

JAPAN'S MULTILATERAL ASSISTANCE LEADERSHIP: MOMENTUM OR MALAISE?

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1 INTRODUCTION

The 1990s have not been kind to Japan. The glow of the vaunted economic miracle of the 1960s and the economic spurt of the late 1980s have faded, and any discussion of the possibility of Pax Nipponica replacing Pax Americana has disappeared in a cloud of embarrassment. Just as Japan seemed to be leading the way for the economic miracles of its Asian neighbors in the 1980s, Japan's economic slide from the early 1990s seemed to lead the way for the region's sudden economic downturn in 1997. This is not the kind of regional leadership Japan had envisioned.

As the next millennium approaches, Tōkyō's record in dealing with its domestic economy since the bursting of the bubble economy in 1991–92 and its performance in the Asian financial crisis since 1997 shape any discussion of Japan's leadership role in Asia, whether bilateral or multilateral. In both arenas, the verdict has been harsh. From abroad, Japan appears to lack the will to exert leadership or, even worse, Japanese cabinets appear to lack the ability to lead even if the will exists. As a result, Japan has endured harsh criticism not only for its failure to take the helm in the regional financial crisis, but also for its failure to halt the slide of its own economy into an unrelenting, deep recession. From within, Japanese voters have expressed their frustration by forcing the fall of the Hashimoto Ryūtarō Cabinet after the July 1998 House of Councillors election, and the assessment of the succeeding Ōbuchi Keizō Cabinet has, to date, remained equally harsh. All of this has created a concern that if the Japanese can not solve their own problems, how can they possibly solve the Asian financial crisis and assume a long-desired regional leadership role?

In contrast with the image of a passive, stagnant Japan floundering helplessly in the waves of the domestic and Asian financial crises, Japan's Official Development Assistance (ODA) policy has been characterized by activism, diversification, politicization, and greater independence in both bilateral and multilateral arenas over the past 20 years. By the 1990s, Japan assumed the status of the top ODA donor to the developing world and an increasingly prominent presence in the multilateral development banks (MDBs). Japan's ODA reached US\$ 14.5 billion in 1995 and has main-

tained a level of US\$ 9.4 billion in 1996 and 1997 (Gaimushō 1998). Japan provides aid to 162 nations and is the largest donor to over 50 nations, and its independence in bilateral aid policy has often led to clashes with the United States over the restoration of aid to controversial states like Myanmar and Iran. Tōkyō is also the first or second largest contributor to all major international financial agencies and the United Nations. Multilateral aid to international organizations increased 125.5% (US\$ 2.8 billion) from 1996 to 1997. In MDBs, Japan has managed to gain a more visible presence via increased vote shares and management and staff positions. Further, Japan has begun to challenge the current development orthodoxy in MDBs by moving into the area of development philosophy and strategy.

In other words, ODA is one area where Japan claims a leadership role. However, as the 1990s come to a close, caution may be in order in assessing the longterm prospects for Japanese ODA. As Japan enters the new millennium, ODA policy appears to have reached a turning point. ODA has lost its status as a 'sacred cow' of Japanese budget politics, suffering annual budget cuts and enduring attacks on several fronts. The momentum of multilateral aid visible in the 1980s and early 1990s appears in jeopardy at precisely the moment when not only large flows of capital are required from the multilateral institutions that depend heavily on contributions from the Japanese budget but also political leadership from Tōkyō.

This essay will evaluate the apparent malaise in Japan's current multilateral assistance policy, primarily toward the World Bank and Asian Development Bank (ADB), the two multilateral development banks active in Asia. It will focus especially on the exaggerated nature of the harsh assessment and point to the factors that lead to a revitalization of activism and, depending on one's definition, to the exercise of leadership.

2 MOMENTUM TO MALAISE?

Japan's entry into the club of foreign aid donor nations began multilaterally. On 6 October 1954, Japan joined the Colombo Plan, a technical assistance arrangement among the British Commonwealth nations. However, at that time, the World Bank constituted Japan's main MDB policy pillar, with Tōkyō being the second largest borrowing member by 1960, trailing only India. As a major recipient rather than major contributor, Japan was not intimately involved with the rule-making and agenda-setting activities in the Bank, lacking a major share of the vote, its own executive director's seat, management and staff presence, and a development philoso-

phy of its own to advocate (Shiratori 1993). Besides, in the 1950s and 1960s, bilateral aid constituted the pillar of Japan's foreign aid policy, which began in the form of reparations or semi-reparation economic cooperation agreements negotiated throughout the 1950s with Asian nations Japan had occupied during World War II. Non-reparation bilateral loans started with India in 1958.

Both bilateral and multilateral aid shared one basic objective in the early years: the promotion of Japan's economic recovery and growth. But bilateral aid also had a diplomatic political agenda: to restore friendly relations with Asian victims of Japan's wartime aggression and, by the late 1960s, to support American policy in Vietnam and Southeast Asia. While bilateral aid pursued underlying diplomatic objectives, Japan carefully avoided the politicization of MDB policy, in line with explicit restrictions against political considerations in MDB charters. Hence, Japanese ODA policy took on a dual nature, with bilateral aid increasingly susceptible to politicization and multilateral aid relegated to the realm of technical decisions.

In the 1980s, Japan became the world's largest creditor nation, enjoying huge surpluses. Tōkyō used its newly-found financial power to negotiate a new status within MDBs. Prior to the 1980s, in both the World Bank and the ADB, Japan remained fairly quiet and low-key in approach, but throughout the 1980s, a new activism reared its head. In the World Bank, Japan utilized financial contributions to improve its status, including subscriptions, contributions to concessional lending facilities, and the creation of special funds. The result was Japan's leap-frogging to the number two shareholder position, a new vice presidency occupied by a Japanese national, and an increased emphasis on Japanese staff recruitment (Ogata 1989). In the ADB, Japan's institutional weight was already heavy as the largest shareholder because of its contribution to the ordinary, soft loan, and special funds, and because of its hold on the presidency and the presence of management and staff. Japan attempted in the 1980s to convert its *de facto* number one position into a recognized and clear-cut status rather than a shared status with the US (Yasutomo 1995).

This institutional activism, focused primarily on building Japan's administrative power and status foundations, paid dividends in the late 1980s and early 1990s, as bilateral and multilateral aid policies began to converge in the areas of diplomacy and development philosophy. Several global issues triggered diplomatic activism and this convergence. Perhaps among the most important were the international debt problem, the Tiananmen Square incident, the collapse of East Europe and the Soviet Union, and the Gulf War. During this period, multilateral activities gained as much prominence as bilateral diplomacy, especially in MDBs. Japan's

major plunge into multilateral diplomacy in the 1980s was its contribution to the Third World debt crisis, which exploded in 1984. Japan devised three tranches, for a total of US\$ 65 billion, designed to recycle its considerable surplus to debtor nations through MDBs, primarily the World Bank and the ADB. It proposed a debt plan, attributed to then Finance Minister Miyazawa Kiichi, at the Toronto Summit, the core of which constituted the same two MDBs. Japan also focused much of its attention on the G7 process concerning issues such as the restoration of ODA to China after the initiation of international sanctions following the massacre of students and workers in Tiananmen Square in 1989, and the extension of economic assistance to East Europe, Russia, and the Russian Republics, with the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the European Bank for Reconstruction and Development (EBRD) serving as the major conduits.

Perhaps the most striking development in Japan's multilateral diplomacy is the attempt at intellectual leadership. In the first half of the 1990s, Japan began advocating a development philosophy or strategy at odds with the prevailing consensus in the international development community. Observers were asked to absorb the sight of a super-pragmatic Japanese foreign policy propounding an ideology or theology. The core of the ideology involved the Japanese belief in the importance of the state as well as the market for economic development. Japan's conviction of the correctness of this development strategy comes from its own development experience, reinforced in the early 1990s by the economic miracles of other Asian nations, and leading to a focus on the commonalities of regional development strategies and experiences, almost all of which involved a strong activist state. For our purposes, it is important to note that the World Bank became the focal point of Japan's new campaign to proselytize the development community with its ideas, and thus became the core of multilateral activism. The ADB's approach already reflected many of the tenets of Japan's development thinking, requiring less advocacy and more maintenance activities.

The Japanese challenge resulted in the World Bank's formation of a task force to study the Asian development experience, resulting in the well-known, controversial 1993 study of the East Asian miracles (IBRD 1993). The Report was the result of Japanese dissatisfaction with the direction and results of the orthodoxy, which had dismissed the Japanese experience, and it triggered a debate about the efficacy of over-reliance on the market mechanism. In essence, Japan entered the international development debate using the World Bank as a forum to present its alternative answer to the problems of development, and although the Japanese were not fully satisfied with the substance of the Report's analysis and conclu-

sions, its publication did represent a victory of sorts for the Japanese campaign to effect a leadership role by stimulating a re-thinking of international development approaches (Wade 1996; Yasutomo 1995). The East Asian Miracle report succinctly summarizes the tenets of the orthodoxy, and Ohno and Ohno have deftly explained and analyzed the basic tenets of Japan's development approach (Ohno and Ohno 1998).

However, can one argue that the Report's publication represented the peak of Japan's activist multilateral diplomacy? Japan seemed to virtually disappear from the multilateral scene thereafter: the spotlight turned to the US; Japan's visibility lessened in the World Bank; it abandoned its attempt at predominance in the ADB; its bilateral efforts in Sub-Saharan Africa stood out and still do more than its aid to the African Development Bank; it achieved its own Executive Director seat in the Inter-American Development Bank, but the US shadow was more present than ever; the Asian financial crisis seemed to undermine the Japanese development model; and who hears much about Japanese activities in the European Bank for Reconstruction and Development?

We can identify several reasons for the apparent retreat from activism. First, by the end of the 1990s, bilateral ODA once again began to out-pace multilateral aid policy, returning to the parallel but bifurcated nature of Japan's aid policy. Much of this has to do with the dissipation of Japan's aid focus into two broad categories in the era of post-Cold War 'global issues'. On technical issues, ODA has become a less distinct policy arena and more of a component in fields such as the environment, AIDS research, biodiversity, women in development, and global warming. International conferences or organizations shape policies in these areas, but the implementation often takes bilateral forms. For example, Japan's pledges to contribute to international environmental policies are announced at international gatherings, but specific projects are negotiated bilaterally, as with the environmental research centers in China, Indonesia, and Thailand.

On diplomatic issues such as democratization, human rights, terrorism, illegal drugs, nuclear testing, and the transition to market economies, discussion occurs in international fora, but, again, implementation is often handled bilaterally. For example, Japan has engaged in a recent spate of 'sanction diplomacy'. MDBs are used by nations to level sanctions against a country, but the decision is usually made on a bilateral basis. Japan resorted to sanctions through a stoppage of yen loans to China (1995), India (1998), and Pakistan (1998) as a protest against nuclear testing, moving ahead of or parallel to the international reaction. For India and Pakistan, Japan initiated sanctions first, and then called for a Conference on Urgent Actions for Nuclear Non-proliferation and Disarmament in Tōkyō

in August of 1998, outside of MDB auspices (*Japan Times* 31 August 1998). Japan's immediate reaction to the launching over Japanese territory of a missile or satellite by North Korea in 1998 was not to take it to an international body but to reconsider food aid. The reinstatement of ODA is also bilaterally negotiated, as seen in the cases of aid restoration to Myanmar, Vietnam, and Iran, in the face of US opposition. And on aid to Russia, Japan still follows multilateral strictures, especially under G7 and IMF guidance, but both Prime Ministers Hashimoto and Ōbuchi have pursued the bilateral route more vigorously throughout 1998.

The bilateral emphasis is due partly to the new Japanese emphasis on ODA as a diplomatic tool (*gaikō shudan*). To put it another way, the more Japan utilizes ODA as a diplomatic tool, the more important bilateral aid becomes. The Japanese government wants recognition for its aid, reflected in the widely-used slogan *kao ga mieru enjo*, or a more visible aid policy that gains kudos for its positive contributions. Japan's contributions to multilateral banks often disappear in the bowels of an international organization, with individual contributions hidden from sight. Besides, Japan does not have to await for the approval of its policies by a board of directors, nor does implementation depend on an international bureaucracy. Thus, bilateral aid is the more effective means of pursuing the national interest, however defined, for which Japan can take credit. Multilateral aid becomes one policy implementation channel, and not always the most important channel.

A second major change in the multilateral terrain has been the ascendancy of the IMF in the 1990s. Despite the creation of the EBRD in 1991, and with the onset of the Asian financial crisis in 1997, assistance to Russia and the Asian financial recovery are IMF turf. The IMF is the flagship institution for promoting reform in Russia and leading rescue efforts in Thailand, South Korea, and Indonesia. In terms of these two roles, MDBs play a supplementary role. The amount of Japan's contributions to each institution for Asian rescue efforts reveals the order of importance and priority: the IMF, the World Bank, and the ADB. However, the IMF poses some problems for Japanese diplomacy because Japan does not have full confidence in the IMF's policy prescriptions. Tōkyō proposed an Asian Monetary Fund early in the regional financial crisis, but the idea died under strong opposition from the US and the IMF. Without a concerted Japanese-led international bailout effort, the IMF thus remains the main alternative to address the crisis. Japan therefore works through the IMF. But the other problem is that Japan's institutional weight in the IMF is weak. Tōkyō's institutional efforts had focused on the World Bank and not so much on the IMF, which the Japanese view more as American and European turf. Only in the ADB does Japan occupy a predominate status, and

the ADB has contributed to regional rescue efforts, but in a low-key, almost invisible way.

Third, there is the strong impression that Japan has not followed through on perhaps the most notable area of its activism. Japan's challenge to the neo-classical development model culminated in the initiative within the IBRD that resulted in the East Asian Miracle Report. The Japanese dissatisfaction with some of the Report's conclusions led to a cottage industry dedicated to criticizing the Report, but Japan did not challenge the Report openly, directly, or severely. The Japanese seemed to wait for others to challenge the Report and tout the virtues of the Asian development model. Then came the Asian financial crisis, which has called into question the appropriateness of the model. Japan's counter-attack on the Miracle Report and the neo-classical orthodoxy appears side-tracked, and it is not yet clear how Japan will assess the longterm implications of the crisis for the Asian development experience.

Fourth, domestic developments have stymied policy activism. Partisan politics finally hit ODA, long a 'sacred cow' of Japanese budget politics. The Japanese Diet has slashed the annual ODA budget by 10% per annum since 1997. Japan has managed to maintain its hold on first place as the world's largest donor nation, but the amount dropped from a peak of almost US\$ 15 billion in 1995 to the US\$ 9 billion range since. Even though multilateral aid is the most unpredictable item in the ODA budget, fluctuating between around 25–30% of the annual budget because of shifting subscription and contribution requirements (which accounts for the 125% increase in 1997), the budget cuts hit multilateral institutions hard, especially the United Nations but also the MDBs.

Administrative reform politics have also affected multilateral aid policymaking. The primary responsibility for MDB policy rests with the Ministry of Finance (MOF). It was MOF that initiated the process that resulted in the IBRD East Asian Miracle Report. In the first half of the 1990s, a pattern of multilateral decision-making emerged whereby the Finance Ministry and the Ministry of Foreign Affairs (MOFA), despite the traditional rivalry and jurisdictional battles, worked closely on MDB policy. However, a consequence of the targeting of the MOF for administrative reform has been the curtailment of its power and influence. This has tilted the field in favor of MOFA, the longtime proponent of *kao ga mieru* bilateral aid over the MOF, a strong supporter of apolitical multilateral aid. MOFA has also been joined by a rejuvenated ODA policy actor, the Ministry of International Trade and Industry (MITI), a reflection of the new aggressiveness of the private sector on ODA issues in an era of economic slowdown.

In addition to these points, the MOF has received bad press because of two MDB-related scandals in the summer of 1998. Both incidents involved

the World Bank, one concerning the use of a Japanese trust fund within the Bank for supporting the training of Finance Ministry officials, raising questions in the Diet about the appropriateness of utilizing ODA for Japanese government officials for service in the World Bank rather than meeting the needs of recipient countries. The other incident involved two Japanese World Bank officials receiving kickbacks for awarding a procurement project to a Japanese firm, resulting in their dismissal. MOF quickly curtailed the use of the fund for training its own officials and fully supported the IBRD's efforts to investigate the latter allegations, but the MOF, which oversees the uses of the trust funds, had come under the intense scrutiny of the press (*Asahi Evening News* 16 July 1998; *Washington Post* 16 July 1998; *Japan Times* 16 July 1998; *Japan Times* 17 July 1998; *Japan Times* 6 September 1998). The question therefore arises whether or not the MOF, over the long run, can regain some of the policy momentum built in the 1980s and early 1990s.

Finally, most analyses of Japan-US relations in MDBs identify Washington as a major obstacle to Japan's multilateral leadership. The standard view assumes competition and contention between Washington and Tōkyō. In the World Bank, because of the predominant status of the US in setting the agenda and maintaining the rules of the game, any Japanese initiative that challenges the Bank's orthodoxy and standard operating procedures can be considered, almost by definition, a challenge to the United States. But many observers also point to a more active opposition by the US toward Japanese moves. Ogata was among the first to identify the competition and strain in the US-Japan relationship in the World Bank over vote shares in the early 1980s (Ogata 1989). By the end of the decade, Japan had adopted a 'mild challenger' stance, though supportive overall of American policies and position (Yasutomo 1995). Rapkin and Strand provide the most widely-held current assessment of US-Japan relations within the Bank: 'Heretofore, *willingness to share* leadership has been a greater problem for a once hegemonic United States than for a Japan seeking to expand its global role. American rhetoric about sharing global burdens and responsibilities seems to have translated into American expectations that Japan will cover the costs of American initiatives without being factored into agenda-setting and policy-formation activities' (Rapkin and Strand 1997, 270). Awanohara (1995, 162) captured the Japanese (MOF) response: 'There is a sense among Japanese bureaucrats ... that even though the US has claimed to want Japan to take on the greater burden of leadership, it may not actually welcome Japan taking initiatives'.

There is a corollary proposition here – that MDBs themselves block Japanese initiatives. The World Bank is depicted as heavily influenced by management and staff trained in the US and dedicated to the develop-

ment orthodoxy learned in American educational institutions. Two Japanese veterans of the World Bank and IMF assert that 'global propagation of accepted Western norms has become a major *raison d'être* for international organizations during the last half century' (Ohno and Ohno 1998, 12). Wade's narrative of Japan's struggle to get the East Asian miracles study on the agenda provides a vivid example of opposition within the Bank, which viewed Japan's efforts as a clear threat, with part of the reason being that Japan's view on development 'would run against the strategic and diplomatic power of the US, which has used the Bank as an instrument of its own external infrastructural power to a greater degree than any other state' (Wade 1996, 14).

Even in the ADB, despite the large Japanese presence and financial weight, observers feel that the US controls the agenda. According to one assertion, the US basically let the Japanese dominate the ADB in the early years in return for a strong strategic partnership, but in later years, fought hard to counter economic benefits accruing to Japan from ADB activities (Woo-Cumings 1995). Perhaps this assessment exaggerates American policy, but there have been instances where the US strongly opposed Japanese efforts to gain predominance in the Bank (Yasutomo 1995). Another observer notes that Japan actually receives less from the ADB than it contributes, implying that Japan does not take advantage of its weight (Wan 1995). Pascha notes that the ADB is sensitive to American opinions: 'One even gets the impression that a conscious effort is made to blur possible distinctions and to avoid formulating clear statements which could be in contrast with Washington' (Pascha 1999, 22). Also, there have been occasions from the founding years when the ADB, as an institution, and usually in the person of the Japanese president, clashed with Japanese preferences in the Bank irrespective of US activities (Yasutomo 1983; Yasutomo 1995).

The picture by the end of the 1990s is that of a holding pattern. Japan had achieved a certain amount of success in pursuing an activist course in MDBs throughout the 1980s and into the 1990s. Many of its major institutional objectives had been attained, resulting in a sense of relative satisfaction; its diplomatic agenda had incorporated the MDBs, but the scene shifted back to the bilateral dimension; and it had issued its challenge to the development orthodoxy without much visible follow up. In addition, domestic political developments stymied policy movement, and outside Japan, both the US and the MDBs themselves strove to blunt Japanese initiatives and activism, thus limiting Japan's influence and effectiveness. As a result, it appears that Japanese multilateral activism had lost its momentum.

3 MALAISE TO MOMENTUM?

Despite all of the problems Tōkyō encountered in the past decade, it is premature to sound the death-knell for Japan's multilateral aid-related diplomacy. We can identify several factors that point either to continued or revived activism. In essence, Japan will not abandon multilateral activism because of its utility and necessity. It may take a less visible, low-key form in selected technical and diplomatic arenas, and in a wider range of multilateral fora. This may not constitute 'leadership' for many observers, but neither does it qualify as malaise.

First, the evolution of ODA into a diplomatic tool provides one guarantee that multilateral diplomacy will remain in the spotlight. Even if bilateral aid takes center stage, the broad range of multilateral institutions, including MDBs, still have their uses. Japan still assumes that ODA is one of the few means at its disposal to contribute substantively to the world community, especially to the post-Cold War global issues agenda. Multilateral institutions, ranging from international fora such as the United Nations Conference on Environment and Development (UNCED) to traditional agencies such as the International Atomic Energy Agency (IAEA), are at the core of international activities, and Japan's presence has heightened in these arenas. Recent Japanese diplomatic initiatives in brokering the birth of a new Cambodian government, which included pledges of aid, and the dispatch of 80 Self-Defense Forces and 20 Japan International Cooperation Agency (JICA) personnel to aid in disaster relief efforts in Honduras in 1998 may be the harbinger of things to come in multilateral-related aid policy.

The conclusion is that bilateral and multilateral aid have converged once again. For the future, the Japanese do recognize the need to strengthen bilateral and multilateral policy planning. This is reflected in the recommendations of the Council on ODA Reforms for the 21st Century final report, submitted to MOFA in early 1998, which advocated better coordination between domestic policymaking organs and multilateral institutions: 'If it is to pursue a uniform and consistent set of aid policies, Japan will need to strengthen its ties with multilateral institutions and ensure that those ties are effectively echoed by its policy goals. To this end, it will be essential to heighten the policy dialogue with aid recipients and at the same time have all agencies and ministries concerned work more closely together and aim for stronger policy dialogues and personnel exchanges with the headquarters of multilateral institutions' (Council 1998, 36).

Further, the locus of multilateral diplomacy has been expanding beyond multilateral banks, which also accounts, in part, for the lower Japanese profile in MDBs. We see Japanese activism in these other multina-

tional groups, ranging from APEC and the ASEAN Regional Forum to the Red Cross¹. For example, Japan utilized multilateral channels to resume ODA to Myanmar. Japan suspended aid for new projects in 1988 after a military take-over of the government. The first step toward restoration of aid was through the Red Cross and other non-governmental organizations in 1994. Its major push came in 1997, when Japan took the issue to the G8 Denver Summit, after which Japan announced its decision in March of 1998 to resume yen loans for the construction of an airport in Yangon. The Myanmar case is reminiscent of the step-by-step process by which Japan restored ODA to China after Tiananmen Square, in which the World Bank and ADB resumption of lending contributed to the softening of the environment that led to Japan's resumption.

None of these developments should be interpreted as the Japanese abandonment of the existing MDBs. In fact, the World Bank and ADB constitute the pillars of the US\$ 30 billion plan for assistance to Asian nations hit by the financial crisis, unveiled by Finance Minister Miyazawa in October 1998 (*Japan Times* 4 October 1998). According to early reports, the Japan Export-Import Bank and the Overseas Economic Cooperation Fund (OECF) will work with the two banks in the areas of co-financing, corporate debt restructuring, bank loan guarantees, and the establishment of an interest subsidy fund in the ADB. In addition, at the APEC summit in Malaysia in November, Japan and the US agreed to co-sponsor an additional US\$ 5 billion initiative that will work through the ADB and World Bank, with Japan pledging to provide US\$ 3 billion (*Nihon Keizai Shinbun* 25 November 1998; *Yomiuri Shinbun* 18 November 1998; *Asahi Shinbun* 24 November 1998)

Even if one can argue that attention has moved away from the MDBs, in the long run, Japan is bound to return to these fora because of the nature of the issues. Once the Asian financial crisis stabilizes, longterm development needs will take center stage again, and this is the MDBs' turf. Global issues require global efforts, and while not all require multilateral assistance, it is difficult to imagine Japan ignoring the MDBs in areas such as afforestation, disaster prevention, AIDS, biodiversity and other technical areas, especially in fields where Japanese experience is thin and expertise is weak. So the end result may be not the demise of multilateral diplomacy in the future but rather the deepening of involvement in MDBs and the expansion of activities to other international fora.

A second reason to expect continued multilateral activism is the domestic underpinning of policymaking. To cite two factors, we can point to

¹ APEC is the abbreviation for Asia Pacific Economic Cooperation; ASEAN for Association of Southeast Asian Nations.

domestic support for aid and bureaucratic activism. On both fronts, the domestic situation may not be as bad as it may seem. ODA budget slashing is occurring in the broader context of party politics and administrative reform. While the current mood is toward slashing the ODA budget, political leaders recognize and accept the ODA function as a useful diplomatic tool. This will prevent the complete gutting of the ODA budget. And while public opinion supporting ODA has slipped in the area of increased spending, if one combines ODA with specific uses of aid, the approval rate soars. For example, the public strongly supports Japanese efforts in the area of humanitarian assistance, contributions to world peace, and international environment policy, in which ODA constitutes a major pillar (Sōrifu Hokō Shitsu 1998). Hence, specific uses of aid and the absorption of ODA into diverse technical sectors have the effect of maintaining strong support for aid.

Also, ODA is thought to lack politically influential interests groups and 'policy tribes' (*zoku giin*), contributing to the targeting of ODA for budget cuts. However, in recent years, an old constituent has reemerged and new constituents are emerging. The business community, a traditional beneficiary of the commercial uses of ODA, had been grumbling about the efforts of the Japanese government to untie aid and lighten its commercial objectives. However, business, aided by its ally MITI, has staged a 'comeback' in an era of deep recession by waging a partially successful battle to restore some tied aid in the field of environment. In addition, new constituents have emerged. Perhaps the most notable are Non-Governmental Organizations (NGOs). Internationally-oriented NGOs proliferated as part of the NGO boom that emerged in the aftermath of the 1995 Kobe earthquake. MOFA is actively involved in nurturing this constituency, including financial support and inclusion in project-related delegations. NGOs have also established working relationships with politicians, foreign NGOs, and international organizations. And the Diet passed a Non-Profit Organization (NPO) Law in March 1998, giving many of these groups legal status. For the most part, they tend to be supportive of Japan's international development efforts as new ODA constituents, though at this stage, their weaknesses outweigh their strengths and their influence is more potential than actual. However, the expansion of constituents potentially strengthens the support base for such recommendations as that of the Council on ODA Reforms for the 21st Century: 'Given Japan's position as a country highly dependent on the rest of the international community, and in view of the record Japan has set with ODA in terms of building international trust, we must urge that the government do everything in its power in the years ahead to ensure that ODA is available in quantity as well as quality' (Council 1998, 37).

The Council also stresses the importance of ministries and agencies working more closely together in the area of multilateral aid. To some extent, this was the case in the early 1990s, before the current broadside aimed at 'bureaucrats' and especially the Ministry of Finance, the core of MDB policy. In fact, one might argue that the loss of momentum in MDB policy coincides with the onset of the harsh attacks on the power and influence of the MOF. Japan's activism in the early 1990s was centered on the MOF, in a partnership with MOFA, but reform efforts targeted the MOF, shaking its standard operating procedures and side-tracking its policymaking capabilities. However, policymaking in the Ministry on the international finance side seems less affected by the surrounding turmoil than many domestic-oriented bureaus and divisions, and the Ministry seems to be ready to get back on track as the general headquarters for the implementation of the Miyazawa plan.

In the long run, therefore, the ability of the Japanese government to revive activism may depend on the ability of the MOF to adjust to current reform moves, and to hold its own against an increasingly active MOFA and resurgent MITI. The assumption here is that initiative-taking rests in the hands of the bureaucrats more than the politicians, who still lack both the technical expertise in the field of development and international financial policy necessary to fashion an MDB policy. As long as the bureaucracy remains hobbled by political maneuvering, activist policies will be stymied. The hope is that greater transparency in policymaking, closer monitoring of and accountability for aid, and greater effectiveness will strengthen multilateral aid policy. Notably, the main reform issue involves efforts by politicians to oversee and improve, not abandon, ODA through such mechanisms as a foreign aid law.

Recent bureaucratic initiatives provide one reason why the attention has focused away from MDBs. A point made earlier was that Japan had apparently not followed through on its challenge to the development orthodoxy. This may be true within the IBRD, perhaps, but outside the bank, the Japanese have been hyperactive. The Miracles Report spawned numerous studies and discussions about the efficacy of the Japanese or Asian model, especially within OECF and among Japanese scholars. In the policy realm, the government is attempting to propagate the Japanese approach beyond Asia. Just two different types of examples suffice. The convening of the Tōkyō International Conference on African Development (TICAD), launched in the fall of 1993 just as the World Bank report was published, and TICAD II in November of 1998 is an MOFA-led effort to explore the application of the Japanese development experience to Africa. And the many programs and conferences of the MOF's Institute of Fiscal and Monetary Policy invite government officials of developing na-

tions and transitional economies to Tōkyō for briefings and discussion sessions on various aspects of Japan's economic and financial institutions and system.

So while Japanese activities within the World Bank may seem dormant, the 'action' may have shifted back home or to other fora as Japan tries to build upon the initial success in getting the Asian experience recognized. In this sense, the Asian financial crisis has yet to dent the confidence many Japanese have in their own development model. Or to put it another way, even if one argues that Japan has not followed up on the Miracles Report within the IBRD, it is waging a kind of guerrilla warfare internationally outside the bank.

A third reason for expecting Japanese activism to continue is the fact that MDBs themselves actively seek increased Japanese involvement in bank activities. The opposition to Japan's development ideas in the World Bank is instructive, for despite the opposition, Japan did manage to get the Asian experience on the agenda both within and without the bank. The IBRD could not ignore Japanese pressure to study the Asian experience and to publish the Report, however watered down the conclusions, because of Japan's heightened presence. Perhaps the best indication of MDB interest in Japan is the increased activities of the World Bank Tōkyō Office in the past three years, and the opening in 1997 of Tōkyō representative offices by the Inter-American Development Bank, the IMF (the Regional Office for Asia and the Pacific), and by the Asian Development Bank, which also inaugurated a separate ADB Institute in Tōkyō, funded by the Japanese government, in 1998. The presence of these offices in Tōkyō has implications for Japanese access, networking, funding, staff recruitment, and lobbying efforts in the future.

Fourth, much is made of the competition and contention between Japan and the US in MDBs. There are serious differences between those of Tōkyō and Washington, and some of these issues are likely to create considerable friction in the near future. The most recent visible example was the US-led squashing of Japan's 1997 initiative in calling for the creation of a new Asian Monetary Fund to deal with the emerging financial crises in Thailand, South Korea, and Indonesia (Altbach 1997), and the Japanese retort in the form of the 1998 US\$ 30 billion Miyazawa Plan, followed by the US effort to restrain Japan via the US\$ 5 billion additional commitment. Japan remains committed to the idea of the fund and will pursue it in some form despite US opposition.

However, this rivalry is exaggerated, at least as a general description of bilateral relations. In none of these institutions, including the ADB where Japan's position is strongest, is Tōkyō angling to displace Washington. The picture is more complicated. On some occasions, Japan resents

the heavy hand of US influence and ideological fervor, a factor in the Japanese East Asian miracles report campaign and US–Japan relations in the ADB in the 1980s. In these instances, Japan tried to moderate or counter American maneuvers, usually indirectly. Yet on other occasions, Japan feared the withdrawal of American interest in the bank, as was the case in the ADB and Congressional debate on IDA 11² contributions during the first Clinton administration. In this case, Japan attempted to induce the US to restore, maintain, or increase contributions and attention. On the other hand, the US vacillated between demanding Japanese leadership and hesitating when Tōkyō attempted to take the spotlight.

On most occasions, the US and Japan cooperate on the thrust of MDB policies. Despite differences in development philosophy, exchanges on the board of directors between American and Japanese representatives on specific projects do not disintegrate into debates over the Japanese versus neoclassical development models. In fact, Japan's problems have often come from other quarters, for example, from European members over whom Japan leaped to attain number two status in the World Bank (and the IMF). Also, observers have noted the intrusion of extraneous issues in US–Japan relations in MDBs, for example, the US hesitation on increased vote shares because of Japanese intransigence in bilateral negotiations on the financial liberalization of their domestic market.

A key factor in US–Japan relations is the difference in the utility of MDBs. All recent observers of Japanese policy assume that MDBs mean more to Japan than to the US. Thus the level of activism reflects this asymmetry in perceived stakes. All previously cited observers of Japan–World Bank relations contrast the intensity of Japan's policy with America's apparent retreat. Japan's stake in the ADB has always been high, given its particular history and status within the bank, ensuring close attention. When the US does turn its attention to these institutions, sparks may fly, as is usually the case when capital increases are involved, especially for concessional lending facilities. But these are usually not exclusively US–Japan bilateral spats. And when the US does flex its muscles, Japan often gives way, at least initially, as in the case of economic sanctions and the Asian Monetary Fund. Japan, however, usually engages in countermeasures when its national interests are at stake, including the lifting of sanctions after a suitable period of time.

The one divisive issue that captures the attention of most observers is the current debate on development philosophy. There seems to be a feeling that if there is any issue that may occasion bitter US–Japan conflict in

² IDA 11 refers to the 11th replenishment of the International Development Association, the concessional lending facility of the World Bank.

the future, it is this toe-to-toe battle over the role of the state in development (Rapkin and Strand 1997). However, even here, there are mitigating factors at work. The Asian financial crisis has raised questions about the efficacy of the 'Japanese' or 'Asian' approach. Critics assert that the very strengths of the model ultimately led to the current crisis, including the heavy hand of government and culturally-based 'crony capitalism'. Also, the US has not taken the bait. The fervor of the Reagan administration representatives for the market and private sector leadership in development began to cool in the Bush administration. By the Clinton administration, the battle had essentially been won as far as an international consensus on the centrality of the market is concerned. The US does not draw a line in the sand on development policy. Finally, Japan's effort to put an alternative model on the table essentially succeeded. The basic tenets of Japan's development 'ideology' have gained recognition and concessions from the orthodoxy, notably the 1997 IBRD World Development Report on 'The State in a Changing World' (World Bank 1997), and many Japanese have begun to reassess the Asian experience in light of the regional financial crisis. Japanese are still honing the tenets of their model. Hence, compromise and convergence appear to be the state of the 'great debate', thus mitigating US-Japan conflict and preserving Japan's intellectual leadership role.

A point should be made that, on the whole, Japan has achieved its major goals in MDBs regardless of American support or hesitation. Tōkyō can list a series of achievements in MDBs: increased vote shares and number two status (IBRD/IMF), management positions (IBRD), exclusive executive director post (Inter-American Development Bank, IDB), restoration of aid to China (IBRD), emphasis on Central Asian Republics (ADB and EBRD), a task force on East Asian development and the publication of the report (IBRD). Japan's quid pro quo is not hegemony but status. The difference with the past is that status encompasses recognition not only of Japan's financial contributions and strength but also its intellectual and policy contributions.

Finally, an 'Asia factor' underlies Japan's multilateral activism. As long as relations with neighboring countries remain a central focus of Japanese diplomacy, activism will reign. Tōkyō's strongest and most decisive actions involve Asia in some way: post-Tiananmen China; Myanmar aid restoration; the Asian Monetary Fund proposal; sanctions against India and Pakistan; the Miyazawa plan; Cambodia peace initiatives, etc. In general, within multilateral institutions, Japan plays the role of spokesperson or advocate for Asian views and interests, and it is in this role that Japan is more likely to stand against the West, as seen in the recent opposition to Ukrainian aid in the IMF because of conditions more lenient than for In-

onesia (*Japan Times* 15 September 1998). The underlying concern for Asia in Japan's MDB policy is remarkable (Yasutomo 1995), and it is at this nexus of Asian-Western interaction that we can expect to see Japanese leadership well into the next century.

4 CONCLUSION

In sum, Japanese multilateral diplomacy in the late 1990s, though low-key, is not stagnant. We can still identify activism. The question is whether this activism constitutes leadership. If we define leadership as setting the international agenda and establishing the rules of the game, Japan has a long way to go. However, it can try to establish footholds in 'niches' such as multilateral institutions, the Asian region, and the environment. But then, too, we live in an era when leadership seems to be in short supply in almost all of the major powers. This puts Japan, a nation striving for 'normal nation' status, in the international mainstream and criticized for acting normally.

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