influence over the content of policy, as well as the prospects for innovation. Procedures and processes are synonymous with power—and with inertia, because change may threaten the distribution of power and

thus the political influence over policy that organisations and individuals wield. Such threats are likely to be resisted.

The Pacific islands region

The Pacific islands region encompasses 22 island countries and territories.⁴ Three broad cultural sub-regions are Melanesia in the west, Polynesia in the east and Micronesia in the central western Pacific, mostly north of the equator. Melanesia is made up of Papua New Guinea, 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.

With the exception of the inter-war period, when Japan administered parts of Micronesia, the region was dominated by Western metropolitan powers during the colonial era. The US held American Samoa and Guam. Australia administered Papua and New Guinea. Britain administered the Solomon Islands, Fiji, the Gilbert and Ellice Islands (later known as Kiribati and Tuvalu), and was in charge of the foreign policy, defence and some aspects of financial management 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. France had the territories of New Caledonia, Wallis and Futuna, and French Polynesia.⁵

After the Second World War, Japan was stripped of its League of Nations mandate through which it had governed the Micronesian groups known as the Marianas, Marshalls and Carolines. These islands were taken over by the United States and known as the US Trust Territory of the Pacific Islands. Despite its expulsion from the region, Japan's legacy in Micronesia continued as a result of inter-marriage of Japanese and Micronesians and the high proportion of Japanese language speakers amongst the islanders who lived under Japan's rule. For these historic reasons (and geographic proximity) Japanese links with Micronesia in the post-war era have generally been closer than its links with other parts of the region.

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), Solomon Islands and Tuvalu (1978), Kiribati (1979), and Vanuatu (1980). The Trust Territory of the Pacific Islands was divided into four political entities: the Federated States of Micronesia, the Marshall Islands and Palau, which opted for free association with the United States, and the Northern Marianas, which chose to become a Commonwealth in 'political union' with the United States.⁶ The French colonial presence remains intact, despite the presence of anti-colonial movements in French Polynesia and New Caledonia, while the United States still governs Guam and American Samoa, New Zealand retains responsibility for Tokelau, and the UK for Pitcairn.

Decolonisation was generally peaceful and Pacific island states retained close ties with their former colonial rulers. Moreover, different colonial experiences left their mark on post-colonial political systems. While Tonga (which was never fully colonised) retained its autocratic monarchy, all other independent countries have evolved various forms of Western-style parliamentary democracy. The former British, Australian and New Zealand colonies 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 adopted a political system based on rule by chiefs.

The post-colonial era has been characterised by increasing political complexity. Leadership transition has become more unpredictable in a number of states as constitutional processes have either been subverted or challenged. This is reflected in the short term and unstable governments in Melanesia, the military coups in Fiji in 1987 which led to a prolonged period of constitutional review, a pro-democracy movement in Tonga and pressure for reform in Western Samoa. The record of peaceful decolonisation was also overturned by violence in New Caledonia in the 1980s between pro-independence and pro-French forces. Anti-French violence has also been evident in French Polynesia, where French colonialism was closely linked with nuclear testing.

Pacific island countries conduct their foreign relations through a variety of bilateral, regional and international channels. A distinguishing feature of Pacific island diplomacy is the emphasis on regional organisations and collective diplomacy. This has its origins in the colonial period. The two principal inter-governmental regional organisations are the South Pacific Forum and the South Pacific

Conference/Commission. The South Pacific Forum is the annual meeting of the 16 heads of government of independent and self-governing states in the region, and includes Australia and New Zealand. It is serviced by the Forum Secretariat which is based in Suva. The South Pacific Conference is the annual meeting of members of the South Pacific Commission, which comprises all island states and territories and metropolitan powers with former or continuing colonial connections with the area. It is based in Noumea, New Caledonia. Under the umbrella of these two organisations are a number of other regional agencies, including the Forum Fisheries Agency, the South Pacific Regional Environment Program, and the South Pacific Applied Geoscience Commission.

Collective diplomacy is also evident in global fora. Eight Pacific island countries are members of the United Nations (Papua New Guinea, Fiji, Solomon Islands, Vanuatu, Western Samoa, the Federated States of Micronesia, the Marshall Islands and Palau) (Hoadley 1992). These states coordinate their diplomacy through the South Pacific group (SOPAC) and the Alliance of Small Island States.

Sub-regional cooperation has also been promoted, most notably among the Melanesian states through the Melanesian Spearhead Group. This includes Papua New Guinea, Solomon Islands and Vanuatu. Fiji was admitted as an observer and is now a full member. The Melanesian Spearhead Group was initially preoccupied with independence in New Caledonia but since that conflict was defused it has focused on developing closer economic ties between its members (Grynberg and Kabutaulaka 1995).

Regional cooperation between Pacific island states has tended to emphasise international and regional issues, and excludes domestic political problems. This has preserved the consensus-based decision-making process in regional fora. However issues such as the violent secessionist struggle on Bougainville in Papua New Guinea, which broke out in 1989, have not been part of the official regional agenda, despite tensions between Papua New Guinea and Solomon Islands, whose common border was part of the frontline of the Bougainville conflict.

During the Cold War period of the 1970s and 1980s Western metropolitan powers remained influential in the region and contact between Pacific island states and the Soviet Union was minimal. The main non-Western actor in the region during this period was Japan. Next was the People's Republic of China, whose principal concern was

diplomatic rivalry with Taiwan (the Republic of China). Cold War concerns encouraged former colonial powers to maintain aid to the region at levels which average the highest per capita in the developing world.⁷

Japan's aid presence began on a limited scale in the 1970s and grew significantly in the 1980s. It was bilateral and mainly for infrastructure projects, initially in the fisheries sector but increasingly other areas. With the exception of Papua New Guinea, which received yen loans, all aid provided by Japan was grant aid. By the end of the 1980s, Japan was the largest or second-largest bilateral donor to almost all Pacific island states.

The end of the Cold War and economic recession in Western donor countries led to shifts in the early 1990s in the aid policies of some major regional donors. The United States ended its aid program to the region and Britain scaled down its program. Australia moved towards program aid in Papua New Guinea (away from budget support) and pushed for more policy conditionality in aid to other regional states. Its emphasis was increasingly on promoting domestic reform and achieving more effective results from aid. Australia also sought to promote greater dialogue and coordination among aid donors.

Australia's more interventionist stance on aid and development issues in the region created tensions with some island states (Solomon Islands and Papua New Guinea). It also fuelled tensions with Japan, the dominant donor beside Australia.⁸ Although advocating greater donor coordination, Australia criticised Japan's fishing practices in the region, promoting efforts through its aid program to secure higher access fees for coastal states and stronger conservation measures.

Vast disparities within the region make generalisations about the economic conditions of Pacific island states problematic. Papua New Guinea's population and land area far exceed the rest of the region's combined, accounting for 88 per cent of its 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 population. This leads to great differences between island states in their land-based resource endowments.

A common characteristic of most Pacific island states is the important role of aid in their economies. The ratio of aid to GDP is more than 20 per cent for many countries and for a few (Tuvalu for example) it is as high as 70 to 80 per cent. This reflects the small export base of many countries and low levels of domestic savings. Fiji, with a relatively large

export base and higher savings rate, has an aid to GDP ratio of only 5 per cent. Aid has sustained high levels of funding in the public sector and in infrastructure development, and supported relatively stable balance of payments positions. Aid is also a factor contributing to the favourable human development standards in the region. The United Nations Development Program's Human Development Index (HDI), which measures a country's achievement in terms of life expectancy, education and income, has ranked Fiji as having a high HDI and other South Pacific states as medium HDI.

Despite these positive ratings, serious problems confront most island countries. Economic growth in most states has not kept pace with population growth. While annual GDP growth in the 1980s and early 1990s fluctuated significantly for most countries, trends in income per capita were either stagnant or negative. Standards of living have therefore not improved in the region. Moreover, according to some assessments, ready access to aid has meant that economic and financial adjustment and reform measures have been postponed or avoided. With the prospect of current aid flows being either cut back or held at existing levels, Pacific island countries will need to make adjustments, in particular to reduce or control their expenditure (United Nations 1996).

The importance of marine resources is another common feature of the Pacific island countries. Coastal fisheries play a major role in supporting subsistence economies. Offshore pelagic fisheries (mainly tuna) are a key source of foreign exchange for Kiribati, Tuvalu, Marshall Islands, Federated States of Micronesia, Fiji, Tonga and Solomon Islands particularly. Foreign exchange is mainly earned from the sale of fishing rights to distant water fishing fleets, while some countries export fish products and receive remittances from the employment of Pacific islanders on distant water fishing vessels.

The central and western Pacific produces almost one half of global catch of primary market species of tuna and about 60 per cent of global demand for canning tuna. In 1995 the estimated value of the regional fisheries was about \$1.7 billion. Of the estimated 1 million tonnes taken annually from the zones of the Pacific island countries, only 5 per cent is taken by locally owned fleets or foreign fleets in joint venture with a local partner. Distant water fishing nations account for the main share of fishing activity. In 1995 these included purse seine fleets from the United States (46 vessels), Taiwan (43 vessels), Japan (32 vessels), South Korea (29 vessels) and the Philippines (11 vessels). Purse seiners accounted for 780,000 tonnes of tuna in 1995, worth about \$750 million.

Longliners (from Japan, Taiwan and South Korea) accounted for 110,000 tonnes of tuna in 1995, worth an estimated \$590 million. The longline vessels mainly target the higher-value bigeye and yellowfin tuna for the *sashimi* market in Japan.

Total access fees paid by distant water fishing nations are estimated to be about \$50 million a year. This includes about \$18 million from the United States under a multilateral access agreement, and about \$19 million paid by Japanese vessels under bilateral access arrangements. For Japan, this is equivalent to between 4.5 and 5.5 per cent of the catch value, while the US agreement, which is subsidised by the US government, pays close to 10 per cent rate of return.⁹

Not all countries benefit from foreign fishing activity, since the more productive fishing grounds are located in the central and western Pacific (the economic zones of Papua New Guinea, Solomon Islands, Federated States of Micronesia, Palau, Nauru, Kiribati, Marshall Islands and Tuvalu.) Similarly, some countries are endowed with large

Table 1.1 Selected Pacific island countries

Country	Political status	Population (1993)	GDP per capita US\$ (1993)	Aid per capita US\$ (1992)
Cook Islands	Associated State (NZ)	19,000	3,339	995.6
FSM	Associated State (US)	114,000	1,900	68.2
Fiji	Independent State (Republic)	747,000	1,884	85.7
Kiribati	Independent State (Republic)	78,000	500	362.2
Marshall Islands	Associated State (US)	51,000	1,640	n.a.
Nauru	Independent State (Republic)	10,000	8,000	10.0
Niue	Associated State (NZ)	2,000	1,600 (1990)	1,566.7
Palau	Associated State (US)	16,000	3,400 (1990)	n.a.
Papua New Guinea	Independent State	4,149,000	1,278	109.0
Solomon Islands	Independent State	354,000	679	134.3
Tonga	Independent Kingdom	99,000	1,482	238.6
Tuvalu	Independent State	13,000	767 (1990)	933.3
Vanuatu	Independent State (Republic)	161,000	1,171	260.3
Western Samoa	Independent State	158,000	706	297.0

Source: ESCAP, *Economic and Social Survey of Asia and the Pacific*, 1996 Report:40; South Pacific Commission, *South Pacific Economies Statistical Summary*, 1993 Working Paper 3.

zones and others with small ones, creating wide disparities in earnings and foreign exchange.

Fisheries production has grown rapidly since the 1980s, raising concerns about the impact on fish stocks. Coastal fisheries in many areas are under pressure due to overfishing, but offshore pelagic fisheries (particularly skipjack and yellowfin) are considered to be in a healthy state. Albacore and bigeye, which mostly exist in areas beyond economic zones without management regulations, are believed to be under pressure (South Pacific Commission 1993).

The Pacific island region has the world's last remaining undepleted commercial stocks of tuna. While offering major economic benefits, it also puts acute pressure on the region to manage their resources sustainably, in cooperation with the distant water fishing nations. There is thus much at stake in harmonising the interests and policies of the Pacific island coastal states and distant water fishing nations.

Japan's aid to the South Pacific: problems and prospects

A common view of Japan's role in the Pacific islands is that of an economic giant capable of dominance, not just in aid but in the 'totality of relations' (Rix 1993:176). Japan's economic importance to the region should not be underestimated, especially for countries that are highly dependent on overseas development assistance and face the prospect of declining aid from other sources.

Japan provides large-scale projects to the region, as well as technical assistance, and there are no indications that it will follow the direction taken by the United States and Britain in the foreseeable future and reduce bilateral aid. Even countries such as Fiji, that are relatively well-off, have continued to receive large grants for projects that purport to have a regional basis. Japan has also introduced new aid initiatives for the region. These include environmental aid, which also encompasses small-scale grant aid, aid to non-government organisations, and the South Pacific Centre in Tokyo. The latter aims to promote economic and political links between Japan and the region.

Japan's importance as an aid donor in the South Pacific, both now and in the future, rests not only on the scale of its assistance but the extent to which it can translate its 'dominance' into 'leadership'.

It has been suggested elsewhere that Japan's aid diplomacy has, in general, been 'extremely successful'; that through aid Japan has 'overwhelmingly achieved its national goals of economic security, economic superpower status and foreign recognition of its

achievements' (Nester 1990:71–97). Such a view overlooks the problems of an aid program that has had to accommodate an increasingly complex and diverse set of policy goals and agenda, without commensurate administrative adjustments. Such a view fails to consider the implications of conflicting policy goals and leads to simplistic and sometimes inaccurate assertions about Japan's ability to project power through aid.

For Pacific island states Japan is a valued aid donor who has contributed significantly to their development, especially by financing major social and economic infrastructure. But Japan has also proved to be a difficult donor. The insistence that aid be centred on large-scale infrastructure projects means that the benefits of Japan's aid may not be easily translated throughout society. Large-scale projects often create untenable cost burdens for the island states. In some cases, projects end up as 'white elephants' especially if there is no back-up support. An assessment by Papua New Guinea officials of the National Fisheries College established with Japanese aid was that 'resources and facilities were inadequate to carry out effective training' (Department of Fisheries and Marine Resources 1989).¹⁰ This was echoed in evaluations of Japanese aid projects in other Pacific island states (FAIR 1993).

The concentration on large-scale infrastructure projects also contributes to the erratic flow of aid from Japan experienced by many countries in the region. This reflects the problems of identifying consistent numbers of large-scale projects. There is thus uncertainty about the level of aid to the region from year to year. Compounding these problems are numerous layers of decision-making in Japan; the protracted project cycle and the rigidity with which rules and procedures are followed.

Pacific island countries have also experienced the negative effects of political intervention in Japan's aid decision-making. On one level this refers to the use of aid to threaten, punish or cajole states. All countries in the region, from the largest (Papua New Guinea) to the smallest (Tuvalu), have at times experienced these pressures, especially in respect to fisheries access agreements. The other level of political intervention is in the projects offered and the quality of the aid received. Political considerations in Japan often dictate that recipients serve as the source of commercial opportunities for Japanese business interests. But while aid contracts might be lucrative from the perspective of the suppliers, they are not necessarily value for money (or even useful) from the perspective of the recipient.

Pacific island countries may take measures to address these problems. Managing relations with Japan requires regional cohesion and collective diplomacy, as well as building alliances with other major powers. This has resulted in the strengthening of institutionalised regional arrangements and the gradual acceptance of these by Japan. A regional approach may also help to elevate the political profile of the region in Japan and secure cooperation on a range of issues.

In the area of official development assistance, there is a need to further enhance transparency of donor policies and practices. Regional frameworks may provide avenues for such oversight. This would require shifting the current emphasis on recipient policies and domestic reforms to donor practices. Pacific island countries need to ensure that donors do not take advantage of the vulnerability of individual island states.

The main challenges, however, are for Japan to confront. Two fundamental changes are necessary in order to facilitate policy reform and innovation, in line with recipient interests. These involve seemingly contradictory processes, in the national and international context, but they are in essence complementary

- to devolve decision-making power so that aid officials outside Tokyo are willing and able to make decisions and to act outside the established channels and hierarchies, that often reinforce vertical but not horizontal policy integration
- to centralise and streamline decision-making procedures in Tokyo, so that there is a central decision-making body able to formulate coherent policy, and that is also held accountable for policy. In this context, it would also be necessary to formulate aid legislation that binds policymakers to legally established practices and policies.¹¹

These are not new proposals; they have been at the heart of numerous initiatives and reforms mooted in the past. But so far it has been impossible, for political reasons, to bring about major institutional change.

Notes

- ¹ 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.
- ² This term (*otsukiai enjo*) has been used to describe Japan's South Pacific aid in Orr (1990:89). It refers to 'aid flows to smaller countries of little political or economic significance to Japan'.
- ³ Divisions and conflicts between policymakers may also create opportunities for external actors to influence the decision-making process. One version of this is the process described by Orr (1990).
- ⁴ The term Pacific islands region is used in this study interchangeably with South Pacific. These terms generally refer to the same area. Historically the Japanese word *Nan'yo* (South Seas) was used to refer to the Pacific islands and, at times, Southeast Asia and the South China Sea. The Japanese government now uses the term Oceania to refer to the Pacific islands, Australia and New Zealand.
- ⁵ This situation describes the period following the First World War, when Germany lost its Pacific possessions. These included Western Samoa, Nauru and the islands of Micronesia that Japan subsequently administered. Spain lost its Pacific islands territories in Micronesia in 1898.
- ⁶ Palau's transition to independence was delayed due to differences with the United States over the Palauan Constitution. It formally entered a Compact of Free Association with the United States in October 1994.
- ⁷ According to the Development Assistance Committee of the OECD, aid or ODA is provided by official agencies; administered with the promotion of economic development and welfare of developing countries as its main objective; and concessional in character (having a grant element of at least 25 per cent) (Development Assistance Committee, various years).
- ⁸ In the 1990s, other bilateral donors are small by comparison. They include New Zealand, France and Germany. Amongst the multilateral donors, the key players are the European Union and the Asian Development Bank.
- ⁹ Due to a reduction in the number of US vessels operating in the region the rate of return in 1997 was estimated to be close to 16 per cent.
- ¹⁰ An example cited was that of a fisheries training vessel, which ceased operations in 1983 after Japan withdrew its expert.
- ¹¹ It is possible that such centralisation may further weaken the Pacific island states if it removes the opportunity for using bureaucratic divisions within Japan as a source of leverage. This was pointed out to the author by Professor Ron Crocombe.

2

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 (Goto 1990:75).

Japan's aid program to the South Pacific grew out of an approach to economic cooperation with developing countries that Japan initiated in the 1950s. The first step towards becoming an aid donor was taken in 1952 when Japan contributed \$80,000 to the United Nations Expanded Program of Technical Assistance, a forerunner of the United Nations Development Program. In 1954, Japan joined the Colombo Plan for Cooperative Economic Development in South and Southeast Asia and contributed 18 million yen (about \$50,000) in technical assistance: trainees and experts mainly in agriculture and fisheries.

Also in 1954 Japan concluded the first of several war reparations agreements which committed Japan to provide grants, private loans and export credits as settlement for World War Two-related damages. The first was with Burma. Others followed with the Philippines (1956), Indonesia (1958) and South Vietnam (1960). Economic aid, not covered by formal reparations agreements, was also provided to eight other countries as compensation payments. Between 1959 and 1967 these included Thailand, Laos, Cambodia, Korea, Singapore and Malaysia. Total reparations payments were about 356 billion yen (\$1 billion) (Takagi 1995:12).

In 1958 Japan's official yen loan program commenced with the first agreement to provide 18 billion yen (\$50 million) to India, followed by loans to Pakistan, Paraguay and South Vietnam. Initially government loans were made to Japanese firms carrying out development projects in recipient countries. It was not until 1965 that concessional loans were made to foreign governments.

Japan's aid thus began largely as a way of 'compensating' for the war time aggression and occupation of neighbouring countries. But this goal dovetailed with the overriding preoccupation of post-war Japan: economic recovery through growth in industrial production and trade. Government capital flows to neighbouring developing countries were instrumental in facilitating the penetration of Japanese firms into foreign markets, promoting exports, as well as securing access to raw materials.¹

The strengthening of the Japanese economy was also a goal that, from 1949, the United States supported as part of its Cold War strategy. Thus the United States encouraged measures that could promote Japanese trade, particularly exports to the Asian countries. For this reason the United States backed Japan's membership of the Colombo Plan in 1954 (Takagi 1995:13).

In the early stages of Japan's aid program the term 'economic cooperation' (*keizai kyoryoku*) rather than aid (*enjo*) was adopted. Economic cooperation described both private and government capital flows to neighbouring developing countries, including loans, export credits and private investment, encompassing profit-oriented activities of Japan's private sector and aid was explicitly linked to the promotion of those activities. The basic orientation of economic cooperation was to assist the Japanese economy.²

Close links were forged between the government and private sector in economic cooperation. The Japanese private sector had a key role, such as supplying goods paid for by reparations grants. In the formative years of Japan's economic cooperation, private sector actors, including business leaders, were incorporated into the policymaking sphere (Arase 1994).

The administrative structures governing aid policy took shape in the late 1950s and early 1960s. Aid policy was officially coordinated by the 'four ministry and agency system' (*yonshocho*), which included the Ministry of International Trade and Industry, the Ministry of Foreign Affairs, the Ministry of Finance and the Economic Planning Agency (EPA). The Ministry of International Trade and Industry's role in promoting Japan's post-war industrial and commercial growth, especially in developing foreign markets, gave it a special interest in 'economic cooperation'.

The Export Import Bank (Ex-im Bank), set up in 1952, was initially the main implementing agency for loans and export credits. In 1960 the Overseas Economic Cooperation Fund (OECF) was created and eventually took over responsibility for administering all concessional

loans (that is, with interest rates less than 4 per cent) to developing economies. The OECF, which had its origins in a special Ex-im Bank fund, the Southeast Asia Development Cooperation Fund, was under the jurisdiction of the Economic Planning Agency. The creation of the OECF reflected growing concern about securing stable supplies of raw materials from developing countries. Its 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 (Arase 1994:175–76).

In 1962, the Overseas Technical Cooperation Agency (OTCA) was set up and given responsibility for implementing technical cooperation. The Agency was formally under the authority of the Ministry of Foreign Affairs, but by 'informal agreement key posts in OTCA were reserved for nominees of other ministries and agencies' (Arase 1994:176). In 1974 the OTCA merged 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 the Development Assistance Committee (DAC) which it subsequently joined, the International Development Association (IDA) of the World Bank, and the International Monetary Fund (IMF). Japan also played a prominent role in new regional multilateral fora, especially the Asian Development Bank which was established in 1966 (see Yasumoto 1983).

These organisations provided Japan with a means of rebuilding its international role and forging relations with developed and developing countries. Japan was especially concerned about becoming a member of the OECD and 'joining the club of advanced countries'. Membership of the Development Assistance Committee was instrumental in this respect (see Yanagihara and Emig 1991). Participation in international fora also led to some clarification of the terms 'economic cooperation' and 'aid'. The distinction lay in the way 'aid' came to be associated with the Committee's definition of 'development assistance', which was defined by the Ministry of International Trade and Industry as 'economic cooperation in the narrow sense' (for a discussion of these concepts and how they evolved, see Rix 1980, especially Chapter 1). This essentially excluded non-concessional government financial flows to developing countries, described by the Development Assistance Committee as 'other official flows'.³

In line with its membership of international donor organisations, Japan began to extend grant aid in the late 1960s that was 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, under the jurisdiction of the Ministry of Foreign Affairs, with Overseas Technical Cooperation Agency 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. It was not until the 1980s that efforts were made to increase the share of grants.

In 1969, the United States and Japan signed the only agreement on war reparations involving Pacific island countries. Under this agreement, which was limited to the former Japanese controlled islands of Micronesia, Japan pledged to provide 1.8 billion yen (\$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' (Article 1 of Claim-Trust Territory of the Pacific Islands Agreement between the United States of America and Japan, 1969; cited in Grant Goodman and Felix Moos, 1981). This was intended to settle all Micronesian claims against Japan for the loss of lives and property during the war. The payment period was from 1972-76.

By the end of the 1960s, the term 'aid' had come to be associated with official concessional transfers.⁴ Japan's official development assistance 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 official development assistance, 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 post-war foreign policy.⁵ In 1969, 100 per cent of Japan's official development assistance 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. These categories leave out the Pacific islands, which reflects a more general problem in Japan of defining where, in the broader regional settings, the Pacific islands belong (Rix 1981:301).

A second distinguishing feature was the emphasis on yen loans. In 1969, 63 per cent of Japan's bilateral official development assistance comprised yen loans. This share grew in the late 1970s when reparations payments ceased and yen loans doubled. The share of grants was among the lowest of the DAC member countries. The emphasis on loans reflected the fact that 'economic cooperation', and not 'aid' was the focus of Japan's diplomacy and tailored to Japan's own interests. Moreover, it was argued that countries should be encouraged to be 'self-reliant'. Loans, not grants, would instil the discipline that would lead to self-reliance.

A third distinguishing feature was the emphasis on infrastructure projects.⁶ 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. Until 1965, yen loans were 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. The project-tied aid helped to ensure the involvement of the Japanese private sector in delivering official development assistance.

A fourth feature was the request-based nature of Japanese official development assistance. The Japanese government 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 (Orr 1990:144).⁷

A fifth characteristic was the way decision-making was largely case by case, reflecting the project approach in a decentralised aid bureaucracy. Each loan project was subject to consultation and coordination within the *yonshocho* system, whereby no single ministry or agency had sole discretion over all or even part of the aid program.

Japan's official development assistance policies were dominated by economic issues, being primarily concerned with Japan's post-war recovery and economic relations with its Asian neighbours. Political issues were hardly visible, although the Ministry of Foreign Affairs attached importance to the diplomatic effects of official development

assistance 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 more recipients and wider foreign policy objectives and challenges. This is when Japan's aid to the South Pacific was initiated.

Japan's official development assistance in the 1970s

In its early stages, Japan's aid program reacted mainly to opportunity: to provide compensation, rebuild economic ties, create markets and secure a stable supply of raw materials. In the 1970s, there was a tendency for the program to react to challenges to Japan's security. Developments in the international arena which had a significant impact on Japan's aid policy included the emergence of 'resource nationalism', and a 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 (Nester 1990).

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' (Orr 1993:290).⁸ 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.

The 1973-74 oil crisis coincided with the preparation and commencement at the United Nations of the Third Law of the Sea Conference. Key issues to be resolved were the status and size of the territorial sea and contiguous zones and the jurisdiction of coastal states over resources within these areas. The conference was convened in response to a growing trend by coastal states to enclose previously open seas within national boundaries. This trend was strongly opposed by Japan, given its interests as a distant-water fishing nation, but supported by many developing states.

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, including Africa, the Pacific islands, Latin America, and the Middle East. Resource security, always one factor underlying Japan's official development assistance, became a

more salient political and economic imperative of official development assistance. This was evident in aid reports of the Ministries of International Trade and Industry and Foreign Affairs 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 official development assistance. Reliance on natural resources led Japan to channel assistance (often in conjunction with private sector investment) into sectors where it had an interest in securing stable supplies.

In the early 1970s, a special category of grant aid for fisheries was introduced 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. The reparations agreement for the settlement of Micronesian war claims facilitated the first cases of fisheries aid to the South Pacific region in 1973, although this was not officially fisheries grant aid.⁹

Throughout the 1970s, most of the Japanese aid to the Pacific island countries was allocated from the fisheries grant aid budget. The South Pacific was thus an anomaly in Japan's aid program, receiving grant aid rather than yen loans. Only Papua New Guinea would receive yen loans. The Japanese government's rationale for this emphasis on grant aid was that small island economies have limited demand for large-scale infrastructure projects and low capacity to service loans (Numata 1990).

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 Kakuei Tanaka on a visit in 1974. These demonstrated the depth of animosity for Japan that lingered in the region, but also the way Japan's foreign economic policies had bred negative and hostile reactions. What was also demonstrated was the tension between using aid to promote Japan's economic interests while 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 Takeo Fukuda pledged new aid policies towards the member countries of ASEAN, including \$1 billion for five ASEAN regional projects. This was announced as part of the Fukuda Doctrine on Japan's relations with Southeast Asia, which revealed conflict between diplomatic and economic interests in Japan's

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Southeast Asian aid diplomacy. Because of resistance from key ministries (Ministry of Finance, Ministry of International Trade and Industry and the Ministry of Agriculture and Forestry) to increase official development assistance significantly, relax tariff barriers and promote agricultural imports (what the ASEAN leaders really wanted) the substance of Japan's pledges of economic assistance was limited. This 'disappointed' ASEAN leaders and weakened the diplomatic effect of the Fukuda Doctrine (Yasutomo 1990:492-93 and Sudo 1988:27-50).

The international donor community (and key allies such as the United States) also put increasing pressure on Japan to enhance the qualitative and quantitative aspects of its aid program, partly as a response to Japan's persistent large current account surpluses since the late 1960s. In 1977 Prime Minister Fukuda pledged that Japan would double its official development assistance within three years, the first in a series of medium-term targets. 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 Ministry of Finance. It also 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 (Rix 1980:41-44).

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, as well as that of the West. In the post-war period the Japanese government relied on the United States for its defence under 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 allowed on the grounds that it was 'defensive') and any overseas despatch of military force. Japan's aid was also strictly for economic and not military purposes. This was spelt out in 1979 when the Japanese government resolved 'not to carry out economic assistance that will be applied toward military use or promote international conflict' (Inada 1990:100-20).

Nevertheless, in the late 1970s official development assistance became a central component of Japan's nascent 'peace diplomacy', as a non-military means for supporting the Western defence effort. 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) (Yasutomo 1986, Inada 1990). As a corollary to this, aid was suspended or reduced to countries that were perceived as threats to Western interests, including Afghanistan, Angola, Cambodia, Cuba, Ethiopia and Vietnam.

The importance of supporting American strategic interests and using official development assistance in concert with US foreign policy was particularly marked in the heightened Cold War environment of the late 1970s and early 1980s. US pressure on Japan's aid program was an important influence at this time, especially on the Ministry of Foreign Affairs (see Orr 1988, 1990). The term 'strategic aid' was applied to policy conducted in concert with the strategic interests of the United States, meaning Japan's contribution to the American-led anti-communist strategy (Inada 1990, Yasutomo 1986).¹⁰ But Japan's aid program was also based on the rationale that the nation's security rested on the political stability of recipients, which was a product of their economic development (Brooks and Orr 1985).

By the end of the 1970s, Japan's official development assistance had acquired a more political orientation, especially in terms of promoting Japan's security. For example, the role of official development assistance was defined by a 1980 Ministry of Foreign Affairs report as 'the cost of building an international order to secure Japan's overall national security'.¹¹ But the link between official development assistance and security was ambiguous and ill-defined and appeared to be a rationale mainly articulated for the benefit of foreign audiences and allies, whereas the link between official development assistance and economic security fitted more easily into Japan's established approach to 'economic cooperation'. The Foreign Ministry's role in defining the purpose of official development assistance assumed greater precedence. The Ministry's interest in acquiring kudos with other donors through official development assistance also became a more prominent factor in its support for Japan's aid program, particularly in its efforts to increase aid to the South Pacific, initiated in the mid 1980s.

An attempt to integrate the various factors of Japan's overall security, at least conceptually, was made at the end of the 1970s. Known as 'comprehensive national security', this was a broad-based policy response to changes in Japan's international security environment. It combined diplomatic, economic and military (enhancing national

defence capability) factors. The relationship between comprehensive security and economic cooperation was, however, confusing. It was not clear whether comprehensive security was the 'overriding framework' for aid policy, or one component within an 'overall philosophy of economic cooperation' (Yasutomo 1986:32).

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 in the wake of Vietnam's 1978/79 invasion of Cambodia. The Ministry of Foreign Affairs was more concerned about relations with ASEAN and the United States, and thus supported termination of Japan's aid program to Vietnam. On the other hand, the Ministry of International Trade and Industry, concerned about promoting economic relations with Vietnam, supported a more flexible policy (Orr 1990:142). The difficulties of using official development assistance as a diplomatic instrument to create a more positive image of Japan with developing countries (an implicit part of comprehensive security) had also become apparent.

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 Foreign Affairs, to adopting policies of economic cooperation that addressed the concerns of developing countries, such as identified by the ASEAN states (Sudo 1988:37–8). In this case, the general offers of official development assistance made by Japan to ASEAN as a group were not a clear 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 (including Japan's key ally, the United States). Managing Japan's relations with other developed states became an increasingly important factor underlying official development assistance policies in the 1980s. Ministry of Foreign Affairs role as an advocate for economic cooperation on the grounds of prestige, kudos and status *vis-à-vis* other Western powers was also increasingly at odds with the position of other ministries more interested in specific economic returns on official development assistance.

Japan's official development assistance in the 1980s

In the 1980s Japan's aid to the South Pacific grew rapidly. The emphasis in Japan's aid program was on achieving continuing growth in official development assistance; that is, meeting quantitative targets. The 1980s was a decade of aid doubling plans and the decade when Japan first attained the rank of world's largest donor. The first aid doubling plan was completed in 1980. The Japanese government then proceeded with a second medium-term plan, which aimed to double official development assistance in the period 1981 to 1985. A third aid doubling plan, for the period 1986 to 1992, was realised by 1988, 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).¹²

In rationalising these aid flows there was greater emphasis in official rhetoric on 'burden-sharing' and on Japan's 'international obligations and responsibilities'. An example of this was the policy guideline that emerged in the early 1980s: 'aid to those countries which are important to the maintenance of peace and stability of the world' (Ministry of Foreign Affairs 1984:2). This rationalised aid to the Caribbean as well as to Southeast Asia. It was also used as a justification for increased aid flows to the Pacific islands in the mid-1980s and was incorporated into the Kuranari Doctrine.

Perhaps the clearest expression of the burden-sharing rationale was Prime Minister Takeshita's International Cooperation Initiative of 1988. There were three pillars of the Initiative: 'cooperation towards achievement of peace, expansion of official development assistance and promotion of international cultural exchange' (Ministry of Foreign Affairs 1990:6). One month after the announcement of the International Cooperation Initiative, and just prior to the Group of Seven (G7) economic summit in Toronto, the Japanese government announced its fourth medium-term target. The practice of announcing official development assistance doubling plans at G-7 summits continued in the 1990s. This reflected the use of aid by the Japanese government as a way to mitigate trade tensions and respond to US pressures to enhance its aid efforts. For example, in 1987 the US Senate passed a resolution calling on Japan to raise the ratio of official development assistance to GNP to 3 per cent by 1992 (Ministry of Foreign Affairs 1988:11).

This imperative also influenced the announcements between 1987 and 1989 of additional commitments to fund debt relief measures and

Table 2.1 **Japan's official development assistance, 1977–93 (net disbursements)**

	ODA (\$ million)	Increase (per cent)	ODA/ GNP (per cent)	DAC Average (per cent)	ODA (Yen billion)	Increase (per cent)
1977	1,424	28.9	0.21	0.33	3,825	16.7
1978	2,215	55.5	0.23	0.35	4,663	21.9
1979	2,638	19.1	0.26	0.35	5,781	24.0
1980	3,304	25.3	0.31	0.37	7,491	29.6
1981	3,171	-4.0	0.27	0.35	6,993	-6.6
1982	3,023	-4.7	0.28	0.38	7,529	7.7
1983	3,761	24.4	0.32	0.36	8,933	18.6
1984	4,319	14.8	0.34	0.36	10,258	14.8
1985	3,797	-12.1	0.29	0.35	9,057	-11.7
1986	5,634	48.4	0.29	0.35	9,495	4.8
1987	7,454	32.3	0.31	0.35	10,782	13.6
1988	9,134	22.5	0.31	0.36	11,705	8.6
1989	8,965	-1.9	0.31	0.34	12,368	5.7
1990	9,069	1.2	0.31	0.35	13,131	6.2
1991	10,952	20.8	0.32	0.34	14,731	12.2
1992	11,151	1.8	0.30	0.33	14,125	-4.1
1993	11,259	1.0	0.26	0.29	12,518	-11.4

Source: Compiled from data in Ministry of Foreign Affairs, *Japan's Official Development Assistance Annual Reports*, 1989, 1993, 1994.

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 (Ozawa 1989; see also Yanagihara and Emig 1991).

As long as the emphasis was on quantitative improvement, burden-sharing did not necessarily conflict with the primacy of economic interests 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 Ministry of International Trade and Industry initiative in 1987,

the New Asian Industries Development plan, conceived in response to the rapid rise in the value of the yen after 1985. It 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 (see Unger 1993, Arase 1989).

Nevertheless, the political and economic rationale of burden-sharing did compete with interests and issues in Japan's relations with recipients. This could create tensions in Japan's aid policies, as it did in the South Pacific between Japan's fisheries aid policies and the strategic aid agenda of Ministry of Foreign Affairs.

The problem of reconciling the various objectives of official development assistance was particularly acute in the context of promoting qualitative change. For example while Ministry of Foreign Affairs, in response to Development Assistance Committee pressure, favoured greater emphasis on basic human needs, Ministry of International Trade and Industry and Ministry of Finance opposed this because it did not fit their respective trade and investment, or fiscal priorities (Orr 1990:56).

Trading partners (the United States in particular) linked procurement policies and practices of Japan's official development assistance 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 (Ensign 1992, see also Islam 1991). 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 (Pharr 1994).¹³

Other issues that concerned the international donor community included the relatively low official development assistance/GNP ratio (by the end of the decade this was 0.31 per cent, with a Development Assistance Committee average of 0.35 per cent), the grant element of total official development assistance commitments (76.3 per cent as compared to the recommended norm of 86 per cent) and the share of grants in total official development assistance (which was seen as the main factor accounting for the above anomaly, 44 per cent compared to a Development Assistance Committee 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 official development assistance (Development Assistance Committee 1991). The share of aid for infrastructure was 63 per cent of Japan's total bilateral aid in 1987. This dropped to 50 per cent in 1989 and to 41 per cent in 1991 (Ministry of Foreign Affairs 1988, 1990, 1992).

The Japanese government responded to these criticisms with incremental reform, increasing the untied portion of its yen loans and 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).¹⁴ High level government and private sector bodies also devised and backed measures to streamline and centralise aid policymaking, as well as to clarify aid principles and develop country and region specific aid policies. One recommendation called for the transfer of the grant aid budget from the Ministry of Foreign Affairs to JICA (Rix 1993:80–4).

Such whole-scale change, involving redistribution of decision-making power as well as reforming aid policy procedures and guidelines, was largely blocked by bureaucratic resistance and inertia, for these reform-oriented initiatives challenged the administrative and political foundations upon which Japan's official development assistance had been built (see Arase 1994, Rix 1993).¹⁵ Thus proposals for reform, which included changes to Japan's aid policies to the South Pacific, were largely ignored or quietly shelved.

Underlying resistance to administrative reform was the absence of adequate measures to address institutional and staffing weaknesses in Japan's aid bureaucracy. Staff numbers did not keep pace with aid. In 1991 the total staff of JICA and the OECF was 1,344, compared to 4,300 in the US Agency for International Development, which managed an aid program of similar size. This staff shortage reflected Japan's government's fiscal austerity policies in the 1980s, which limited the growth of 'non-obligatory expenditures' (Takagi 1995).

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 a donor, the more criticism it attracted.

This had domestic dimensions as well. As the aid budget grew, public scrutiny increased. Critics sought to expose corrupt, wasteful and socially and environmentally destructive aid practices. They also pressured against political use of aid (Murai 1992, also *Japan-Asia Quarterly Review* 21(4) 1989, Special Issue on Japan's Official Development Assistance). One of the more spectacular examples of corruption was revealed in the Philippines and known in Japan as the 'Marcos Scandals'. The Japanese government became increasingly sensitive to public perceptions of official development assistance, as evidenced in the new efforts, especially by Ministry of Foreign Affairs, to 'promote understanding of ODA' in Japan.¹⁶ This was due in part to the fact that Ministry of Finance was resistant to increasing the aid budget, and public criticism increased its reservations about 'wasting taxpayers' money'.

A further dilemma for the government was that while the international community expected Japan to play a more political role in world affairs through the political use of official development assistance, economic ministries and the private sector continued to emphasise their respective trade, investment and resource interests as motivations and objectives for aid. To encompass this 'diversity', Ministry of Foreign Affairs reports continued to refer to vague or general principles and ideas as Japan's 'basic philosophy' of official development assistance. These included 'humanitarian considerations, interdependence, environmental considerations and support for self help' (Ministry of Foreign Affairs 1994a:3). This vagueness only fed the confusion at the international level about the aims of Japan's official development assistance program.

In the 1990s the government attempted to address some of these dilemmas and tensions by introducing new initiatives, but their effect has been more cosmetic than substantive. The aim of these innovations has been to avoid or postpone major adjustment in Japan's official development assistance, especially at the administrative level.

Aid policy in the 1990s

Traditionally, the Japanese government resisted attaching political conditions to aid. The rationale, according to Ministry of Foreign Affairs, was 'non-intervention in domestic affairs'. But by 1990, the Ministry 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, Prime Minister Toshiki 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 official development assistance. This was largely in response to the Iraqi invasion of Kuwait. Japan also increased aid to the Middle East and North Africa in response to the Gulf War.

In 1992 the Kaifu principles were formalised in an Official Development Assistance Charter. In part, it was a response to foreign criticism of Japan's official development assistance policies; that Japan needed to be more active 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 its aid decision-making system. But there was a qualification as to how far Japan would apply these guidelines. Japan, it was claimed by some policymakers, had a different view of human rights and political development from the West (see Orr 1993). This has been borne out in the cautious and limited application of the Charter.

The Charter, as a set of guidelines without any legal status, can be applied flexibly. In practice this has meant balancing the competing goals of promoting foreign economic interests and supporting the United States, illustrated by the suspension of aid to Iran in 1995. The United States, accusing Iran of supporting terrorism, had urged Japan to suspend aid to Iran. Japan was reluctant to do so as it would complicate an earlier loan to Iran (the first stage of a hydroelectric project). Iran also supplied almost 10 per cent of Japan's oil. Japan subsequently 'delayed' the second instalment of the loan to Iran (Nikkei Telecom Service, 7 March, 1995; *Far Eastern Economic Review*, 11 May, 1995:13).

Japan was also reluctant to suspend aid to China in response to the latter's provocative military exercises off the coast of Taiwan in 1996. While Japan suspended grant aid to China in 1995 in reaction to its nuclear testing program, this represented only 1 per cent of Japan's aid to China. Pressure to freeze the far more important yen loans to China was resisted by Ministry of Foreign Affairs (*Asahi Shimbun*, 14 March 1996:3).

On economic conditionality, two trends that emerged in the 1990s were an assertion by policymakers (especially in the Ministry of Finance) 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. This reflected growing resentment within Japan against Western pressure, which has led to an assertion of Japan's own development path and to a more prominent stand in international development fora. However, tension has emerged between the United States and Japan over the extent to which burden-sharing equated with power sharing. The United States 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 Asian Development Bank, for example) to outweigh its own (see, for example Iwata 1993).

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' (Stallings 1993).¹⁷ 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 post-war era. This presented the 'Japan model' in a more favourable light (World Bank 1993, see also Rix 1993).

As with the approach to political conditionality, this position on economic conditionality was an attempt to respond to international pressures while accommodating established principles and practices. For example, on the issue of using aid for infrastructure development Japan sought to justify this 'traditional emphasis' by 'pointing out that Japan's own growth was accelerated through World Bank loans for infrastructure' (Pharr 1994:171).

This cautious and self-interested approach to conditionality has created some tensions with other donors. In the South Pacific, this has been especially evident in relations between Australia and Japan. Australia has been at the forefront of efforts to promote greater donor dialogue and cooperation on regional aid and development policies. It has also been a strong advocate for promoting economic reforms through aid conditionality. Japan has participated in these dialogues and has also engaged in aid coordination with Australia. But it has resisted pressure to promote aid policy conditionality and adopt greater policy innovation. Australia and Japan have also been at odds over Japan's fisheries policies in the region.

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) (Ministry of Foreign Affairs 1994:16).

The environment agenda has become a major part of Japan's official assistance program, embraced by most ministries with an interest in official development assistance. For example, in 1991 Ministry of International Trade and Industry announced a 'Green Aid Plan' that aimed to disburse \$2.2 billion over ten years in grants and loans for environmental projects. There is competition for a share of the environment aid budget between ministries and agencies but a lack of policy coherence. Such aid also tends to be bilateral and project-based; maintaining the traditional approach to economic cooperation rather than adopting more innovative approaches.

For Ministry of Foreign Affairs, environmental aid is essential to Japan's declared international contributions and potential 'aid leadership'. But environmental aid also tends to be sector oriented and concerned with promoting specific economic interests. Environmental aid is in part a response to international criticism that Japanese commercial activities in developing countries were responsible for environmental problems. This is apparent with fisheries-related environmental aid provided to the South Pacific, which is targeted at securing Japan's resource interests while addressing Japan's 'image problem' as a fishing nation.

Despite embracing new global agenda, the orientation of Japan's official development assistance remains very much regional (that is, Asian) and bilateral. In 1993, 71.2 per cent of Japan's official development assistance 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 official development assistance (Kaifu 1991:30–8). (Asia received 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* the poorest and least developed aid recipients.

These factors reflect the tensions and competing goals underlying Japan's official development assistance program in the 1990s. As Japan has risen to the position of world's largest aid donor, the domestic consensus about the purpose and direction of Japan's aid has weakened. Conflicts and contradictions between the longstanding foreign economic policy goals of Japan's official development assistance (such as security of resource supply), diplomatic goals, private sector goals and bureaucratic interests have been exacerbated.

Japan's official development assistance now encompasses an impressive range of policy goals and objectives. Although Japan has demonstrated great ability in accommodating its changing foreign policy interests through official development assistance, the growing complexity of policy agenda has made it increasingly difficult to achieve coherence and to balance its various policy objectives. It has also complicated the task of formulating proactive and innovative aid policies.

Notes

- ¹ This aspect of the origins of Japan's aid program was noted in the first studies of Japan's economic cooperation. See, for example, White (1964).
- ² As reflected in Ministry of Foreign Affairs and Ministry of International Trade and Industry White Papers in the 1950s and 1960s see Inada (1990).
- ³ The term 'other official flows' was introduced by DAC in 1968. Among DAC countries, Japan had the highest portion of 'other official flows' within its overall financial flows to developing countries. In 1969 'other official flows' amounted to \$375.8 million (official development assistance was \$435.6 million). In 1970 'other official flows' had increased to \$693.8 million, compared to official development assistance flows of \$458 million.
- ⁴ In 1969 the Development Assistance Committee introduced the concept of official development assistance.
- ⁵ 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 the 'unity of the anti-communist camp' in Asia. (see Kaneko 1988:46–59).
- ⁶ Capital grants were for infrastructure development where loans were inappropriate (such as social infrastructure) and for less developed countries (Rix 1980:119).
- ⁷ 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.

- 8 He notes that by 1973, 77.6 per cent of Japan's energy needs were supplied by crude oil, 77.4 per cent of which came from the Middle East (46.4 per cent from Arab OPEC members).
- 9 Most of the 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 Corporation.
- 10 The term 'strategic aid' was not used officially but confined to media and academic analysis.
- 11 The report, titled *Keizai kyoryoku no rinen—seifu kaihatsu enjo wa naze okonau ka*, gave two broad reasons for Japan's official development assistance program: 'humanitarian and moral considerations' and 'the recognition of interdependence'. These would remain cornerstones of Ministry of Foreign Affairs rationales for official development assistance.
- 12 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.
- 13 By allowing foreign consultants access, it was anticipated that the bidding process for project implementation would be opened up, as Japanese firms would not have the advantage of tailoring project specifications to areas where they were most competitive.
- 14 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 non project-tied grant aid to support structural adjustment. The first \$500 million was channelled to countries of sub-Saharan Africa between 1987 and 1989, through third party agencies (the UNDP and British Crown Agents) (Ministry of Foreign Affairs 1993:114).
- 15 This refers to the complex political balance within the aid bureaucracy between the various policymakers. It also refers to the integration of the private sector in Japan's 'economic cooperation'.
- 16 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 official development assistance in Japan.
- 17 Details are in Stallings (1993). The World Bank/IMF approach was labelled the 'Washington Consensus'.

3

Aid policymaking in Japan: procedural and political factors

Japan's official development assistance to the South Pacific comprises bilateral grant aid, technical cooperation and bilateral loans (to Papua New Guinea), as well as multilateral contributions to the region through international organisations such as the United Nations Development Programme. The six categories of bilateral grant aid are general, fisheries, aid for increased food production, disaster relief, food aid and cultural (Figure 3.1). South Pacific aid comes mainly from the general and fisheries categories. Technical cooperation includes Pacific island trainees in Japan, Japanese experts and volunteers in recipient

Figure 3.1 Japan's grant aid program

Source: JICA.

countries, equipment, project-type technical cooperation (a combination of the above) and development surveys.

General grant aid is multisectoral. 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. It also includes special categories for debt relief and 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).

General grant aid in 1992 accounted for 91 per cent of the grant aid budget allocated to the Ministry of Foreign Affairs. The next largest component was the fisheries category (5.5 per cent), followed by disaster relief (1.8 per cent) and cultural aid (1.3 per cent) (APIC 1993:9). Food aid and grant aid for increased food production are allocated to the Ministry of Finance budget, although administered by Ministry of Foreign Affairs.

Some of the procedures and guidelines for grant aid are integral to Japan's aid system. 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. They ensure that many policymakers 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

The request

The project cycle officially begins with the receipt of project requests by Japanese embassies in recipient countries. Ministry of Foreign Affairs usually requires countries to submit an annual list of requests in order of priority. No aid can be initiated without a request, but there are usually informal consultations with the Ministry beforehand. In the case of fisheries aid, it is expected that recipients will consult with the Fisheries Agency before a formal request is made. This sounding-out process and laying of groundwork is known as '*nemawashi*'.¹ In this sounding-out process, it helps to have an embassy or consulate in Tokyo. The Pacific island countries with embassies in Tokyo are Federated States of Micronesia, Fiji, Marshall Islands, and Papua New Guinea.

Many requests are initiated by the Japanese government and/or Japanese private firms. 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 procedure. These teams recommend projects to the recipient as being worth requesting. The role of government-sponsored agencies in project identification can be a decisive factor influencing 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 'eligible' countries.

The private sector role in project identification is often officially sanctioned, but it may take place independently. It is usually coordinated by Japanese private sector consultant organisations. An example of a consultant organisation active in the South Pacific is the Overseas Agro-Fisheries Consultants Company (OAFIC). Consultants, in turn, often follow up leads suggested by trading companies (Kojima and Ozawa 1984).

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. Ministry of Foreign Affairs does not appear to object to private involvement in project formulation. 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' (Interview, Grant Aid Division, Ministry of Foreign Affairs, May 1993). This attitude is not shared by some other sections of the aid bureaucracy. The Fisheries Agency, for example, seeks to control all project identification work for fisheries grants, to maintain a close link between aid and its fisheries interests overseas. It exercises control through the Overseas Fisheries Cooperation Foundation (OFCF).

Private individuals in Japan, may also initiate and/or facilitate aid requests. For example, Tokugoro Kuribayashi, who serves as Honorary Consul for Kiribati and Tuvalu, also presides over one of the oldest Japanese trading companies in the Pacific, *Nanyo Boeki Kabushiki Kaisha* (NBK), which dominated commerce in Micronesia and parts of the Gilbert Islands (now Kiribati) in the 1930s and 1940s. The company resumed operations in the islands on a much reduced scale in the 1950s. The company secured contracts to provide projects supplied to Micronesia under the 1969 reparations agreement between the United States and Japan.

Figure 3.2 The grant aid project cycle

Source: Association for the Promotion of International Cooperation (APIC), 1993. *A Guide to Japan's Aid*, APIC, Tokyo:13.

Unable to afford an embassy in Tokyo, Kiribati and Tuvalu opted for an Honorary Consul. Kuribayashi was considered an appropriate choice because of his business and personal contacts with the country. He has acted as an intermediary between the island governments and the Japanese government in the lead-up to official requests. He has advised island governments when to make a request and 'laid the groundwork' with relevant ministries in Japan.

Inter-ministerial consultation

When the request is formulated, it is channelled through the Japanese mission accredited to the host country, to the Grant Aid Division in the Economic Cooperation Bureau of Ministry of Foreign Affairs. It usually goes directly to the official 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 Ministry of Foreign Affairs. For the Pacific island countries, this is the Oceania Division in the Bureau for Oceanic and European Affairs.

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 as Ministry of Foreign Affairs (the Grant Aid Division in this case) does not have the expertise or staff to administer aid policy fully and make informed decisions about projects.

Once this background research and consultation has been completed, the project request is put to a screening committee (in the Grant Aid Division) which decides whether or not to proceed with a basic design study. A decision to dispatch a survey or design team usually means that the project request will be supported (interview, Grant Aid Division, Tokyo).

Project design

Two possible steps follow this decision. If the recipient is a newcomer to Japanese official development assistance or if the proposed project is deemed very difficult, a preliminary study team is dispatched. This is carried out by the Japan International Cooperation Agency (JICA) which

forwards the report to the Grant Aid Division. The other step is the basic design study. Again, JICA is in charge and chooses the consulting firm and members of the team. In some cases (where political interest in a recipient is high), staff from the Ministry of Foreign Affairs will also join, but usually the team is led by, and comprises, officials from the ministry most closely linked to that project (for example, health, construction or fisheries).² One of the main tasks of this team is to estimate the costs of the project.

Approval

The basic design study report prepared by JICA is distributed to various ministries, as well as to the recipient. What follows is the negotiating process between Ministry of Foreign Affairs and Ministry of Finance, 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 it are discussed. Once Ministry of Finance approves individual projects (this follows the drafting of the General Account budget and appropriation of funds), a draft Exchange of Notes agreement is presented to the recipient. Finally, the project, as part of a package of projects, is sent to Cabinet for approval. Usually this is a formality and with Cabinet approval the Exchange of Notes may be signed. This clears the way for execution of the project to start, beginning with tendering of the contract. Payment is spread over the life of the project. Usually about 30 per cent will be paid 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 as prices escalate.

The process is protracted and cumbersome. It requires the approval and authorisation of numerous policy actors in Japan. There are numerous opportunities for delays. Countries that request aid do so without any guarantees that their request will be favourably received, or without knowing the time-frame for implementation. They may wait several years for a final response, especially if the proposed project or a recipient does not fit into Japan's grant aid guidelines. Conversely, if there is strong interest in promoting aid relations with a recipient, political support in Japan may expedite a project.

Aid policy is shaped by guidelines and 'rules' that have been often rigidly applied. These are the product of Japan's approach to 'economic

cooperation', its development philosophy and bureaucratic processes. They include

- Project-tied aid for example, 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 leaders and officials. Japanese officials are also most comfortable with this system, reflecting the origins of the Japanese aid program and its emphasis on economic cooperation as mutually beneficial (with a high level of Japanese private involvement). Projects ensure the participation of Japanese firms and thus the recycling in Japan of aid monies. Projects may also target development goals and priorities; in Japan's case these have centred on infrastructure development.
- No recurrent cost financing—recipients must bear some of the costs of delivering and maintaining projects. For this reason, recurrent costs are not included as part of aid projects. 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 (Interview, Director of Research and Programming Division, Economic Cooperation Bureau, October 1992, Ministry of Foreign Affairs 1993:63–4).
- 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 which carry over into a second or third fiscal year are appropriated in subsequent budgets. Some parts of the aid budget (for example subscriptions to international organisations) are

fixed from year to year. Japan generally uses the previous year's allocations to a recipient to guide subsequent allocations, so the disbursement rate is important for if monies have not been spent, future allocations may be reduced (Inada 1990:63–4).

- Government to government aid—aid must be government to government and, in the case of multilateral and international organisations, Japan must be a member of the relevant organisation. There are variations and exceptions to this rule—if Japan is not eligible for membership of an international organisation, it may provide project aid to the organisation via a member country, bilaterally. The consistent rationale for this latter policy has been to ensure accountability of aid monies, through oversight by Japanese nationals in those organisations. In addition, the emphasis on government to government aid aims to ensure that grant aid projects have 'social' value and do not support commercial, profit-making activities. It is also required that grant monies be spread rather than paid as a lump sum. There are a few exceptions, for example, debt relief provided as general grant aid.

The above 'rules' tend to be rigidly enforced. This is the main reason for the lack of flexibility in Japan's aid policy. However, other policy guidelines are more 'subjective' and tend to be applied more flexibly. Political considerations may be influential. These guidelines include the number of beneficiaries in the recipient country to benefit from the proposed project. There is no fixed guideline, but a preference for projects that benefit the maximum number. This supports Japan's emphasis on infrastructure development. Countries with small populations (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 a larger project.

Grant aid is also meant to target countries in most need, generally those classified as least developed. A recommended per capita income ceiling is given by Ministry of Foreign Affairs. In 1993 this was set at \$1,235; in 1992 it was \$1,195 and in 1991 it was \$1,135 (Ministry of Foreign Affairs, *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 recipients in the region vary between \$696 for

Kiribati and \$3,564 for Palau. Fiji and Palau are well above the 1993 ceiling, and several others (the Federated States of Micronesia and the Marshall Islands) come close.

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 include such factors as the importance of the country to Japan, the significance of the project and the integration of grant aid and technical cooperation being implemented by Japan (APIC 1993:15).

Countries that receive grant aid even though they exceed the per capita income level are a special case and political arguments tend to be important. 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 Ministry of Finance support for projects in the region. Grant aid to Fiji has been justified on the grounds that projects are 'regional' and thus benefit other island countries. In addition, Fiji is regarded as a regional 'opinion leader' and for diplomatic reasons it is considered important to provide aid to Fiji.

The cost of the project 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). Political considerations may intervene in deciding the size of the project as in the case of Tuvalu, which was dubbed by Ministry of Foreign Affairs the 'Tuvalu problem'. A planned school project was halved after a Japanese television program aired criticisms of Japanese aid by the Tuvalu Prime Minister (*Asahi Shimbun*, 9 February 1995:5).

The Official Development Assistance Charter, adopted by Cabinet in 1992, introduced a new set of political guidelines, according to which 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' (Japan's Official Development Assistance Charter (unofficial translation, 1992). If reversals in these areas occur, Japan would 'reconsider' its aid policy. The review process involves three steps: Japan would first remind the recipient of the principles during annual consultations. 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 reduction of commitments (Orr, 1993:85). This three-step process is not rigidly adhered to as the Charter is applied flexibly. There are no provisions for automatic suspensions (unlike US policy). In addition, the case by case procedure permits an *ad hoc* approach to policy conditionality.

The above procedures and guidelines may complicate and constrain aid decision making. The emphasis on consultation, especially in the project cycle, slows decision making. Built-in mechanisms support the interests of bureaucratic actors and the private sector. There are also opportunities 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).

The project cycle requires the agreement and authorisation of a wide range of bureaucratic actors. This is known as the *ringi* system or *ringi sei*. The following analysis of the aid bureaucracy highlights the diverse views about the purposes of official development assistance, different policy priorities and agendas, as well as competing jurisdictional claims. These introduce tensions and cross-cutting pressures on aid policymaking.

The aid bureaucracy

Ministry of Finance

This Ministry, and in particular the Budget Bureau, has ultimate authority and power over aid disbursements since it appropriates the funds. In general the Ministry of Finance aims to limit or restrict expenditure, and it is largely the aid doubling plans initiated by various prime ministers that have ensured the growth in the aid budget. Cabinet decisions on aid levels were viewed as necessary by the Ministry of International Trade and Industry and Ministry of Foreign Affairs 'to maintain the momentum against the more frugal Finance Ministry' (Orr 1990:24). The Ministry of Finance insists on strict adherence to procedures ensuring fiscal accountability. It most often alludes to the importance of public acceptance of official development assistance as the underlying source of the program's legitimacy. It has also most strongly advocated the emphasis on yen loans, believing that loans are more 'economically sound'.

The Ministry of Finance tends to be most concerned about the 'efficiency' of official development assistance, including its impact on the economic development of the recipients. In response to a Ministry of

Foreign Affairs 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' (*The Japan Times*, 18 December 1992:3). This essentially defines the position of Ministry of Finance.

The most important role of Ministry of Finance, and the source of its power in the government, is controlling the annual budget cycle where it determines the overall official development assistance budget.

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 Ministry of Finance concern about effective use of aid funds and avoidance of 'mismanagement' and waste, the emphasis on budgetary coordination leads to disbursement pressures that create preference for large-scale projects and inflation of project costs (Rix 1993:75).

Official development assistance 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 official development assistance'. The aid budget is thus susceptible to conflict among ministries and agencies, competing for a share of the government's budget. The budget cycle also precludes multi-year allocations and reinforces the project basis of bilateral aid. The effect of the budget process is that aid policy often tends to be coordinated and decided at budgetary level, rather than at the level of policy ministries.

The second role of the Ministry of Finance is to approve individual projects that have been formulated, often by other ministries and agencies, and put to it by the Grant Aid Division of Ministry of Foreign Affairs. The practice of approving projects on a case-by-case basis was initiated when grant aid began in 1969, but the scrutiny of each project by Ministry of Finance became mandatory after the Marcos scandals in the mid-1980s. According to a Ministry of Foreign Affairs official, this practice, which stemmed from Diet calls for stricter oversight of aid spending, is preferred by Ministry of Foreign Affairs since responsibility (and blame for possible mismanagement of aid) is shared between Finance and Foreign Affairs (interview, Grant Aid Division, Ministry of Foreign Affairs, May 1993).

The process of negotiating between Foreign Affairs and Finance on each project follows the adoption of the budget. At the final stages of

project formulation, approval for allocation is required from Ministry of Finance. The priority of the Ministry is to ensure that the proposed project conforms to aid policy criteria and guidelines. Once support has been secured, Cabinet gives its approval and the Exchange of Notes agreement may be signed by the governments of Japan and the recipient country. Then implementation may proceed.

The Ministry of Finance may be viewed as the arbiter of aid policy—other ministries ultimately defer to it. They may also attribute policy and procedural rigidities of the system to the Ministry's role in the process.

Ministry of Foreign Affairs

The Ministry of Foreign Affairs has *de jure* authority over grant aid and technical cooperation, and over the 'declaratory' aspect of aid policy. It plays a crucial role in bargaining and consulting with the Ministry of Finance, as described in the previous section. It has advocated aid-doubling plans, on the grounds of Japan's international responsibilities. Outside pressure on Japan (whether from recipients or other donors) also is filtered through the Ministry of Foreign Affairs (and may even be solicited by the Ministry in order to strengthen its position). It has influence over absolute aid levels and new aid initiatives. It may also determine the priority of particular recipients and thus projects.

The Ministry of Foreign Affairs 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 on political grounds: as a means of improving relations with other countries. But it also sees it (especially grant aid and technical assistance) as alleviating poverty rather than as subsidising or supporting Japanese industry. In other words, political value lies in the humanitarian and development goals of official development assistance and in the image this promotes of Japan as a caring and responsible aid donor. Ministry of Foreign Affairs support of a Basic Human Needs approach can put it at odds with other ministries who see aid in terms of their own sectional and industry-based interests (Orr 1990:38).

The Ministry of Foreign Affairs derives much of its power and status in the bureaucracy from the aid budget over which it has authority. Being anxious to retain this authority, it does not favour putting more power over aid into the hands of the Diet (that is, through adoption of an aid law).³ In general, however, the Ministry of Foreign Affairs concerns itself with broad policy initiatives on diplomatic grounds,

while project identification and design tend to be delegated to other ministries and agencies and the private sector. Because much depends on how far projects match the procedural and policy guidelines, these delegated tasks may be instrumental to decision making.

There are two main sets of policy actors in the Ministry. The first includes 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 six divisions. The Grant Aid Division receives the initial project request, coordinates investigation and project development, and bargains with Ministry of Finance to secure approval for projects.⁴ The Grant Aid Division is staffed by a number of secondments from outside the Ministry. These included (in mid-1993) staff from Kokusai Denshin Denwa Company (a public corporation under the Post and Telecommunications Ministry), the Fisheries Agency, Ministry of Construction, Bank of Sapporo, Tokyo Gas, JICA and Ministry of Finance. Some of these positions, though based in the Grant Aid Division, oversee economic cooperation in general (interview, Grant Aid Division, Ministry of Foreign Affairs, May 1993). The practice of 'cross-posting', a widespread phenomenon within the aid bureaucracy, aims to alleviate staff shortages within Ministry of Foreign Affairs and ensure consultation and coordination. It has been suggested that this system, known as *shukko*, is one reason why 'the decentralized aid system keeps functioning' (Arase 1994:185). It also facilitates power sharing within the aid system, and provides contact with other parts of the bureaucracy and the private sector.

The other set of actors belongs to the regional bureaus and divisions. These 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, handles political relations with the Pacific island states, Australia and New Zealand.

In most cases, a division lobbies on behalf of its region for continuing or increasing aid. Regional divisions are the main point of contact for the recipients which have embassies in Tokyo and may act as allies of the recipient governments, seeing aid as necessary for friendly relations and for promoting specific foreign policy interests. It is expected that a visit to the region by a high ranking Japanese team (led by a minister, vice-minister or even prime minister) 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 and another down. If the aid initiative applies to an entire region, more project requests will be sought from those countries.

Regional divisions may also play a role in aid policy when the Grant Aid Division seeks guidance in formulating the project and preparing documents for Ministry of Finance; 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.

Although the Ministry of Foreign Affairs 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, for example, whether conditions in a particular country were safe enough for dispatching experts or volunteers. One official described an instance of such conflict in policy towards Peru. When the regional division sought to increase numbers of volunteers and experts to demonstrate support for President Alberto Fujimori, the Technical Cooperation Division resisted because of the dangerous conditions in the country at that time. They recommended increasing the number of trainees received by Japan instead (interview, Technical Cooperation Division, Ministry of Foreign Affairs, January 1993).

Ministry of Foreign Affairs has formal jurisdiction over grant aid policy, but it is important to note the limitations on its power. It has been described elsewhere as the 'window' through which requests are made and aid disbursed, while in reality it shares power with the Ministry of Finance (as already described) and other economic ministries such as the Ministry of International Trade and Industry and the Ministry of Agriculture Forestry and Fisheries (the idea of Ministry of Foreign Affairs as a 'window' for aid flows was used by several scholars of Japanese official development assistance interviewed by the author. It is also a description used by Orr 1990:39).

The role of the Ministry of Foreign Affairs over aid policy is constrained by its lack of personnel to administer the aid budget

adequately and the lack of expertise on aid and development matters. The senior policymakers in the Ministry are usually 'generalists' who rotate their positions every two years. They rely on technical bureaucrats, other ministries and private sector consultants for information and to administer aid policy. The role of the Ministry, beyond the declaratory level, is also weakened by the need to confer with a range of ministries and agencies.

The political clout of the Ministry in the overall bureaucracy of Japan is relatively weak. In part, this reflects the lack of a powerful domestic constituency. Unlike other ministries, the Ministry of Foreign Affairs lacks any 'domestic jurisdiction' or any regulatory power over business and industry (Calder 1993:127). 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. *Amakudari* ('descent from heaven') refers to the process whereby senior bureaucrats seek jobs outside of government once they reach the pinnacle of their government career. This facilitates close ties between related government and private sector bodies. One part of the private sector that has developed a close relationship with the Ministry of Foreign Affairs is the financial industry, banks in particular (Arase 1994:185).

A principal source of power for the Ministry is its authority over JICA, the key implementing agency for grant aid and technical cooperation. Close ties are facilitated by cross-posting of staff, but there are tensions between the two on issues of jurisdiction and policy.

Japan International Cooperation Agency

Japan International Cooperation Agency is a public corporation, or *tokusho hojin*, established by a special law to be an 'instrument' of national government (Institute of Administrative Management 1992:108). It is primarily under the jurisdiction of Ministry of Foreign Affairs, and partly of Ministry of International Trade and Industry and Ministry of Agriculture, Forestry and Fisheries. Under a law passed in 1978, the responsibilities of JICA grew to encompass the implementation of capital grant aid (JICA 1992:4).

JICA is mostly involved with technical assistance, being the main implementing agency. It allocates most of the technical cooperation budget. Other ministries and agencies have a share of this budget. JICA works closely with the Technical Cooperation Division in the Ministry of Foreign Affairs. The role of the latter is to negotiate with the Ministry of Finance 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, and often these officials have served in the countries they work with. Ministry of Foreign Affairs 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 the Ministry of Foreign Affairs. Other senior positions are held by officials from the Overseas Economic Cooperation Fund (OECF) and the Export Import Bank. According to one estimate, staff from other ministries head two-thirds of the Agency's departments (Orr 1990:49), a practice that may undermine morale of career staff as it limits opportunities for advancement. A government review has recommended against reserving departmental posts in JICA for 'outsiders' (Rix 1993:83).

JICA's role is 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 banks. It also screens contracts between the recipient and Japanese firms. JICA is less important in making aid policy (for instance, deciding who is to receive aid) as it is primarily involved in implementation 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.

Recent policy innovations, such as Small-Scale Grant Assistance (now known as Grant Assistance for Grass Roots), have led to a more proactive role for JICA. For example, volunteers from the Japan Overseas Cooperation Volunteers, 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, probably because this would undermine the authority of other ministries.

Political and procedural factors also appear to hinder cooperation between JICA and the Ministry of Foreign Affairs 'on the ground', in recipient countries. Each has a separate bureaucracy and organisational hierarchy, which are replicated to some extent in their offices in recipient countries.⁵ These reinforce a division of labour between the Ministry and JICA, but they also limit exchange of views and cooperation, especially as Ministry officials generally assert their 'superiority' over JICA officials.

Ministry of International Trade and Industry

The Ministry of International Trade and Industry has played a crucial role in the direction of Japan's official development assistance. Its priorities tend to be the links between official development assistance and Japan's commercial, trade and resource interests. This may put it at odds with Ministry of Foreign Affairs over diplomatic goals. But the Ministry of International Trade and Industry may support the Ministry of Foreign Affairs against the Ministry of Finance in the push to increase official development assistance levels. While it is especially involved in yen loans policy, the Ministry of International Trade and Industry's involvement in grant aid policy tends to be more sporadic and selective. The Ministry'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.⁶

The Ministry's involvement also depends on whether a project impinges on a policy area within its jurisdiction. It is also linked to grant aid policy by its association with JICA. At the time of JICA's creation the Ministry had pushed for a technical cooperation organisation of its own. The outcome, however, was the creation of an agency under the Ministry of Foreign Affairs, with some posts being shared by Ministry of International Trade and Industry and other ministries. 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. Several departments in JICA, dealing with mining and industrial development, are headed by Ministry of International Trade and Industry secondments (on the creation of JICA, see Rix 1980 Chapter 2).

The Ministry of International Trade and Industry provides technical cooperation in the minerals and mining sector through its own agency, the Metal Mining Agency of Japan (MMAJ), which conducts basic geological surveys and exploration, on land and on the seabed. The MMAJ has carried out deep sea mineral surveys in the South Pacific since 1980. It has also conducted mineral exploration in Fiji since 1990. In conjunction with JICA, the MMAJ provides equipment and machinery, and receives trainees in Japan. Fiji has been the only recipient of such technical cooperation in the South Pacific.

The Engineering Consulting Firms Association (ECFA), which plays a key role in identifying and formulating aid projects, falls under the Ministry of International Trade and Industry's jurisdiction. Established

in 1964 with funding from Ministry of International Trade and Industry and the Ministry of Construction, ECFA carries out and coordinates aid project identification. 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. ECFA subsidises the often risky process of identifying and formulating project proposals in recipient countries. Such projects may become candidates for either Japanese bilateral ODA (including grant aid) or multilateral development aid (Asian Development Bank, World Bank and UNDP) (ECFA 1993).

Ministry of Agriculture, Forestry and Fisheries and the Fisheries Agency

Traditionally, the Ministry of Agriculture, Forestry and Fisheries had a strong interest in economic cooperation and, like MITI, it had pushed for the creation of its own agricultural cooperation agency. With the creation of JICA, the Ministry had to settle for some of the key posts within it being reserved for its officials.

The Fisheries Agency is an 'outer bureau' of the Ministry, but it retains a high degree of autonomy and authority over fisheries-related policy. The Fisheries Agency had also pushed for its own aid organisation. When this initiative failed, it established its own channel for cooperation: a non-profit, semi-official organisation (*zaidan*), in association with the fishing industry, the Overseas Fisheries Cooperation Foundation (OFCF).

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. Responsibility for these negotiations lies with its International Affairs Division. Within this Division is an Office for Overseas Fishery Cooperation which oversees the formulation and implementation of fisheries aid policy, including the operations of the OFCF. Although the fisheries grant aid budget is formally under the Ministry of Foreign Affairs, the Fisheries Agency makes the main decisions over allocation.

Links between the Fisheries Agency and the Ministry of Foreign Affairs on aid matters are facilitated by a Fisheries Agency official within the Ministry's Grant Aid Division who handles fisheries grant aid requests and liaises with the Fisheries Agency. According to a Fisheries Agency official, this secondment is the 'secret' to the Fisheries Agency's 'control' over grant aid policy (interview, International Affairs Division, Fisheries Agency, Tokyo, May 1993).⁷ The Fisheries Agency

also seconded several officials to JICA to oversee technical cooperation in fisheries. Other Fisheries Agency officials are posted to Japanese embassies in countries where there are important fisheries interests. The small Japanese diplomatic mission, established in the Federated States of Micronesia in 1995 and with accreditation to Palau and the Marshall Islands, was expected to include a Fisheries Agency or OFCF official (FFA *News Digest* No.3/94, May-June:3).

Among the priorities of the Fisheries Agency is securing the operations of Japan's fishing fleets in foreign exclusive economic zones. Fisheries grant aid, introduced for this purpose in 1973, has traditionally been used in concert with access negotiations. Fisheries aid policy and fisheries diplomacy (including negotiations with other states on access agreements and treaties) is a major part of the relationship between Japan and the Pacific island region, if not the most contentious. Policy depends upon inter-ministry coordination, in particular between the Oceania Division and Grant Aid Division in the Ministry of Foreign Affairs and the International Affairs Division of the Fisheries Agency. Negotiations on access agreements are usually led by Fisheries Agency officials. In other fisheries negotiations (such as policy relating to driftnetting) which are led by Ministry of Foreign Affairs officials, the *taisho hoshin* (instructions for the delegations) are drafted by the Fisheries Agency, in consultation with the Ministry of Foreign Affairs. In addition to the Oceania Division, the main policymaker in Foreign Affairs in the area of fisheries and Law of the Sea is the Ocean Division in the Economic Affairs Bureau.

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 lead access negotiations, mainly with the South Pacific. The Special Adviser position enjoys considerable autonomy and influence, including policy on fisheries grant aid, in the context of linking aid and access negotiations.

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. Its 65 'supporting companies' include consultant groups, construction and engineering firms (specialising in boat building, engines, ice makers and fishing gear) and trading companies. OFCA carries out project identification in the Pacific island region, but only at the request of the OFCF. It was suggested to the author 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 (interview, OFCA, Tokyo, June 1993; documents provided by OFCA).

Overseas Fisheries Cooperation Foundation

The Overseas Fisheries Cooperation Foundation was created in 1973. Unlike JICA, it is a semi-government, non-profit organisation but funded almost entirely by the Fisheries Agency (OFCF 1989). The relationship between the OFCF and the Fisheries Agency is similar to that between the Ministry of Foreign Affairs and JICA; that is, the Fisheries Agency makes policy and OFCF implements it. The processes of *amakudari* and cross-posting are also evident: the President of the OFCF is a senior Ministry of Agriculture, Forestry and Fisheries official, the Senior Executive Managing Director is from the Ministry of Finance and the Executive Managing Director is from the Fisheries Agency (interview, OFCF, Tokyo, June 1993).

The OFCF was established as a joint initiative of the Fisheries Agency and industry groups, to subsidise cooperation between Japan's distant-water fishing fleets or trading companies and coastal states. For example, joint ventures were promoted through soft loans. JICA has a commensurate department, the Development Cooperation Program, that assists the private sector in development cooperation in areas other than fisheries. The OFCF has increasingly assumed other functions similar to those of JICA: trainees to Japan, dispatch of instructors and experts, and equipment supply. Recipients request OFCF assistance directly or through a Japanese private sector or industry group. Approval of such requests is decided by the Fisheries Agency (see Figure 3.3).

Figure 3.3 Flow chart of OFCF cooperation

Source: Overseas Fisheries Cooperation Foundation.

The OFCF undertakes some grant aid project identification work in the Pacific island countries. This is sometimes contracted to private consulting firms (members of the OFCA). Procedures subsequent to the receipt of a request are coordinated by JICA. The OFCF also undertakes maintenance and repair of fisheries grant aid projects, delivered by JICA. A regional office was established in Fiji in 1990 to coordinate this work: it is the only regional OFCF office outside Japan, underscoring 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.⁸

Coordination and conflict within the aid bureaucracy

An essential feature of policymaking, especially at the project level, is consultation among ministries, agencies and departments. Authorisation for aid to be allocated is required from at least Ministry of Finance and Ministry of Foreign Affairs, but also, less formally, from ministries such as Ministry of International Trade and Industry and Ministry of Agriculture, Forestry and Fisheries. Other ministries may also play key roles in the formulation and design of aid projects. They fill places on project design missions and have close ties with consultant groups.

The need for additional staff to administer grant aid has led Foreign Affairs to rely on secondments (cross-posting or *shukko*) both from within the bureaucracy and the private sector. This process (together with *amakudari*) also promotes consultation and coordination between policymakers.

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

Paradoxically, though, these additional channels for aid delivery may deepen problems of policy coordination within the aid system. JICA and the OFCF are examples of essentially competing aid organisations. Both carry out the same type of cooperation, although JICA's activities are not confined to fisheries. But there has traditionally been very little coordination or consultation between the two. 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' (Orr 1990:50). Attempts

to initiate dialogue between OFCF and JICA in 1993 did not lead to any new commitment to coordinate activities (interview, Director Fisheries Cooperation Division, JICA, Tokyo, May 1993). A later chapter describes one of the few examples of cooperation between the OFCF and JICA—a fishermen's training centre project in Kiribati.

It appears that the Fisheries Agency prefers to use the OFCF as its own aid delivery organisation, and not compromise its authority by merging, or coordinating, its activities with those of JICA. The fact that the Fisheries Agency has the OFCF under its complete jurisdiction 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.

Although fisheries aid is 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. Fisheries Agency and Ministry of Foreign Affairs officials revealed in interviews with the author that the Ministry of Foreign Affairs was trying to merge fisheries grant aid and general grant aid. 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). Ministry of Foreign Affairs officials have argued that the special grant aid for fisheries is no longer justified as it does not promote Japan's interests. The Fisheries Agency view is that this aid is effective, and the Ministry of Foreign Affairs is simply hostile to the concept of a grant aid category that supports a special interest group and is controlled by an agency other than Ministry of Foreign Affairs.

Despite the discretionary power that the Fisheries Agency enjoys, there are problems of reconciling its policy priorities with those of the Ministry of Foreign Affairs. For the latter, fisheries grant aid should not be confined solely 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 attributed to the Ministry of Foreign Affairs and JICA (see Grynberg 1993:9–11).

In general, Ministry of Foreign Affairs 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 viewed as damaging to Japan's image and reputation.⁹ The Ministry usually refutes media reports that make such suggestions or allegations, although privately Ministry officials support the more pragmatic bases of Japan's official development assistance.

Fisheries Agency officials and the OFCF usually take the initiative on fisheries aid matters. But Pacific island states see Ministry of Foreign Affairs as the arbiter of Japan's foreign policies and, in the event of disputes emerging over fisheries aid policy, usually channel their grievances to it. It is up to Ministry of Foreign Affairs then to resolve differences and 'smooth over' relations. Resulting tensions between Foreign Affairs and the Fisheries Agency provide recipients with some leverage. The Ministry does not usually take an active interest in fisheries policy, but, when it does, the result is often more favourable to the Pacific island states since more effort is made by Japan to promote cooperation.

Tensions also arise between Ministry of Foreign Affairs and the Fisheries Agency due to the Ministry's failure to consult on more general foreign policy initiatives. The Kuranari Doctrine, which heralded a doubling of official development assistance to the South Pacific, was an initiative that encompassed Japan's overall relations with the Pacific island region, including fisheries relations. But the Fisheries Agency was neither included in policy deliberations nor consulted about the initiative. It thus took a dim view of the policy, and strongly resented the way the Kuranari Doctrine raised expectations in the region for greater cooperation on fisheries issues.

The lack of consultation in this instance reflected the absence of formal channels for coordinating policies between Foreign Affairs and Fisheries Agency, a problem which has been observed in other studies of relations between these two agencies (Akaha 1985). In particular, it reflected the fact that authorisation for overall aid increases to the region did not depend on the Fisheries Agency (but did depend on Ministry of Finance and the aid sections of Ministry of Foreign Affairs). What was also important in the case of the South Pacific was the role of key individuals, who were inclined to maximise their autonomy in the decision-making process.

Thus while procedures provide for both intra-ministry and inter-ministry coordination in aid policy, 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 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 and aggravated by 'vertical integration' between ministries and the private sector.

The private sector and aid bureaucracy

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, perhaps, are private consulting firms. A key factor in the decision making is the identification of suitable projects in developing countries that conform to the procedures and guidelines discussed earlier. Through links with consulting firms, ministries may extend their influence over aid policymaking at this level.

Most ministries have established consulting organisations to liaise with private consulting firms and support and subsidise the task of undertaking project identification work in developing countries. These include ECFA under Ministry of International Trade and Industry, 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 official development assistance (both grants and yen loans) may be explained in part by the fact that the emphasis of these organisations is on engineering. The consulting bodies represent and coordinate private 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 to implement the project. The request-based aid process promotes Japanese private involvement in the identification of projects since many developing countries are unable to come up with suitable projects on their own.

Ministry of Foreign Affairs does not have an equivalent consulting organisation and in general its links with the private sector are limited. It also lacks staff with expertise in the developing countries. This is a principal reason for its reliance on other ministries and 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 Ministry of Foreign Affairs becomes involved. It may influence policy at the broad level, in terms of the emphasis on different types of projects—for example, basic human needs.

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, for example, there is close consultation and coordination of industry and government interests in at least two ways. On the one hand, government (the Fisheries Agency) seeks to promote the interests of the distant-water fishing industry by using aid as a lever in access negotiations, usually as an indirect ‘top-up’ to access fees. On the other hand, the Fisheries Agency responds to the interests of firms that produce and supply fisheries-related goods and services by incorporating a goods and services component into its access agreements, as well as facilitating the provision of fisheries grant aid.

The International Affairs Division of the Fisheries Agency is lobbied by both sets of private sector interests. On a visit to the Fisheries Agency, an official pointed out to the author a number of private sector representatives who were lobbying the government for contracts to supply goods and services through fisheries grant aid and technical cooperation.

The line separating the private sector from government tends to be obfuscated by intermediary organisations that link sections of the government and the private sector. These include the OFCF and 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. The Japan Fisheries Association has represented the interests of the fishing industry at the national level since 1882. It undertakes research, promotes information exchange, petitions the Diet and government ministries and agencies, and develops policy recommendations. The Association also participates in fisheries access negotiations, as well as international fisheries conferences, such as the Third UN Law of the Sea Conference. While representing the entire fisheries industry, the Association has tended to emphasise the interests of the distant-water fishing industry more than coastal fishermen (Akaha 1985:22).

Like most industries in Japan, fisheries is highly regulated and depends on government (in this case the Fisheries Agency) for

supportive measures such as subsidies, as well as for fishing licences and other controls. The Japan Fisheries Association plays a mediating role by both harmonising the interests of its members and fostering cooperation between government and 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. Reflecting the process of *amakudari*, the President is a former Director General of the Fisheries Agency and a Vice-President is a former Special Adviser to the Minister on fisheries matters. Other Vice-Presidents (7 altogether) include the Presidents of Japan's main trading companies and fisheries cooperatives (Japan Fisheries Association 1991).

Cooperatives and firms affiliated to the Japan Fisheries Association, with the assistance of the OFCF, carry out private sector development cooperation. For example, Nikkatsuren (the 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 (Nikkatsuren, publicity material).

The relationship between the government and private sector is not always smooth or harmonious. Conflict may occur in the event that government chooses not to support a particular industry or private sector interest. For example in the late 1980s, Japan's policymakers refused to entertain a multilateral fisheries access agreement with the South Pacific states, with access fees supported by government 'aid', even though some sections of the distant-water fishing industry favoured such an approach and would have benefited as a result.

Such conflicts 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 fisheries sector reflects these problems, where conflict is prevalent between industry groups from different regions of Japan. There is also traditional animosity between different gear types, especially those using nets and those using lines. Finally conflict has also emerged between trading companies who import fish products and domestic producers, who are affected by the cheaper imports.

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 a particular issue area, it may be crucial.

The role of politicians in the aid policy process

Neither the legislative nor executive arms of government provides leadership on aid policy; and neither plays a proactive role in defining Japan's aid policies. This reflects the longstanding relationship between politicians and bureaucrats, with the former playing a supportive role; their level of involvement in policymaking often dictated by constituent interests.¹⁰

While individual politicians may be very influential, especially the faction leaders in the Liberal Democratic Party (LDP), generally politicians act through parliamentary and party committees, and through policy groups known as *zoku* (tribe or caucus). Due to the long reign of the LDP as governing party (1955–93), most LDP Dietmen developed expertise in a particular area of policy (Krauss 1989:53). 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). Politicians who are affiliated to a special policy area may try to influence aid policy decisions in line with their special interests. This may 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).

Bureaucrats who want a new aid policy or aid package that requires Cabinet approval will often consult with the specific *zoku* and through that process of consultation (or *nemawashi*) they may secure Cabinet support.

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 occurs now they will not bow to pressure. Rather, projects are chosen on the basis of their quality as 'good' projects according to the policy guidelines described earlier (interviews, Grant Aid Division, Ministry of Foreign Affairs, December 1992 and February

1993). But this 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. Ministry of Finance presents its aid budget as a *fait accompli* to the Diet, which simply approves it as part of the total General Account Budget. 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. The Cabinet and Diet may assert themselves over particular policy issues if constituent interests are at stake or if public opinion is particularly heated (for example, as a result of press exposés of corruption as occurred with the Marcos scandals). Executive and legislative intervention also occurs when international opinion (for example, the United States or G7) is pressing for action. This may result in emergency aid packages 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 *quid pro quo* relationship 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 legislation).

The process of formulating and adopting the Aid Charter in 1992 required close collaboration between the bureaucracy, especially the Ministry of Foreign Affairs, and the Diet. This was also an example of the use of former bureaucrats in special policy groups to boost the position of the Ministry. 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 official development assistance. This is strongly opposed by Ministry of Foreign Affairs.

An aid law would require prior Diet approval for official development assistance disbursements, which Ministry of Foreign Affairs rejects as unworkable. A senior official in the Economic Cooperation Bureau argued that an aid law would be too rigid, saying: 'We need to be able to respond flexibly to different situations' (interview, Director, Research and Programming Division, Ministry of Foreign Affairs, October 1992).

The Ministry also rejects the idea of a separate aid ministry or agency. According to an official in the Grant Aid Division, Foreign Affairs is best able to judge the political and diplomatic interests of Japan and how to promote these with official development assistance. It can thus provide a more coherent framework and rationale for assistance (interview, Grant Aid Division, Ministry of Foreign Affairs, May 1993).

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

Another forum where ties between Japanese politicians and recipient governments are cultivated is the Asia Pacific Parliamentarians Union (APPU). 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). 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.¹¹ Politicians are also likely to lobby on behalf of an industry within their constituency, which may benefit from aid contracts or exports derived from them, or licenses for logging, fishing or mining in a recipient country, which are awarded in exchange for aid.

The fishing industry in Japan has been supported by politicians from areas where the industry is most entrenched. Former Prime Minister Zenko Suzuki was a key advocate of fisheries grant aid largely because he came from Iwate Prefecture, a base for the distant-water fishing industry in Japan. Suzuki came from a fishing family and worked as a 'fishery technocrat' in the Japan Fisheries Association before being elected to the Diet. He served as Chairman of the LDP's Executive Board and as Chairman of the Dietmen's League for Fisheries Promotion. He became Minister for Agriculture, Forestry and Fisheries in 1976 and Prime Minister in 1980 (Akaha 1985:121).

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.¹² 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 has been described as the 'factional, particularistic, distributive orientation' of Japanese politics (Calder 1993:126).

In the context of aid policymaking, 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 singlehandedly but instead work to build a collective position. While procedures do not preclude individual initiative and action, they may hinder and constrain such action, especially the translation of policy declarations into practice.

The process of consultation and building a collective position is necessary in a decentralised bureaucratic setting. As Chalmers Johnson has observed, 'norms of consensus have developed primarily as a way of overcoming the ever-present danger of absolute deadlock among Japan's highly competitive groups' (1977:231). It is important to note, however, that consensus or a collective position does not necessarily mean agreement. Rather it refers to acquiescence, often based on expected tradeoffs or compromise.

Consensus building is particularly crucial to Ministry of Foreign Affairs since it lacks a significant domestic power base and 'often must compensate for this weakness by other means' (Orr 1990:138). A key aspect of the consensus building process, especially when new aid 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 beyond being a political exercise. As 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' (1980:103).

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. On 30 June 1992, the Japanese Cabinet adopted the ODA Charter, an elaboration and formalisation of four principles laid out by Prime Minister Toshiki Kaifu in April 1991 in a speech to the Diet.

The ODA Charter was a core component of Ministry of Foreign Affairs efforts at reforming the aid policy process, essentially to enhance public support for official development assistance (Koppel and Orr 1993:7). It was also a (pre-emptive) response to Diet pressure which threatened the Ministry's control over aid policy. While political pressure for aid policy reform can be traced back to the 1970s (Rix 1993:92-3) the immediate catalyst to the 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 to help democratisation in Eastern Europe and peacekeeping (especially in the aftermath of the Gulf War). Domestic pressures had also been building. Corruption scandals had given momentum to calls for greater openness and reform.¹³

The ODA Charter was the product of input from various councils, ministries and Cabinet, reflecting the importance of consultation and building consensus, especially through inter-ministerial discussion. This process screened out more radical proposals.¹⁴ Coordinating this process (and with most at stake, given calls from some sectors that a new Aid Ministry be created and/or that an official development

assistance basic law be adopted) was Ministry of Foreign Affairs, 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.

Ministry of Foreign Affairs South Pacific diplomacy has often been based on the 'expert advice' of scholars and ex-bureaucrats. In developing the Kuranari Doctrine on aid to the Pacific island countries, Ministry of Foreign Affairs (specifically the Oceania Division) sought to build consensus and support around its diplomatic initiative by incorporating the recommendations of study groups and think-tanks. It also sought to build public support for its initiative, by generating media attention. Its main priority was convincing Ministry of Finance, as well as aid sections of Ministry of Foreign Affairs, of the need to increase aid to the region since these sections of the aid bureaucracy held crucial decision-making power and their support was necessary. Significantly the Oceania Division did not consult other key ministries or the Fisheries Agency, as its 'permission' was not a prerequisite for securing an increased aid budget for the region.

Several organisations and groups carry out policy research on the Pacific islands (see Table 3.1). Their work is usually commissioned by the ministry or agency to which they are affiliated, and reports feed into policy development by the ministry. The membership of these groups tends to overlap, especially the scholars, reflecting 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 also shapes 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, despite overlap in their activities and membership. The Fisheries Agency and the OFCF carry out their own research, although the OFCF has commissioned the Japan Micronesia Association to undertake economic studies of the Pacific island countries. In general, reports commissioned by one ministry or agency will not be shared with other ministries or agencies, reflecting jurisdictional jealousies.¹⁵

The aid administration in Japan is characterised by bureaucratic decentralisation and power sharing. Complex procedures ensure that various ministries and agencies have influence at various levels of aid decision making. The private sector is influential through its links with key economic ministries. This decentralised system paves the way for different policies to be developed by different ministries. While there is

Table 3.1 Japanese think-tanks and policy groups working on Pacific island affairs

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

^a Foundation for Advanced Information and Research.

^b Japan External Trade Organisation.

^c Pacific Economic Cooperation Conference.

Source: Interviews, Tokyo.

close 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 differences between ministries in their respective views of the purpose and use of official development assistance. Most marked are the differences between the Ministry of Foreign Affairs (concerned with political and diplomatic interests) and the more economic and sector oriented ministries (for example the Ministry of International Trade and Industry and the Fisheries Agency).

These differences and rivalries hinder coordination of policy. This also results from the absence of a 'political centre' for aid policymaking

and from overlapping jurisdictional spheres. Formal channels promoting 'horizontal' coordination between ministries are limited and weakened by sectionalism. Policymaking structures (especially implementing agencies, consultant bodies and even think-tanks) may reinforce the fragmentation and sectionalism within the bureaucracy. The decentralised decision-making system, together with a weak executive leadership, also contribute to the reactive nature of Japan's aid policies.

Notes

- ¹ *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.
- ² Based on a survey of JICA Basic Design Study reports on projects to the Pacific islands, carried out by the author in 1992 and 1993.
- ³ 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 Rix (1993:Chapter3), also *The Japan Times*, 1 January 1992:1.
- ⁴ Although the Grant Aid Division leads negotiations with Ministry of Finance 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, Ministry of Foreign Affairs).
- ⁵ The Embassy of Japan and JICA generally have separate offices overseas.
- ⁶ For example it was announced that Japan would 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 was necessary in order for Cambodia to receive new yen loans from Japan (*Nikkei Telecom Service*, 23 February 1995).
- ⁷ 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.
- ⁸ This was the personal view of the President of the OFCF, in a meeting with the author, Tokyo, June 1993.
- ⁹ A Japanese TV documentary in 1995 (which contained an interview with the Tuvalu Prime Minister and gave rise to the 'Tuvalu Problem' mentioned earlier) was seen in this light by Ministry of

Foreign Affairs because it highlighted the connection between Japan's fisheries aid and access interests.

- 10 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 Allinson and Sone (eds) 1993. It is not clear how this stands in the light of the present shifting political alliances in Japan. But for foreign policy in general, and aid policy in particular, there is agreement that policymaking lies with the bureaucrats.
- 11 The importance of official development assistance 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 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).
- 12 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 *Asahi Evening News*, 18 March 1993:4.
- 13 In 1989, a critical non-government organisation 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.
- 14 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*. This inspired Kaifu's first reference to official development assistance principles, in a speech to the Diet in March 1990. 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 official development assistance 'general outline', including basic principles and regional policies. 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 Council was chaired by former Foreign Minister and then government advisor, 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. The Okita report was then deliberated by the Ministerial Conference for External Economic Cooperation before being adopted by Cabinet on 30 June 1992. For a critique of the government's approach in formulating the ODA Charter see *AMPO: Japan-Asia Quarterly Review* 24(1) 1992/93:44-5.

- ¹⁵ The Director of the Japan Micronesia Association described an incident where the Ministry of International Trade and Industry 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. The Ministry objected to its funds going to a Ministry of Foreign Affairs organisation.

4

Aid and access: the rise of Japan's fisheries aid diplomacy

Japan's colonial presence in Micronesia marked the start of its commercial fishing in the Pacific islands region. 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 (Doulman 1986:5). *Katsuobushi*, produced from smoked skipjack and bonito, and used as a food base in Japan, was the main money-earner in the Micronesian fishing industry (Peattie 1988:138).

Japanese commercial activities in Micronesia ended with its surrender in 1945. Under a United Nations trusteeship agreement the islands became a US Strategic Trust Territory in 1947. This arrangement prohibited non-American investment in Micronesia, a ruling which lasted until 1974.

After the war, Japanese vessels were prohibited from operating beyond Japan's coastal waters. The outer maritime boundaries for Japanese vessels, known as MacArthur lines, were extended four times before being lifted entirely in April 1952 (see Matsuda 1987). The Japanese government thereafter encouraged distant-water fisheries, especially for tuna and skipjack, in order to meet the nation's food needs and relieve more fully exploited coastal fisheries.¹ Government measures included financial support for construction of larger vessels, and switching licences 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 and in 1955 it reached its pre-war peak of 4.33 million tonnes. By 1968 fisheries production reached 8 million tonnes (Japan Fisheries Association 1991:1). Tuna production grew more quickly than overall fisheries production, reflecting growing domestic and foreign demand. Tuna production (not including skipjack) increased from 5,000 tonnes in

1950 to a peak of 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 (Fujinami 1987, Matsuda 1987:77). Government regulations defined fishing zones for tuna vessels of different size and class, restricting some vessels to the western Pacific. Distant-water vessels (over 100 GRT) were not restricted and operations spread into the Pacific and beyond. While longline operations were continuous in the western central Pacific from 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 targeted the canned tuna market, since refrigeration technology was inadequate to preserve the catch. This required bases close to fishing grounds, where fleets could be serviced and tuna sold to canneries. By 1962 there were 4 bases in American Samoa and 2 in the New Hebrides (later Vanuatu), as well as 32 others in Okinawa, Malaysia, Thailand, Philippines and Indonesia. By the early 1970s, 14 more bases had been established: including 3 in Papua New Guinea, 1 in Solomon Islands and 3 in the 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. In the early 1970s, joint ventures were established in Papua New Guinea and the Solomon Islands, which mainly involved pole and line fleets.

Japanese joint ventures in fisheries were mainly established by large trading companies, including Itoh-chu Shoji, which in 1963 set up a freezing plant in Fiji for buying tuna for export to Japan and the United States. In 1967, it built a cannery in a joint venture with the Fiji government. Taiyo Gyogyo, another trading company, started fishing surveys in Solomon Islands in 1971 and in 1973 established a joint venture fishing base. In the 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 Hogeï and 3 joint ventures were established there in the early 1970s (Japan Fisheries Association 1976).

By the late 1960s, improved freezing technology made it possible to transport fresh tuna (for *sashimi*) to Japan. This coincided with growth in domestic demand due to rising incomes in Japan. Longline vessels increasingly targeted the fresh rather than canned tuna market which 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 industries were compelled to make further adjustments (Matsuda 1987:87). In general, the fishing grounds of the Pacific became more attractive due to their proximity to Japan. More economical fishing methods were developed, including purse seining (requiring less fuel, less labour and no bait) which began on an exploratory basis in the early 1970s but did not expand until the 1980s.

The major fishing grounds for Japanese tuna and skipjack fleets in the post-war period were in the western central Pacific, including the waters of Papua New Guinea, Solomon Islands, Micronesia and French Polynesia. 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 within Pacific islands waters, while 107,052 tonnes were caught by Japanese pole and line vessels in the region (Klare 1978, Lawson 1992). 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 (Lawson 1992).

Tuna and skipjack were of special importance to Japan as exports and increasingly as a highly valued domestic food source.² 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 (Ministry of Agriculture, Forestry and Fisheries 1991a, 1991b). Tuna fisheries were 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 of 54 countries (Matsuda 1987:87).

In the post-war era Japan was the world's leading fishing nation. It was not until 1989 that China overtook Japan as the world's largest fisheries producer. Japan also had the world's highest per capita consumption of fish products. Dependence on fish products as a source of animal protein reached a high of 78 per cent in the 1955–1960 period, and it was still significant in the early 1970s (about 51 per cent) (Ministry of Agriculture, Forestry and Fisheries 1991b:19). Attaining self-sufficiency in food production was a goal of successive post-war Japanese governments and viewed as essential to Japan's security.

These factors defined Japan's interests in the Pacific islands region and shaped its policies on the question of extended coastal state jurisdiction and the evolution in international law of the exclusive economic zone concept.

Exclusive economic zones and Japan's position

The concept of exclusive economic zones

The United Nations Convention on the Law of the Sea, adopted in 1982 established, for the first time in international law, the concept of exclusive economic zones. Under the relevant provisions (Articles 56, 58 and 59), coastal state sovereignty over the living and non-living marine resources is recognised within 200 nautical miles from the state's coast line.³ 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 exclusive economic zone, the Law of the Sea Convention 'deviated fundamentally from the regime of freedom of fishing hitherto applicable in those waters' (United Nations 1992). Traditionally, sovereignty only extended to a territorial sea three miles wide.

The development of the exclusive economic zone concept corresponded to changes in state practice that began soon after the Second World War. In 1945 the US President issued two proclamations that set the precedent for extended coastal state jurisdiction: one to claim for the United States 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 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 from coastal base lines. These claims culminated in the Montevideo Declaration on the Law of the Sea, adopted in 1970 by Latin American countries, which, *inter alia*, pledged coordination among parties to promote 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 exclusive economic zone concept (United Nations 1992).

International practice was also extending the boundaries of the territorial sea. Law of the Sea conferences of 1958 and 1960 failed to agree on the limits of the territorial sea. Developing countries generally supported a 12-mile limit, while many advanced maritime powers, Japan included, supported a three to six-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.

Japan fought hard to preserve the international *status quo* in the face of these proliferating claims. At both the first and second Law of the Sea Conferences Japan advocated unrestricted high seas fishing, beyond the three-mile territorial sea. The most it would accept was a proposal to establish a six-mile territorial sea and six-mile contiguous fishing zone. However in negotiating bilateral fishing agreements with Pacific Rim states in the 1960s Japan was compelled to give *de facto* recognition to their claims of jurisdiction to twelve-mile fishing zones (Akaha 1985).

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 (United Nations 1992:14). In preparation for this conference, a series of meetings was convened by the UN Seabed Committee.

Japan supported the convening the Third UN Law of the Sea Conference, as a way to settle outstanding issues and to keep the ocean 'free to all people'. However in the lead-up to the Third Law of the Sea Conference Japan found itself increasingly isolated in its opposition to extended coastal state jurisdiction. While some major fishing nations (the Soviet Union for example) shared Japan's position, others shifted their support in favour of the exclusive economic zone concept. Significantly, these included the major Western powers in the South Pacific (France, Australia and New Zealand). The United States also began to show a more 'accommodating posture' to the exclusive economic zone concept (Akaha 1985:70).

The Third UN Law of the Sea Conference (1973–1982)

The formal sessions of the Third Law of the Sea Conference lasted almost ten years but the exclusive economic zone issue was resolved in principle by 1977. At the beginning of the conference it was clear that while the establishment of an exclusive economic zone giving coastal

state sovereignty over marine resources was widely advocated, some states remained strongly opposed, Japan in particular.

In the preparatory sessions, Japan proposed that the coastal state should enjoy 'preferential rights' rather than sovereign rights in waters adjacent to the territorial sea. It also distinguished between developing and 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' (United Nations 1992:27-8). 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 (United Nations 1992:42).

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 the area adjacent to the territorial sea. It remained highly sceptical of the exclusive economic zone concept, its delegation claiming that it did not provide 'adequate protection of the rights of other states, including traditional fishing states' (United Nations 1992:71). But, in this argument, Japan was largely isolated and it was the only country actively opposing the exclusive economic zone concept at the 1974 Caracas session (Akaha 1985:93).

Negotiating texts emerging from the 1975, 1976 and 1977 sessions of the Law of the Sea Conference progressively elaborated on rights, jurisdiction and duties in favour of coastal states. 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 1976. A position also emerged on the definition of exclusive economic zones; as a distinct zone neither of the high seas nor territorial waters. This was contrary to Japan's position, which was to define the area beyond the territorial sea as 'having the character of high seas'. By 1977, an informal composite negotiating text was prepared that formed the basis for the final versions of the relevant articles. A new article (55) laid down the *sui generis* nature of the exclusive economic zone. From this point, the rights and duties of coastal and other states in the exclusive economic zone were not considered 'core issues' to be resolved by the conference (United Nations 1992:Articles 56, 58 and 59).

The rights of coastal states were further strengthened by articles concerning the conservation and utilisation of living resources. 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 exclusive economic zone, it will give other states access to these resources through arrangements made according to conditions set out in the article, including access fees and joint venture cooperation. The fishing state is required 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. Japan and the United States took the position that highly migratory species (which includes tuna) would best be managed by international organisations who could adopt and enforce uniform regulations both within and beyond exclusive economic zones. They did not recognise sovereign jurisdiction of coastal states over the tuna within the exclusive economic zones.⁴

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 exclusive economic zones. Differences of interpretation of Article 64, dealing with highly migratory species, continued well into the era of exclusive economic zones, causing considerable tension and, at times, open confrontation between coastal states and distant-water fishing nations

Japan's changing policies on exclusive economic zones

At the start of the Third UN Law of the Sea Conference Japan's position was summed up by Japan's delegation leader: 'Our objective must be to reinforce the law of the sea on the basis of the widest possible high seas and the narrowest possible territorial sea' (Akaha 1985:76). This was the position of the Ministry of Agriculture and Forestry and the Fisheries Agency. Significantly, the Ministry of Foreign Affairs was more amenable to the idea of exclusive economic zones, believing that Japan's policy should be balanced with that of the international community. This was reflected in Foreign Minister Masayoshi Ohira's statement before a Diet committee in 1974 prior to the Caracas session when he declared that Japan 'could no longer block coastal states' claims' (Akaha 1985:86). Such conflicting statements underscored the divergent priorities and interests of the Fisheries policymakers and those in Ministry of Foreign Affairs. However it was the Fisheries Agency and Ministry of Agriculture

and Forestry '*status quo* position' that was presented as the Japanese government position at the Law of the Sea Conference.

In opposing the spread of exclusive economic zones, the strategy of the Japanese government was three-fold

- 'stop the expansionist claims of coastal states' and impress upon states interested in developing distant-water fisheries their 'common interest in preserving the freedom of the high seas'
- 'keep fishery conservation and control under international or regional arrangements'
- 'show some understanding of the concerns of developing coastal states while resisting proposals that would impinge upon Japan's distant-water fisheries' (Akaha 1985:74).

At the start of the Third Law of the Sea Conference it was not apparent to Japan's fisheries policymakers that an international consensus in favour of exclusive economic zones would crystallise so quickly. The almost complete isolation of Japan at the 1974 Caracas session shocked the fisheries policymakers and led to a reassessment of Japanese policy. By the end of 1974 policy had shifted towards 'conditional acceptance' of exclusive economic zone claims. Thereafter the Japanese government's goal became one of 'protecting within foreign economic zones as much of Japan's fishing rights as possible' (Akaha 1985:100).

In 1977 states began to declare formally their exclusive economic zones. By September 1977 about 40 countries had done so. Japan, who had vehemently opposed the concept, moved to declare its own 200 mile exclusive fishing zone on 1 July 1977. Until the end of 1976 Japan had not decided to declare a 12-mile territorial sea or a 200-mile fishing zone. Its decision to do both in early 1977 reflected changing international realities and, in particular, the Soviet Union's announcement that it would declare its exclusive economic zone in 1977. Japan's move was largely to protect Japan's own waters and 'to establish common ground' in negotiating access to the exclusive economic zones of other coastal nations (Fujinami 1987:6). But it was also a response to a political dilemma: that it needed to conclude a fishing agreement with the Soviet Union in ways that did not compromise its claims to the disputed islands known in Japan as the Northern Territories (Southern Kuriles). Thus the *status quo* around the disputed islands was frozen by the declaration of overlapping exclusive economic zones.

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. Moreover, the zone established Japan's 'jurisdiction, not exclusive management authority and sovereign rights' to the fisheries resources. With respect to its neighbours, South Korea and the People's Republic of China, Japan did not extend 200-mile claims.⁵

Confronting change: administrative adjustments and aid policy innovations

Various policy options were available to Japan (and other distant-water fishing nations) in responding to the introduction of exclusive economic zones. In theory, Japan could reduce its vulnerability to the expansionist claims of coastal states by reducing its fish consumption. But this was not a tenable option because, due to Japan's limited land, there was difficulty providing non-fish protein for the national diet. Japan's strong preference for fish products is reflected in its having the world's highest per capita consumption of fish. Historically, Japan had very productive coastal waters.

Two complementary strategies were integral to Japan's response to exclusive economic zones: to make itself less vulnerable to policies of coastal states and to try to modify restrictive coastal state policies through negotiation (Stokke 1991:231–43). The first strategy required moving to high seas fishing grounds beyond the exclusive economic zones; developing fisheries within its own exclusive economic zone; promoting fish farming and aquaculture, and increasing fish imports (George 1981:72–7).

While Japan emphasised production within its own exclusive economic zone,⁶ the Japanese distant-water fleets had little choice but to move to high seas areas (since they were not licensed to fish in Japan's offshore waters) while undertaking to negotiate access agreements. In this task the priority was to maintain as much access as possible to their traditional distant-water fishing grounds, and to 'modify restrictive coastal state policies', especially relating to quotas and royalties.

Both the fishing industry associations and the government, through the Fisheries Agency, initiated measures to ameliorate the effects of the exclusive economic zones. Industry, with the help of government, 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 foreign exclusive economic zones. In this context the Japanese government played a crucial role.

The Japanese government utilised fisheries grant aid to promote access agreements and provided subsidies, through the Overseas Fisheries Cooperation Foundation, to promote joint ventures with coastal states. Government administrative arrangements to support negotiations for access arrangements were also strengthened. Government support was particularly important in access negotiations, since small-scale fishing firms were less inclined to enter into joint venture arrangements with coastal states.⁷

Fisheries grant aid

In 1973 the formal sessions of the Third Law of the Sea Conference commenced and it was in the same year that the Japanese government created a special fisheries grant aid allocation, within Japan's official development assistance budget. The grant aid component of Japan's official development assistance was then relatively small. Fisheries grant aid comprised about 6 per cent of this aid.

The grant aid for fisheries was initiated through the combined efforts of Fisheries Agency officials and politicians with a strong interest in the future of Japan's distant-water fishing industry. A leading 'fisheries politician' in the governing Liberal Democratic Party (LDP) was Zenko Suzuki, who became Minister of Agriculture and Forestry in 1976. This 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 party.

The initial role of the fisheries grant aid was to 'show concern' for developing coastal states, while impressing upon them the need to oppose the spread of 200-mile exclusive economic zones. This changed, however, once it became apparent that the 200-mile regime would become part of international law. Fisheries aid then became part of Japan's strategy of protecting its fishing access within the economic zones of developing coastal states. As a senior fisheries advisor explained: 'It was expected that fishing negotiations with various countries 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 have this grant aid' (interview, Norio Fujinami, Tokyo, May 1993). In

this way, as a Fisheries Agency policy paper later 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 exclusive economic zones'(Tsuchiya n.d.).

This thinking reflected Japan's traditional approach to aid as economic cooperation and was already apparent in earlier efforts at fisheries cooperation. Prior to the introduction of fisheries grant aid in 1973, the Japanese government had promoted fisheries cooperation through the Southeast Asia Fishery Development Centre. This was established in 1968 and its underlying rationale, according to a government journal, was the development of fishery resources for Japanese utilisation, the promotion of capital investment by Japanese companies, and facilitating favourable fisheries negotiations with developing countries (*Kaigai gijutsu kyoryoku*, July 1972).

Fisheries grant aid thus became part of a strategy of 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 incentives for coastal states to conclude access agreements with Japan. For this reason it was important to establish a separate aid 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 developing coastal states reflected the strength of the fisheries industry and its political and bureaucratic supporters. But who would control the allocation of the fisheries grant aid was to prove contentious. The Fisheries Agency had the principal role in determining policy, although it was part of the Ministry of Foreign Affairs' aid allocation to be administered by the Japan International Cooperation Agency (JICA). The perception of the Ministry, according to a former Special Adviser, was that this amounted to a derogation of its power and a loss of aid resources (interview, Norio Fujinami, Tokyo, May 1993).

The criteria for allocating the fisheries grant aid were not spelt out in detail, although a later policy paper, specified that countries with per capita incomes up to \$2,000 were eligible (Tsuchiya n.d.). This was more than double the ceiling for general grant aid recipients. The Fisheries Agency also maintained that first priority would normally be given to countries with which Japan has fishing agreements 'under

reasonable conditions' implying that the conditions of access were a factor in the allocation of fisheries grants.

Pacific island countries received 17.5 per cent total fisheries grants for the period 1973 to 1994 (Table 4.1). Countries which received fisheries grants included those that had access agreements with Japan (Federated States of Micronesia, Kiribati, Marshall Islands, Palau, Papua New Guinea, the Solomon Islands and Tuvalu); those with fisheries joint ventures (Fiji and Vanuatu) and two countries with neither (Tonga and Western Samoa) but who were members of the regional Forum Fisheries Agency.

Table 4.1 Fisheries grant aid to the Pacific island countries as a share of Japan's total fisheries grant aid, 1973-94 (million yen)

Fiscal year	Fisheries grant total	Pacific island countries	Per cent
1973	155 (2)	-	-
1974	670 (2)	-	-
1975	1000 (2)	660 (1)	66.0
1976	1,990 (6)	-	-
1977	3,000 (7)	550 (2)	18.3
1978	5,000 (10)	900 (2)	18.0
1979	6,000 (12)	1000 (2)	16.6
1980	5,700 (12)	1,950 (4)	34.2
1981	5,730 (10)	1,100 (2)	19.2
1982	8,154 (14)	1,670 (6)	20.5
1983	6,996 (13)	1,110 (4)	15.8
1984	8,650 (13)	2,190 (4)	25.3
1985	8,886 (14)	1,873 (3)	21.0
1986	8,997 (12)	2,400 (4)	26.6
1987	2,903 (11)	-	-
1988	12,451 (26)	2,647 (10)	21.2
1989	11,400 (23)	3,534 (8)	31.0
1990	7,635 (13)	754 (3)	9.9
1991	7,415 (16)	775 (3)	10.4
1992	11,628 (22)	1,062 (6)	9.1
1993	9,471 (15)	344 (2)	3.6
1994	7,831 (17)	397 (3)	5.1
Total	141,662 (272)	24,806 (69)	17.5

Note: Figures in parentheses indicate the number of fisheries grants/ projects allocated in that year.

Source: Tsusho sangyosho (MITI), *Keizai kyoryoku no genjo to mondai ten*, 1995:934-41.

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 which was to support private sector fisheries cooperation with both developed and developing coastal states. The OFCF was essentially set up to channel government funds to the fishing industry 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 its decision making and funding.

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. The Law of the Sea Convention (Article 62, 4) recognised that joint ventures could form part of the terms and conditions for access established by coastal states. The OFCF funded up to 70 per cent of the capital investment of joint ventures. 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.⁸

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 to promote dialogue between decision makers in Japan and coastal states. Also initiated in 1974 was a foreign trainee program. Participants in this program are 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 be either at the request of a Japanese firm for a project feasibility study or a joint request of a foreign government and Japanese firm for 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 also 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 (*Kaigai gyogyo kyoryoku zaidan yoran*, June 1993).

In 1977 the OFCF began to provide goods and services to coastal states as part of access payments. Goods and services amount to about 10 per cent of total access costs but may be higher (see Table 4.2). The OFCF funds 75 per cent of goods and services; industry pays the balance. Usually the goods and services are fisheries related (such as outboard motors, vessels, fishing gear, nets or office equipment used by the fisheries administrations). 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 to combine goods and services as a component of access fee. Other distant-water fishing nations pay all the access fee in cash. 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 (Matsuda 1992:51). This reflects several things: the Japanese tuna industry was less competitive than other distant-water fishing nations and unwilling to pay higher cash fees; the Japanese government was unwilling to contribute directly to fees; 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, such as factory rejects (interviews, Forum Fisheries Agency, Honiara, November 1993).

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 main basis for policy innovation in the area of fisheries aid.

Administrative change and consolidation

The introduction of the exclusive economic zone regime created new administrative demands such as negotiating access agreements and regulating overseas fishing. To meet these demands 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

Table 4.2 Goods and services as a share of the total access fee in agreements between Japan and Pacific island countries, 1980-91

Country	Agreement period	Percentage of goods and services to total fee
FSM	1 Jan 1980-31 Dec 1980	14.24
	1 Jan 1981-31 Dec 1981	13.08
	1 May 1982-30 Apr 1983	6.56
	1 Feb 1984-31 Aug 1984	6.56
	1 Aug 1984-31 Aug 1985	9.16
	1 Aug 1985-31 Aug 1986	11.35
	1 Aug 1986-31 Aug 1987	14.23
	1 Aug 1987-31 Aug 1988	7.87
	1 Aug 1988-31 Aug 1989	7.00
	1 Aug 1989-31 Aug 1990	5.63
	1 Aug 1990-31 Aug 1991	4.61
Kiribati	1 Sep 1983-31 Aug 1984	10.64
	1 Sep 1984-31 Aug 1985	9.97
	1 Sep 1985-31 Aug 1986	23.13
	1 Sep 1986-31 Aug 1987	20.96
	1 Sep 1987-31 Aug 1988	11.78
Marshall Islands	1 Apr 1981-31 Mar 1982	13.04
	1 Apr 1982-31 Mar 1983	13.79
	1 Apr 1984-31 Mar 1985	14.79
	1 May 1985-30 Apr 1986	15.28
	1 May 1986-30 Apr 1987	15.05
	1 May 1987-30 Apr 1988	14.16
	1 May 1988-30 Apr 1989	7.28
Palau	1 Apr 1980-31 Mar 1981	24.78
	1 Aug 1986-31 Jul 1987	12.50
	1 Aug 1987-31 Jul 1988	12.50
	1 Aug 1988-31 Jul 1989	12.50
Solomon Islands	1 Oct 1978-30 Sep 1979	14.29
	1 Oct 1979-30 Sep 1980	31.35
	1 Oct 1980-30 Sep 1981	30.96
	1 Oct 1981-30 Sep 1982	24.19
	1 Jan 1983-31 Dec 1983	27.66
	1 Jan 1984-31 Dec 1984	40.84
	1 Jan 1985-31 Dec 1985	14.83
	1 Jan 1986-31 Dec 1986	34.28
	1 Jan 1987-31 Dec 1987	42.59
	1 Jan 1988-31 Dec 1988	11.25
Tuvalu	1 Jun 1986-30 Jun 1987	20.59
	1 Jun 1987-30 Jun 1988	27.00

Source: Forum Fisheries Agency, compiled at the author's request.

Fisheries Agency, which 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 administered the fisheries agreements Japan negotiated with coastal states as well as international agreements to which Japan is a party.⁹ The Division also included the Office for Overseas Fishery Cooperation which was responsible for liaising with the OFCF, the Economic Cooperation Bureau of Ministry of Foreign Affairs and JICA. Relations with the Pacific island countries are coordinated by the *Nanpo* (southern part) section of the International Affairs Division, which also has responsibility for relations with Australia, New Zealand, and South Africa.

The International Affairs Division is headed by a Director and two Councillors, who lead negotiations with coastal states and Japan's representation at international fora. For relations with the Pacific island countries, the leading policymaker is the Special Adviser to the Minister of Agriculture, Forestry and Fisheries. The creation of this post in 1977 coincided with the period of transition, when 200-mile exclusive economic zones were being declared worldwide. The Special Adviser, 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 power of the Special Adviser extends to influencing the direction of fisheries grant aid. He may decide what countries are a priority for fisheries grants and, once access negotiations have been concluded, he may facilitate project approval, liaising with the Overseas Fisheries Cooperation section of the Fisheries Agency and through this channel, with the aid bureaucracy.

Japan's access agreements with Pacific island countries

Pacific island countries declared their 200-mile zones between 1977 and 1984 (Table 4.3). 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 United States) (Fujinami 1987).

Table 4.3 demonstrates the extreme disparity between land and sea areas in the region. The new Law of the Sea regime dramatically transformed the geopolitical boundaries of the region. Due to currents

and other climatic factors, the richest fishing grounds are in the western and central Pacific (which includes the zones of Papua New Guinea, Solomon Islands, Nauru, Kiribati, Tuvalu, the Federated States of Micronesia, the Marshall Islands and Palau); hence, Japan's priority interest was in access arrangements with these countries.

Japan's first access agreement involving a Pacific island state predated the formal declaration of exclusive economic zones. In the late 1960s when Australia and New Zealand unilaterally declared 12-mile fishing zones, Japan negotiated access agreements that provided for the gradual phasing out of Japanese fishing in these zones. Its agreement with Australia also allowed Japanese vessels access to the waters of Papua New Guinea, which was still under Australian administration, on condition that Japan develop a fisheries joint venture in the territory (Akaha 1985:55).

In the post-colonial period, Japan's first access agreements were concluded with Papua New Guinea, Kiribati and Solomon Islands in 1978. These were followed by the French territories in 1979, and the

Table 4.3 Exclusive economic zones of Pacific island nations

Country	Status of zone	Declared	Zone area (sq km)	Land area (sq km)
Cook Islands	economic	1977	1,830,000	237
Fiji	economic	1981	1,290,000	18,272
FSM	fishing	1979	2,978,000	701
Kiribati	economic	1979	3,550,000	690
Marshall Islands	fishing	1979	2,131,000	181
Nauru	fishing	1978	320,000	21
Niue	economic	1978	390,000	259
Palau	fishing	1979	629,000	488
Papua New Guinea	fishing/economic	1978	3,120,000	462,243
Solomon Islands	fishing/economic	1978	1,340,000	27,556
Tonga	economic	1979	700,000	747
Tuvalu	economic	1984	900,000	24
Vanuatu	economic	1978	680,000	12,190
Western Samoa	economic	1977	120,000	2,935

Source: Adapted from Doulman, 1986. *Fishing for Tuna: the operations of distant-water fleets in the Pacific islands region*, Research Report Series No.3, Pacific Islands Development Program, East-West Center, Hawaii; South Pacific Commission, 1993. *South Pacific Economies Statistical summary*, No.13, South Pacific Commission, Noumea.

Table 4.4 Japanese access agreements with Pacific island countries

Country	Commenced	Lump sum	Per vessel	Status	Period	Restrictions
FSM ^{a,b,c}	1981	1981	1984	industry	1 year	yes
Kiribati ^{a,b}	1978	1978	1984	govt	1 year	yes
Marshall Islands ^{a,b}	1981	1981	1984	govt	1 year	yes
Palau ^{a,b,c}	1981	1981	-	industry	1 year	yes
Papua New Guinea ^{a,b,c}	1978	1978	1979	industry	open	no
Solomon Islands ^{a,b}	1978	1978	1979	govt	1 year	yes
Tuvalu	1986	-	1986			

^a longline

^b pole and line

^c purse seine.

Source: Doulman, David J., 1986. *Fishing for Tuna: the operations of distant-water fleets in the Pacific islands region*, Research Report Series, No.3, Pacific Islands Development Program, East-West Center, Hawaii.

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 renegotiations. Papua New Guinea's agreement was to continue (with the opportunity for adjustment) until either party gave three months' notice of termination (Doulman 1986).

In some cases, the agreements were negotiated between the coastal state government and the various industry associations. The key associations were the Federation of Japan Tuna Fisheries Cooperative Association (*Nikkatsuren*), the National Offshore Tuna Fisheries Association of Japan (*Kinkatsukyo*), the Japanese Overseas Purse Seine Fishing Association (*Kaimaki*) and the North Pacific Purse Seine Fisheries Cooperative Associations of Japan (*Kitamaki*). Normally the agreements were government to government; 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.

There were two ways of calculating access fees: a lump-sum system and 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 more accurate and fees could be based on actual operations and catch. The foreign vessel owners thus preferred this. 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 (in terms of actual receipts) it was sometimes significantly lower.

The relatively low access fees (rate of return and actual receipts) in the early 1980s were attributed to five factors

- the lack of any real scarcity value to the licences purchased (access agreements did not set quotas on catch)
- the small number of buyers for licenses (who, for the most part, were well organised and skilled at negotiating)
- the relatively large number of sellers of licences
- the relatively unprofitable nature of distant-water fishing operations
- the relative weakness of surveillance and enforcement to ensure compliance with agreements (Clark 1983:21–2).

Because fee payment was based on reported catch, 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-reporting of catch (a problem that continues today despite regional mechanisms to enhance surveillance and compliance).

The small number of buyers for licences in the 1970s and early 1980s was reflected in Japan's dominant position. In 1981, for example, 90 per cent of access fees received by Pacific island states were paid by Japanese vessels. For some countries, dependence on this revenue was acute. For Kiribati, an average of 83 per cent of access fees between 1978 and 1983 was paid by Japanese vessels. Access fees accounted for 9.0 per cent of Kiribati government revenue in 1981. This share rose to 25 per cent in 1986, as a result of an agreement with the Soviet Union (Teiwaki 1987).

In general countries in the region were dissatisfied with the low rate of return. 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 (Matsuda 1992:53). Break-offs were initiated by the Pacific island nations, often in an effort to secure more favourable agreements, but usually without success.

In the case of Papua New Guinea stability was secured through adapting access arrangements in line with mutual concerns. It was the only Pacific island country to exclude the goods and services component from its access agreement successfully. This was largely due to its stronger negotiating position as a major fishing ground as well as a larger economy that was less dependent on access revenues than other governments.¹⁰

An underlying problem stemmed from competition between island states for access revenue, as well as inadequate 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. To overcome the self-defeating rivalry and economic weakness of the island countries, Pacific leaders established regional machinery in the late 1970s and 1980s (see Chapter 5). 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.

The role of fisheries grant aid and the OFCF in Japan's access negotiations

Fisheries grant aid was linked to Japan's access agreements, but it could be provided in anticipation of access agreements being concluded. Thus there was not a strict correlation between access partners and recipients of fisheries grants (interview, International Affairs Division, Fisheries Agency, Tokyo, April 1993; Norio Fujinami 1993).

From the mid-1970s, which coincided with the beginning of the era of exclusive economic zones as well as the start of Japan's official development assistance program to the region, until the mid-1980s, most grant aid from Japan to the Pacific island countries was fisheries grant aid to countries which negotiated access agreements with Japan (Table 4.5). Tonga and Western Samoa received significant amounts of fisheries grant aid in the 1970s and early 1980s although did not negotiate access agreements or joint venture arrangements, but both had advocated a broad-based regional fisheries organisation in the late 1970s, which would have provided for Japanese membership. These factors may have influenced Japanese aid policy.

While fisheries grant aid was provided at the request of the island governments, often the request was initiated by Japanese fisheries industry representatives who lobbied (often through the Special Adviser) to allocate grant aid to the country concerned during access

Table 4.5 Japan's grant aid and fisheries grants to Pacific island countries, 1975-84 (million yen)

Fiscal year	Country	Access agreement	Grant total	Fisheries grant
1975	Papua New Guinea	Pending	660	660
1977	Tonga	No	400	400
	Western Samoa	No	150	150
1978	Solomon Islands	Yes	500	500
	Western Samoa	No	600	600
1979	Fiji	JV*	500	500
	Kiribati	Yes	500	500
	Western Samoa	No	300	-
1980	Solomon Islands	Yes	525	500
	Tonga	No	650	450
	Tuvalu	Pending	400	400
	Western Samoa	No	913	600
1981	Fiji	JV	430	400
	Solomon Islands	Yes	700	700
	Tonga	No	40	-
	Western Samoa	No	425	-
1982	FSM	Yes	200	200
	Fiji	JV	40	-
	Kiribati	Yes	567	500
	Marshalls	Yes	240	240
	Palau	Yes	320	320
	Solomon Islands	Yes	350	350
	Tonga	No	215	200
	Vanuatu	JV	210	210
	Western Samoa	No	590	-
1983	Fiji	JV	300	300
	Kiribati	Yes	267	200
	Marshall Islands	Yes	470	470
	Solomon Islands	Yes	90	90
	Tonga	No	600	-
	Western Samoa	No	200	-
1984	FSM	Yes	930	930
	Fiji	JV	1,195	-
	Kiribati	Yes	580	580
	Marshall Islands	Yes	380	380
	Papua New Guinea	Yes	60	-
	Vanuatu	JV	270	-
	Western Samoa	No	390	-

* JV = No access agreement but a fisheries joint venture.

Source: Compiled from Ministry of Foreign Affairs, *Official Development Assistance Annual Reports*, various years; Forum Fisheries Agency.

Figure 4.1 Linkage between aid and access

Source: From interviews with Japan Fisheries Agency officials and the Forum Fisheries Agency.

negotiations.¹¹ The OFCF would be approached to provide goods and services. At the recommendation of the Special Adviser, 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 the Ministry for Foreign Affairs and with JICA (Figure 4.1) (interview, International Affairs Division, Fisheries Agency, Tokyo, April 1993). 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 clearly troubled the Pacific island governments. The issue was first raised at the South Pacific Forum meeting in 1982. In their Communiqué, Pacific island leaders publicly '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.¹² The main concern of the leaders was that linking aid with access

denied countries a fair return for access to their exclusive economic zones. 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. On the economic side it was an indirect subsidy to industry—a contribution to the cost of access. Given regional dissatisfaction with the rate of return offered by Japanese industry, fisheries aid was a compromise between the demands for higher fees and what industry was prepared to pay. It was also a source of business for Japanese suppliers. On the diplomatic side, aid was designed to be a goodwill gesture, building friendly relations with the Pacific island states.

Tensions between diplomatic and economic goals were evident in the misgivings voiced by regional leaders at the South Pacific Forum. Precedence appeared to be given to the economic rather than the diplomatic objectives of aid policy, for despite regional misgivings, Japan continued to link fisheries aid and access. 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.

In the 1970s and early 1980s the role of fisheries aid was relatively straightforward. Fisheries grant aid was introduced to support Japan's distant-water fishing industry in foreign fishing grounds enclosed by coastal state exclusive economic zones.

Because Japan enjoyed a position of strength in its bilateral negotiations at this time, it acquired relatively cheap access. This situation changed profoundly in the latter half of the 1980s, especially in the wake of the multilateral access agreement concluded by the United States and the Pacific island states. This represented a major step forward in regional cooperation and greatly boosted other regional cooperative efforts. Japan's position was also undermined by increasing competition for access from other distant-water fishing nations and growing problems of adjustment in Japan's fishing industry. These put additional demands and pressures on Japan's fisheries aid diplomacy.

Notes

- ¹ 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. This is known as *katsuobushi*. Other tuna (bluefin, yellowfin and albacore) caught mainly by longline vessels are kept fresh or frozen, and marketed as *sashimi* (Matsuda 1987).
- ² According to Japanese Fisheries Agency studies, Japanese fish consumption has been increasingly directed at products in the high price category. This includes various species of tuna: bluefin (which is 'super-high' price), albacore, yellowfin, big eye and skipjack.
- ³ 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.
- ⁴ A highly migratory species is one that travels across great distances and may be targeted by many different countries. This position did not stop the Japanese government and industry from negotiating access agreements that gave *de facto* recognition to coastal state sovereignty over the tuna resource.
- ⁵ This was in order to protect Japan's fishermen from the potential danger of South Korea and China asserting 200-mile claims against Japan. In such a situation, Japan would lose more than its neighbours (Nagasaki 1988:117–21).
- ⁶ Production in Japan's exclusive economic zone almost doubled between 1970 and 1980 (Ministry of Agriculture, Forestry and Fisheries 1991:3).
- ⁷ 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 (Matsuda 1987:87).
- ⁸ No actual breakdown by country/firm was available from OFCE. Beneficiaries included Japanese joint ventures in Papua New Guinea and the Solomon Islands.
- ⁹ 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).
- ¹⁰ 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 (Doulman 1987).
- ¹¹ 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.
- ¹² Communiqué, 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 distant-water fishing nation that had a policy of using aid in this way.

Contending interests: the evolving fisheries aid agenda

A unique and important feature of Pacific island fisheries diplomacy is the presence of regional institutions 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, established in 1979 to help countries manage the living resources within their exclusive economic zones in accordance with the Law of the Sea Convention. Membership of the Forum Fisheries Agency 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 some regional countries wanted to include distant-water fishing nations as well as 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, in particular the United States and Japan. The issue reflected conflicting interpretations of Article 64 of the Law of the Sea Convention.¹

The Forum Fisheries Agency headquarters are in Honiara, Solomon Islands. Member states have not formally delegated any sovereign powers to the Agency, which is essentially an advisory and consultative body that is mandated to carry out the policy decisions of member states. But in practice the Forum Fisheries Agency 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 distant-water fishing nations.

The Forum Fisheries Agency was also mandated to serve as secretariat for a sub-regional group of states known as the Parties to the

Nauru Agreement. These countries controlled the most important exclusive economic zones in the region and accordingly 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 members were the Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Palau, Papua New Guinea and Solomon Islands. Tuvalu was admitted in 1991.

The Nauru Agreement gave rise to two major management initiatives: the harmonised minimum terms and conditions of access and the Regional Register. The minimum terms and conditions prescribed minimum standards that 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. It also introduced standardised licensing procedures which became legally binding on members when the First Implementing Arrangement of the Nauru Agreement came into force in September 1983. Member states also agreed in principle to accept no less than a 4 per cent rate of return.

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' (Doulman and Terawasi 1990). Vessels must have 'good standing' on the Register before being issued with a licence to fish in the exclusive economic zone of any member country. Good standing is withdrawn if an 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 Parties to the Nauru Agreement (since all countries are potentially affected).

The main point of these measures was to reduce the leverage of the distant-water fishing nations when negotiating access agreements with regional states, by putting in place common licensing standards and enforcement mechanisms. 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. There was a tendency for island states to renege on some of the undertakings especially when distant-water fishing nations 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 for access revenue. Japan refused to apply for registration directly to the Forum Fisheries Agency because it did not recognise the Agency 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.

In order to counter some of the weaknesses in the minimum terms and conditions and Regional Register rules, the Parties to the Nauru Agreement 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 distant-water fishing nations, 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 Green 1994).

Most significant, though, was the negotiation in the mid 1980s of a regional licensing or access arrangement with the United States. From the viewpoint of the Pacific island states, the advantage of regional access arrangements was their potential to reduce the leverage of distant-water fishing nations since they would be locked into a single licensing system: a break-off in one set of relations would affect the whole. Although the idea was first raised in connection with US fishing fleets, it was applied more generally to distant-water fishing nations and was 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, not with the US 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 (Doulman 1986). 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 attempted to accommodate the discrepancy between US policy of not recognising coastal state rights to the tuna in their exclusive economic zone and the *de facto* international acceptance of these rights (for details of US policy, see Tsamenyi 1986). 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 American countries unilaterally declaring 200-mile exclusive economic zones, the US government undertook to compensate 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 (Copes 1992:67).

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 exclusive economic zones. This included putting embargoes on tuna imports from the 'offending' countries. This was not an empty threat, as the US tuna market was the dominant market in the world tuna trade (Copes 1992:68). The effect of these two laws was to encourage US fishermen to violate the exclusive economic zones of foreign nations. Two highly publicised cases were the arrest of American tuna vessels in PNG waters in 1982 and in Solomon Islands waters in 1984. Other violations were recorded but not brought to trial (for details, see Tsamenyi 1986).

The idea of a US multilateral access agreement was first raised among US policymakers in the early 1980s 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, coordinated by the FFA. Agreement was reached in October 1986, spurred on by the conclusion of access agreements between the Soviet Union and two Pacific islands states, Kiribati and Vanuatu in 1985 and 1986 respectively. 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 exclusive economic zones, but the United States 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 (Copes 1992:69).

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 agreed financial package of \$60 million over the five-year period, 85 per cent was allocated to countries according to catch volume within the various exclusive economic zones 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 was divided into two parts: the Economic Development Fund for small-scale fisheries development projects, and Technical Assistance Fund for short-term consultancies, training courses and meetings. The Forum Fisheries Agency was mandated to serve as coordinator of these funds, although projects were subject to approval by the US Agency for International Development (USAID). Each country received an annual allocation of \$66,666.67 from the Economic Development Fund and \$16,666.67 from the Technical Assistance Fund.²

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 Washington. A further \$1 million was channelled through the regional USAID office for development projects. The industry body, American Tunaboat Association, paid \$1.75 million in licensing fees (for a minimum of 35 vessels at \$50,000 per vessel) and \$250,000 of in-kind technical assistance. Thus the US government paid over 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 the majority of the US government share was a cash grant and not project tied. The agreed amount was estimated to be around 10 per cent of the catch value, 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.

An important feature of the multilateral treaty was the fact that US vessels agreed to all administrative requirements and management measures of Forum Fisheries Agency member countries, including the provision of comprehensive catch and effort data. Most importantly, the treaty provided the Agency with its first opportunity for assessing the reliability of data provided by operators from other distant-water fishing nations.

In 1992 agreement was reached on an extension of the treaty for a further ten-year period. A maximum of 55 vessels were 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 distant-water fishing nations as well as the absence of any strategic imperative for the United States (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 cutbacks and closure of its regional office (effective from September 1994) (interview, US State Department, Washington, DC, February 1994).

The US agreement marked a turning point in the region's fisheries diplomacy. It was an unprecedented achievement in regional cooperation and in the benefits that were secured for the island states from foreign access to their exclusive economic zones. It also benefited countries that were not generally targeted 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 resulting enhanced expectations of island countries, was Japan.

The conclusion of a multilateral access agreement with the US in late 1986 led to immediate pressures on Japan to conclude a similar arrangement. Although these negotiations proved inconclusive, in general, relations between the region and Japan became more unstable. The US agreement led to greater confidence and higher expectations by regional states in negotiations with Japan. The greater willingness of some Pacific island countries to challenge Japan on terms and conditions of access 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) (Forum

Fisheries Agency estimate). 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 Solomon Islands) gave notice that they would also suspend agreements with Japan unless increases in access fees were obtained. The Director of the Forum Fisheries Agency declared in late 1988 that 'Japan's differences with the region have never been worse' (*The South Sea Digest* 18(8) 25 November 1988:1).

New aid initiatives: Japan's response to a proposed multilateral access agreement

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 Forum Fisheries Agency member countries, asked rhetorically: 'Where do we go from here?...One obvious avenue...leads towards that other great economic power on the rim of our region—Japan'.³ 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 Forum Fisheries Agency 'to facilitate such negotiations promptly' (South Pacific Forum 1987).

This was what the Japan's Fisheries Agency and industry had feared would happen. Although the Pacific island countries mooted an approach different from the agreement with the United States,⁴ Japanese officials interpreted the initiative as seeking to replicate the American multilateral treaty. Their objections 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.

This latter objection was valid to some extent. According to the Forum Fisheries Agency's own estimate, provided to the author, the Japanese tuna industry could afford to pay between 6 and 8 per cent rate of return, but no more. Japan's Fisheries Agency and tuna industry, however, maintained that the 'break-even' point for their operations

was 4 per cent rate of return (interviews, International Affairs Division, Fisheries Agency, Tokyo, April–May 1993; interview, Special Adviser Tatsuo Saito, Tokyo, May 1993).⁵

Japan's opposition to the proposed multilateral approach was also based on a more fundamental concern: that Japan would be further weakened in its position as a distant-water fishing nation 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. Japan was also concerned about its lack of influence over regional fisheries policy. It thus used the multilateral access issue to push for a broad-based fisheries organisation in the region, that would give Japan (and other distant-water fishing nations) some say over resource allocation and utilisation (including the issue of fishing licenses).

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.⁶ When the Japanese government finally agreed to meet with the Pacific island countries to 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.

Policy on this issue was formulated by the Fisheries Agency, but it was supported by the Oceania Division of the Ministry of Foreign Affairs. A major point of agreement between both the Ministry and the Fisheries Agency was on the question of government subsidisation of the fishing industry through a direct contribution to a multilateral access agreement. It was their common assessment that such a proposal would be strongly opposed by the Ministry of Finance. Moreover, it was believed there was insufficient political (Diet) support to push through such a proposal, largely due to a decline in the political influence of the distant-water fishing industry. This was attributed to, amongst other things, population decline in fishing areas and economic difficulties faced by the distant-water fishing industry (interview, Former Director General of the Fisheries Agency, Tokyo, May 1993; interview, Former Director Oceania Division, Ministry of Foreign Affairs, Japanese Embassy, Bangkok, April 1993).

Not surprisingly perhaps, the Japanese tuna industry favoured a regional access agreement in principle, in order to secure access for their fleets in the face of competition from other distant-water fishing nations. They also sought a direct government contribution to access fees as a way of easing their financial burden. But, according to an industry official, they were unsuccessful in persuading government to 'change its policy and use direct linkage between fishing access and aid' (interview, Executive Direction, Nikkatsuren, Tokyo, May 1993).

Rather than give in to the Pacific island countries' demand for a regional access agreement, and as a way of placating those island states that were considered important fishing grounds for Japan, the Japanese government introduced several new fisheries aid initiatives. The principal aim of these initiatives was to enhance the benefits of, and support for, existing bilateral access agreements.

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 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 (OFCF 1987).⁷

In announcing the small-scale fisheries grants, an official from the Fisheries Agency's Overseas Fisheries Cooperation Office explained that it 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. In the opening statement of the Pacific island countries' representative to the OFCF symposium, he said: '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'.⁸

The small-scale fisheries grant was intended to provide the Japanese government with a mechanism for responding to the 'smaller' requests

from the island governments, in line with their small economies. It was also predicted that through the grant Japan could 'respond more quickly and flexibly to requests'.⁹ But other, more important, considerations underlying the new aid program were alluded to at the symposium following the announcement of the grant.

The Fisheries Agency officials who introduced the small-scale fisheries grant scheme made clear that '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' (OFCF 1987:95).

The small-scale fisheries grant therefore provided Japan's negotiators with an additional bargaining tool: an incentive for Pacific island countries to continue bilateral access agreements with Japan. This was also the purpose of the regular fisheries grant aid. But that aid was constrained by Japan's policy limiting the number of grant aid projects 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' (OFCF 1987:100).¹⁰

The one project per year limit was not strictly applied for all countries, but for most countries it was the 'rule' until the late 1980s, after which most countries began to receive at least two projects a year. In the two years following the introduction of the grant, the number and amount of fisheries grants to the region reached a record high (Table 5.1). In the 1990s, most of the fisheries grants to the region have been designated as small-scale fisheries grants.

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. But it also reflected concern that island country demands for higher access fees would follow from the US multilateral treaty.

The small-scale fisheries grant 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 small-scale fisheries grant 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 small-scale fisheries grant by Ministry of Foreign Affairs.

Table 5.1 Japan's grant aid and fisheries grants to Pacific islands countries, 1985-94 (million yen)

Fiscal year	Country	Access agreement	Grant total	Fisheries grant
1985	Fiji	Joint venture ^a	813	-
	Kiribati	Yes	939	939
	Papua New Guinea	Yes	44	-
	Solomon Islands	Yes	112	-
	Tonga	No	541	541
	FSM	Yes	275	275
	Marshall Islands	Yes	315	-
	Palau	Yes	486	-
	Vanuatu	Joint venture	393	393
	Western Samoa	No	1,131	-
1986	Fiji	Joint venture	1,333	1,312
	Kiribati	Yes	229	189
	Papua New Guinea	Yes	1,361	-
	Solomon Islands	Yes	880	-
	Tonga	No	516	-
	FSM	Yes	624	624
	Marshall Islands	Yes	403	-
	Vanuatu	Joint venture	427	-
	Western Samoa	No	667	-
	Kiribati	Yes	253	253
1987	Papua New Guinea	No	1,976	-
	Tonga	No	290	-
	FSM	Yes	400	-
	Marshall Islands	Yes	560	-
	Palau	Yes	450	260
	Tuvalu	Yes	158	158
	Vanuatu	No	564	-
	Western Samoa	No	673	-
	Fiji	No	245	245
	Kiribati	Yes	130	130
1988	Papua New Guinea	No	2,129	-
	Solomon Islands	Yes	897	439
	Tonga	No	270	-
	FSM	Yes	515	515
	Marshall Islands	Yes	648	648
	Palau	Yes	330	330
	Tuvalu	Yes	107	107
	Western Samoa	No	690	-
	Fiji	No	245	245
	Kiribati	Yes	130	130
1988	Papua New Guinea	No	2,129	-
	Solomon Islands	Yes	897	439
	Tonga	No	270	-
	FSM	Yes	515	515
	Marshall Islands	Yes	648	648
	Palau	Yes	330	330
	Tuvalu	Yes	107	107
	Western Samoa	No	690	-
	Fiji	No	352	342
	Kiribati	Yes	1,011	90
1989	Papua New Guinea	No ^b	2,126	193
	Solomon Islands	Yes	1,018	1,018
	Tonga	No	824	-
	FSM	Yes	672	649
	Marshall Islands	Yes	599	599
	Palau	Yes	493	493
	Tuvalu	Yes	146	146

Table 5.1 cont'd

1990	Vanuatu	No	1,115	-
	Western Samoa	No	925	-
	Fiji	No	52	-
	Kiribati	Yes	630	145
	Papua New Guinea	No	1,839	-
	Solomon Islands	Yes	909	327
	Tonga	No	613	-
	FSM	Yes	824	234
	Marshall Islands	Yes	337	337
1991	Palau	Yes	414	-
	Vanuatu	No	352	-
	Western Samoa	No	674	-
	Fiji	No	1,146	-
	Kiribati	Yes	1,183	-
	Marshall Islands	Yes	375	375
	FSM	Yes	749	79
	Palau	Yes	404	-
	Papua New Guinea	No	1,880	-
1992	Solomon Islands	Yes	4	-
	Tonga	No	548	-
	Tuvalu	Yes	396	396
	Vanuatu	No	4	-
	Western Samoa	No	854	-
	Fiji	No	1,043	-
	Kiribati	Yes	407	211
	Marshall Islands	Yes	588	588
	FSM	Yes	1,130	100
1993	Palau	Yes	469	469
	Papua New Guinea	No	1,739	-
	Solomon Islands	Yes	122	84
	Tonga	No	517	-
	Tuvalu	No ^c	3	-
	Vanuatu	No	6	-
	Western Samoa	No	1,457	-
	Fiji	No	68	-
	FSM	Yes	1,193	139
1994	Marshall Islands	Yes	148	148
	Palau	Yes	691	110
	Papua New Guinea	No	1,243	-
	Solomon Islands	Yes	1,041	248
	Tonga	No	671	-
	Vanuatu	No	979	-
	Western Samoa	No	1,342	-
	Fiji	No	61	-
	Kiribati	Yes	224	224
	FSM	Yes	1,106	116
	Marshall Islands	Yes	617	-
	Palau	Yes	691	-
	Papua New Guinea	No	2,018	-
	Solomon Islands	Yes	702	-
	Tonga	No	778	-
	Vanuatu	No	759	-
	Western Samoa	No	876	-

^a JV = Joint venture but no access agreement

^b Negotiations between Papua New Guinea and Japan to re-start the agreement were underway and aid was incorporated as part of the rate of return.

^c The agreement between Japan and Tuvalu broke down in 1992.

To this latter question, the Fisheries Agency officials expressed some uncertainty and stated that this would need to be discussed with the Ministry. 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 Ministry of Foreign Affairs was aware of the small-scale fisheries grant initiative before it was presented to island governments at the OFCF symposium was not clarified. What was clear was that the small-scale fisheries grant was a Fisheries Agency initiative and it would be used as a new policy tool for the Fisheries Agency and industry. Moreover the OFCF would carry out all the preliminary project work. The role of the Ministry and JICA was to be kept to a minimum.

Other OFCF policy innovations

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 small-scale fisheries grant 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 (FDAPIN), a five-year project which started in April 1990 with 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 work was centred in Micronesia) to coordinate the activities of the project.

Failure to provide such support to projects in the past meant that infrastructure either was left idle or was poorly utilised (FAIR 1993).¹¹ 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.

The other initiative was a project titled Technical Cooperation for Fisheries Development. Introduced in 1988/89 and tied to access agreements with Pacific island countries, it 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 (Okamoto 1993, interview, OFCF Regional Office, Suva, July 1993).

Recipients of both these projects are countries which have access agreements with Japan. The initiatives aimed to make bilateral access

agreements 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.

How effective were these initiatives in defusing regional support for a multilateral access agreement and in safeguarding existing bilateral arrangements? One fisheries relationship which was a direct casualty of the US multilateral agreement, and which Japan failed to re-start, was Papua New Guinea. This case highlighted the emerging tensions and conflicts underlying Japan's fisheries aid diplomacy.

Deadlock: Papua New Guinea–Japan fisheries negotiations

Papua New Guinea was the first Pacific island country to enter into an access agreement with Japan. It was Japan's most stable access arrangement in the region 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 FSM with 35 per cent); for purse-seiners, the average share was 52 per cent (compared to 41 per cent for FSM). There was no recorded pole and line effort in PNG waters for that period.¹²

Consultations between Papua New Guinea and the Japanese fishing associations to review the access agreement were first held in Tokyo in July 1985, when the PNG delegation mooted a number of changes to the agreement, including a shift to a 4 per cent c.i.f. rate of return. At the next round of negotiations, in December 1986, Papua New Guinea 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. The main reason was the high rate of return expected from the US multilateral treaty (estimated at between 10 and 12 per cent) and the belief that Papua New Guinea was in a strong bargaining position because it had one of the largest and richest fishing grounds. A further condition that Papua New Guinea attached to its proposed rate of return was that no goods and services be included in the access fee. Opposition to goods and services as part of the access fee was a long-standing policy 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 Adviser 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 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.

Fujinami recalled that he had asked the Japanese industry associations whether they were prepared to pay the higher rate of return, not just for Papua New Guinea but for all countries, since the PNG agreement would set a precedent. 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 (interview, Norio Fujinami, Tokyo, May 1993).

Fujinami linked Papua New Guinea'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. The levels of access fees (defined as that share paid by industry) in Japanese and United States agreements were also compared. According to this analysis, it was argued that Japan was paying 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 (Fujinami 1988).

This analysis thus calculated Japan's fisheries grant aid as a part of Japan's contribution to the access fee. It 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. But this was at odds with the way the regional governments perceived the respective contributions (and a reason 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 acknowledged this 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' (Fujinami 1988:2). 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 Papua New Guinea's policy relating to acceptance of project tied grant aid¹³ and said that such aid would be provided to Papua New Guinea as soon as a fisheries agreement was concluded. But as long as Papua New Guinea denied access to Japanese vessels, it would not be eligible to receive fisheries grant aid. 'Fisheries aid cannot be provided to any country if its 200-mile waters are closed against Japanese operations' (Fujinami 1988:2).

Anxious to reactivate the access agreement with Papua New Guinea, Japan's fisheries policymakers and industry subsequently attempted to formalise the link between aid and access in a special fee formula. The event that precipitated this was the arrest in 1988 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 (*The South Sea Digest* 18(8) 25 November 1988:1). 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.¹⁴

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 government. The industry representative sought confirmation from the Minister that this was the PNG government's understanding. 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.

Later that month, the Japanese industry associations sent a mission to Papua New Guinea and informed the Minister for Fisheries (as well as the Prime Minister) that a fisheries grant equivalent to 2 per cent of catch value would be made in 1989. 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 c.i.f. 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'.¹⁵

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

In 1989 Papua New Guinea 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. It was classified as a small-scale fisheries grant. 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.

- The *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.¹⁶
- 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.¹⁷

- The position of Japan's Ministry of Foreign Affairs, 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 (interview, PNG Embassy, Tokyo, February 1993).

By August 1990 the PNG government had returned to its original position that it would not accept a package of aid and access fee (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 were held in Port Moresby in November 1990. Both sides appeared to have hardened their positions. While the PNG representative declared that '6 per cent c.i.f. was an integral part of the fee formula', the Japanese negotiator reiterated the offer of a 4 per cent access fee plus 2 per cent aid, the latter 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 ongoing commitment of cash grants, 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

- 6 per cent would lead to fewer vessels purchasing licences and thus less revenue for Papua New Guinea. It may also encourage under-reporting
- no new fisheries aid would be provided to PNG without an access agreement, and existing (fisheries aid) projects would be suspended
- 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 Papua New Guinea to reciprocate
- 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.¹⁸

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 Ministry of Foreign Affairs. Papua New Guinea'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 Papua New Guinea.

A number of issues stand out from the foregoing negotiations: the role of Japanese fishing industry groups in negotiating grant aid with a recipient government; the way the size of a proposed project was determined as a proportion of the access fee; the fact that aid was 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 pertinent.

During the negotiations with Papua New Guinea the Special Adviser used the promise of aid, and conversely the withholding of aid, as a lever to pressure the PNG side. Such tactics reflected both his negotiating power and the fact that his mandate extended to fisheries aid. The pressure applied on Papua New Guinea by the negotiator may also have reflected the growing sense of crisis in Japan's distant-water fishing industry. Policy emphasis was on containing the damage caused by the US multilateral treaty, by making an example of Papua New Guinea, 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 Papua New Guinea, but between Japan and other Pacific island states. Fuji-nami was known to be a demanding and uncompromising negotiator. This could well account for the poor results in Japan's negotiations with Papua New Guinea. His negotiating style antagonised the PNG negotiators and the opportunity for reaching a compromise was lost. He clearly underestimated Papua New Guinea's determination not to give in to pressure. PNG officials also sought to undermine his authority by challenging his interpretation of fisheries aid policy and in doing so, soliciting the support of Ministry of Foreign Affairs.

Apart from negotiating tactics, bureaucratic and procedural factors were important. Fisheries grant aid was clearly the special preserve of the Fisheries Agency. But there were obvious conflicts, if not

contradictions, in policy between the Fisheries Agency and Ministry of Foreign Affairs; 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 Adviser and industry. The Ministry tended to adhere to formal procedures, at least in official statements. It is also notable that the Special Adviser 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 aid diplomacy. Fisheries grant aid required consultation and coordination among Ministry of Foreign Affairs, Fisheries Agency, Ministry of Finance 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, requiring annual authorisation of projects and precluded multiple year allocations.

But perhaps most damaging was the way the Ministry of Foreign Affairs and Fisheries Agency policy agendas worked at cross purposes. The PNG government backed up its demands for increased access fees by alluding to the Kuranari Doctrine of January 1987. This 'doctrine' declared Japan's support for the Pacific island countries and pledged its intention to enhance economic cooperation with the region. In March 1987 PNG Prime Minister Paias Wingti stated bluntly 'the Japanese Government is making solid overtures to expand economic activities in the Pacific region, in the interests they say of regional stability. If they are genuine then why, I ask, has the Japanese Government not been able to get the Japanese Fishing Association to be reasonable with us?' (*PNG Foreign Affairs Record* 1987:12-13). This sentiment was echoed more broadly in the region on the issue of a multilateral access agreement (*Island Business* June 1987:24).

In 1989 Japan was again asked to deliver on its political declarations of support for the region by agreeing to more 'appropriate' fisheries arrangements. In negotiations between Papua New Guinea and Japan, Papua New Guinea's ambassador to Japan stated 'we believe Japan must now...meet its political declarations of support for the Pacific region's development through practical arrangements such as in the fisheries area' (Nombri 1989).

This reflected competing agendas in Japan's Pacific island diplomacy between the fisheries policymakers and those of Ministry of

Foreign Affairs. While the US multilateral access agreement increased pressure on Japan's bilateral access arrangements (US policy that was designed to meet a perceived security problem: keeping out the Soviet Union), the Ministry's own policy of meeting the Soviet 'threat' (see Chapter 6) was used by the island states to add weight to their calls for more beneficial access arrangements.

Japan's fisheries policymakers recognised the problems that the Ministry's initiative created for them. In interviews with the author the Kuranari Doctrine was described as rhetoric or 'propaganda' which raised false expectations and that the Pacific island countries did not receive anything concrete as a result. Both Fujinami and his successor were dismissive of any potential Soviet threat in the region. For the fisheries policymakers, the main threat to their interests came from the United States. The general opinion of the Fisheries Agency was that the Ministry of Foreign Affairs did not understand Japan's fisheries interests and policy in the region.

Other Pacific island countries' responses

Japan was also unsuccessful in negotiating an access agreement with Fiji, in an attempt to undermine regional support for a multilateral access agreement. Fiji had been a major beneficiary of fisheries grant aid, despite not having an access agreement with Japan. The main basis for providing fisheries aid was the fish cannery joint venture between the Fiji government and Itoh-chu Shoji, which ceased in 1987. Fiji continued to receive fisheries grant aid until it was informed in 1992 by the Japanese government that further provision of fisheries grant aid would depend on Fiji entering into an access agreement with Japan.

Initially, 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.

Fiji 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.¹⁹

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. Fiji officials described the proposed agreement as one 'of convenience'. While the Fiji Cabinet rejected the linkage between aid and access, and this was one of the reasons why no access arrangement was concluded, some Fiji government officials did favour signing an agreement in order to 'get the aid rolling' (interviews, Director of Fisheries, Government of Fiji; and Permanent Secretary for Foreign Affairs and External Trade, Government of Fiji, Suva, January and July 1993).

While Fiji resisted pressure to conclude an access agreement with Japan (even if this meant losing out on a grant aid project) other countries were more protective of their bilateral relationships with Japan. There was thus some disunity within the South Pacific region on the question of a multilateral access agreement with Japan.

For example, the Federated States of Micronesia, one of Japan's most important fishing partners, made quite plain its preference for keeping access arrangements bilateral. At the same time, it supported 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' (*Pacific Report*, (15)August 1994:4). The Federated States of Micronesia supported a combination of bilateral and multilateral arrangements, including an 'umbrella agreement' with Japan that incorporated minimum terms and conditions.

While there was a general desire in the region to improve the returns from access agreements with Japan, there was also concern that a regional agreement would benefit some countries more than others. The experience of the US treaty had demonstrated this. 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. 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.

The tactic worked to some extent as regional support for a multilateral agreement with Japan, which appeared strong at the outset, gradually weakened by the time formal talks on the issue began with Japan in 1989. 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. The following South Pacific Forum meeting adopted this position and further negotiations with Japan were suspended.

In 1993 the Forum Fisheries Agency decided to revive once again the issue of a multilateral access agreement with Japan. One of the main reasons was the rather damning critique of access arrangements and the low level of fees received by island states, contained in a report reviewing the 10-year history of the Nauru Agreement (Aqorau and Lili 1993). The report highlighted a number of failures on the part of the member states of the Agreement 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 Forum Fisheries Agency; for the Parties to the Nauru Agreement to pursue multilateral agreements 'as a matter of urgency' and until they reach such agreements, to consider negotiating *en bloc* with distant-water fishing nations.

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 Forum Fisheries Agency on a multilateral fisheries treaty; the US treaty was renewed for a further 10 years in 1992; and increased dialogue took place between the Forum Fisheries Agency and Japan on regional management issues (helped in part by the appointment of a new Special Adviser, who was not as hostile to the Agency). 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 meeting at least some of the conditions of a multilateral agreement, could perhaps defuse the issue (interview, International Affairs Division, Fisheries Agency, Tokyo, July 1993).

Despite forming a taskforce in late 1993 to consider the approach that the Parties to the Nauru Agreement and Forum Fisheries Agency should adopt in regard to a multilateral access agreement with Japan, the issue was subsequently put on hold while the regional fora devoted most attention to ways of promoting local industry development,

through preferential access agreements and limited licensing arrangements. This included the adoption in 1995 of the Federated States of Micronesia Arrangement for Regional Fisheries Access, designed to promote the development of the domestic purse seine fishery in the South Pacific.

The role of aid in facilitating structural adjustment in Japan's fishing industry

The issue of a multilateral access agreement was deliberated against a background of increasing disaffection with Japan within the region. An important factor underlying this was the growing presence in the region of other distant-water fishing nations. In the 1980s the number of distant-water fishing fleets (purse seine in particular) expanded significantly. Although Japan remained the dominant distant-water fishing nations (especially in longline and pole and line operations) other countries emerged as strong competitors for access. Apart from the United States, these included traditional operators, Taiwan and the Republic of Korea, and newly developing distant-water fishing nations: Philippines, Thailand and Indonesia (see Table 5.2).

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. Wage rates for Japanese crew on distant-water fishing vessels were high, with upward pressure due to the declining numbers of young Japanese willing to work on the fishing vessels, especially the distant-water vessels (see Japan Fisheries Association 1991:6).

The access fees for Taiwanese and Korean fleets were around 6 per cent of the catch value, compared to 4 per cent paid by Japan. 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).²⁰ Nevertheless, Japan was compelled to address the fact that it alone refused to pay higher fees.

Greater demand for access shifted the balance of power in favour of the coastal states. This reflected a more general trend, worldwide, of competition among distant-water fishing nations for steadily shrinking quotas in coastal state exclusive economic zones (Stokke 1991:238). This competition has led to open conflict between fishing vessels

Table 5.2 Purse-seine vessels by nationality operating in the Pacific island region, 1983–95

Country	1983	1989	1991	1995
Japan	41	36	44	32
Korea	11	30	37	29
Taiwan	3	25	44	43
United States	39	36	43	46
Philippines	-	14	12	11
Total	94	141	180	161

Source: Forum Fisheries Agency, 1992. *Options for Tropical Tuna Management: Considerations for the South Pacific*, FFA Report 92/88, Honiara, *Islands Business*, June 1996:50.

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 1994:1).

The leverage of the island states was strengthened further by initiatives formulated by the Forum Fisheries Agency and the Parties to the Nauru Agreement. 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 Agency shifted away from negotiating fee paying access agreements to promoting the harvesting and processing capacity of its members.²¹

Japan's distant-water fishing fleets were caught in an increasingly difficult situation. The waning of their political power *vis-à-vis* coastal states coincided with an economic decline that had begun in the 1970s and worsened in the 1980s. Economic problems stemmed from a number of factors. A shortage of crew and high wages was perhaps the most intractable problem. Japanese legislation, amongst other things,²² restricted the foreign crew quota to 25 per cent of the vessel crew. Given the problems of recruitment in Japan, the industry association, Nikkatsuren, has sought to expand the quota to 40 per cent (*FFA News Digest*, No.6, November–December 1992:11). Other forms of 'regulated inefficiency', aimed at controlling tuna supply, have also contributed to the industry's problems. 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.

The industry has also experienced declining rates of return due to competition in the Japanese market from cheaper imports. Trading companies have secured an increasing share of the domestic market in Japan (especially the *sashimi* trade) by purchasing products direct from other distant-water fishing nations. This has put downward pressure on prices, despite government measures to stabilise demand and supply (Japan Fisheries Association 1991:14). 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 (Bergin and Howard 1992, *FFA News Digest*, various issues).

Pressures on Japanese distant-water vessels undermined the industry's capacity to respond to political challenges. Although the Japanese government assisted the restructuring of the industry, through replacement and reduction programs in the pole and line fishery, it has not pursued a 'rigorous' rationalisation program (Doulman 1989). Instead the government has adopted *ad hoc* measures to support the industry; one being to utilise fisheries aid in conjunction with joint ventures.

Aid and joint ventures

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), Papua New Guinea and Fiji. These included transshipment facilities and fish processing plants. The era of exclusive economic zones 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 exclusive economic zones of coastal states.

In recent years joint ventures have evolved as part of Japan's 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. Examples discussed below include the Kiribati Fishermen's Training Centre and the National Fisheries Corporation in the Federated States of Micronesia. Aid policy has also been motivated by concern about ensuring the viability of joint venture operations, in the face of adverse economic conditions. This is illustrated in the following case of the Solomon Taiyo joint venture.

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 and Japan's need to secure access to the fishing grounds of the region. Under the terms of the original joint venture, Taiyo provided capital to build a cannery and shore facility and charter fishing vessels from Japan (Hughes 1987). 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 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.²³

The development, undertaken from 1985 to 1990, depended on the combined resources of several 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 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 (JICA, 1989, Solomon Taiyo Ltd, company publicity material).

The aid to support this development reflected the importance of the Solomon Taiyo joint venture to the Solomon Islands economy. It remains a crucial source of export earnings (estimated at 48 per cent in 1993) and employment (about 10 per cent). Thus a priority for Solomon Islands is to keep the joint venture afloat. But such assistance also subsidised the operations of a Japanese firm, and provided an incentive for its continued participation in the joint venture.

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. Taiyo

Gyogyo had in fact proposed parts of the infrastructure to be funded by Japan's grant aid. Its proposal had originally included a dormitory for fishermen. But given 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 visited to inspect progress on the implementation of the EDF grant, there had been 'surprise and consternation' that it was primarily assisting a Japanese joint venture (interview, Honiara, November 1993).

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 strong sentiment remains within the Taiyo company that it should withdraw. The trend in the 1980s has in fact seen a number of Japanese joint venture partners cease operations in 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 Papua New Guinea in 1982. The main reasons were commercial losses, and in the case of Papua New Guinea, problems relating to transfer pricing. Companies also moved away from direct fishing activities to importing and distribution. Japanese firms have faced strong competition from other fishing and processing nations, especially in Southeast Asia (interviews, Honiara, Tokyo; see also Ashendon and Kitson 1987). The fact that Taiyo Gyogyo remained was due, in no small measure, to the support of the Japanese government (through official development assistance and OFCF cooperation). The Japanese government's continued support for the joint venture is linked to access to the Solomon Islands exclusive economic zone.

Instability inherent in the relationship, due in part to erratic 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 proposal to sell its share of the company to the provincial government triggered a strong reaction from the Taiyo management, who 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'.²⁴ The Solomon Islands government,

perhaps fearing the loss of official development assistance, withdrew the proposal and a new joint venture agreement was concluded.

Kiribati Fishermen's Training Centre. The Japanese tuna industry also sought, through fisheries aid, cheaper sources of labour for its fishing fleets, which were finding Japanese crew hard to recruit. High wages paid to Japanese crew contribute to lack of competitiveness. Moreover, without a new generation of Japanese fishermen, Japan may not continue to be a fishing nation.

Domestic legislation allowed for a foreign crew quota on Japanese vessels of 25 per cent (raised to 40 per cent in 1995). By mid-1994, a total of 2,311 foreign crew were employed on 398 Japanese tuna vessels. Indonesians dominate, followed by Peruvians (*FFA News Digest* 5, September–October 1994:12).

In 1988 a project was initiated in Kiribati which aimed to train Kiribati fishermen as crew for Japanese tuna vessels. The Marine Training Centre, as it was initially called, was a 'joint venture' between JICA, OFCF and Nikkatsuren on the one hand, and the Kiribati government on the other.

A fisheries grant in 1988 of 130 million yen was used to construct a dormitory, classroom, laboratory and training vessel. JICA financed equipment, which between 1987 and 1990 amounted to 27 million yen; 12 JICA experts and 7 trainees between 1989 and 1991. The OFCF has provided equipment and experts; and Nikkatsuren has provided equipment.²⁵

By the beginning of 1993, 180 students had graduated from the Fishermen's Training Centre and, by mid-1994, 159 were employed on 20 Japanese pole and line vessels, 5 longline vessels and 2 purse seiners. The third phase of the project commenced in 1994, to run until 1996, when it was announced that the centre would be expanded to allow for an increase in the number of graduates from 50 to 100 each year. By 1996, 31 Japanese vessels, mostly pole and line, employed 200 I-Kiribati fishermen (*FFA News Digest* 3, May–June 1996:12).

The National Fisheries Corporation, Federated States of Micronesia. 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 Japanese fishing organisations to support the National Fisheries Corporation by providing guidance, funds and

air freight connections to Japan.²⁶ 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 was estimated at 10 million yen, to be financed by the OFCF. Tuna air freighted to Japan would be provided by Japanese fleets operating in FSM waters. The operational costs of aircraft used in the joint venture would be financed by the company. In February 1995 the company began transporting tuna from FSM to Guam by charter, reducing transport costs by up to 30 per cent (*FFA News Digest*, No.6/94, November–December 1994:22; *FFA News Digest*, March–June 1995:14).

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 had contributed to the expansion of fresh tuna exports to Japan and put increased pressure on the fresh tuna market in Japan. The objective of the 'cooperation' is stated clearly to be gaining 'influence' with the FSM government on the question 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' (*FFA News Digest*, No.6/94), November–December 1994:8). The joint venture was also rationalised on the grounds of securing Japan's own access arrangements with the FSM.

Apart from economic, political and demographic factors, structural adjustments were also forced on Japan's distant-water fishing industry by profound shifts in international norms and practice, in response to environmental problems caused by commercial fishing on the high seas. This has led to the imposition of measures by coastal states and the United Nations that restrict the operations of distant-water fishing vessels on the high seas, adjacent to exclusive economic zones. These measures, mainly designed to ensure conservation of fish stocks within exclusive economic zones, have been criticised by Japan as both legally and scientifically flawed. In opposing the imposition of such regulations and conservation measures, Japan has been perceived as an irresponsible fishing nation and isolated internationally. This has introduced new conflicts between Japan and Pacific island states; as well as between Japan and the United States. Once again, US pressure (this time direct) on Japan has helped increase the leverage of Pacific island countries. The environmental debate has also introduced a new task for Japan's fisheries aid diplomacy.

The environmental debate: a new direction for fisheries aid policy

The widespread declaration by coastal states of 200-mile exclusive economic zones meant that access for distant-water fishing nations to these fishing grounds became increasingly circumscribed. One strategy that 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 exclusive economic zones. Official reports show that between 1978 and 1989, Japan's fishing catch on the high seas increased from 402,000 tonnes to 1,330,000 tonnes. The amount of catch taken from foreign exclusive economic zones in the same period declined from 2,457,000 tonnes to 952,000 tonnes (Ministry of Agriculture, Forestry and Fisheries 1991:5).

Corresponding to this rise in high seas fishing was growing concern among environmental groups and coastal states at its impact on fisheries resources both on the high seas and within exclusive economic zones. The species of concern were straddling fish (that existed both within and outside the zones) and highly migratory fish (such as tuna). In the late 1980s and early 1990s, this concern was heightened by evidence that entire stocks of some species had collapsed, largely because of over-fishing (for example, the Atlantic cod off Newfoundland and Alaska pollack in the Bering Sea) while others were under severe pressure (such as the North Atlantic bluefin tuna).

Environmental concerns and coastal state fears that resources would be adversely affected by high seas fishing led to the adoption of measures aimed at curtailing, and in some cases imposing moratoria on, high seas fishing. Measures 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 United States) 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.

Japan has strongly opposed, and lobbied against, these measures. Differences between Japan and the United States, 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 the danger of over-fishing.²⁷ 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 postponing cost-effective measures to prevent environmental degradation'.²⁸ In other words, the burden of proof lies with the fishing nation, not the coastal state. Japan argued against this principle: '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' (Horiguchi 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' (Shima 1993).

Japan and the island states have been at odds over the regulation of high seas fishing by distant-water fishing nations, 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. Japan advocates a comprehensive 'regional fisheries organisation', that comprises both coastal and fishing states. For Pacific island countries, this approach would derogate their sovereign rights over the tuna resources within the exclusive economic zones and they have firmly opposed such an organisation.

But Pacific island countries and Japan have a common interest in promoting long-term access to fisheries resources. There is mutual concern that environmental lobby groups may adversely affect fishing through advocating measures that unduly curtail fishing. Japan and the Pacific island states have also moved closer to agreement on the need to cooperate more in the conservation and management of tuna stocks.²⁹

Campaign against the 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 exclusive economic zone to foreign fleets (which was completed in 1988) and restrictions on access to the Soviet exclusive economic zone. 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 longliners and pole and line vessels shifted to driftnetting because it used fewer crew and was more cost effective (Japan 1989, Sumi 1990).

Campaigns to ban the use of driftnets in both the North and South Pacific were driven by similar 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 (Sumi 1990:1–2).

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 exclusive economic zone as salmon moved from the high seas to the zone. In the South Pacific, the main concern was the impact of driftnetting on the albacore fisheries of countries within the region. Both the United States and New Zealand had established troll and longline albacore fisheries in the South Pacific. In addition, some Pacific island countries (notably Fiji, Solomon Islands, Tonga, Vanuatu and New Caledonia) had invested in albacore longline fleets. According to one study, the threat that the rapid expansion of driftnetting might over-fish the resource 'underscored the strong opposition by (these countries) to driftnet fishing in the region' (Wright and Doulman 1991:309).³⁰

Three South Pacific regional consultations on the driftnet issue between November 1988 and June 1989 developed a strategy to counter the growing trend in driftnetting, 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 driftnetting within the region included the Tarawa Declaration, adopted at the South Pacific Forum meeting in July 1989, which called for a ban on driftnet fishing in the region and for the establishment of a management regime for albacore tuna. A conference in Wellington, New Zealand in November 1989 drafted the Convention for the Prohibition of Fishing with Long Driftnets in the South Pacific (Wellington Convention), which came into force on 17 May 1991.³¹ The convention applies to exclusive economic zones 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 (Wright and Doulman 1991:Appendix 3). 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 (*The Washington Pacific Report* 8(4), 15 November 1989:1). 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 United States in June 1989 providing for cooperation in research and monitoring of driftnet vessels. Agreements with Taiwan and Korea followed (Sumi 1990:41-2).

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 resolution adopted on 22 December 1989 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 reduction of driftnetting in the South Pacific and cessation by 1 July 1991; and no expansion of North Pacific high seas driftnets (Sumi 1990, Wright and Doulman 1991). 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 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 alleged dangerous effects. 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 be presented before measures such as moratoria are adopted. This view was at odds with that of the Pacific island countries and the Forum Fisheries Agency, who argued that the burden of proof that driftnetting was *not* adversely affecting the resources rested with the fishing nation. This became known as the 'precautionary principle'.

Japan also opposed coastal states unilaterally restricting fishing 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 South Pacific albacore management regime was to argue for a broad-based approach, that included both distant-water fishing nations and coastal states, and covered all tuna harvested from the region, not just albacore.³²

Finally there was a perception that the campaign against driftnets was not genuinely about resource conservation but was motivated by anti-Japanese political and economic interests, including trade disputes. It was also seen to be fuelled by 'emotional' rather than rational arguments (interview, Former Special Adviser, Norio Fujinami, Tokyo, May 1993). Ultimately, Japan 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 driftnetting by 31 December 1992 (New Zealand 1991).

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 inspect Japanese driftnet vessels (*The Fiji Times*, 11 October 1989:20). Despite this action, Japan, along with Taiwan, was criticised during the Wellington Conference for failure to phase out driftnetting completely.³³

It was not until the South Pacific Forum meeting in August 1990 that Japan announced that it would cease driftnet fishing in the South Pacific from the 1990–91 season, one year ahead of the deadline set by the UN resolution. It was presented as a major concession to the South Pacific countries. The representative of the Japanese 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' (Togo 1990). 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' (Kakizawa 1992). 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.

Drawing a parallel with the moratorium on whaling, a Fisheries Agency official claimed that 'it is not easy to stop a moratorium once it is in place'. As a result of the UN resolution, the Fisheries Agency 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).

Both international and domestic factors were prominent influences on Japan's decision to end driftnetting. Internationally, 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 Ministry of Agriculture, Forestry and Fisheries, but the Ministry of Foreign Affairs, the Ministry of International Trade and Industry and the Cabinet as a whole. In one report, the Minister for Agriculture, Forestry and Fisheries attributed the decision to end driftnetting to 'other nations' responses to driftnet fishing and Japan's position in the international community' (*Japan Economic Institute Report*, No.45B, 6 December, 1991:6).

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 high seas 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) (interview, Executive Director, Nikkatsuren, Tokyo, May 1993). More importantly, the driftnetting industry was relatively small and in the final analysis was expendable. It employed about 10,000 workers in 1988, out of a total in coastal, off-shore and distant-water fisheries of about 392,000 (*Japan Economic Institute Report* No.45B, 6 December 1991:5).

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 Forum Fisheries Agency 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' (Wright and Doulman 1991:328). Consultations between Japan and Forum Fisheries Agency member states on albacore management were ultimately unsuccessful given the conflicting objectives of the Agency 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 to commercial high seas fishing. This forced an unwelcome decision on the Japanese government: to sacrifice the relatively small driftnet industry for the sake of international cooperation and the wider interests of the Japanese fishing industry.

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 provoked more general criticism of Japan. From the perspective of the Forum Fisheries Agency, this delay was symptomatic of the different interests and priorities of Japan and the Pacific island 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 United States. This gave weight to Pacific island regional policies. The United States was also 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 is a high interaction of tuna and dolphin. Environmental groups in the United States in the late 1980s and early 1990s succeeded in influencing Congress and the US 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 import yellowfin tuna from offending countries. Bans on the latter countries included Costa Rica, Italy and Japan (*FFA News Digest*, No.2/94, March–April 1994:5).

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'. In November 1992, the US President signed a bill that would place a moratorium on tuna fishing in association with dolphins 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.³⁴ 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 caused tuna stock levels to increase out of proportion to stocks elsewhere

Japan's officials 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 Forum Fisheries Agency responded that the Palau Arrangement, signed in 1992 by the Parties to the Nauru Agreement, precludes the need for such an organisation since it limits purse-seine licences and hence fishing effort in the exclusive economic zones of the western Pacific. 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 Forum Fisheries Agency member states.

Revision of CITES

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 and was signed 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 (Appendix One species) is for species threatened with extinction. 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 any Party has regulations 'for the purpose of preventing or restricting exploitation' and which requires the cooperation of other parties in controlling trade (United States 1973).

At the eighth CITES meeting, held in Kyoto in 1992, the Swedish government (at the behest of environmental groups, mainly the World Wide Fund for Nature) proposed the inclusion of Atlantic bluefin tuna in Appendix Two (with one species, Western Atlantic bluefin, proposed for Appendix One).³⁵ This was the first time a commercially harvested tuna was proposed for inclusion on CITES, but it was withdrawn after Canada, Japan and the United States 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 (*The Japan Times*, 22 February and 26 February 1992).

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 Two. The proposal came from Kenya, reportedly at the instigation of the World Wide Fund for Nature. 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'.³⁶

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 (interviews, Nikkatsuren, May 1993; Fisheries Agency, July 1993). 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 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 fish 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 exclusive economic zone. The UN General Assembly resolved, in December 1992, to 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' (Hayashi 1993:9).

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' (*Ocean Policy News*, November 1993:4-5). 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. Coastal states wanted a legally binding convention that would subject the freedom to fish on the high seas to the interests of coastal states in preserving and managing the resources within their exclusive economic zones. On the other hand, there was strong resistance from distant-water fishing nations to extending coastal state jurisdiction beyond exclusive economic zones.

For Japan, the UN Conference came at a pivotal moment in its history as a distant-water fishing nation, 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 (interview, International Affairs Division, Fisheries Agency, Tokyo, June 1993). It also opposed sweeping management principles (including the precautionary approach) that could lead to moratoria on high seas fishing. Japan advocated 'regional fisheries organisations' that would have 'the fundamental right to determine which specific measures it will take, based on the actual situation in the region' (Horiguchi 1993). Such organisations would comprise both coastal and fishing states. On the question of tuna, Japan wanted quotas allocated to both coastal and fishing states. Coastal states should not have sole rights over the fishery (from discussion with Ambassador Satya Nandan, Chairman of the Conference, New York, February 1994).

This approach was anathema to the Pacific island states and the Forum Fisheries Agency. From their perspective it was imperative that the UN conference fully recognise and support their claims to manage the tuna within their exclusive economic zones and to take measures to ensure conservation of stocks. Such measures, including regulating some high seas fishing activities, were in part reflected in the revised minimum terms and conditions of access, adopted as part of the Parties to the Nauru Agreement's Second Implementing Arrangement in 1991. They required provision of high seas catch data as a condition of access (whenever fishing takes place both within an exclusive economic zone and on the high seas), 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 their fleets; that is, they sought a greater elaboration of 'flag state responsibility'.

The Forum Fisheries Agency states' position was 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 exclusive economic zones. [They] need to ensure that no inroads are made to the principle of sovereignty over highly migratory species while within areas of national jurisdiction' (Forum Fisheries Agency 1993).³⁷

The August 1994 session of the UN conference decided to adopt a treaty, which had been favoured by some coastal states but not by distant-water fishing nations. This was achieved in August 1995 and by June 1996, 9 Forum Fisheries Agency member states had signed the agreement.³⁸

The Agreement elaborates on the obligations under the Law of the Sea Convention on coastal states to conserve and manage the resources within their exclusive economic zones and on distant-water fishing nations to establish conservation and management measures on the high seas. It stipulates that such measures on the high seas must be taken in cooperation with other fishing nations in the area and with coastal states of the region. According to the Chairman of the Conference, the main challenge for the South Pacific that derives from both the Law of the Sea Convention and Implementing Agreement is 'how to proceed to establish a mechanism for cooperation' and eventually a 'more formal organisation' joining the Forum Fisheries Agency member countries and distant-water fishing nations (Nandan 1996).

Environmental aid policy: addressing an image problem

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 was convened. This image problem resulted partly from Japan's policies, and its insistence that practices such as driftnetting were not harmful to the 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 by Japanese officials to the early 1970s when protection of cetaceans (whales in particular) became an international issue (Shima 1993).

Japan's fisheries aid has 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. There have been tensions, however, in the evolution of this 'environmental' aid diplomacy.

The tendency among some policymakers and fisheries industry officials was simply to pressure countries to support Japan in international fora, using aid as a negative sanction. In 1987, at an OFCF symposium, a Fisheries Agency representative told Pacific island states 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 [*sic*] Japan in various international organisations' (OFCF 1987:93).

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 (see, for example *The Fiji Times*, 31 July 1989:11).³⁹ These allegations also surfaced during the International Whaling Commission Conference (IWC) in Japan in May 1993 (*The Japan Times*, 14 May 1993:1,2). Despite such criticism, the public relations 'war' remained an essential part of Japan's response and as criticism of Japan deepened, attitudes in Japan hardened.

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 targetted 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 (interview, Tokyo, June 1993).⁴⁰

Within the Ministry of Foreign Affairs there was also a perception that fisheries aid should build diplomatic support for Japan. But the results to date, according to a Grant Aid Division official, have not been 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 (interview, Grant Aid Division, Ministry of Foreign Affairs, May 1993).

By 1992 a new policy emerged in relation to the environment. The Director of the Office of Overseas Fishery Cooperation 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 (Okamoto 1992, italics added).

What does this entail? Essentially it means using fisheries aid to make a constructive contribution to conservation. This can be viewed as part of a 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' (*Suisan sekai*, 5 August 1992).⁴¹ 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 assisting developing countries to conserve and manage their exclusive economic zones.⁴² Japan supported this approach. In his opening statement, the head of the Japanese 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' (Horiguchi 1993). According to the Fisheries Agency, Japan would be in favour of providing a 'special fund' to support efforts of developing countries to conserve their resources, especially highly migratory species, within their exclusive economic zones (interview, International Affairs Division, Fisheries Agency, July 1993).

As with other fisheries cooperation policy, the Fisheries Agency took the lead in environmental cooperation. It 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'. Administered by the OFCF, its focus is 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 assistance for the conservation and management of those marine mammals that are likely to come under the regulations of CITES (*FFA News Digest* No.5, September–October, 1993:24).

The report suggested that the main rationale for this program was to promote a more positive image of 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 (*FFA News Digest* 4/94, July–August 1994:13).

Beyond image building, it is likely that this new emphasis on conservation has another objective. 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 includes both distant-water fishing nations and coastal states. The push for a comprehensive fisheries organisation is a fundamental part of Japan's fisheries diplomacy in the Pacific island region. Fisheries aid is certain to be conditional to some extent on Japan's inclusion within regional policymaking fora.

Environmental concerns and campaigns threatening closure of fishing grounds not only in exclusive economic zones but also on high seas created a new imperative for fisheries aid: to build diplomatic support for Japan in international fora and to use aid in ways that demonstrated Japan's concern about environmental consequences of fishing. This new imperative meant less priority on the traditional role of fisheries aid: acquiring access to foreign exclusive economic zones. It has been suggested that this is a further reason why there was not strong political support in Japan for a multilateral access agreement (interview, Former Director General of the Fisheries Agency, Tokyo, June 1993).

Japan's tuna fleets remain highly dependent on access to the region's exclusive economic zones. The proportion of Japan's fishing operations which is carried out within and adjacent to the exclusive economic zones of Pacific island countries varies according to the vessel type and fishing gear used, as well as target species. In 1990, for example, 33 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 20 per cent of total catch; and for purse-seiners, 82 per cent of total catch (Forum Fisheries Agency 1992, Ministry of Agriculture, Forestry and Fisheries 1991a, 1991b).

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 distant-water fishing nations 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 Forum Fisheries Agency are based on accurate (or adequate) stock assessments. Its fear

is that the region's resources may be over-fished unless an international fisheries organisation is set up. 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 such issues as the allocation of quotas.

Reflecting this concern, at an international meeting in late 1994 between Forum Fisheries Agency 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 1994). There is now perhaps greater legal basis to this position.⁴³

The purpose and role of Japan's fisheries aid has thus grown increasingly complex. Fisheries aid has responded to new challenges and problems: containing the effects of Pacific island regional diplomacy, facilitating structural adjustment of the distant-water fishing industry, and meeting the criticisms of environmental groups and concerns of coastal states. Political and diplomatic goals are now as important as economic ones. The growing complexity of Japan's fisheries aid agenda has revealed underlying problems of policy coordination between ministries, as well as between industry and government. But procedural obstacles have also hampered the effective use of aid as a bargaining tool and lever in access negotiations. The case of Papua New Guinea-Japan negotiations demonstrated this. It also revealed how recipients may play on bureaucratic differences in Japan's aid administration and undermine the negotiating position of Japanese officials.

A fundamental problem for Japan's fisheries aid diplomacy was the existence of a competing aid policy agenda with respect to the Pacific islands. This was based on quite different priorities and objectives and was heralded as forming the basis for a new beginning in Japan-Pacific island relations. It was known as the Kuranari Doctrine.

Notes

- ¹ Article 64 requires coastal states of a region and states whose nationals fish in adjacent high seas to cooperate 'with a view to ensuring conservation and promoting optimal utilisation' of highly migratory stocks within and beyond the exclusive economic zones. It states that this cooperation may be carried out either directly between states or through regional and international organisations. If there are no appropriate organisations states are required to cooperate in establishing such arrangements. For details of the establishment of the FFA, see Van Dyke 1981.
- ² Information provided by Forum Fisheries Agency. All member states were parties to the treaty and received access payments. Neither Australia nor New Zealand were beneficiaries of the Economic Development Fund and Technical Assistance Fund, but New Zealand did receive payments on behalf of Tokelau, an island territory under its jurisdiction.
- ³ 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 (Forum Fisheries Agency 1987).
- ⁴ 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 not to disrupt their existing agreements with Japan.
- ⁵ For an analysis of the economic conditions of Japan's tuna industry, see Bergin and Howard 1992.
- ⁶ This position was conveyed formally by the Ministry of Foreign Affairs to the Papua New Guinea Embassy in Tokyo through a *Note Verbale* on 19 July 1988.
- ⁷ This is not to be confused with small-scale grant assistance, introduced by the Ministry of Foreign Affairs in 1989. The size of the latter grant was to be a maximum of 5 million yen.
- ⁸ South Pacific Countries Representative Opening Remarks, Conference Report, Attachment 3. These criticisms were echoed by fisheries officials interviewed by the author at the Forum Fisheries Agency. They reflect the emphasis in Japanese aid policy on promoting Japan's commercial and economic interests, including generating business for firms producing fisheries goods and services.

- ⁹ The key point that was suggested at the symposium was that the SSFG would be administered through the OFCF and not JICA (Doulman 1989).
- ¹⁰ 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' (Tsuchiya n.d.).
- ¹¹ Also, information provided by PNG officials on the state of the Kavieng National Fisheries College, established in 1977 with Japanese grant aid.
- ¹² Forum Fisheries Agency statistics. The other major distant-water fishing nation in Papua New Guinea was the United States. In 1984, 50 per cent of US purse seiners in the region were licensed to fish in Papua New Guinea's exclusive economic zone. Significantly, Papua New Guinea was the major beneficiary of the US multilateral fishing agreement, receiving approximately one-third of all treaty payments between 1988 and 1992.
- ¹³ Papua New Guinea had a long-established policy of accepting only untied grants, open to international tender. This policy was relaxed in 1986 when the stipulation on international tender was waived. This policy change was designed, in part, to give PNG access to grant aid from Japan (*PNG Foreign Affairs Review* 1986 6(1):24).
- ¹⁴ 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*.
- ¹⁵ Explanatory Note of Japanese Fisheries Mission, 20 December 1988; also Japanese Position On the Agreement Concerning *Take Maru No.32*, Dated 2 December 1988.
- ¹⁶ These procedures require a project identified by the Department of Fisheries and Marine Resources, to be appraised by the Department of Finance and Planning before a donor is sought (Department of Fisheries and Marine Resources 1989).
- ¹⁷ This principle was that provincial governments may not negotiate aid assistance directly with foreign governments (Department of Fisheries and Marine Resources 1989:16).
- ¹⁸ Record of proceedings, PNG-Japan Negotiations, Port Moresby, 19–21 November, 1990.
- ¹⁹ See reports in *The Fiji Times*, 28 and 29 December 1992; and *Pacific Islands Monthly*, May 1993:9–11. Fiji was not regarded as a good fishing area by Japan, hence no access agreement had been concluded in the past.
- ²⁰ 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). (Forum Fisheries Agency 1992:10).

- 21 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 United States, 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 (Stokke 1991).
- 22 It was suggested that these included concern about maintaining the cultural cohesion of fishing crew (interview, Norio Fujinami, Tokyo, May 1993).
- 23 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 (see Hughes 1987).
- 24 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 (*The South Sea Digest* 12(25) 1993:1).
- 25 Details of the grant aid and JICA technical assistance are provided in Gaimusho (1992) and JICA, *Annual Reports*, various issues. OFCF cooperation is in *Kaigai gyogyo kyoryoku zaidan yoran*, June 1993. This does not include yen amounts, only number of cases. Other details are from background documents provided by the OFCF.
- 26 The four organisations are Kinkatsukyo, Kaimakikyo, Nikkatsuren and Hokubu Makiami.
- 27 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. Comment by Koji Kakizawa, Parliamentary Vice-Minister for Foreign Affairs of Japan, Japan-South Pacific Forum Dialogue, Honiara, 10 July 1992.
- 28 Also known as 'Principle 15' of the Rio Declaration, adopted at UNCED in 1992 (see Hayashi 1993).
- 29 This is in light of the conclusion in 1995 of an agreement at the United Nations on implementation of articles in the Law of the Sea Convention relating to highly migratory species and straddling fish stocks.
- 30 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 exclusive economic zones.
- 31 Details of the initiatives of the South Pacific Forum are given in Wright and Doulman (1991). 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. The United States 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).

- 32 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 Forum Fisheries Agency 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 exclusive economic zones could be adequately managed by existing machinery.
- 33 This led the Japanese 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.
- 34 These arguments were made by the Fisheries Agency officials interviewed by the author (see also Shima 1993).
- 35 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 (FAO, *World Review of High Seas and Highly Migratory Fish Species and Straddling Stocks*, cited in Hayashi 1993).
- 36 The Fisheries Agency argued 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. Japan is a strong supporter of regulatory measures adopted by ICCAT; for example, prohibiting imports of Atlantic bluefin tuna that do not have any certificate of origin (*FFA News Digest*, No.5/94, September/October 1994:2).
- 37 One of the special concerns of the Pacific island countries was how to treat the high seas enclaves—that is, those pockets of high seas surrounded by exclusive economic zones. These were not subject to any form of international management.
- 38 Known as the 'Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 Relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks'. In mid-1996 Japan completed the process of ratifying the Law of the Sea Convention and was expected to also sign the Implementing Agreement on Straddling Fish Stocks and Highly Migratory Fish Stocks.

- ³⁹ 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 Shimibun*, 11 July 1989 and 17 July 1989, cited in Wright and Doulman 1991).
- ⁴⁰ Another non-coastal state to benefit from fisheries aid recently is Bolivia.
- ⁴¹ See also series of articles in *Suisan Keizai* on 'Reconciliation of the Fishing Industry and the Global Environmental Problem with a Particular Look at the Tuna Industry', August, September and October 1992.
- ⁴² 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 (Forum Fisheries Agency 1993).
- ⁴³ This meeting was the first Multilateral High Level Conference on Fisheries, between Forum Fisheries Agency member countries and distant-water fishing nations. This began a process—which gathered momentum following the conclusion of the United Nations agreement in 1995 on straddling and highly migratory fish stocks—to establish a regional mechanism for the conservation and management of tuna in the central and western Pacific. In these consultations Japan has continued to resist some regional management measures being promoted by the Forum Fisheries Agency states.

Above and below: Performing the ground breaking ceremony for the new marine studies facilities at the University of the South Pacific, a fisheries grant aid project funded by the Japanese government (Photos courtesy of the University of the South Pacific)

Left: Pacific island crew working on a Japanese pole and line tuna boat (photo courtesy of *Islands Business Pacific*)

Above: A Japanese training vessel (photo courtesy of *Islands Business Pacific*)

Right: Tuna classification and weighing in Micronesia (photo courtesy of Islands Business Pacific)

Above: Women workers in the Solomon Taiyo cannery at Noro, Solomon Islands (photo courtesy of Islands Business Pacific)

Above: Equipment donated by the Japanese government to the South Pacific Action Committee on Human Ecology and the Environment (SPACHEE), an environmental non-government organisation (photo courtesy of the University of the South Pacific)

Above: Tractor donated to a Japanese non-government organisation (OISCA) working in Fiji (photo courtesy of the Japanese Embassy, Suva)

Above: Truck donated to the Levuka town council—grant assistance for a grassroots project (photo courtesy of the Japanese Embassy, Suva)

Left: Bridge in Kadavu, Fiji—grant assistance for a grassroots project (photo courtesy of the Japanese Embassy, Suva)

Above: Primary school building in Fiji—grant assistance for a grassroots project (photo courtesy of the Japanese Embassy, Suva)

Above: Community education training centre, donated to the South Pacific Commission—grant assistance for a grassroots development project (photo courtesy of the Japanese Embassy, Suva)

The Kuranari Doctrine and strategic aid policy

In the 1980s Japan's political relations with the Pacific islands region expanded. Broad political strategic rationales for building ties with the island countries were developed. These rationales supported an increasing aid presence and aid flows. Japan's policy, known as the Kuranari Doctrine, was spelt out by the Foreign Minister while visiting Fiji in 1987. A central part of this policy was a plan to double Japan's official development assistance to the region.

This policy was widely interpreted as a case of strategic aid. In general, strategic aid was a term confined to academic and media analysis of Japanese official development assistance and was not used officially. Most writers have used the term in reference to aid policy that was primarily aimed at countering Soviet influence and supporting Western (mainly US) security interests. For this reason strategic aid was largely a function of Cold War politics and its political objectives related to shoring up global and regional security. The term did not describe the content of aid but the purpose of aid (Yasumoto 1986, Inada 1990).

The Kuranari Doctrine was a direct response to the conclusion of fisheries access agreements by the Soviet Union with two Pacific island states. It emulated US aid policy in that aid was viewed as a way to preempt further intrusions by the Soviet Union into the Pacific island region. The US approach, however, was to channel aid through a multilateral fisheries agreement with the Pacific island states, providing the island countries with vastly improved terms and conditions of access. Instead the Japanese government emphasised its traditional bilateral, project-based approach to grant aid. Fisheries aid and access issues were not included in Japan's strategic aid diplomacy.

This separation of fisheries aid and strategic aid policy reflected a basic tension between the evolving foreign policy and official development assistance goals of Japan in the region: how to protect its resource

interests while pledging to enhance economic cooperation and political ties with the island states. In promoting their strategic aid agenda, officials in the Ministry of Foreign Affairs unwittingly contributed to the deterioration in relations between the region and Japan's distant-water fishing industry. This was due to the competing priorities of the fisheries policymakers and the Ministry, and the absence of institutional mechanisms facilitating policy coordination. Fisheries officials were not included in the formulation of the Kuranari Doctrine. Moreover, the Kuranari Doctrine and fisheries policies were largely guided by two relatively autonomous policymakers, whose strong personalities influenced the style of decision making and subsequent lack of coordination.

There were also tensions inherent in Japan's strategic aid policy: between promoting relations with the United States and other Western powers (for example France) on the one hand; and with the Pacific island states on the other hand. Trade-offs were implicit in the implementation of the Kuranari initiative. These also involved the question of whether to address the priorities and expectations of the Pacific island states, which would require policy and procedural innovations; or whether to maintain the bureaucratic *status quo*, which supported political and private sector interests in Japan.

Origins of the Kuranari Doctrine

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 movement, the idea of comprehensive security which integrated aid within a national security framework, and the outlook and posture of Prime Minister Yasuhiro Nakasone. It is also necessary to consider American perceptions of security developments in the Pacific island region and overtures to Japan by Pacific island states through the South Pacific Forum.

Pacific Basin cooperation

Since the early 1960s, Japanese scholars and business leaders have led debates about and proposals for a pan Pacific community. In 1967 then Japanese Foreign Minister Takeo Miki had sought an elaboration of an 'Asian Pacific policy' based on increased cooperation and aid programs (Soesastro 1994, Okita 1983, Kojima 1982). The rationale for Pacific cooperation was Japan's need 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 (Okita 1992). 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.

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. One of these business leaders, who subsequently served as International Chairman of the Council, was Noboru Gotoh, the head of the Tokyu Corporation. Gotoh developed a special interest in the Pacific islands and travelled extensively in the region. A subsidiary of Tokyu Corporation, Pan Pacific Hotels, acquired hotel properties in Vanuatu and Palau. But Gotoh appeared to have a more personal, if not romantic, interest in the Pacific islands (interview, *Pacific Islands Monthly*, July 1985:35–38). In 1976 he conceived of a research institute that would focus exclusively on the Pacific islands and was successful in securing corporate support for his idea. This led to the establishment in Tokyo in 1978 of the Pacific Society.

Also in 1978, Japan's Pacific Basin diplomacy (which had been largely dormant since the late 1960s) received new impetus when Prime Minister Masayoshi Ohira advocated 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.¹

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 officials, academics and representatives of the private sector from Japan, Australia, Canada, New Zealand, the United States, the five ASEAN countries, South Korea and the Pacific islands. This meeting was the first Pacific Economic Cooperation Conference (PECC) (Okita 1992a).²

The state visit in January 1980 also led to the incorporation of the South Pacific into Japan's pan-Pacific diplomacy. This appeared to be largely at the instigation of New Zealand. When Ohira and Okita visited New Zealand in January 1980, 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 (interview with Dr Saburo Okita, Tokyo, May 1992).³

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 transport (Nagatomi 1988).

On the way home, Prime Minister Ohira stopped over in Port Moresby, Papua New Guinea for three hours. This first visit by a Japanese Prime Minister to a Pacific island country, was considered a waste of time and an unnecessary burden on Ohira by some of the Prime Minister's officials (Okita 1992:50). But it signalled a small turning point in the relationship between Japan and the region.

The next visit to the region by a Japanese Prime Minister was in January 1985, when Prime Minister Nakasone visited Fiji and Papua New Guinea as part of a tour to Australia and New Zealand. During the visit he pledged greater cooperation with the Pacific island states, 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' (*Pacific Magazine*, September/October 1986:62-4, see also *The Fiji Times*, 15 January 1985:1).

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 fisheries) 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

- respect for initiatives of ASEAN countries
- cooperation in all fields of economy, culture and technology
- cooperation open to countries outside the region
- cooperation carried out with initiatives of the private sector rather than by the government's direct guidance (*Nihon Keizai Shimbun*, 22 January 1985:1).

Nakasone used the visit to Fiji and Papua New Guinea to affirm Japan's role as a Pacific nation that shared common interests with the Pacific island countries.

The significance of Japan's Pacific Basin diplomacy was that it created a foreign policy context in which to formulate 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 homogenous. Although the focus of this diplomacy was ostensibly economic, especially as it evolved through PECC, the political aspects grew more prominent under Prime Minister Nakasone.

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 Comprehensive National Security Study Group, established by Prime Minister Ohira in 1979, provided the first elaboration of the concept of 'comprehensive security'. Its report, 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' (Nagatomi 1988:228–30). Integral to all three levels was economic cooperation and assistance. The report argued for an 'increased and improved official development assistance 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 official development assistance. It also argued that 'many countries are hopeful of assistance from Japan because it is a reliable economic power...free of political ambitions' (Nagatomi 1988:238–39).

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 in November 1980 (Gaimusho 1981a), to clarify the rationale of its aid policy, in particular to shift the emphasis away from commercial and economic considerations. Official development assistance 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 official development assistance that the Ohira study group had made. These included the argument that Japan should make greater economic efforts 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.

The Ministry of Foreign Affairs attempted to integrate the various goals of Japan's official development assistance under the concept of 'comprehensive security'. With respect to the South Pacific, the main rationale was its use to promote regional 'peace and stability', which was generally defined in terms of supporting Western security interests.

Policy recommendations on relations with the Pacific island countries, prepared for the Ministry of Foreign Affairs in 1980 and 1981, reflected these arguments (see Gaimusho 1980, 1981b). 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. 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.⁴

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 official development assistance 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. Official development assistance 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 fulfilment 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 official development assistance 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 (Gaimusho 1981b:93-4).

This elaboration of official development assistance 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)⁵ the approach to aid policy in these reports appeared to concentrate on political stability rather than promoting resource security. The promotion of political stability, as a rationale for official development assistance, was strongly evident in the foreign policy posture of Prime Minister Nakasone.

Nakasone's foreign policy posture

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 as 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 United States, which involved a more active defence role and a more unequivocal commitment to burden sharing, especially in the defence relationship with the United States (see Inoguchi 1987, George 1988).

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. Official development assistance 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 United States and Japan. In the Pacific island region, Japan's foreign policy closely followed the direction set by the United States.⁶

Under Nakasone's leadership the concept of strategic aid became more clearly defined. The use of the term also began to feature in academic work and media reporting at this time. 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 United States; 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 heightened tensions between the West and the Soviet Union. American thinking about security in the Pacific island region reflected a more general alarm about Soviet 'expansion' and influenced, in turn, Japanese perceptions of the 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 United States 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).⁷

It is perhaps ironic that Japan played a part in fuelling regional anti-nuclear sentiment and the subsequent regional treaty (SPNFZ). This stemmed from its attempt to dump low level nuclear waste in the Pacific ocean, north of the Ogasawara Islands.⁸ 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 for the

plan. 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. 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). In 1981 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 (South Pacific Forum 1981). The election of Labor governments in Australia in 1983 and New Zealand in 1984 shifted opinion in the Forum in favour of a nuclear free zone. This led subsequently to the SPNFZ, adopted in 1985, commonly known as the Treaty of Rarotonga.

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. Conflict essentially stemmed from the US tuna industry's 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 Papua New Guinea in 1982 and the Solomon Islands in 1984 (see Tsamenyi 1986).

As early as 1982 some US policymakers recognised that this issue had the potential to push the island states into closer relations with the Soviet Union and/or deny access to American nuclear vessels (see statement of Congressman Paul McClosky Jr., quoted in Tsamenyi 1986:40). 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 United States 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 (*Pacific Islands Monthly*, August 1986:20-1).

Against this background, which generated extreme alarm in the United States about Soviet 'in-roads', the US government concluded a multilateral access agreement with the Pacific island countries in October 1986 (*The Washington Pacific Report* 5(3) November 1986:1). 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 United States and the region) was based upon security concerns. This agreement was an explicit example of American strategic aid to the Pacific island region.⁹

This was not the first case of strategic aid by the United States 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's 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) (see USAID 1987).

Thus in the 1980s the United States made clear its commitment to strategic aid to the South Pacific. It also made clear that Japan was expected to adopt a similar approach. In US-Japan consultations in the 1980s 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' (see, for example, Chanda 1986). Explicit statements of American expectations about Japan's role in the region played an integral part in the development of the Kuranari Doctrine.

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 bilateral fisheries agreements in the region, for example with Papua New Guinea. 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.

It was mainly Fisheries Agency officials in Japan who viewed US policy in this light. Officials from the Ministry of Foreign Affairs, interviewed by the author, did not perceive (or admit to) any connection between US policies and their own fisheries interests. This reflects more general differences within the Japanese government over foreign policy. While the Ministry of Foreign Affairs was primarily concerned with promoting diplomatic and security aspects of Japan's relations with other states, the Ministry of International Trade and Industry and the Ministry of Agriculture Forestry and Fisheries were more concerned with the (often) problematic economic aspects of foreign policy. In the context of US-Japan relations, the Ministry of Foreign Affairs aimed to ameliorate friction arising from economic differences through political and aid initiatives.

South Pacific Forum overtures

The development of the Kuranari Doctrine was also facilitated by overtures initiated by the South Pacific Forum to Japan's Ministry of Foreign Affairs. 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 [South Pacific Bureau for Economic Cooperation] 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' (South Pacific Forum 1985).

The Forum resolution, the first time that Japan was targeted 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. A committee on smaller island countries had been established after the 1984 Forum meeting. Its focus was to find ways to utilise regional cooperation more effectively in their interests. The resolution on Japan thus appeared narrow in scope, especially when compared with the statement at the same 1985 Forum meeting on relations with the People's 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' (South Pacific Forum 1985).¹⁰

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 smaller island countries. 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*' (SPEC 1986, italics added).

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. Consideration of the matter was therefore deferred (SPEC 1986).

The Forum Communiqué in 1986 called for continuing dialogue with Japan. A second visit to Japan by the SPEC Director, in November 1986, followed up earlier talks on regional cooperation and specific projects. Political issues were included, specifically decolonisation and the reinscription of the French territory of New Caledonia on the UN list of territories awaiting decolonisation. The Forum sought the backing of the Japanese government on the upcoming 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 Forum overtures were directed at the Ministry of Foreign Affairs, since this was the 'window' to the Japanese government. They coincided with, and supported, efforts by Ministry officials to reappraise its policy towards the region. These Forum overtures did not appear to include fisheries issues, a fact which strengthened the dualism in Japan's own South Pacific diplomacy.

The antecedents to the Kuranari Doctrine thus included a number of factors. Pressure from the United States on Japan to assume a greater

aid presence in the region had been mounting (motivated primarily by the perceived Soviet 'in-roads'). The opportunity to develop a dialogue 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 embrace strategic aid openly as part of a more forthright foreign policy posture.

Japan's evolving Pacific Basin diplomacy created 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. Ministry of Foreign Affairs 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 Ministry of Foreign Affairs 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 Oceania Division of the Ministry of Foreign Affairs. The task of formulating policy towards the Pacific islands primarily lay 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 Oceania Division does not fit easily into any one regional bureau. The European and Oceanic Affairs Bureau is primarily concerned with Europe and the (former) Soviet Union, which are considered far more important to Japan than Oceania (Australia, New Zealand and the Pacific islands). 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. For this reason, the Director of the Oceania Division tends to enjoy a significant degree of autonomy over policy, relative to other division directors.

In mid-1986 a new Director, Nobuaki Tanaka, joined the Oceania Division. Previously Deputy Director, Policy Coordination Division, in the Minister's Secretariat, he took up his new appointment in mid-1986

with a preconceived policy agenda: his 'main task' was to find ways to 'counter the Soviet Union in the South Pacific area' (interview, Nobuaki Tanaka, Bangkok, April 1993).

Soon after joining the Division, the new Director accompanied the Parliamentary Vice-Foreign Minister, Usuoki Urano, on a visit to Papua New Guinea, Vanuatu and Fiji (*Nihon Keizai Shimbun*, July 10, 1986). This visit reinforced certain perceptions within the Ministry of Foreign Affairs about 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 United States 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 aim was to double aid flows as 'quickly as possible', on the assumption that the Soviet Union had succeeded in signing fishing agreements with some countries because they 'needed cash'. If Japan offered more aid, it would fill that need and the island countries would not accept Soviet overtures. The view of policymakers was that since the Japanese aid 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 Tanaka's policy approach. 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 United States was seeking and would welcome a greater Japanese role in the region. This in turn would give credence to the arguments put to the Ministry of Finance and aid divisions of the Ministry of Foreign Affairs that more aid was needed. Implicit in this approach was the view that an attempt to increase 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 the Ministry of Finance and aid divisions was that Japan was already doing enough and that the island countries would not be able to absorb more aid. There was also a lack of interest throughout the Ministry of Foreign Affairs in South Pacific affairs in general. This first approach relied on media coverage, the work of a Ministry of Finance

think-tank (the Foundation for Advanced Information and Research, FAIR) and informal overtures by influential individuals from the private sector.

The second component 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 has noted, foreign policy initiatives, especially those incorporating aid pledges, are generally designed for 'maximum public relations effect' (Yasutomo 1989:501). This may be one reason why the Pacific aid initiative was labelled a 'doctrine'.

Developing the policy: the media, FAIR and the 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.

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. The Oceania Division Director claimed that he orchestrated this coverage, to some extent, by selective feeding of information to the media, often exaggerating the extent of Soviet intrusion. This approach was opposed at times by the Soviet Union Division in the Ministry of Foreign Affairs, which was concerned about the possible effect of such reporting on relations with the Soviet Union. 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 1988 media interest in strategic and political events in the Pacific island region continued.

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 the Ministry of Finance. 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 policymakers, 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 assessment of some members of the Committee 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 for generating increased resources for the region, it was perceived to be far less significant than the Foreign Minister's visit (FAIR 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. No fisheries policymakers were involved in the preparation of the Pacific Aid Initiative and fisheries issues did not feature in the report.

One member of the FAIR committee was the Honorary Consul for Kiribati and Tuvalu, Tokugoro Kuribayashi. He actively supported a greater official development assistance 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 Ministry of Foreign Affairs) 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 official development assistance 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' (Kuribayashi 1986).

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 seeking Japanese support for the proposal. It is estimated that the total project, which envisages the development of a space shuttle base as well as tourism facilities, would require an investment (public and private) of \$8 billion (*Nikkei Sangyo Shimbun*, 8 June 1987). Although the prospects for proceeding with the scheme remain uncertain, at least one component of the proposed development, a 1,000 tonne passenger/cargo vessel, was provided under Japanese official development assistance 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 tonne passenger and cargo vessel was listed as a 'basic item' to be sought under the Japanese official development assistance program.¹¹

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 South Pacific foreign policy principles. 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 task, the 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 (see Takeda 1993).

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 United States itself would not be able to commit more aid funds.¹² According to Tanaka, the visit to Washington affirmed the existence of common security concerns shared by the United States and Japanese governments in the South Pacific. These were that Soviet fishing vessels were seeking home ports in the region and this could lead to a possible rocket launching base in Kiribati and airport facilities in Vanuatu.

Building a favourable ambience

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 (see Fraser 1988). 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.

Australia and New Zealand also lobbied Japan to support the vote. Ultimately the question that carried most weight was how the vote would effect the forthcoming visit to Oceania. A negative vote (or abstention) would cast a shadow over Japan's South 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 the Ministry of Foreign Affairs. Arguing in favour of support was the Oceania Division and the Japanese Ambassador to Australia. The Administrative Vice-Foreign Minister was responsible for the decision eventually made to vote in support of reinscription.¹³

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 United States, 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 Kuranari during a subsequent visit to Paris in mid-December (*The Japan Times*, 6 January 1987). But according to Tanaka, the spillover effect of this decision was far more positive than expected. It created a 'very favourable ambience' during the Foreign Minister's tour of the Pacific island region. This issue reflected tensions, though, within Japan's South Pacific diplomacy: between its support for the region's 'autonomous initiatives' and its long-standing support for Western powers. In building goodwill with the island states through supporting the UN vote on New Caledonia, Japan antagonised a key Western ally, France.

The media coverage

Extensive media coverage preceded Kuranari's visit to the region. This highlighted a number of issues: Japan's regional 'mission', the security and strategic context, and 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 the 'Kuranari Doctrine' appeared in *The Japan Times* on 13 December, a month before the speech was given in Fiji. 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 (*The Japan Times*, 13 December 1986).

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 (*Nihon Keizai Shimbun*, 19 December 1986, also *The Japan Times*, 20 December 1986). Cabinet approval for the Minister's visit was given a short time later, although this was essentially a formality (*Nihon Keizai Shimbun*, 23 December 1986). 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 both historically and geographically [and] Japan will perform its duty as a member of the non-communist world' (*Nihon Keizai Shimbun*, 31 December 1986).

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' (*The Japan Times*, 6 January 1987).

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' (*Nihon Keizai Shimbun*, 8 January 1987). 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 (see reports in *Nihon Keizai Shimbun*, 10, 12, 13 and 14 January 1987).

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 to 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 the Ministry of Foreign Affairs policymakers 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 policymakers 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). Significantly, it described the 'new Pacific policy' as 'an extension of the Fukuda Doctrine' (Editorial, *Nihon Keizai Shimbun*, 31 January 1987).¹⁴ 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

One assumption of Ministry of Foreign Affairs policymakers was that Japanese political and public interest in foreign policy to the Pacific islands was weak, primarily because of the absence of strong pre-existing ties with the region. This led them to popularise, mainly through the media, a perception that there was a political imperative in providing aid to the region. This media campaign was also designed to attract foreign attention (especially since much of this was in the English language media) and thus enhance Japan's image and credibility as a nation capable of playing a political role in international affairs.

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 (reprinted in Nakajima 1989).

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.

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 (see, for example, Yasutomo 1989 and Inoguchi 1992). There is some difficulty, therefore, reconciling the overt strategic rationale promoted by the Ministry of Foreign Affairs 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 the Ministry of Foreign Affairs and Ministry of Finance) 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 of building Japanese public acceptance for a more political role in world affairs.

The above analysis has suggested that the policymakers instrumental in formulating the Kuranari Doctrine heralded from the political sections of the Ministry of Foreign Affairs (rather than from the Economic Cooperation Bureau or other ministries). Policy was developed primarily within the Ministry of Foreign Affairs and in consultation with the Ministry of Finance. What appeared to preoccupy leading policymakers, 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 prominent themes in Japan's foreign policy statements about the Pacific islands in the 1980s. They reflected the overall priority of the Ministry of Foreign Affairs policymakers to demonstrate Japan's ability to assume a more politically assertive foreign policy. The Pacific island region was perceived to be a new 'diplomatic frontier' and thus provided an opportunity for the Ministry of Foreign Affairs to further extend its foreign policy in support of Japan's security alliance with the United States.

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.

The aid component of the Kuranari Doctrine

What did the Kuranari statement propose in terms of specific aid pledges? The speech was essentially a political statement concerned primarily with elaborating on Japan's 'basic thinking on the development of relations with the Pacific island countries' (Kuranari 1987). Five principles were advanced

- 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
- 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.¹⁵

Despite the media publicity, which had referred to doubling of aid, the fourth principle of 'basic thinking' stated only 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 on aid 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. 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 the Ministry of Finance'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 dominating bilateral project aid. As a lump sum commitment, it did not need to be justified according to specific projects to particular countries (where per capita income of the recipient and other factors would be 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. The \$2 million fund also benefited the entire region and, in public relations terms, was considered more 'eye catching'.

According to Tanaka, there was resistance from the Economic Cooperation Bureau in the Ministry of Foreign Affairs, 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'. The Ministry of Finance's position was that it would be willing to look at more projects, but they would need to be 'good projects' (interviews, Nobuaki Tanaka, Bangkok, April 1993).¹⁶ 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 the region's own organisation, SPEC (the South Pacific Forum's secretariat). Because Japan was not a member of SPEC, it did not appear that Japan could give funds directly to the organisation. But perhaps the main reason was ambivalence on the part of Japan's policymakers towards the South Pacific Forum. Officials from the Oceania Division in the Ministry of Foreign Affairs suggested that the main problem with 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).

This decision was criticised by regional leaders. By choosing the UNDP as the conduit for the \$2 million fund, Japan undid some of the goodwill its announcement was designed to achieve. This 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 Fiji, Vanuatu, Western Samoa and Kiribati. The aim of the mission was to ascertain priority areas 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, for which three types of projects would be given priority: those that benefit the whole region (transport and telecommunication), those that benefit smaller island countries, and those that could not be provided as bilateral aid (which included 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 to 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 (Kanasugi 1988).

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). The Director of the Oceania Division in mid-1987 met the head of the ADB (Masao Fujioka) and discussed the prospects for the bank providing more assistance to the Pacific island countries. A conference on the ADB in the South Pacific was already scheduled for August that year and the bank, in principle, was in favour of an increased role in the region (see ADB 1987). Tanaka saw the ADB as a way of increasing Japan's aid contributions to the Pacific, albeit indirectly. The ADB could provide loans, technical assistance and co-financing to the region, which would supplement bilateral official development assistance flows. The ADB was thus perceived as a vehicle to promote Japan's foreign policy agenda in the region. That the Ministry of Foreign Affairs could suggest such a role reflected the close association with and influence in the ADB that Japan has enjoyed since its inception (Yasumoto 1993).

The decision by the Ministry of Foreign Affairs to channel the multilateral aid initiative through the UNDP and not SPEC had clouded the Kuranari visit and undermined the diplomatic impact of the announcement. 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 South Pacific Forum meeting in Apia, Western Samoa in May 1987. 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. The communiqué adopted at the end of the meeting stated that

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 (South Pacific Forum 1987).

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 channelling 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 Program Budget.

How, and on what grounds, was this decision made? The Ministry of Foreign Affairs had chosen the UNDP over SPEC partly because it did not believe that it was feasible to direct funds through an organisation of which Japan was not a member. There was also some doubt about the political importance or competence of SPEC. A clear shift in policy occurred subsequently. The Oceania Division Director claimed that 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 Ministry of Finance, '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. 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 Ministry of Finance 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 the Ministry of Finance.

The policy of funding regional organisations was also more flexible than initially portrayed.

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 (Numata 1990:11).

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 South Pacific 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. 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 (South Pacific Forum 1989).

Measuring 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 aim of the initiative. Significantly, the assessment of 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 commitment (evident in the UNDP aid and later SPEC aid), aid sections of the Ministry of Foreign Affairs as well as Ministry of Finance 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, 'the Ministry of Finance did not consider it necessary to give more bilateral aid at an accelerating speed' (interview, Nobuaki Tanaka, Bangkok, April 1993).

The aid figures reveal a different picture; a short-term though significant rise in grant aid 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 75 per cent between 1987 and 1989. This was not the largest percentage jump in grant aid to the region (it had risen by 82 per cent between 1979 and 1980). But the earlier increase had begun from a smaller amount.¹⁷ Because of the protracted project cycle in Japan, the significance of 1988 and 1989 is that these were the years that the impact on bilateral grants of the Kuranari initiative in early 1987 would be felt.

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 were hospitals in Kiribati (921 million yen) and Papua New Guinea (1,923 million yen), fisheries infrastructure projects in Solomon Islands (1,018 million yen) and the Federated States of Micronesia (649 million yen), airport terminals in Tonga (784 million yen) and Vanuatu (1,115 million yen), and the second stage of a port development in Western Samoa (913 million yen). All were large infrastructure projects and in some cases unprecedented in their scale for the region (for example, the Papua New Guinea hospital grant). Only two of the large infrastructure projects in 1989 were fisheries grant projects.

The other significant increase in aid occurred with technical assistance which rose 42 per cent between 1987 and 1988 (2.2 billion yen to 3.1 billion yen)—the largest increase in a single year. It is likely that this 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 Kuranari initiative helped to accelerate aid flows, but this effect was not sustained at the level that policymakers 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 a short-term political interest in the region.

The erratic pattern of grant aid from 1988 to 1993 reflects the number and size of projects provided (Table 6.1). The table shows the increase in total grant aid in 1989, but also the uneven flows subsequently. This suggests that Japan was 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.

Table 6.1 Japan's grant aid to Pacific island countries, 1988–93
(million yen)

	1988	1989	1990	1991	1992	1993
Fiji	245	352	52	1,146	1,043	68
Kiribati	130	1,011	630	1,183	107	-
Marshall Islands	648	599	337	375	588	148
FSM	515	672	824	749	1,130	1,193
Palau	330	493	414	404	469	691
Papua New Guinea	2,129	2,126	1,839	1,888	1,739	1,243
Solomon Islands	897	1,018	909	4	122	1,041
Tonga	270	824	613	548	517	671
Tuvalu	107	146	-	396	3	-
Vanuatu	-	1,115	352	4	6	6
Western Samoa	690	925	674	854	1,457	1,342
Total	5,961	9,281	6,644	7,551	7,181	6,403

Source: Gaimusho, 1994. *Waga kuni no seifu kaihatsu enjo* 2:803–70.

The pattern may also reflect the fact that political interest in the region was short-lived. Perhaps anticipating this, Foreign Minister Kuranari took advantage of a unique gathering of Pacific island leaders in Tokyo in August 1988, to caution against too high expectations of Japan's official development assistance. While the Japanese government had taken the initiative in promoting cooperation with the region, he stated, 'in the long run it is the private sector that would be expected to assume primary responsibility in extending cooperation to the region' (Sasakawa Peace Foundation 1989:107). This meeting was the Pacific Island Nations Conference, sponsored by the Sasakawa Peace Foundation. Six Pacific island heads of government and three senior ministers attended the conference, the largest gathering of Pacific leaders held outside the region. The outcome of this conference was the establishment of a Pacific Islands Fund by the Sasakawa Foundation, 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 1992.¹⁸

Dissecting strategic aid

The Kuranari Doctrine aimed to be a catalyst for achieving the goal of significantly increasing Japan's official development assistance 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 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? Finally, how did this policy fit with existing official development assistance goals?

A test case for Japan's policy 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 United States). In particular there was no automatic suspension of aid, unlike the United States for example, which is compelled by law to stop aid in the event of a military coup or similar event (USAID 1987). 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' (*The Japan Times* 15 May 1987; *The Fiji Sun* 22 May, 1987:7). Key policymakers and policy advisers, however, were privately critical of the Western reaction to events in Fiji. Australia and New Zealand, in particular, were viewed as too intrusive, and contributing to instability through their hostile and antagonistic responses (interview, Professor Akio Watanabe, University of Tokyo, November 1992). This was later reflected in the FAIR report (1988), which pointed to a need to support and be sympathetic to the expression of indigenous Pacific island political and economic systems.

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. Referring to the Fiji coup, one report argued that 'Japan has the power and the responsibility to provide South Pacific nations with the maximum assistance and to set a positive example in region' (*The Japan Times* 23 May 1987). The same article suggested that Japan's policies may have even contributed to regional instability: 'Would the

island countries have signed a fishing agreement with the Soviet Union if they felt [Japan] would offer a better one?’

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’. This approach 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; that is, using aid to influence politics in recipient states.

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. Oceania Division Director Tanaka said that 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 food and foreign exchange: ‘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 policymakers. Certainly the fact that the Soviet Union failed to renegotiate fishing agreements with Kiribati and Vanuatu was a significant factor. 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. Other political rationales were thus utilised.

This was evident in 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 the Ministry of Finance 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 raised only 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 Ministry of Finance (and presumably to the Ministry of Foreign Affairs) as to why the amount should be increased. A former Oceania Division official recalled that ‘there was nothing as dramatic as the Soviet threat... The only political argument we could mobilise was that in the South Pacific Forum communiqués, 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 (interview, former Deputy Director of the Oceania Division, Tokyo, April 1993). 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.

Evidence that the Ministry of Foreign Affairs political interest in the region was short-lived was provided later in 1987, on the question of New Caledonian independence. 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' (*Washington Pacific Report*, 6(3) November 1987). 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' (*The Japan Times* 25 August 1987).¹⁹

This shift in Japan's policy was attributed 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. It was also 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) (interview, Nobuaki Tanaka, Bangkok, April 1993). But the main objective for supporting the New Caledonia vote had also been realised: to create goodwill in the region in the lead-up to the Foreign Minister's visit. This was no longer a priority. In fact, the concern was to build on the new-found stature that Japan's New Caledonia policy had perhaps inadvertently created. France could not take Japan's support 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.

Following the setback at the United Nations, in a meeting with Pacific island representatives in Tokyo, the Japanese Foreign Minister sought to explain Japan's policy. He reportedly told them that 'Japan knows there are disappointments' but 'pledged future cooperation' (*Washington Pacific Report* 6(4) 15 November 1987:4). 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 tensions inherent in Japan's strategic aid policy between promoting relations with the United States and Western allies on the one hand, and with Pacific island countries on the other. 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 context, the Kuranari Doctrine was essentially a quest for recognition on the international stage; the 'target' of Japan's policy was primarily the Western powers with whom Japan identified and, to a certain extent, aspired to emulate. As the New Caledonia issue demonstrated, this conflicted with the other objective of the Kuranari Doctrine: to build a political role in the region based on cooperation with the Pacific island states.

There were also tensions between this strategic aid diplomacy and Japan's fisheries policies. According to the former head of the Oceania Division, the principal objective of the Kuranari Doctrine 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 (interview, Nobuaki Tanaka, Bangkok, April 1993).

The fact that the Oceania Division Director referred to the region as 'virgin territory' is significant, since from the perspective of Japan's fisheries interests the region was far from being 'virgin territory'.

Under the Kuranari Doctrine, aid policy appeared to be directed primarily at elevating Japan's political status in relations with other donors (the United States in particular). This was a priority of the Ministry of Foreign Affairs and reflected a gradual politicisation of Japan's official development assistance policies in the 1980s. But the Kuranari initiative demonstrated how aid policy may develop in new directions without close coordination with existing aid agenda.

According to the former Oceania Division Director, fisheries policy-makers 'had nothing to do with our policy'. He argued that while fisheries 'are important' and should be borne in mind, 'political initiatives and official development assistance initiatives do not depend on their [Ministry of Agriculture Forestry and Fisheries] opinion' (interview, Nobuaki Tanaka, Bangkok, April 1993).

To the policymakers in the Ministry of Foreign Affairs, 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 with the region.

While Ministry of Foreign Affairs 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 United States had directly challenged the interests of Japan's fishing fleets. In this context, Japan and the United States 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 is why, if Ministry of Foreign Affairs concern was so focused on the Soviet threat, Ministry officials did not respond in kind—and support 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 account for the policy approach taken. The Fisheries Agency was opposed to a multilateral agreement (and this also reflected the influence of the Special Adviser at the time, Norio Fujinami). It wanted to keep arrange-

ments bilateral, flexible and on terms that best suited the industry. The Ministry of Foreign Affairs, on the other hand, did not concern itself with fisheries aid policy, which reflected the decentralised aid policy-making process. To the extent that the Ministry did take an interest in fisheries aid policy, it was generally opposed to using aid to subsidise the operations of Japan's fishing industry.²⁰ There is also no evidence that the United States put pressure on Japan to conclude a multilateral access agreement, something that may have influenced the Ministry of Foreign Affairs.²¹ Finally, the multilateral approach (the US model) would have required a major shift in aid policy procedures, away from project based, bilateral grant aid. This could only succeed with strong political and bureaucratic support which, at the time, was not considered forthcoming.

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).

The Ministry of Foreign Affairs coordinated its South 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 Ministry of Foreign Affairs officials in order to put pressure on the more intransigent elements of the decision-making system (the Ministry of Finance in particular). The Oceania Division used the United States to bolster its position and leverage in relation to the Ministry of Finance and other sections of the Ministry of Foreign Affairs. 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'.²²

Consultations about the Pacific island region also took place with Australia and New Zealand. Here the situation was somewhat different to that concerning the United States. It was not as necessary to attract the attention and encouragement of Australia or New Zealand. It was important, however, to ensure their support and 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 (Ministry of Foreign Affairs 1986:64).²³ 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' (*The Japan Times*, 13 December 1986).

But the process of consultation with Australia 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 policymakers '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 based on three assumptions: 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 system to accommodate the needs of its recipients.²⁴ 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' (interview with HE John Trotter, Australian Ambassador to Fiji, Suva, January 1993).

Japan's aid initiative towards the Pacific island region was not simply a reaction to pressure from other donors or recipients. But it was built through consultation and coordination with other countries, and harnessed other countries' interests. On the one hand, this secured political leverage for the Oceania Division and other Ministry of Foreign Affairs 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 policymakers in the Ministry of Foreign Affairs. 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 was conditioned by the procedures and processes of Japan's policymaking system. For example, the decision to make a multilateral aid commitment to UNDP, rather than announce aid pledges and projects to individual countries, was a pragmatic move as commitments could not be made until projects were requested, processed by aid divisions of the Ministry of Foreign Affairs in consultation with other ministries and approved by Ministry of Finance. Moreover, this system was constrained by the single year budgeting framework which precluded formal commitment of funds in advance of the annual budget allocation.

The multilateral pledge, on the other hand, was potentially beneficial to the whole region, and (once committed) outside the immediate purview of Ministry of Finance and other bureaucratic rules. It was therefore more 'eyecatching' and flexible in meeting the needs of the region.²⁵ For instance, it could be utilised in ways that Japan's bilateral grant aid could not be, such as supporting regional and small-scale projects. 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 (Takeda 1993). 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 as a 'special aid relationship' (Rix 1980:234-41).²⁶ 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 Ministry of Foreign Affairs, not from recipients, although their expectations helped to facilitate policy. Aid increases were supported at the highest levels of the Ministry (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 the Ministry of Foreign Affairs as well as misgivings by Ministry of Finance. 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 considered important, a more salient consideration was to demonstrate to other donor countries (and 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 Ministry of Foreign Affairs were able to secure a commitment to increase aid to the region substantially 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 in response to political directives. Aid policy continued to be influenced by the procedural formalities and guidelines that prevailed 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.²⁷

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. But the pattern of aid flows also reflects Japan's complex aid procedures and difficulties finding large projects in the region, that fit these procedures.

This points to problems of translating declared intentions into practice without transforming policymaking 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 the fact that the political and diplomatic weight of Japan's official development assistance is dependent largely upon the ability to address the concerns and interests of both donors and recipients.

Notes

- ¹ 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. Okita, 1983:95.
- ² Noboru Gotoh was an adviser to the Japan National Committee for PEC (JANCPPEC).
- ³ Muldoon's motives, in turn, are likely to have been shaped in part by the perceived security situation in the Pacific island region. Since the mid-1970s New Zealand had been concerned about possible Soviet influence and Soviet-inspired instability in the region. In addition, New Zealand had a keen sense of responsibility towards the Pacific island countries and thus supported their inclusion.
- ⁴ 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 Rix (1981).
- ⁵ For a further elaboration of Japan's perceived interests in the region at this time, see Saito (1983). Saito was one of the authors of the 1981 Ministry of Foreign Affairs report on relations with the Pacific island region. He was also a former Ambassador to Australia. Japanese media reports in the early 1980s also 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 1981:9).
- 6 For example, before a Diet research committee in 1985, a Ministry of Foreign Affairs official described Soviet activities in the region as 'considerably political' and called for the West to 'stand guard' against possible threats (Takeda 1993).
 - 7 For a survey of these issues, see Firth (1987). ANZUS was the defence alliance between Australia, New Zealand and the United States.
 - 8 For details of Japanese government proposed dumping program, see Japan (1980).
 - 9 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.
 - 10 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 (*Fiji Sun* 23 April 1985:3).
 - 11 This scheme appears to have the support of the Kiribati government, which sent a delegation to Japan in mid-1996 to discuss the proposal further (*Pacific News Bulletin* August 1996:5).
 - 12 The US government had recently pledged almost \$60 million over a five-year period under the multilateral fisheries access agreement between the United States and the region. This was in addition to existing aid programs administered by the regional USAID office.
 - 13 This was described by observers as a personal 'contest' between the Ambassadors to France and Australia, who were contemporaries in Ministry of Foreign Affairs and 'classmates' 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.
 - 14 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 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.

- ¹⁵ 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 (1991).
- ¹⁶ 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 the Ministry of Finance 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.
- ¹⁷ 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). Statistics are from Gaimusho, *Waga kuni no seifu kaihatsu enjo* (various issues).
- ¹⁸ Data provided by the Sasakawa Peace Foundation, Tokyo. This fund and the Conference appeared to be the initiative of Ryoichi Sasakawa, who established the Sasakawa Peace Foundation. His connections with the Pacific were mainly based on a personal friendship with the King of Tonga. One motivation for his philanthropic endeavours was widely believed to be a desire to win a Nobel peace prize. Sasakawa's fortune accumulated through his control over motor-boat racing in Japan, the only form of legalised gambling in private hands. As a condition of maintaining his monopoly, Sasakawa was required to donate 3.3 per cent of earnings each year to charity. See Kaplan and Dubro (1986).
- ¹⁹ Prime Minister Nakasone also advocated dialogue in his meeting with the Samoan leader.
- ²⁰ It is possible that this reflects a concern by the Ministry of Foreign Affairs about appearances—namely, that it should not appear an economically self-interested donor.
- ²¹ According to Winston Lord, US Assistant Secretary of State for Asia and the Pacific, the United States has not lobbied Japan to conclude a multilateral fisheries agreement with the region, 'because it is not for us to tell other countries what their policy should be'. However the United States does support such agreements and hoped to influence other distant-water fishing nations 'subtly' and 'by example'. Response to question from the author at a seminar in Suva, 9 September, 1996.
- ²² Utilising foreign pressure in this way was described in detail in Orr (1990). Tanaka denied that the Kuranari Doctrine was directly influenced by, or was the outcome of, US pressure. He argued that policymakers in Japan would rather set their own agenda than respond to the policy agenda of other 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.

- ²³ 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 Ministry of Foreign Affairs reports *Hachiju nendai no nichigo kankei*, 1980; *Hachiju nendai no waga kuni taiyoshu gaiko*, 1981.
- ²⁴ 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 *Pacific Report* 2(17), 14 September 1989:6.
- ²⁵ 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 relations effect, both avoided more difficult decisions about increasing bilateral aid, and both failed to satisfy the recipient countries fully.
- ²⁶ 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.
- ²⁷ Oceania Division officials found it 'incredible' that some countries could not manage 'one request' a year (interview, Oceania Division, November 1992).

Regional and multilateral frameworks: adapting aid modalities

When Foreign Minister Kuranari declared that Japan would do its utmost to support economic development in the Pacific island region, the specifics were not spelt out because it required more than simply allocating larger sums to the region. Both the Economic Cooperation Bureau in the Ministry of Foreign Affairs and the Budget Bureau in the Ministry of Finance doubted whether the island countries could absorb more aid from Japan. This raised the issue of how to make Japan's aid more suitable to small island countries.

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 addressed the criticisms and demands of other donors and met 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. In the years following Foreign Minister Kuranari's visit to the region, this dilemma was most acute in the context of Japan's participation in regional and multilateral fora¹, primarily the provision of aid to regional organisations and multilateral coordination of bilateral aid.

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 and lobbied Japan to support regional development, including aid to regional organisations.

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

'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' (Kuranari 1987).

In contrast to this rhetoric, Japanese policymakers in the Ministry of Foreign Affairs were ambivalent about the South Pacific Forum and were not convinced of the importance of the Forum or of its effectiveness. It was also maintained that since Japan was not a member it could not provide any substantial assistance. An interest in seeking observer status in the Forum was not followed through by the Ministry. Thus the United Nations Development Program (UNDP) was chosen instead of the Forum Secretariat as the conduit for Japan's multilateral aid initiative, much to the Forum's chagrin. The later decision to provide an annual grant followed representations from the Forum Secretariat and Forum heads of government to the Oceania Division in the Ministry of Foreign Affairs. The decision demonstrated that Japan's policy on funding regional organisations was responsive to political arguments.

Japan's participation in, and contributions to, the South Pacific Forum have slowly increased. In 1989 Japanese officials attended the first post-Forum Dialogue. This is a meeting, held immediately after the Forum heads of government summit, between South Pacific Forum representatives (usually three heads of government) and the representatives from key extra regional countries. Those attending the first post-Forum Dialogue included Britain, the European Community, France, the United States, Canada, Japan and the People's Republic of China. 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* 6 (September) 1992:11).² In 1995, the Republic of Korea was admitted as a Dialogue partner.

The post-Forum Dialogue was introduced in part as a way of increasing the Forum's international standing. It was modelled on the ASEAN post-ministerial conference. Discussions covered a broad spectrum of economic, political and security issues, both regional and international.

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' (Togo 1990). At the third dialogue in 1991, the Japan representative was elevated to the level of Parliamentary Vice-Foreign Minister, who reaffirmed Japan's 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' (Suzuki 1991).

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' (Kakizawa 1992).

As these comments implied, Japan's official development assistance policy and its policy of support for the regional organisations were to some extent separate components in Japan's South Pacific diplomacy. This was underscored by the limited financial assistance that Japan provided to the Forum Secretariat. Since 1988 Japan has provided an annual grant to the Forum Secretariat which is used for various regional programs (especially energy, trade and investment). Initially \$400,000 annually, it was raised to \$500,000 in 1992 and to \$600,000 in 1995. 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 \$44,000 for computers).³

Table 7.1 Forum Secretariat budget, 1991–94 (F\$'000)

	1991	1992	1993	1994
Regular	2,298	2,405	2,512	2,788
Extra: Program ^a	8,072	8,565	8,831	9,151
Extra: Infrastructure	1,350	2,850	2,084	150
Total	11,70	13,80	13,47	12,09

^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.

Source: Compiled from *Forum News* 4(March) 1992 and 11(December) 1993.

Japan's assistance to the Forum Secretariat has essentially been of a 'token' kind, as recognised by the leaders and officials of the South Pacific Forum. Although Forum member states sought to use the post-Forum Dialogue as a way of encouraging Japanese contributions to regional programs, the Forum Secretariat noted at the first dialogue that 'Japan remains hesitant about channelling significant funds through the Secretariat' while 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 official development assistance through the Secretariat 'which is now better geared to accept this task' (Forum Secretariat 1989b). This was a reference to the recently introduced South Pacific Organisations Coordinating Committee which was intended to coordinate regional organisations and eliminate duplication, an issue of concern to Japan. 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 during the visits to Japan by the Chairman and Secretary General of the Forum. In 1990, for example, the Secretary General of the Forum Secretariat, on a visit to Japan, unsuccessfully sought \$4 million from the Japanese government for regional projects to be coordinated by the Secretariat (*The Fiji Times* 25 June 1990:9).

One request that was repeatedly put to Japan by the South Pacific Forum since the inception of the post-Forum Dialogue was for Japan to fund a regional South Pacific trade promotion office in Tokyo, similar to an ASEAN trade office that Japan supports and similar to Pacific island trade promotion offices in Australia and New Zealand. This request was at first refused, mainly because of the small volume of Japan–South

Pacific trade. Officials in Japan also reasoned that such an office was not necessary because trade between the region and Japan had increased significantly since the late 1980s (Forum Secretariat 1990). But the Forum Secretariat 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' (Forum Secretariat 1990).

In 1994, following persistent lobbying by the Forum Secretariat as well as by Australia and New Zealand through bilateral channels, it was decided that 2 million yen be allocated in the 1995 budget to fund a feasibility study on the proposed South Pacific Regional Centre. It was subsequently decided to fund the Centre for five years, beginning in October 1996. A review is expected within three years. Forum island countries would contribute 10 per cent of the costs of the office which would be staffed initially by Ministry of Foreign Affairs officials (*Forum News* 17(May) 1996:11).⁴

The Forum Secretariat has found it difficult to convince Japan to support regional programs.⁵ Instead, a private businessman from Japan, Ryoichi Jinnai, provided the largest single '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. These donations were secured largely through personal contacts between the former Secretary General of the Forum Secretariat, Henry Naisali, and Ryoichi Jinnai (*Forum News* 4(March) 1992:4).⁶

Official financial contributions to the Forum Secretariat have been used to support the Japanese government's political interests in the South Pacific Forum, including maintaining a presence at the post-Forum Dialogue and using the Dialogue as a stage from which to expound on Japan's 'international contributions'. Most of the speeches by the Japan representatives to the Dialogue focused on Japan's policies on global issues such as the environment, official development assistance and international peacekeeping. Another recurring theme 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'.⁷

Perhaps more important than the elaboration of Japan's 'international contributions' was Japan's use of the post-Forum Dialogue to counter or defuse Pacific island 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. On the latter issue, at the 1992 Forum meeting Japan expected strong criticism and sent a large contingent of officials to the Forum meeting to deal with questions. In the event, the Forum simply presented a letter to the Vice-Foreign Minister requesting 'timely information' from the Japanese 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 Ishida 1992:2).

With both the driftnet and plutonium issues 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 Ministry of Foreign Affairs official said of the driftnet issue: 'We have learnt from this experience the vital importance of mutual communication and understanding' (Numata 1990). The Japanese government has 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 the Ministry of Foreign Affairs and the Ministry of International Trade and Industry, 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 (*Asahi Shimbun*, 10 October 1994 (morning edition):30).

The importance of the South Pacific Forum and of securing a presence at the post-Forum Dialogue also rested on the collective diplomacy of Pacific island countries in international fora such as the

UN. Policies such as voting for candidates to the UN Security Council could be influenced at these meetings. The Ministry of Foreign Affairs usually took the opportunity of the post-Forum Dialogue to thank Pacific island countries for their support. The Ministry, especially the Oceania Division, maintains that the political importance of the region (and a key 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.

The political imperatives for providing aid to the South Pacific Forum included the political influence of the organisation and the fact that it could make policies that affected Japan (for example the ban of driftnetting). Economic support was also in line with recipient and donor expectations and gave substance to Japan's rhetoric about its 'international contributions' and regional cooperation.

There were also practical reasons for supporting regional programs. As the multilateral aid initiative through the UNDP demonstrated, such aid could be utilised in ways that Japan's bilateral aid could not, such as supporting the Tuvalu Trust Fund (Takeda 1993). It could thus overcome some of the cumbersome procedures and rigidities of Japan's bilateral aid. Regional programs also represented a potentially more rational approach to development in the region, avoiding duplication of donor effort. Finally, regional programs could also mean less work for Japan's overstretched aid administration.

Impediments to supporting regional organisations reflected underlying tensions in the policy objectives of Japan's aid program, as well as bureaucratic conflicts. These were evident in policy towards the South Pacific Commission, in addition to Japan's policy towards the South Pacific Forum.

The South Pacific Commission

Soon after the visit to the region by Foreign Minister Kuranari, the Ministry of Foreign Affairs declared its interest in joining the South Pacific Commission (SPC). Unlike the South Pacific Forum, where membership is 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 focus 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 Ministry of Foreign Affairs was that 'if invited by a consensus of the SPC members, Japan may seriously consider joining the organisation' (Numata 1990:12). But this proved a divisive issue. Then head of the Oceania Division, Nobuaki Tanaka, opposed Japan's quest for membership of the South Pacific Commission, believing that Japan should wait until it was asked, preferably by one of the big powers such as France. But he was overruled by more senior officials, including the Director General of the Bureau for European and Oceanic Affairs. Their position was 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 multilateral assistance to the region (interview, former Deputy Director of the Oceania Division, Ministry of Foreign Affairs, Tokyo, April 1993).

The Economic Cooperation Bureau of the Ministry of Foreign Affairs took a contrary position. For them, the problem was convincing the Ministry of Finance. To some officials, the SPC and the Forum Secretariat were engaged in essentially the same type of programs (interview, Grant Aid Division, Ministry of Foreign Affairs, Tokyo, December 1992). By 1992, the Oceania Division's interest in membership had also waned. 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)⁸ to decide its position (interview, Oceania Division, Ministry of Foreign Affairs, Tokyo, June 1992). 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. To facilitate new membership, the SPC Conference agreed in 1993 that new members would be admitted by resolution and not by amendment of the Canberra Agreement.

Australia was perceived by some officials in the Ministry of Foreign Affairs 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' (interview, Ambassador John Trotter, Suva, January 1993). However, at the 1993 SPC Conference the Australian representative, Gordon Bilney, declared that 'Australia

would support Japan if it sought membership of the SPC in place of Britain' (*FFA News Digest*, 6/93(November–December) 1993:22).

The official statement in 1994 by Japan's representative to the SPC Conference reflected Japan's reticence. It declared 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 official development assistance scheme will be ensured' (Fry 1994). An Oceania Division official explained that Ministry of Foreign Affairs continued to be concerned about duplication between the SPC and Forum Secretariat; that the future of the SPC was uncertain given its financial difficulties; and that Japan may not be eligible for membership. The underlying factor, however, was funding. Membership would require additional financial allocations and there was not sufficient political support, especially in the Ministry of Finance, for further contributions (interview, Deputy Director, Oceania Division, Canberra, April 1995). This highlights an apparent 'Catch 22' situation: Japan will not give money while it is not a member, but it is averse to becoming a member because it does not want to give more money to the region.

Japan's policy towards the SPC is not influenced by Ministry of Foreign Affairs 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 (both in-zone and high seas catch data that have not been disaggregated) 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. However more substantial cooperation with the SPC has been ruled out on the grounds that Japan is not a member. Similarly Japan has refused to extend funds to the Forum Fisheries Agency because it is not a member of the regional body.

Japan's fisheries officials maintain that the 'current structure' of fisheries research and management bodies in the region means that decisions are made without prior consultations with fishing nations, and research programs are hindered by budgetary constraints. This has implications for the future management of fish stocks. 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 (Forum Fisheries Agency 1994).

The conclusion in 1995 of the Implementing Agreement on Straddling Fish Stocks and Highly Migratory Fish Stocks provides some legal support for this position.

Implicit in this stand is the principle that future funding and support for fisheries management and conservation should depend on Japan's involvement, as an equal partner, in regional frameworks. In making its support conditional on membership, Japan's fisheries policymakers have used aid as a 'carrot' to gain membership of key regional bodies. But their exclusion from these bodies also constitutes an obstacle to funding regional organisations. Bilateral aid, meanwhile, is perceived to be more effective as a political tool in relations with individual states.

Other obstacles to regional assistance stem from procedural and political factors inherent in Japan's aid administration. These are discussed in the context of proposals for reform made by a JICA study group on aid to the region.

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 the Ministry of Foreign Affairs 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.⁹

There were three sets of proposals included in the report. The first, 'Creating the organisational framework for aid to the entire region', called for the setting up of a regional aid forum, and 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 call for a 'regional aid forum' was to some extent overtaken by the donor-recipient dialogue initiated in 1991 by the South Pacific Forum Secretariat. This is dealt with in a later section. 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' (JICA 1991:27). 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 a problem in the region. This problem was also highlighted by the FAIR Committee for Oceania and Pacific Island Countries in its 1993 report, which carried out follow-up studies of Japanese aid projects in four Pacific island countries. This found that infrastructure was not utilised effectively and equipment was not maintained adequately. The problem was the limited finances and technical expertise available to island governments. The recommendations of the FAIR report were similar to those in the JICA study (FAIR 1993).¹⁰

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 only for the Pacific island countries, but they have been amongst its main beneficiaries. Projects under the annual SSGA budget of \$10 million may be as small as \$3000 or as large as \$50,000. Its main advantage is that it not only supports small projects but the Japanese embassies have authority to negotiate the grant contract with the implementing agency. Japanese volunteers in the recipient country, under the Japanese Overseas Cooperation Volunteers program, often carry out the project identification work. These features were intended to simplify and speed up the dispensing of aid.

How were these recommendations received? 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 the Ministry of Foreign Affairs, either with the Oceania Division or the Economic Cooperation Bureau. According to Ministry officials, the problem with utilising regional organisations such as the Forum Secretariat as aid channels was 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 was that Japan was not adequately represented within these organisations and thus did not have decision-making influence or oversight of Japan's financial contributions.¹¹

Japan would only support a regional program or project when it had a bilateral base and the request was from a participating government, and if 'the project is accorded high priority by the government and is deemed good and feasible' (Numata 1990:11). This would enable the Japanese government to conclude an Exchange of Notes agreement on a bilateral basis. This approach was used to provide small-scale grant assistance to regional organisations and in 1996 to provide a major fisheries grant to the University of the South Pacific. In the latter case, an Exchange of Notes agreement was signed with the Fiji government, which hosts the main university campus and site for the project (*The Fiji Times* 15 June 1996:5).

As the example of annual budget support to the Forum Secretariat demonstrated, Japan's aid 'rules' may be altered if strong political arguments are present. But what does seem to be a major obstacle to Japan providing more aid to regional organisations is domestic bureaucratic politics. It is likely that aid to regional organisations would require modifying procedures, with some sections of the bureaucracy relinquishing control over the disbursement process.

Aid policy procedures are politically defined. Any change that involves shifting power away from one ministry or agency is a challenge and is resisted. Such considerations help to explain the response to the proposal for mobile JICA support teams to undertake project evaluation. The proposal was described as 'too complicated' (interview, Director, Research and Programming Division, Economic Cooperation Bureau, Ministry of Foreign Affairs, Tokyo, October 1992). The main problem was that it would require more money and autonomy for JICA missions which would challenge standard aid decision-making procedures whereby allocations are decided through bargaining and consultation between ministries in Tokyo. Greater autonomy to JICA, for example, would lessen the Ministry of Foreign Affairs' influence. Past experience

shows that such proposals rarely win support. Recommendations in 1988 by the Administrative Management Bureau of the Management and Coordination Agency called for JICA to be put in charge of the grant aid budget, as well as project contracting and implementation. But, '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' (Rix 1993:81-4).

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 proposal 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 24 in 1994. It is important to note, however, that some countries have not received any SSGA from Japan, while the bulk of Japan's grant aid to the region continues to be channelled into large-scale infrastructure projects.

The above objections to the proposals of the JICA study group reflect a combination of bureaucratic and procedural conservatism. The lofty goals articulated by the JICA study group in arguing for changes to Japan's aid policy have not carried much weight. The authors of the JICA report appealed to globalist ideals in arguing 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' (JICA 1991:13-14).

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 official development assistance and also over aspects of JICA's operations.¹² Thus, while supportive of regional cooperation and of playing a role in regional fora, aid bureaucrats resist moving too far from the traditional bilateral approach to aid. Some island governments may prefer this approach, fearing that an increase in regional aid may be at the expense of their bilateral aid.¹³

The international trend in recent years towards coordinating bilateral aid policy, engaging in dialogue and participating in joint aid projects is reflected in the Pacific island region. It has led to increasing

pressure on Japan to adapt aid procedures and aid policy. But change has been impeded by bureaucratic politics and problems inherent in the aid administration in Japan. There have also been tensions between Japan and other aid donors.

Joint programming, policy coordination and donor dialogue

The Ministry of Foreign Affairs has identified two types of aid coordination: project coordination and policy coordination (Ministry of Foreign Affairs 1991:156–9). Project coordination in the South Pacific has mainly been carried out 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 of cooperation with Australia and New Zealand in formulating its aid policy towards the region had already been noted in reports commissioned by the Ministry of Foreign Affairs in 1980 and 1981. 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 the Australian International Development Assistance Bureau (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 (*Pacific Report* 8, 7 July 1988:3). 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 (*Pacific Report* 2(17) 14 September 1989:6).

Parallel aid projects focused mainly on airport construction and development. Major projects in the region included the following

Western Samoa, Faleolo International Airport

- Japan—grant (1985, 1986) expansion of the terminal
- Australia—runway expansion and improvement
- 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 (Numata 1990:12).

Joint projects and parallel projects differ according to the level of coordination between donors. Joint projects combine the resources and efforts of two donors from beginning to end, including feasibility studies. Parallel projects are complementary but carried out separately. The only joint project undertaken by Australia and Japan so far is a health promotion project in Fiji, discussed below.

Joint programming was in line with a recommendation of an Australian Parliamentary Committee that Australia should 'actively seek to involve Japan in consultations regarding aid to the region' (Joint Committee on Foreign Affairs, Defence and Trade 1989:193). According to Australia's Ambassador to Fiji, the initiative for joint programming came specifically from a former head of AIDAB. 'The aim was to draw the Japanese into the region; to get them so involved that they could not get out' (interview with Ambassador John Trotter, Suva, January 1993). A more ostensible objective of joint programming was 'to enable the two countries to undertake development cooperative activities on a scale that might not be possible for either Australia or Japan as a single donor' (Fiji, Ministry of Finance 1992).

Trilateral Cooperation: Fiji Health Promotion Project

At a high level consultation in Suva in August 1991 officials from Australia, Japan and the government of Fiji began the tentative process of trilateral aid cooperation. 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 meant that it was necessary to rationalise continuing aid on the grounds that the projects were 'regional', thus benefiting other countries as well as Fiji.

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 'the further development of a health promotion program to serve Fiji with links to the regional centres' as the candidate that best fitted the agreed criteria. These criteria were that projects 'offer direct or indirect benefits to other Pacific nations'; 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' (Fiji/AIDAB/JICA 1992).

More detailed project design studies were subsequently carried out and the trilateral Health Promotion Project was officially inaugurated in January 1996. The project was designed to extend over three years and to have a total budget of approximately F\$3.4 million. The Australian and Japanese shares were roughly equal. The project's overall objective was to 'address the fast growing rates of non-communicable diseases in Fiji by strengthening the capacity for effective health promotion'.¹⁴

From Japan's perspective, one of the main objectives of the joint project was to learn from Australia how to implement 'soft' aid; that is aid with a high component of skills transfer and small-scale community based activities. There was also a political objective: to promote cooperation with Australia. However, there were also reservations about the benefits of joint programming with Australia. The prevailing attitude towards joint projects was summed up by one Ministry of Foreign Affairs official as follows: joint programming 'sounds good in

theory but it is not very practical' (interview, Director, Research and Programming Division, Economic Cooperation Bureau, Ministry of Foreign Affairs, Tokyo, October 1992). The reasons included language difficulties, different financial years, the fact that for Japan all projects must be implemented within one fiscal year, and 'inefficiency' due to 'too many actors' (interviews, Ministry of Foreign Affairs, Tokyo and Embassy of Japan, Suva).¹⁵

This attitude was reflected in official reports, which noted many difficulties in joint projects: that they 'require more effort and time than ordinary bilateral projects'. It was also claimed that there were too many 'differences between the aid systems of Japan and those of its partners'. Thus a joint project 'is very difficult to implement successfully'. The 1991 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' (Ministry of Foreign Affairs 1991:159).¹⁶

The experience of the Health Promotion Project in Fiji attested to some of these problems. But rather than the differences in financial years or project cycle—that is, rules-based procedures—problems stemmed mainly from fundamental differences between Australia and Japan in style and approach to aid implementation. The following were the most prominent differences

- while the Australian team was more flexible about amending the original project design document as implementation proceeded, the Japanese side held fast to the original document since this was what had been officially approved. This rigidity applied even if changes would mean that resources were utilised more efficiently or the project's aims addressed more effectively
- while Australian aid personnel were given more autonomy to make decisions in the field, Japanese aid officials would not or could not exercise any initiative in the field. All decisions (even the most minor) had to be referred to Tokyo
- while Australian aid personnel were more cohesive in the field, reporting constantly to their colleagues in AusAID (formally AIDAB) and the Australian Embassy, the Japanese aid personnel were locked into bureaucratic hierarchies that precluded open and constructive exchanges of views, especially between JICA and Ministry of Foreign Affairs officials in Fiji. Meanwhile a Ministry of Health 'expert' from Tokyo who was contracted to carry out health surveys in Fiji,

did so with minimum consultation with the Japanese officials 'on the ground'

- while Australia's approach to technology and skills transfer was multifaceted and included utilising local knowledge and community based education, Japan's was very linear: usually one to one (a Japanese expert and local counterpart). Aid officials were resistant to changing this approach (interviews with personnel involved in the Health Promotion project, Suva, July 1996).

These differences made joint programming highly problematic. The consensus on both sides was that it would be more practical to concentrate in future on parallel aid projects rather than attempt further joint projects. The Fiji Health Promotion project was nevertheless important as a symbol of Australia–Japan aid coordination.

Japan's aid coordination efforts were also undermined by tensions that related specifically to relations with Australia, most acutely because Australia was a strong critic of Japan's refusal to entertain a multilateral fisheries access agreement. It also criticised the practice of using aid to compensate for higher access fees (Bilney 1994a). Officials in Japan also cited conflicts with Australia as reasons for not extending financial support to the various regional organisations.

The Australian government was at the forefront of efforts in the 1990s to impose greater aid conditionality and the use of aid to promote economic reforms in the region.¹⁷ According to an official in the Grant Aid Division, this was a further source of tension between Japan and Australia

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 (interview, Grant Aid Division, Ministry of Foreign Affairs, Tokyo, December 1992).

This tension has potentially serious implications, especially for the donor dialogue process in the region. This is particularly in view of conflicts that have surfaced between Australia and two Pacific island states (Papua New Guinea and the Solomon Islands) over these states' domestic policies and Australia's approach to aid conditionality.¹⁸

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' (see Casson 1994). 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' (Drysdale 1988).

More specifically, policy coordination aims to address the macro-economic policy within the recipient country, according to prescriptions of structural adjustment set out by the World Bank and the International Monetary Fund (for background on the World Bank's policy-based lending, see Mosley, Harrigan and Toye 1991). 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 main impetus to aid donor coordination in the Pacific island region was provided by the Development Assistance Committee of the Organisation for Economic Cooperation and Development. A 1991 Committee review of development and aid issues. It noted that 'the most important overall observation was that economic performance in the [Pacific islands] region did not meet expectations despite the provision of very substantial amounts of development assistance'; whereas 'similar island economies had achieved much better performance over a comparable period' (Development Assistance Committee 1992:11-12).

The review recommended for the Pacific island countries

- improving macro-economic policy settings
- developing an appropriate policy environment and planning framework
- fostering a more balanced economy with a dynamic private sector
- increasing participation by communities and women in particular

- developing human resources and potential
- providing basic economic and social infrastructure
- devising strategies that are environmentally sustainable
- reducing 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 (Development Assistance Committee 1992).

These recommendations were in line with the World Bank approach to development in the region: 'the need to invest in people, to foster a climate for enterprise, integrate into the global economy, and to pursue stable macro-economic policies' (World Bank 1991). Developed countries needed to, amongst other things, increase the quality and quantity of financial assistance to developing countries.

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' (South Pacific Forum 1991).

The first Pacific Island Countries/Development Partners meeting recommended 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, which 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' (Forum Secretariat 1992). 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 programs' training' (Forum Secretariat 1992).

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 macroeconomic management (Australia 1993:21–2). 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.

The fourth meeting, in February 1995, discussed the proposed Regional Strategy, which was presented by the Forum Secretariat whereby Pacific island countries 'would determine their national priorities (in consultation with donors), formulate national development strategies and then determine which activities could be pursued regionally. Dialogue between Pacific island countries and donors would result in a 'regional basket' of possible programs, from which Pacific island countries would determine the regional priorities' to be supported by donors (Forum Secretariat 1992).

Discussion of the proposed Regional Strategy highlighted some differences between donors and Pacific island countries over the issue of who 'controlled' the process. Some island states were concerned about the implications for national sovereignty, but the meeting endorsed the proposed Regional Strategy.

Japan has declared its support for aid policy coordination and has participated in all the Forum/Development Partners Dialogues. 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]' (Numata 1990:12, see also Ministry of Foreign Affairs 1991:157–8). Other considerations include the benefits of information sharing and enhanced policy transparency.

Japan's role in the donor dialogue has been muted, however, and it has not taken any initiatives in this area. 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 deeply implicated in the criticisms made by the Development Assistance

Committee. Especially pertinent were the Committee's recommendations that called for 'dealing with unmanageable recurrent cost burdens' and 'streamlining burdensome aid modalities' (Development Assistance Committee 1992:17, also Development Assistance Committee 1991). Japan is also not supportive of funding regional projects, as discussed in an earlier section. If Japan is to fully embrace the Dialogue process, it would have to carry out significant policy innovation.

The Donor Dialogue process provides a framework for integrating Japan more closely into the donor community in the Pacific. This may increase scrutiny of the effectiveness of Japan's aid. The Regional Strategy, in particular, may put additional pressure on Japan to support regional programs and projects. On the other hand, these initiatives do not necessarily impose policy innovations upon Japan. In fact, by engaging in regional dialogues, Japan has been able to take its place beside other donors and assume the role of a 'responsible' member of the donor community without having to implement any major institutional adjustments.

Differences between Japan and other donors on the question of conditionality were clearly evident in the adoption of Japan's ODA Charter. The formulation and application of this Charter reflect the attempt to accommodate longstanding official development assistance procedures and goals with new, externally driven agenda. This results in incremental policy change, as the following examples of policy conditionality reveal, especially in the context of South Pacific environmental issues.

Policy frameworks: applying conditionality

Japan has traditionally been averse to using its aid to encourage structural adjustment measures or political reforms in recipient countries. The long-standing rationale for this approach has been that conditionality erodes the sovereignty of recipient countries. Policy conditionality such as stipulated by the World Bank also tends to be politically unpopular in recipient countries (Stallings 1993). 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 has started to change, but not necessarily in line with the development orthodoxy promoted by institutions such as the World Bank. Instead, Ministry of Finance officials in Japan have sought to

shift the World Bank to a position on structural adjustment that more closely resembles Japan's experience. 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 (Inada 1994, see also World Bank 1993). The Japanese government has also sought greater influence in international aid fora, to match its economic weight. This is reflected in the ODA Charter, which argues that cooperation with international financial agencies should 'ensure that Japan's perspective on official development assistance 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 official development assistance which had been announced by Prime Minister Kaifu in April 1991. According to these guidelines, in the implementation of its official development assistance Japan would 'pay full attention to

- trends in military expenditures of recipients
- trends in the development and production of weapons of mass destruction
- trends in the export and import of arms
- efforts to promote democratisation, the introduction of a market oriented economy and basic human rights'.

Japan would 'reconsider' its aid policy if reversals in these areas occurred (Ministry of Foreign Affairs 1992, see also Chapter 3).

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 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 Ministry of Foreign Affairs. 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) (see *The Japan Times*, 18 December 1992:3, Takagi 1992, and on resumption of aid to Burma (Myanmar), see *Mainichi Shimbun*, 8 March 1995 (morning edition):1).

At the 1991 post-Forum Dialogue, Japan's representative (the Parliamentary Vice-Foreign Minister) said that the aid 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' (Japan-South Pacific Forum Dialogue, 1 August 1991, and for a fuller discussion, see Tarte 1993:39–41). There has been no indication since then that this position has changed.

The ODA Charter is primarily aimed at enhancing policy transparency for domestic and international consumption, rather than at promoting political or economic reform in developing countries. The cautious approach to human rights is justified on the grounds that Japan has an 'Asian view' of human rights—one more sensitive to 'indigenous' (as opposed to Western) forms of political development. In general, the Ministry of Foreign Affairs claims that 'in comparison with other industrial nations, [Japan] attaches greater importance to and respects more the circumstances of the recipient' (*Nihon Keizai Shimbun*, 1 October 1994:13).

By allowing for flexibility in the application of the aid principles, the Charter reflects an attempt to accommodate competing goals of Japan's official development assistance program, between the objectives and expectations of other donors in promoting policy conditionality; and Japan's economic and political relations with recipients. 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.

This also reflects the role of ministries other than the Ministry of Foreign Affairs as the application of the official development assistance principles depends on the agreement of various ministries and agencies, in line with the decentralised aid administration. 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.¹⁹

Japan's contributions to global and regional environment conservation

One 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 has essentially been to declare new quantitative targets for aid to support environment conservation.²⁰

Environmental aid, described as the 'most prominent new issue to appear on the development agenda in the last decade', illustrates the dilemmas and challenges facing Japan's aid program (Stallings 1993:21). It has been suggested that there are two main problems for Japan in this area (Potter 1994:200-15). 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, the Overseas Economic Cooperation Fund and the Environment Agency have introduced environmental guidelines, while the Ministry of International Trade and Industry and the Ministry of Foreign Affairs both have established separate environmental research facilities. There is thus competition over resources and a lack of 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.

A second problem is seen to be recipient country ambivalence about the importance of the environment: in particular 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. Ministry of Foreign Affairs officials have claimed that 'such projects (for the environment) are not often requested by developing countries' (*The Japan Times* 18 July 1992:3). This problem is compounded by the fact that Japan's aid system relies on requests from recipients to initiate a project.

A third problem is a conflict between policy goals of 'economic cooperation' and of environment conservation; that is, how to marry the interests of economic ministries and the private sector with the global environment agenda. This is evident in resource extraction and industrial development, which often contribute to resource depletion, environmental degradation and pollution. These effects have been observed in the context of Japan's aid to promote logging and reforestation in Papua New Guinea by Japanese firms (Shimizu and Miyauchi 1992).

The South Pacific Regional Environment Programme (SPREP) 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 (Tabai 1993). But a positive response from Japan has not been forthcoming, mainly on the grounds that Japan is not a member of

the regional organisation. This suggests that, contrary to the view expressed above, there was a lack of initiative from developing countries in this area, the problem may be one of reconciling recipient needs with Japan's own policy priorities and aid procedures.

Japan's fisheries aid is clearly environment oriented. Japan has announced initiatives 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. As argued in Chapter 5, these initiatives were motivated by criticisms of Japan's fishing practices and the need to counter measures that threatened to foreclose the option of high seas fishing. The main objectives are 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. Japan is also seeking greater say in the management of the region's tuna.

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 agenda 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. Fisheries aid demonstrates that such initiatives will most likely target Japan's priorities and reinforce a sectoral approach to aid policy.

Environmental aid represents a large and growing proportion of Japan's official development assistance budget. Environmental issues are high profile and may serve as an important rationale for future aid to the region. A recent initiative by Japan, the EcoAsia Project, which aims to support 'sustainable development activities' throughout the Asia Pacific region, may be an important 'framework' for bilateral aid to the region.²¹

Support for non-government organisations is also likely to increase under the rubric of environmental aid. Within the Environment Agency a new body has been set up, the Japan Environment Corporation, to coordinate grants to non-government organisations working on sustainable development. In Fiji, the Japan Environment Corporation funds a project involving the training of workers in ecotourism projects.

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 multi-lateral assistance to the whole region rather than its formerly more piecemeal approach of bilateral aid' has not been borne out (Joint Committee on Foreign Affairs, Defence and Trade 1989:193). Japan's aid diplomacy towards the Pacific island countries is not shifting towards a new emphasis on regional fora or new regional frameworks for official development assistance. This is despite rhetoric, particularly from the Ministry of Foreign Affairs, that has strongly supported regional cooperation and multilateral dialogue on aid and development. 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. The resistance to reform is largely due to the nature of the bureaucratic and economic interests that have supported, and been supported by, Japan's official development assistance since its inception. Ministerial jurisdictions are jealously preserved and only expanded at the expense of another ministry or agency. Reforms that threaten a redistribution of control over aid resources are thus resisted.

What the analysis does suggest is that Japan's aid diplomacy is proceeding on several fronts simultaneously; making minor rather than major administrative and policy adjustments. This is exemplified by a proposal being considered in the Ministry of Foreign Affairs as a way of meeting a range of policy needs in the South Pacific. Dubbed the 'Bi-multi' approach, it seeks to create partnerships between Japan's bilateral aid program and the various multilateral agencies in the region (discussion with JICA official, Suva office, July 1996). These include the United Nations Development Program, the UN Food and Agriculture Program and the UN Children's Program (UNICEF). Not only would this demonstrate greater cooperation with the multilateral agencies, it would also harness aid channels and modalities that these multilaterals provide, allowing Japan to undertake new forms of cooperation without challenging its own bilateral aid procedures.

There are political and administrative advantages for Japan in utilising regional and multilateral frameworks. But its incremental and *ad hoc* approach to adapting aid modalities has constrained Japan's role as an aid donor in the South Pacific. In general Japan has not been able to enhance its influence in the regional organisations or assume a leading role in the development debates in the region. This has implications not only for Japan's relations with Pacific island states, but also its relations with other donors in the region.

Notes

- ¹ The distinction made here between regional and multilateral is essentially between region-specific and more broad based institutions and frameworks.
- ² The People's Republic of China has strongly criticised the attendance of Taiwan. However, four Pacific island countries recognise Taiwan and not the People's Republic of China.
- ³ This grant was for the acquisition of 10 computer sets (*Forum News*, No.11, December 1993:9). See previous chapter for background to the decision to provide budgetary support to the Forum Secretariat.
- ⁴ Given that this office will be under Ministry of Foreign Affairs' jurisdiction, it is not clear how far the South Pacific Centre will be concerned with promoting trade and investment or more general political and diplomatic relations.
- ⁵ According to Forum Secretary General, Ieremia Tabai, 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 in Tabai (1993).
- ⁶ The Forum Secretariat now has a conference centre named after Ryoichi Jinnai.
- ⁷ From statement to the post-Forum Dialogue, 1992. The reference to Asia Pacific 'interdependence' echoed earlier statements by Japanese leaders on policy towards the Pacific island region (see Chapter 6).
- ⁸ The document that created the SPC was drawn up in Canberra in 1947; hence its title, the 'Canberra Agreement'.
- ⁹ The study group did not have any policymaking powers but was essentially to advise government ministries (the Ministry of Foreign Affairs in particular) in making policies. See Chapter 3 for discussion of the role of these groups in aid policy.
- ¹⁰ There was in fact some overlap in the (academic) membership of the two study groups.
- ¹¹ 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).
- ¹² Japan is not alone in favouring a bilateral approach to aid. Many donors place priority on their bilateral programs. In a 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' (Bilney 1994).
- ¹³ Pacific island countries may also prefer bilateral aid since regional organisations tend to be very bureaucratic and costly. With the

exception of countries hosting regional organisations, island governments appear to enjoy few tangible benefits from such aid. I am indebted to Professor Ron Crocombe for this observation.

- 14 Fiji Trilateral Health Promotion Project Small Grants Program, Funding Guidelines. There were five components to the project
- enhance government policy for health promotion (through a National Health Advisory Council)
 - strengthen the competence of the Health Promotion Unit in Fiji to provide leadership in health promotion activities
 - increase the ability of the primary health care structure to promote health at a village level
 - support efforts of other Pacific island nations
 - project monitoring and evaluation.

Japan's contribution, which was a form of project-type technical cooperation, included audio and video equipment and technical assistance in the transfer of audiovisual production skills; an epidemiologist (based in Tokyo) to carry out health surveys in Fiji; a vehicle and some computer equipment. Australia's efforts focused on training activities including workshops, office equipment and refurbishment, local researchers, graphics technology, vehicles and a small grants scheme.

- 15 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 Yasutomo 1986:104–5).

- 16 This view was qualified in subsequent official development assistance reports of Ministry of Foreign Affairs. The difficulties were highlighted, although joint programming continued to be described as one form of donor coordination.

- 17 The 1996 election of a Liberal Coalition government in Australia led to an even stronger emphasis on promoting economic reforms in the region through aid policy dialogue and conditionality.

- 18 Australia has shifted away from budgetary support to program aid in Papua New Guinea, against the PNG government's wishes. In the Solomon Islands it has suspended aid to the forestry sector because of 'unsustainable logging practices' there (Fry 1996).

- 19 According to a senior Ministry of Foreign Affairs official, the ODA Charter is more likely to lead to 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, Ministry of Foreign Affairs, October 1992).

- 20 At the Earth Summit in 1992, Prime Minister Miyazawa announced plans to increase environmental aid to \$7 billion between 1992 and 1997, compared to the \$2.3 billion disbursed between 1989 and 1991.

- ²¹ EcoAsia is an initiative of the Japanese government that grew out of the 1992 Earth Summit. It has so far entailed a series of Congresses, supported by an International Workshop and a Secretariat. A project document titled 'Long Term Perspective on Environment and Development in the Asia Pacific Region' is to serve as a blueprint for a range of activities to be pursued under the guidance of the Environment Agency of Japan, to commence in 1997.

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In the 1980s Japan rose to prominence as a leading aid donor to the Pacific island countries. In this study the factors that have motivated and shaped Japan's official development assistance towards the Pacific islands are explored. The unique characteristics of this region and Japan's interests—primarily as a fishing power—are shown to have profoundly influenced and politicised Japan's role as an aid donor. Access to the region's rich resource of tuna has been the most enduring of reasons for Japan's steadily growing aid program. But over time new and competing agendas have emerged. The need to demonstrate allegiance to the United States in its containment of the Soviet Union in the mid-1980s introduced a fundamental reorientation in Japan's aid policies. More recently, the Japanese government has been compelled to address criticisms of its aid program from both donors and recipients, and to demonstrate 'leadership' in the field of development assistance.

This Pacific Policy Paper reveals how Japan has responded to these criticisms and challenges, and examines the impact of competing interests and objectives on Japan's aid policies. It provides insights that are important not only to understanding Japan's interests and role in the Pacific islands region, but also sheds new perspectives on what drives Japan's aid program, how its aid policies are formulated and the political outcomes of Japan's aid diplomacy.

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