THE FORMATION OF NGO INCLUSION POLICY
IN JAPAN’S OFFICIAL DEVELOPMENT ASSISTANCE:
THE ROLES OF NGOs, THE FOREIGN MINISTRY AND BUSINESS

by

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ABSTRACT

Nongovernmental organizations (NGOs) have become an integral part of Japan's official development assistance (ODA) program since the end of the 1980s. The government subsidizes their activities, supports their capacity-building efforts and cooperate with them in carrying out and evaluating aid projects. This thesis examines why the policy of NGO inclusion in ODA has been formed. It focuses on NGOs, the Ministry of Foreign Affairs (MOFA) and the business sector to reveal that their respective initiatives based on differing motives have contributed to the making of such a policy. Specifically, MOFA's intention to utilize ODA as a foreign policy tool in the changing aid context and the growing consciousness of good corporate citizenship on the part of the business sector have made it imperative for them to seek partnership with NGOs, who have grown considerably in the Japanese society.

The thesis then looks to the interaction among these actors, that is, how they cooperate in some cases and disagree in others. Although the policy of NGO inclusion has been endorsed by official policy forums and statements, the endorsement is not government-wide, nor has the traditional aid system with priority on economic objectives changed. By studying specific cases in which NGOs' humanitarian principles collide with official and business motives, the thesis identifies difficulties in the cross-sectoral cooperation.

However, considering the new aid context and the fact that ODA is Japan's major national program, the participation of NGOs and, more broadly, the general public is needed for greater effectiveness and accountability in ODA. The thesis concludes by presenting some issues facing Japanese NGOs for future consideration.
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<tr>
<td>CIDA</td>
<td>Canadian International Aid Agency</td>
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<tr>
<td>DAC</td>
<td>Development Assistance Committee</td>
</tr>
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<td>JAHDS</td>
<td>Japan Alliance for Humanitarian Demining Support</td>
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<td>JAIDO</td>
<td>Japan International Development Organization</td>
</tr>
<tr>
<td>JANIC</td>
<td>Japan NGO Center for International Cooperation</td>
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<tr>
<td>JBIC</td>
<td>Japan Bank for International Cooperation</td>
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<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<td>JITCO</td>
<td>Japan International Training Cooperation Organization</td>
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<td>JPF</td>
<td>Japan Platform</td>
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<tr>
<td>JVC</td>
<td>Japan International Volunteer Center</td>
</tr>
<tr>
<td>METI</td>
<td>Ministry of Economy, Trade and Industry</td>
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<tr>
<td>MITI</td>
<td>Ministry of International Trade and Industry</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MOFA</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
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<tr>
<td>NPO</td>
<td>Non-profit organization</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<td>OECF</td>
<td>Overseas Economic Cooperation Fund</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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Sakura Ozaki
CHAPTER I  INTRODUCTION

Background of Japan’s Aid

Japan’s foreign aid has evolved over about five decades since its inception in response to domestic economic needs, foreign policy considerations and foreign pressure. In the process various problems have been pointed out by journalists, academics, civic groups and foreign observers. Discussions of Japan’s aid often focus on the problems of diffuse policy management, the economic promotion dimension of the program, the emphasis on support for building physical infrastructure, and the regional concentration of effort in Asia.

First of all, the policy of Japan’s official development assistance (ODA) had traditionally been made under the consultation among the Economic Planning Agency, the Ministries of Finance, Foreign Affairs (MOFA), and International Trade and Industry (MITI). The four government departments also would administer a large volume of ODA fund and a number of aid projects, implementation of which was shouldered by semi-official agencies, namely the Japan International Cooperation Agency (JICA) for technical cooperation and the Overseas Economic Cooperation Fund (OECF) for yen loans.

A lack of a unified aid ministry and dispersed aid authority among a number of ministries and agencies have led to inefficient aid administration, while the volume and variety of ODA kept increasing. Whereas until the early 1960s project aid was dominant in Japanese aid, starting in the latter half of the decade, it said program became more varied. Japan started providing commodity loans for countries such as India and Indonesia, which were suffering from inflation and trade deficit. It is also in the late 1960s that grant aid completely separate from war reparation was introduced in the Japanese aid framework. A new budget was added to the government budget of 1969 to cover social development projects such as education and medical care. In 1977, Prime
Minister Fukuda Takeo announced the first of a number of aid-doubling plans that would eventually make Japan the world's leading provider of ODA.\(^1\)

Some organizational changes were made in the last decade in an attempt to accommodate the changes and better coordinate aid programs. In the reshuffling of central ministries in January 2001, the Economic Planning Agency was merged with the Cabinet Office and MITI was renamed as the Ministry of Economy, Trade and Industry. JICA, which was initially set up as a special public institution (*tokushu hojin*) in 1974, has gained the status of independent administrative institution (*dokuritsu gyosei hojin*) in October 2003. In 1999 OECF and another loan-providing organization, the Export-Import Bank of Japan, were merged to form Japan Bank for International Cooperation (JBIC).

In addition to the diffuse administrative and implementing systems, structural inclusion of the business sector has been a source of criticism against the aid program. Japan's foreign aid is often criticized for its "commercial" orientation.\(^2\) Historically, goes the accusation, the country's aid program started as war reparation and has functioned as de facto subsidies for business. Japanese businesses were accused of causing damages to the environment and communities in the recipient country and thereby inhibiting development in a true sense.

This problem originated in the government's policy, which was driven by economic concerns such as export promotion and secure supply of resources. The government has vigorously promoted aid to develop Japan's private sector and achieve the country's economic prosperity. Such an intention of the Japanese government is well described in MITI's first economic cooperation yearbook published in 1958. Recognizing the interdependent relationship between Japan and developing countries, then MITI Minister Maeo Shigesaburo writes in the

\(^1\) The aid-doubling plans, formally named as ODA Medium-term Goals, were issued five times. The last one was announced in 1993 to set out numerical goals for the period of 1993-1997.

preface that Japan is willing to foster economic cooperation to promote Japanese exports at the same time of contributing to the economic development in Southeast Asian countries.\(^3\) Such a stance was reinforced in the 1960s as Japan’s aid during that period was almost totally confined to Asia and overwhelmingly served commercial purposes as MITI proposed in its 1960 yearbook.\(^4\)

The consequence is geographical concentration of aid on Asia, and sectoral preference of aid allocation to building physical infrastructures over satisfying social or humanitarian needs. Margee M. Ensign, based on her empirical study of Japanese aid projects, argues that, despite the government’s recent statistics showing Japan’s aid program moving away from commercial orientation, it is still business-oriented and primarily benefits Japanese corporations.\(^5\) David Arase examines historical development of foreign aid and reveals that the business prevalence in official decision-making processes as well as in project implementation.\(^6\) Other studies look into private-sector participation in economic aid.\(^7\)

The interlocking system of policymaking ministries, implementation agencies, and business circles started to change in the 1980s, however. Journalists, scholars and civic groups began to voice their skepticism and criticism about the government’s aid projects and the overarching policy. While their accusations sometimes lacked objective analysis and empirical precision, in the process of the public debate they did reveal the problems that had plagued the aid establishment – the enlarged and inefficient bureaucracy, the lack of transparency in project implementation, the scarcity of financial and human

\(^3\) Hirohisa Kohama, *ODA no keizaigaku* [Economics of ODA] (Tokyo: Nihon Hyoronsha, 1992), 33-34.
resources in the field and so forth. The accusing voice became loud enough to make its way into Diet debates between the government and opposition parties.

It is under this circumstance that critics started to pay attention to what is considered to be the lack of a clear aid ‘philosophy’ behind Japan’s aid policy. Criticisms would fall on the point that there is the money, but not the vision. The voluntary sector urged the government to establish comprehensive aid objectives focused on humanitarian and developmental principles. MOFA had included humanitarian considerations as one of the five main considerations for Japan’s economic cooperation policy in 1978, but apparently that was not enough to satisfy the critics. Some opposition party leaders formed a group with civil activists to study the Canadian aid system out of other donor countries and concluded that Japan should be equipped with a unified and streamlined aid ministry and a comprehensive aid law. Opposition parties, with the support of non-governmental organizations (NGOs) engaged in development aid, submitted reform bills to the Diet several times to be blocked by the reluctant government.

Although the calls for the reform did not yield the desired result of the advocates, they did prompt some changes in official policies toward NGOs. First, the government created support programs for development NGOs to fund their activities and assist their efforts of capacity-building. Most of the subsidy programs are administered by MOFA, but other ministries have introduced similar systems as well. Second, there are now regular meetings between NGOs and MOFA, JICA and JBIC respectively aimed at receiving input from the voluntary sector and incorporating their views into policy. NGOs are also present at government-hosted international conferences to have a say on aid and

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development. In order to further foster the government-NGO partnership, MOFA established a NGO division and a post of NGO ambassador within the ministry. Third, in response to the growing presence of voluntary groups not only in development but in other fields of activity, the government enacted the NPO Law in 1998 to give legal status to small-scale civic organizations. The Law was revised in 2001 to better serve the needs of its beneficiaries.

Suddenly, NGOs are everywhere. Not only do they receive official support, but also they are the focus of much fanfare in government publications and policy papers. The business sector joins the government in cheering NGOs. The important role of the private sector including NGOs is raised in the recent policy recommendations and announcements made by Nippon Keidanren (Japan Business Federation), the largest corporate association in Japan.

Questions arise, then, as to why the government is reforming the aid program and becoming more inclusive of NGOs. What is the driving force of the new trend? Does it originate in the growing presence of NGOs or in the interests of MOFA? Does the growing NGO participation indicate that the "mercantilist" Japanese aid is going under fundamental change? What are the positions of METI and the business sector, the major economic actors in the aid program, on this issue?

Foregoing Studies on Japan's Aid

Most of the extant works on Japan's aid focus on either its economic or political aspect. There is general agreement that Japan's aid has, from the outset, been more closely tied to economic objectives than to other objectives such as humanitarian need or social development, the gap of which is a source of criticism on Japanese ODA. The relationship between Japan's aid and Japan's
economic interests has been the focus of several important studies of Japan’s aid undertaken during the past few decades.\(^\text{10}\)

Unsatisfied with the economy-centric analyses, Dennis Yasutomo wrote about the political aspects of Japan’s aid strategy, focusing on its politicization and globalization and has continued an interest in understanding Japan’s motivation for aid.\(^\text{11}\) In his more recent work, Yasutomo expanded his study to look to the ascendance of multilateralism in Japan’s aid policy, i.e., the increased unity of coordinating ODA with fellow donors and channelling aid through international institutions.\(^\text{12}\)

Alan Rix focuses more on the internal working of aid politics and analyzes the decision-making process of aid policy. He emphasizes the role of the bureaucrats rather than big businesses, and argues that aid policy is not the child of political pressures, elite decision-making or development arguments, and that bureaucratic interests are the main dominants of the articulation of Japan’s aid and economic cooperation policies.\(^\text{13}\) His analyses of the bureaucratic model is further developed in his 1993 study to explain how it hinders the growth of an equal government-NGO partnership, although it stops short of providing a comprehensive picture of the interaction between the two sides.\(^\text{14}\)

Taking a critical look at some foregoing studies that claim that Japan’s aid has moved away from its economic-centric program into a more political one, David Arase illustrates in his 1995 work the structural inclusion of private sector actors in ODA policymaking and implementing system. Based on his meticulous study of the evolution of the ODA system, Arase argues that the present system

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is virtually the same as the one that was organized and structurally defined in the 1950s and 1960s, which was oriented toward industrial and trade policy goals.

At the same time of revealing the economic orientation of Japan’s ODA, Arase points to the political usage of aid by MOFA, focusing on turf battles between the foreign ministry and METI. He concludes that “although Japan’s ODA has been of critical importance to MOFA’s diplomacy, it should not be viewed exclusively in those terms. Nor should ODA be viewed exclusively as an instrument of economic policy, although this aspect of ODA has been underappreciated.”

Although these foregoing studies provide the overall framework of Japan’s aid policy and roles of major actors – bureaucrats, private corporations and international organizations – in policy formulation and implementation, they rarely shed light on an emerging actor, the voluntary sector. Even when they do, the growth of the voluntary sector is often attributed to the government’s incompetence to deal with the changing domestic and international environment, and a set of ill-defined “international norms” that take civil society more seriously. Aside from factors such as NGO campaigns on aid issues and growing public interest in volunteerism, other factors are often left out from their analyses. The literature that takes bureaucratic or commercial approaches in studying aid policy, on the other hand, only presents insufficient explanation as to why and how the voluntary sector has increased its presence in the aid community heretofore dominated by central ministries and corporations.

15 Arase, Buying Power, 231.
This thesis focuses on the roles of the bureaucracy and business and study how they have contributed to the making of NGO-inclusive policy. It argues that, although the growth of the NGO community itself has provided a premise on which bureaucrats and business leaders can cultivate the third sector, the government's policy to involve NGOs derives from the official and corporate communities. First of all, MOFA's desire to reshape ODA as a foreign policy tool requires the ministry to work with NGOs. In order to reshape ODA from an industry-stimulating tool, which has been METI's preference, into a more politically charged diplomatic tool, MOFA expects NGOs to fulfill a certain role in the aid system. Second, support for NGOs and advocacy for the robust voluntary sector coming from the business sector has played a substantial role in this policy shift. As is the case with MOFA, the corporate world supports NGOs for its own reasons. By teaming up with NGOs to work on social and political issues, corporations can deal with public demand to comply with good corporate citizenship and fulfill their social responsibility.

In the course of examining these two factors, attention will be paid to the issues that arise from the pro-NGO policies of MOFA and the business sector respectively. One of the issues concerns policy divergence between MOFA and METI. While MOFA is eager to incorporate NGOs into its policy framework, METI adheres to the traditional prescription of economy-oriented ODA. The divergence shows that the NGO-inclusive policy is not essentially government-wide and that the characteristic of ODA as an economic-promotion tool still remains important. Another issue is the inherent gap between MOFA and NGOs despite the ongoing partnership formation. With a case study of the ODA Charter and its revision, the thesis is going to discuss fundamental difficulties lying in the cooperation. The third issue concerns the duplicity of the business sector's agenda. At the same time of advocating for NGOs and providing them with various assistances, businesses lobby the government for industrial priorities in ODA, which come at odds with objectives pursued by
NGOs. Since these issues are rooted in the differing principles and objectives of each of these actors in the aid system, finding a point of solution or compromise is no easy task.

Following this introductory chapter, chapter 2 will look at different sectors of the Japanese society, first the voluntary sector, next MOFA and then the business sector, to examine how each of them has contributed to the formulation of the recent official policy to encourage NGO participation in ODA. Chapter 3 then studies the interaction among these actors – how they cooperate and how their interests conflict with one another. The roles of political opposition parties and trade unions in relation to NGO initiatives will be mentioned as well. Finally, chapter 4 conclude the thesis by discussing the importance of NGO participation in ODA policy and pointing to some issues for future consideration.

On a supplementary note, Japanese names in the text are given in Japanese style with surname first.
CHAPTER II  ACTORS IN JAPAN’S ODA PROGRAM

The primary focus of this chapter is on analyzing how the policy of facilitating NGO participation in ODA has come about. Who has contributed to the formulation of such a policy and for what reason? Through the analyses of NGOs, MOFA and the business sector, the chapter seeks to assess these actors’ incentives and priorities in ODA policy, and how they have worked to achieve them.

2.1 NGOs

Except for a few relatively large-scale NGOs, most of Japanese NGOs are small and new and operate on a very small financial base. A 2003 survey by a joint committee of MOFA and NGOs shows that nearly half of the NGOs surveyed operate with the annual project budget of less than ¥10 million (Figure 2.1). Furthermore, most concentrate their activities on Asia, with others spreading their work over Africa, the Pacific and Latin America. Most, however, do operate in more than one region. Japan NGO Center for International Cooperation, a major NGO network in Japan, identifies as the main problems facing NGOs those of restricted funding, lack of technical skills, insufficient support from the general public, immature domestic networks and the difficulty of training and keeping staff.

Despite such difficulties, NGOs in Japan are now a part of the aid system, in that many of them receive government support and that they are given an increasingly amount of weight as legitimate actors. Though still relatively weak, they are increasingly organized, have a growing public profile and are becoming

recognized by the government, especially MOFA and the business community alike as having a legitimate role to play in aid delivery.

This section focuses on this emerging sector of society and looks at how they play their part in the ODA system. As the first part of the section reveals, the NGO community is increasingly gaining larger presence in the heretofore government and business-led development aid, with other encouraging movements in Japan to nurture the voluntary sector. NGOs engaging in aid cooperation won official recognition as critical actors when they campaigned against aid scandals and called for reform in the 1980s. More recently, the positive reputation they earned through their activities in a couple of major disasters in the 1990s and the following legislation of the NPO Law have given them societal and institutional backup, albeit still to a limited extent. How these cases have increased their profile in the aid system will be explored later in the chapter.

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<tr>
<td>5: 50-100million</td>
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<tr>
<td>6: 100-300 million</td>
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<tr>
<td>7: 300-500 million</td>
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<tr>
<td>8: 500million-1billion</td>
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<td>9: more than 1billion</td>
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Figure 2.1 Annual budget of activities
Table 2.1 Each actor's involvement in the development of the NGO community

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<th>NGOs</th>
<th>MOFA</th>
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<td>1970s</td>
<td>Citizens/residents movements - Indochinese refugee crisis (79)</td>
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<td>1980s</td>
<td>Japanese branches of international NGOs - &quot;Kokusaika&quot; - civic groups becoming aware of international issues - Aid campaigns</td>
<td>NGO support programs (89-)</td>
<td>Japanese companies: overseas operation → Corporate philanthropy: External factors</td>
</tr>
<tr>
<td>1990s</td>
<td>UN conferences - NGO networking - Earthquake (95), shipwreck (97) - NPO Law (98)</td>
<td>Gulf War → Debates on international contribution - Politicization of aid → &quot;Human security&quot;: aid for conflict prevention and peacebuilding - Four Principles (91) - ODA Charter (92), revision (03)</td>
<td>Institutional backup for corporate philanthropy - One Percent Club, CBCC (89) - Charter of Corporate Behaviour (91) etc. - Partnership with NGOs - Study mission to North America - JAHDS etc.</td>
</tr>
</tbody>
</table>
2.1.1 The Development of Japanese NGOs

The majority of the Japanese NGOs established prior to the 1980s were either Christian in origin or incorporated associations with strong ties to the government. Most early NGOs providing international assistance remained within Japan and invited people from the developing world, primarily from Asia, to Japan to receive technical training. Exceptions to this rule - nonreligious, unincorporated NGOs include Shapla Neer Citizens' Committee for Overseas Support (established in 1972), the Pacific Asia Resource Center (PARC) (1973), and Amnesty International Japan (1970).

Domestic voluntary groups sprawled rapidly during this period as well. The citizens' or resident movements (shimin or jumin undo) mobilized large numbers of ordinary apolitical Japanese from the 1960s through the early 1970s, but these movements tended to be locally based and limited to protesting against specific grievances. Ameliorative government policies dampened their activity, and many disbanded once they achieved their immediate goals. Civic involvement experienced a resurgence in the mid- to late 1980s, however, and has grown substantially since then. Schwartz attributes this resurgence to the lack of flexibility and resources to cope with increasingly complex socioeconomic issues, and the fact that more and more citizens have responded with their own initiatives.

One triggering event that stimulated the creation of more NGOs in the early years was the Indochinese refugee crisis in the late 1970s and early 1980s as many refugees were fleeing to Japan after a series of wars broke out in Indochina, the mass media, particularly television, appealed to Japanese with

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18 The Japan Overseas Christian Medical Cooperative Service, established in 1960 (the first Japanese NGO); the Asian Rural Institute, established in 1973; and the Christian Child Welfare Association International Sponsorship Program, established in 1975.
19 The Organization for Industrial, Spiritual and Cultural Advancement International (OISCA), established in 1961 and incorporated in 1969 under the jurisdiction of MOFA, MITI, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Labor; and JOICEF, established and incorporated in 1968 under the jurisdiction of MOFA and the Ministry of Health and Welfare.
vivid images of refugees, which moved Japanese individuals to take action to provide assistance. Thus some NGOs emerged at the Vietnam-Thai border, such as the Japan International Volunteer Center (JVC) and the Japan Sotoshu Relief Committee. The crisis also gave birth to the Association to Aid Refugees, the first Japanese relief organization specializing in assistance to refugees in 1979.

Starting in the mid-1980s, international organizations headquartered abroad began to establish their Japanese branches. For example, in 1986, Save the Children Japan was established, followed by CARE Japan and World Vision Japan in the following year. Greenpeace Japan in 1989, Medecins sans Frontieres Japan in 1992, and Oxfam Japan in 1999 followed suit.

As Japan got integrated into the global economy, Japanese investment overseas increased, bringing an increasing number of foreign workers to the country. "Internationalization" (kokusaika) became a household term at the time for describing the international impact and dramatic change in Japanese society during this period. A lot of grassroots organizations came into being to provide support for foreign residents in Japan or to engage in international cultural exchange. Thus the 1980s witnessed a surge in the number of Japanese NGOs.

Other diverse exogenous factors have influenced the development of NGOs at the time. It is widely acknowledged that the United Nations Conference on Environment and Development in 1992 in Rio de Janeiro was a watershed event for Japan’s NGO movement. Japan’s NGOs gained momentum through successive UN conferences, such as the World Conference on Human Rights in Vienna in 1993, the International Conference on Population and Development in Cairo in 1994, the World Summit for Social Development in Copenhagen in 1995, and Fourth World Conference on Women in Beijing in 1995. Whereas past UN conferences only admitted the participation of NGOs that operate internationally, these conferences in the 1990s invited smaller-scale domestic NGOs as observers, which allowed tens of thousands of NGO officials to attend the meetings. As a result, these conferences brought together NGOs that had been working
separately in their own fields. NGOs were becoming aware of the cross-cutting issues and common concerns, and began to establish networks among themselves.

This trend was witnessed in Japan as well. Until the beginning of the 1990s, there had been only a few NGO networks in Japan, including the Association for Indochinese Refugees, Japan NGO Center for International Cooperation (JANIC), and several regional associations in Nagoya, Osaka and Kyoto. Since the early 1990s, however, the number and scope of networks started to increase. Regional networks were created in other parts of the country including Fukuoka (1993), Saitama (1996), Yokohama (1997) and Okinawa (1999). Networks focused on particular fields of activity include the NGO Conference on International Emergency Relief (1992), JANNET (1993), Japan Emergency NGOs (1994) and ODA Reform Network (1996). Those on specific countries or regions include Nippon NGO Network for Nepal (1993), Shanti Volunteer Association (focused on Cambodia, 1993) and Africa Japan Forum (1994). Still other networks were created among the NGOs participating in international campaigns, including Japan Campaign to Ban Landmines (1997), Kiko Network (focused on global warming, 1998) and Jubilee 2000 Japan (1999).21

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As a result, the number of NGOs established for the purpose of engaging in international cooperation has increased rapidly since the 1980s: 8 at the end of the 1960s. Whereas there had been only 8 such organizations prior to 1969, 9 new ones were established in the early 1970s and 18 later in the decade. The number of newly established organizations jumped to 34 during 1980-84, 41 during 1985-89, and 88 in the first half of the 1990s (Figure 2.2).\(^{22}\) However, statistics show that the international development NGO sector in Japan is still relatively small in Japan by international standards. Of the 230 organizations in a 2001 JANIC survey, 40% operated with annual revenue of no more than ¥20 million. On average, the organizations surveyed relied 10.1% of their revenue on government subsidies and contracts, 5.4% on subsidies from private foundations and 3.2% on UN contracts. In terms of personnel, 41% of the organizations had no more than five paid staff and 17% had no paid staff at all.\(^ {23}\)

2.1.2 How NGOs Have Increased Their Presence in the Aid System

*Aid Campaigns in the 1980s*


\(^{23}\) Ibid.
Criticisms of the aid establishment in the 1980s did much to increase public awareness and to give prominence to development NGOs and other advocacy groups, which until then had been marginalized and rarely heard. In some ODA projects, ODA money was skimmed to go into the pockets of leaders of corrupt or authoritarian governments in the recipient countries, as is the case with South Korea and the Philippines. In other cases in Thailand, Burma, India, Bangladesh and Egypt, Japanese companies won project contracts through dubious processes. Still others involved environmental destruction in Papua New Guinea and other countries.

These scandals, mismanagements and negative effects on the local community were covered extensively by the mainstream media. By doing so the media played a crucial role in exposing some deep-running problems to public attention. Japan’s ODA first received serious treatment by journalists in the early 1970s. Sankei Shimbun formed an investigative group to reveal Japanese commercial predominance in some ODA projects in Southeast Asia with little relationship to helping the poor; Yamamoto Mitsuru, a Japan Times journalist, wrote that almost all the beneficiaries of Japan’s “economic cooperation” were Japanese companies rather than recipient countries. In the 1980s, media coverage of ODA issues became even more extensive and sharper, as exemplified by Asahi Shimbun and Mainichi Shimbun respectively establishing investigative groups to survey contemporary aid policy. The 1986 scandal over the corruption in Japanese aid to the Philippines spurred another wave of media exposes, bringing about calls for ODA reform.24

Amidst the pool of scandals and media reports, the toughest critics came from the academia. Academics are prolific and made a strong case based on personal experience in the aid field. In the 1990s, the most widely cited are Sumi

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Kazuo and Murai Yoshinori. Their criticism centered on mercantilist objectives of Japanese ODA, corruption involving elites both in Japan and recipient countries, ODA projects with little regard to local inhabitants' quality of life, and lack of effectiveness of the ODA administration.

Media coverage and publication described above stimulated NGO movement aimed at ODA reform. Following the media revelation and publications, Japanese citizens started forming grassroots groups to investigate how the government manages the aid projects. One such group is the Reconsider Aid Citizens' League (REAL), established in 1986 by Murai Yoshinori. REAL is Japan's first NGO dedicated to reforming Japanese aid. To further promote investigation on aid, Murai and others established another group called the ODA Investigation Study Group in 1988. The Japan Tropical Network (JATAN) is yet another NGO network set up by twelve like-minded NGOs in 1987. JATAN launched campaigns against individual aid projects that had negative effect on local environment and residents' welfare.

These events illustrate a number of important developments in the aid scene in Japan in recent years: first, the emphasis in public criticism on particular aspects of aid program; second, the appearance of pressure groups, including NGOs working on the field, supporting or attacking parts of the aid program; and third, the increase in public interest both in the aid policy as a whole and in civic organizations engaged in this issue.

The 1995 Earthquake: An Impetus

The 1990s saw a series of events that led to popularize, legitimize, and promote voluntary work by exposing the importance of volunteerism to the
national livelihood. NGOs and thousands of individual volunteers responded quickly to disasters of the Great Hanshin earthquake in 1995 and the ship wreck in 1997, and organized themselves to provide relief and assistance to the affected communities. When both the central and local governments were paralyzed by official red tape and exposed their inability and inefficiency in such situations, the work of the voluntary groups attracted attention of politicians, business leaders and the general public. NGOs were now gaining the public and official support essential to sustaining their work.

Discussions on the necessity to improve the legal standing of many NGOs gained momentum after these events. Put under the restrictions of the century-old Civil Code, many NGOs were operating without legal standing, which had put them at disadvantage in collecting funds and donations from the public and consolidating their organizational bases.\(^{26}\) Citizen groups and NGOs established a coalition in 1994 to support new legislation that would enable private groups to incorporate outside the jurisdiction or influence of government agencies. Between 1995 and 1998, the drafting process of the legislation involved political parties, Diet members and citizen groups, all of whom are usually outside the bureaucrats-dominated process. Civic organizations such as Japan NPO Center and the Coalition for Legislation to Support Citizens' Organizations

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\(^{26}\) This problem originates in the more than a century-old stipulation of the Civil Code, which was promulgated in 1896 and is still in effect. Article 33 of the code requires that all legal persons be formed in accordance with its regulations. And while Article 35 provides for the establishment of for-profit organizations, Article 34, instead of providing for a corresponding category of non-profit organizations, only provided for the much narrower category of “public interest corporations” (koeki hoin). Specifically, “an incorporated association or foundation relating to worship, religion, charity, science, art or otherwise relating to public interests and not having for its object the acquisition of gain may be made a juridical person subject to the permission of the competent authorities.”

Besides having to go through the lengthy application process of the competent state authority, groups that are to have legal recognition must have solid financial base. The Civil Code stipulates that successful applicants have to have a “sound financial basis,” and government agencies generally interpreted that clause to require an endowment of at least ¥300 million (about $3 million), which exceeds most NGOs' budget.

For most groups that are nonprofit but not in the “public interest,” the code creates a legal blind spot since there is no legal category for them to exist. As a result, they are reduced to operating as informal, voluntary groups.
lobbied for the legislation and at the same time functioned as organizers of the NGO community by gathering and disseminating information.

After the long and heated deliberations, the so-called NPO Law (Law to Promote Specified Nonprofit Activities) passed the Diet on March 25, 1998 and went into effect in December of that year. Under the new law, Prefectural authorities have to grant corporate status to nonprofit groups when they are established in conformance with the provisions of the law; it is no longer left to the discretion of national ministries.27

2.2 Ministry of Foreign Affairs

Given the development of Japanese NGOs as detailed above, this section looks at MOFA and its incentives behind the movement to involve NGOs in the aid program. Some studies suggest that the government’s role is diminishing in the post-Cold War era. Purnendra Jain argues that foreign policy is no longer the sole preserve of Japan’s central government and that nonstate actors are participating in the international affairs.28 While such an argument holds true to some extent and provides partial explanation for MOFA’s NGO-inclusive policy, it does not show the ministry’s underlying motives. A mixture of domestic and international factors explains the rise of NGOs in Japan’s foreign policy, and why MOFA has come to encourage their participation to make them serve the ministry’s interests.

MOFA’s primary goal in ODA is more political than economic. More specifically, the ministry first and foremost seeks to improve Japan’s profile and gain diplomatic leverage in the international arena, and to utilize ODA for that

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27 The NPO Law offers no tax privileges because of the opposition from the bureaucracy to granting tax deductibility for contributions to NPOs. The law, however, provided for a review of the issue within three years of the time it went into effect, and the government finally began to permit the deductibility of contributions to “approved specified nonprofit corporations” (nintei NPO hojin).
purpose. As a consequence, internationally, MOFA has always been sensitive to the issues and priorities endorsed by such institutions as the United Nations (UN) and the Organization for Economic Co-operation and Development (OECD), while domestically it is committed to garnering public support for aid. To satisfy such political demands, MOFA has found partnership with NGOs useful.

The first part of this section focuses on MOFA’s efforts to attach political importance to ODA. MOFA carefully observes the international context of aid and tries to conform to it. The section examines two cases of aid politicization by MOFA, one in the 1970s and the other in the 1990s and onward. The politicization of aid in the past two decades has made it incumbent for MOFA to involve NGOs in its ODA programs.

The second part then looks to how the politicization is translated into actual policies. The first part of the section studies how MOFA’s NGO-inclusive policy is discussed and developed at various official forums. The second part reviews MOFA-led support programs for NGOs.

2.2.1 Politicization of Aid

Utilizing foreign aid as a diplomatic tool did not suddenly begin in the 1990s. In fact, politicization of aid started to take place in the late 1970s and accelerated in the next decade. At that time, Tokyo reduced or withheld aid to the Socialist Republic of Vietnam, Cambodia, Cuba, Angola, Afghanistan and Ethiopia for political reasons.29 Indeed, as Yasutomo maintains, in the 1980s “foreign aid policy has emerged as the centerpiece of comprehensive security’s non-military components and a central pillar of overall foreign policy.”30

29 Japan joined boycott of the 1980 Olympics in Moscow and instituted economic sanctions against the Soviet Union following the invasion of Afghanistan; it froze aid to Vietnam after the invasion and occupation of Kampuchea; it instituted economic sanctions against Iran for the taking of American hostages in 1979; it refused economic assistance to Poland for the treatment of the labor union Solidarity.

30 Yasutomo, The Manner, 5.
Early Discussion of ODA as a Foreign Policy Tool: The Study Group on Comprehensive Security

The reasoning behind providing ODA has evolved over time. After completing its reparations with its final payment to the Philippines in July 1976, in 1978 “Japan’s role as an economic civilian power in and contribution to international society” was added to Japan’s aid rationale, which had included export promotion and interdependence in the previous decades. The government expanded ODA volume through a series of medium-term ODA plans that doubled the ODA disbursement in five-year intervals.

Along with these quantitative leaps in ODA disbursements came policy articulations. One of such early moves can be seen in the creation of the concept “comprehensive security.” In 1978 Prime Minister Ohira Masayoshi commissioned the Research Group on Comprehensive Security to recommend long-term national policies to the end of the century. In the midst of the Soviet invasion of Afghanistan and the subsequent U.S. pressure on Japan to increase its military role in Western security, the study group’s report put forth a new concept of “comprehensive security” (sogo anzen hosho), which was meant to provide “the protection of the people’s livelihood against various threats.” According to the study group, the concept would require the coordinated application of economic, political, and military policies at various levels of Japan’s diplomacy. For this end the report strongly emphasizes the need to use ODA in the new comprehensive security strategy.

The “comprehensive security” debate at the study group encouraged MOFA to suggest the reorientation of aid with more political implication. MOFA formed a study group within the ministry’s Economic Cooperation Bureau, which produced a report in November 1990 to argue for an ODA with more

32 Arase, Buying Power, 227.
strategic political considerations. For example, the report states that ODA could be used to enhance the security of Japan’s sea-lanes by targeting littoral states. The report also argues for “ODA diplomacy,” with which concept Japan could expect to cultivate political influence in the non-Western world. In other words, with this report MOFA began to diverge from the traditional, economic-based ODA favoured by METI.

MOFA’s divergence can be traced in the wording change at the time as well. In the early 1980s, MOFA started introducing semantic distinctions to distinguish ODA from *keizai kyoryoku*, the term favoured by METI. Whereas in 1978 MOFA was still using the term *seifu-beesu keizai kyoryoku* (government-based economic cooperation) to refer to ODA, this term would disappear from MOFA’s usage by 1980, to be replaced by *seifu kaihatsu enjo* (official development assistance). The titles of annual white papers published by METI and MOFA respectively are clear examples of the terminological difference. While METI titled its white paper as *Keizai Kyoryoku no Genjo to Mondaiten* (The Current Situation and Issues of Economic Cooperation), MOFA has chosen *Seifu Kaihatsu Enjo Hakusho* (White Paper on Official Development Assistance) for its annual publication.

**Politicization in the 1990s and Onward:**

**Gulf War, Search for Aid Principles, and the Announcement of the Guidelines**

International events in the 1990s prompted discussion within the government, especially MOFA, on the direction to which aid should be oriented. After the Gulf War, discussion on the question of how Japan could best contribute to global peace and security, and enhance its profile in the international community focused on the possibilities of Japanese participation in UN peacekeeping operations. However, the scope of this discussion soon

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33 Ibid., 228-29.
34 METI’s *keizai kyoryoku* white paper was first published in 1958. After publishing the last one in 2000, METI has incorporated it into another white paper on more general economic and trade issues, *Tsusho Hakusho* (White Paper on International Economy and Trade).
included Japan’s ODA. ODA came into the spotlight as one of only a few means by which Japan could contribute to the international community. Domestic debates revealed growing frustrations within the media, opposition parties, and some parts of the government that Japan’s aid over-emphasized economic criteria and paid insufficient attention to political criteria.35

Such frustration was most keenly felt in MOFA, whose diplomatic interests had often conflicted with METI’s economic orientation in designing and implementing aid. A former aid official in MOFA reflects the past decades and describes Japanese aid policy at that time as follows: “The primary policy goal of Japan, which was recovering from the devastation of World War II, was to be a good boy to be accepted by the international community. Japan’s accession to OECD was based on such thinking. Japan was desperate to catch up with American and European countries and to become an aid donor just like them. We simply did not have capacity to take leadership in the aid community during the 1970s and 1980s.”36 Other officials have made similar remarks, and they all agree that Japan had been reactive and busy catching up with others and that Japan’s past aid policy lacked overarching views. With the ongoing changes outside Japan, the country was challenged to articulate a vision of its international role – not simply as an accumulation of economic transactions, but something more. As MOFA sought to discover what that role would be, the ministry was well aware that ODA is an important tool to cultivate its international political leadership.

*Development Assistance for Conflict Prevention and Peacebuilding: An International Context*

A new move in the post-Cold War donor community has given MOFA an opportunity to cultivate and politicize ODA in a new framework. Since the end of the Cold War, the Development Assistance Committee (DAC) of OECD has announced a number of policy statements on the link between development and peace.\textsuperscript{37} A series of DAC statements and guidelines underscore the role of development cooperation in conflict prevention and peacebuilding. DAC calls on governments, intergovernmental and nongovernmental organizations to address the root causes of the post-Cold War crises and to coordinate their work for that purpose.\textsuperscript{38} DAC further spells out the role of development cooperation in different phases of conflict and peace in the 2001 guidelines.

International financial institutions including the World Bank and the International Monetary Fund also acknowledge the need to address conflict.\textsuperscript{39} Similarly, development cooperation as an effective tool for conflict prevention has been on the agenda at the Group of Eight (G8) meetings.\textsuperscript{40}


\textsuperscript{38} In its 1997 guidelines, for instance, DAC states that economic growth alone, for which traditional aid has been allocated, does not prevent or resolve conflict. The 2001 guidelines stresses the important role of development assistance in every phase of violent conflict. In the pre-conflict phase, development assistance can promote democracy and good governance. One a conflict breaks out, development cooperation agencies can provide humanitarian relief, at the same time of supporting longer-term development processes. In the transitional period of post-conflict, development assistance can facilitate transformation of the fragile situation into stability and promote reconciliation among the local people.

\textsuperscript{39} The World Bank established the Conflict Prevention and Reconstruction Unit to conduct research and analysis on conflict and poverty, the two factors which in many latest developing countries form a vicious cycle and disrupt the Bank’s financing activities. The IMF works with the World Bank to break the chains of underdevelopment and conflict in what it terms as “Low Income Countries under Stress.”

\textsuperscript{40} In the G8 summit meeting June 1999 in Cologne and the foreign ministers’ meeting six months later in Berlin, conflict prevention was an issue of high priority. In the 2000 meeting in Miyazaki, the issue was highlighted again; development assistance was included among the five G8 initiatives to be implemented for “addressing root causes of conflict,” “extending flexible, quick assistance” to prevent conflict, and “ensuring a smooth transition from emergency humanitarian assistance to development in the post-conflict stage.” Cooperation with NGOs is also stressed in implementing these initiatives (G8 2000).
Inspired by the international context, MOFA, under the new concept of “human security,” has begun to reshape its aid program in order to position conflict prevention and peacebuilding as integral objectives of ODA. The revision of the ODA Charter well illustrates this point. When the charter was first introduced in 1992, it was not designed to deal with conflict-related problems; it only mentioned briefly that the “use of ODA for military purposes or for aggravation of international conflicts should be avoided” and that “full attention should be paid to trends in recipient countries’ military expenditures, their development and production of weapons of mass destruction and missiles, and export and import of arms.”41 When it was revised in 2003, therefore, one of the primary focuses of the revision was to utilize development assistance for peacebuilding. In the new charter, conflict is included among the four major target areas for which development assistance is to be provided. The charter spells out other target areas, including poverty elimination, that are conducive to conflict prevention and states that the ODA should be used in a comprehensive manner towards that goal.42

By prioritizing these issues, MOFA intends to increase Japan’s profile as a major player in the international community, as Nishida Tsuneo, Director-General of the Economic Cooperation Bureau articulates as follows:

“We are in a big stadium called international society, and see countries, international organizations and NGOs alike, competing to outdo each other on the issue of development. Whether Japan, as a player participating in this game, is going to win the gold medal or lose at an early stage – whether Japan is going to be an important and promising player – is an important question.”43

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In sum, in the decades of its search of aid principles other than economic gains, MOFA has increasingly become aware of projecting its own ideas more forcefully. The focus of attention has shifted from comprehensive security in the 1970s and 1980s to human security in the 1990s and 2000s in accordance with the international situation, but MOFA’s desire to pursue political objectives in aid has not changed. And since the early 1990s, MOFA has come to recognize the utility of teaming up with NGOs in its attempt to politicize aid, which is the subject of the following section.

2.2.2 MOFA’s Endorsement of NGOs

In the process of philosophizing aid principles and strategies that allow Japan to contribute not only money but also ideas, MOFA has always been conscious of gaining public support and involving them in aid discourse to a certain extent since doing so is necessary for achieving the political goals. In other words, promoting high politics agenda and encouraging public participation constitute MOFA’s two-tiered policy to incorporate NGOs into the aid system.

Involving NGOs: MOFA’s Views

What differentiates aid politicization in the 1990s from that in the 1970s and 1980s is that the NGO community is an essential component of the new politicization. Through this process of politicization, MOFA aims to retain its authority to handle the country’s international relations. MOFA’s intention to use ODA as a foreign policy tool becomes obvious by the middle of the 1990s. The word “national interests” (kokueki) starts to appear frequently in the aid discourse at this time. Hirabayashi Hiroshi, Director-General of the Economic Cooperation Bureau states the objective of foreign aid as follows:

“Specifically speaking, the reward for aid-giving can be seen in the overwhelming support for Japan in the elections at international institutions
including the United Nations. ... Aid policy forms an important part of our country’s diplomacy.”\textsuperscript{44}

Another official in the bureau confirms this view referring to Japan’s national interests more explicitly:

“We think ODA is quite useful in cultivating the field of diplomacy. Or we can say ODA is diplomacy itself. ... Aid disbursement can contribute to achieving Japan’s national interests in a broad sense.”\textsuperscript{45}

How, then, does this pertain to MOFA’s approach towards NGOs? One particular benefit that Japanese policymakers see in involving Japanese NGOs concerns their ability to “humanize” Japan’s aid. NGO people working on the field with the locals to deliver humanitarian aid make a contrast with the conventional image of Japanese aid of corporate giants building roads and dams. NGO workers bring human faces into the area of aid. Faced with long-standing international criticism against the “facelessness” of Japan’s ODA program, MOFA recognizes that such an aspect of NGO activity can enhance international reputation of Japan’s aid. Senior officials in the Economic Cooperation Bureau, as well as Watanabe Takeshi, who has worked in MOF and presided over the Asia Development Bank, all recognize these effects of having NGO presence on the field.\textsuperscript{46}

Working with NGOs mitigates not only criticism from overseas but also that within Japan. For MOFA, NGOs could provide a link between the officialdom and the critical public, and increase public support of aid. Kawakami Takao, Director-General of the Economic Cooperation Bureau describes the

\textsuperscript{44} Hiroshi Hirabayashi, “Atarashii jidai no wagakuni no seihu kaihatsu enjo wo motomete” [In pursuit of official development assistance in Japan of new era], \textit{Gaiko Forum} (February, 1995): 7.
\textsuperscript{45} “ODA purojekuto,” 59.
\textsuperscript{46} “Koka aru enjo no tameni NGO katsudo no issou no hatten wo” [NGO activities needed for effective aid], \textit{Gaiko Forum} (April 1990): 34, 55.
MOFA-NGO relationship as “complimentary, not adversarial” and says he expects the bilateral “dialogue” will result in garnering more public support.\textsuperscript{47}

Another benefit that the involvement of NGOs in ODA brings to MOFA concerns their characteristics that the central government lacks. They are at times able to act when the central government cannot, because they have flexibility, mobility and grassroots orientation. A MOFA official admits that new aid needs in the 1990s such as poverty reduction, education and public health are the areas where Japan does not have sufficient experience and expertise. He points out that software, rather than hardware, is required in these areas, and states that the government would like to draw on NGOs’ knowledge and experience.\textsuperscript{48} And the refugee assistance efforts made by Japanese NGOs in Kosovo in 1999 proved that this is surely the case. Except for financial contribution, which was made promptly at the outset of the refugee crisis, the Japanese government could not dispatch military or medical personnel due to legal constraints. NGOs filled the vacuum at that time and carried out grassroots operation to assist refugees.\textsuperscript{49}

Third benefit, which is somewhat related to the first and second benefits, is that NGOs fits well with the new aid principles of MOFA – human security and peace building. As discussed in the previous section, MOFA identifies ODA as a tool for reconstruction of post-conflict regions as well as for prevention of potential conflicts. Donors, however, cannot carry out these tasks without getting deep into the local community and working closely with the people there winning their trust. Quite often MOFA needs to rely on the cooperative relationships that NGOs have developed with the local community over the years and their local knowledge accumulated during the time. This makes cooperation with NGOs worthwhile in the eyes of MOFA.

\textsuperscript{47} Takao Kawakami, “21seiki ni muketa Nihon no enjo seisaku” [Japan’s aid policy toward the 21st century], \textit{Gaiko Forum} (March 1993): 14.
\textsuperscript{48} Ibid.
\textsuperscript{49} “NGO to ODA no intaafeesu” [The interface between NGOs and ODA], \textit{Gaiko Forum} (May 2002): 49-55.
Official Programs to Support NGOs

The strengthening of cooperation with NGOs was an important theme in the Fourth Medium-Term Target for Japanese ODA, approved in 1988. Since then, substantial efforts have been made by the government, especially MOFA, to increase links with NGOs. Starting in 1989, ministries began to establish funding schemes for NGO projects in developing countries. In addition to these programs, much smaller programs for NGOs – training programs, joint study missions, and small project grants – were also set up in the early 1990s at the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Health and Welfare, and the Ministry of Construction, as well as by local governments coordinated by the Ministry of Home Affairs.

Of all the ministries, MOFA has been the most eager to set up a number of programs to support NGOs engaged in development cooperation and to expand these programs since the late 1980s. The ministry provides subsidies to NGOs for their developmental work in developing countries. The subsidy system, called NGO Project Subsidy, was set up in 1989 with a modest budget of ¥110 million. MOFA had provided funds to a small group of NGOs with the legal status of public-interest corporation (koeki hojin) prior to 1989, and the new subsidy program was to expand financial support for the large majority of NGOs with no legal status. The budget of the program was increased more than tenfold to ¥1,200 million in 1997. After reaching its peak in 1997, however, the budget of the NGO Project Subsidy has been decreasing since 1998, falling down to ¥542 million in 2003. This is due to MOFA’s policy to shift the focus to another subsidy system, the Grant Assistance for Japanese NGO Projects. About one-third of NGOs that have received the NGO Project Subsidy complain about
inflexibilities of the system, and some even say they never want to use the system again.\(^{50}\)

![Figure 2.3 Budget of NGO Project Subsidy and Grant Assistance for Japanese NGO Projects](image)

On the other hand, as Figure 2.3 shows, the budget of another subsidy system, the Grant Assistance for Japanese NGO Projects, has been growing since its inception in 1989. It was renovated in 1995 to provide financial support for smaller-scale NGO projects, and generally receives favourable reputation from the NGO community. Among the recipients of the subsidy that include official agencies, academic institutions and hospitals, NGOs have grown to be the largest beneficiary receiving more than fifty percent of the Grant Assistance funds.\(^{51}\)

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The budget of the Grant Assistance has grown substantially from ¥300 million in 1989 to ¥15 billion in 2004.52

MOFA also introduced programs to strengthen NGO capacity and enhance communication between itself and the NGO community. Three programs for capacity-building were established in 1999, including the consultant system, the seminar system, and the researcher system. As a communication channel, MOFA set up the NGO-MOFA periodic conference in 1996. Conference members meet four times annually to discuss ways in which the ministry can support NGOs and identify new areas for cooperation. It aims to build a relationship of mutual trust while coordinating the interests and capacities of both sides.

In addition, MOFA makes effort in building its own institutional framework to deal with NGOs by establishing the NGO Assistance Division within the ministry’s Economic Cooperation Bureau in 1994 and creating a new post of NGO Ambassador in 2002. These moves were significant since the government’s tight program of administrative reform made it almost impossible for any ministry to establish a new division.

2-3: Business

Much has been written about the formidable influence that the business community has had on Japan’s aid policymaking as well as on implementation. Industrialists and executives of multinational firms, according to many foregoing accounts, find specific aid projects in recipient countries, shape the aid proposals to be submitted to their own government, and then lobby in Tokyo for the projects that would require procurement orders from these multinationals. The aid bureaucrats then accept and carry out aid allocations to these projects.53


Such manipulations were possible since Japan’s big businesses have permeated the government’s policymaking processes in a number of ways. Yanaga explains that, since industrial production and international trade are inseparable, government policy is of fundamental concern to business, while the government is also concerned with problems of business and industry. Thus, the “power of organized business is manifested in a variety of ways – in the legislative program, in the choice of Prime Minister, and in the makeup of the government’s advisory councils and administrative commissions.” Business influence on economic aid has been exerted mainly through membership of official advisory councils and administrative reform committees, and lobbying by the Japan Business Federation, or Nippon Keidanren.

Business has pushed for an effective coordination of aid, trade and private investment. Larger role should be given in aid implementation, goes the argument, to the private sector, which has abundant resources and expertise to be utilized. Its requests have been persistent, debated at the councils and committees its representatives participate in. The Second Provisional Commission for Administrative Reform established under Prime Minister Nakasone Yasuhiro in 1981, for instance, calls for strengthened government-private sector cooperation in aid as follows: “Based on an appropriate division of labour between ODA and the private sector in economic cooperation, the harmony and complementality between both sides should multiply the effect of a comprehensive style of economic aid.” The Advisory Council on Overseas Economic Cooperation, another official aid forum with heavy business presence, issued a report that put forward the three-into-one economic cooperation, in which aid, investment and imports are to be combined.

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56 Ibid., 141.
However, business influence has not solely been exerted to advance its industrial interests. Driven by the need to be conscious of good corporate behaviour, Japanese businesses have come to give collective support for volunteerism. The following part of this section examines how corporate philanthropy prevailed in the Japanese business sector, and how that has empowered NGO activities both within and outside the country. By doing so this section reveals that business plays a substantial role in raising NGO status in the ODA system.

2.3.1 The Development of Corporate Philanthropy

Japanese businesses have increasingly developed philanthropic activities under the concepts of “good corporate citizenship” and “corporate social responsibility” over the past decades. In the course of their commercial operation, dealing with the changing situation of society and being conscious of the emerging values and viewpoints in society have become essential for corporate managers to maintain the possibilities for the new development in business. By engaging in philanthropic activities, companies can also expect to boost their reputation, which indirectly affects their sales record. And such corporate initiatives have sustained many NGOs with scarce financial resources in early years of their development, and provided technical and personnel, as well as financial, assistance with them more recently.

Background of Corporate Philanthropy

The relationship between corporations and NGOs used to be confrontational. Social movements like the peace movement, the anti-nuclear movement, and human rights movements in the 1950s and 1960s were anti-establishment and anti-American in character, whose idealistic but confrontational style led to a deep-seated distrust of movement-based nonprofit organizations on the part of the business community. When Japan had become
one of the leading economic powers by the late 1960s and the rapid economic growth caused serious social problems such as industrial pollution and neglect of social infrastructure, local residents mobilized against the large corporations and the government.\textsuperscript{57}

Private philanthropy in Japan started to develop in the 1960s and 1970s, when a number of major corporations established foundations. Philanthropic development during this period reflected concerns of Japanese corporations, which came under attack for negative aspects of rapid economic development, such as environmental degradation and a steep rise in land prices and stocks due to the excessive liquidity produced by a large trade surplus. The term "corporate social responsibility" came into the vocabulary of business leaders, and this newly acquired consciousness became the motive for the establishment of corporate foundations and increased corporate giving.

Besides these domestic factors, the development of corporate philanthropy has also been stimulated by external factors. As Japanese companies moved overseas for production and investment in the 1970s and more in the following decades, they became conscious of the emerging economic friction, primarily in the United States. Faced with negative reactions against Japanese economic activities abroad, Nippon Keidanren began to coordinate fund raising for foreign institutions. This was possible since corporations began to have the ability to apply surplus capital toward philanthropic activities after profits rose due to the good performance of the Japanese economy in the late 1980s.\textsuperscript{58} Most of the corporate foundations established in the 1970s and early 1980s emphasized international outreach activities.\textsuperscript{59}


\textsuperscript{59} Tadashi Yamamoto and Hitomi Komatsu, "Japan's Philanthropic Development in An Asia Pacific Context," in \textit{Emerging Civil Society in the Asia Pacific Community: Nongovernmental Underpinnings...
Since the early 1990s, amidst the economic downturn, corporate philanthropy has been suffering from budget restrictions over funding and personnel. However, Nippon Keidanren did not stop philanthropic advocacy and activities; on the contrary, it increased the intensity of its efforts in this field. Hiraiwa Gaishi, president of Nippon Keidanren introduced the concept of kyosei in 1991 as a guiding principle of corporate activities.\textsuperscript{60} The word kyosei can be translated as "symbiosis" and refers to the Japanese business concept of interdependence and mutual prosperity – hence, in this context, a need to promote good corporate citizenship. Philanthropy managers of individual companies gathered at Nippon Keidanren around this time to discuss corporate philanthropy and defined it as "to notice and to voluntarily take action for the urgent issues of the society, to which corporate resources are donated without seeking direct pay-off."\textsuperscript{61} Nippon Keidanren subsequently adopted the Charter of Corporate Behavior in 1991 to set guidelines for member companies. Being conscious of a series of incidents and scandals at that time, the charter upholds seven principles of corporate operation including environmental protection and contribution to society through philanthropic activities.\textsuperscript{62}

Stimulated by such movements from above, Nippon Keidanren's institutional backup to promote corporate social responsibility got in full swing during the late 1980s and 1990s. It launched the One Percent Club within the federation in 1989, with Toyoda Shoichiro, the president and chairman of Nippon Keidanren as its head. The Club encourages member corporations as well as their individual employees to contribute one percent of pretax revenues

\textsuperscript{60} Tadashi Yamamoto, ed., \textit{Deciding the Public Good: Governance and Civil Society in Japan} (Tokyo: Japan Center for International Exchange, 1999), 101.
\textsuperscript{61} Kyoko Shimada, "Overview of the Japanese Corporate Philanthropy in 1990's" (July 2001), \url{http://www.keidanren.or.jp/japanese/profile/1p-club/book200107e/prologue.html}.
\textsuperscript{62} Nippon Keidanren, \textit{Charter of Corporate Behavior} (14 September 1991), \url{http://www.keidanren.or.jp/english/policy/cgcb.html}. The charter has been revised three times since it was first established, in 1996, 2002 and 2004, respectively.
or incomes to worthy social causes. In the same year, Nippon Keidanren also organized an affiliate organization called the Council for Better Corporate Citizenship with Morita Akio, then chairman of Sony Corporation, to promote good corporate citizenship in the United States. In addition, Nippon Keidanren established two committees to promote philanthropic activities amongst its member companies. The Committee on Corporate Philanthropy established in 1990 was given the task to enhance corporate understanding of grant making through seminars and information dissemination about corporate philanthropy. The Philanthropic Department established in April 1991 serves as an administrative support center to assist member corporations. There has also been effort to induce corporate support for environmental protection as seen in the establishment of the Keidanren Nature Conservation Fund in 1992. The fund provides assistance for various activities, including aid for nature conservation projects conducted in developing countries by Japanese and foreign NGOs.

The business federation has also started conducting surveys on corporate philanthropic activities every three years since 1991, and published a white paper on corporate philanthropy in 1999. Survey results show that corporate philanthropic activities have expanded into diverse projects ranging from education, arts and culture to international cooperation and disaster relief.  

**Corporate Partnership with NGOs**

It is against this backdrop that business has increasingly come to pay attention to NGOs and seek partnership with them in corporate philanthropic activities. The Great Hanshin earthquake that struck the Kobe-Osaka area on 17 January 1995 was a forceful reminder to the business community as well as to other sectors of society, of the growing prominence of civil society. Despite the devastation in which 6,430 people were killed and another 310,000 were forced to

evacuate their homes, jurisdiction disputes and red tape paralyzed the
government’s relief efforts. About 1.3 million volunteers converged on the
affected area and spontaneously organized themselves. Galvanized by the
volunteer activities, some companies organized relief activities as well.

Another incident that impressed business leaders is a ship wreck in 1997.
When thousands of tons of crude oil leaked from a wrecked Russian tanker
drifted ashore on the Sea of Japan coast, 270,000 volunteer workers participated
in cleaning the shore and protecting animals. Favourable argument for NGOs
was becoming dominant. As a result, more and more corporations started to find
partnership with NGOs to be a useful approach to demonstrating their good
corporate citizenship.

Nippon Keidanren’s *White Paper on Corporate Philanthropy in Japan 1999*
states as follows:

“In addition to the traditional sectors of the government and corporations, there
is the necessity of placing nonprofit organizations as a new third sector within
society. Only by so doing, will we be able to solve societal problems that will
grow ever more complex and be able to overcome the obstructive nature of
Japanese society.”

The white paper then lists three roles that corporations expect of NGOs as: (1) to
provide corporations with feedback concerning efforts to promote business in an
outlying district which will become the foundation for local corporate activities;
(2) to establish an infrastructure conducive for business in information industry;
and (3) to scrutinize corporate activities and collect evaluations and conclusions
of individual consumers.\(^\text{64}\)

The aforementioned corporate philanthropy survey has introduced new
questions since 1996 to investigate the degree of cooperation and assistance
between companies and NGOs. The 2002 survey found that companies see
NGOs as “drivers for creation of a diversified civil society” (69.5%) and “partners

\(^{64}\) Nippon Keidanren, *White Paper*. 
for philanthropic activity promotion” (50.9%). Another new set of questions incorporated in the survey in 2002 reveals that majority of the respondents are engaged in building relationships with NGOs in such ways as making cash contributions and offering facility usage (44.1%), conducting joint projects (26.3%) and dispatching employees from the company (8.6%).

Furthermore, philanthropic activities of many companies go beyond financial contributions. They have established a special division to promote philanthropy within the company, and most of them post philanthropy expenditures as part of their annual budget. Companies also support their employees’ volunteer activities, as well as providing human and material resources to grassroots organizations. Specific policies that have been introduced in these companies to encourage volunteer activities include: volunteer commendation systems, paid holidays for volunteer activities, temporary leave of absence for volunteer activities, and volunteer matching gift systems.

At the same time of establishing philanthropic organizations and encouraging member companies, Nippon Keidanren acts as a coordinator between those who give and those who receive. NGOs seeking donors would first approach Nippon Keidanren, not individual companies, because its approval assures easier access to potential providers of funds. Thus many requests of donation are forwarded to Japanese corporations and industries through Nippon Keidanren, which then facilitates corporate contributions to certain institutions and programs. Such a facilitating role can take the form of giving the institutions involved in fund-raising a list of Nippon Keidanren members with suggestions of whom to approach for what level of funding, or it may take a more direct form, with Nippon Keidanren writing to member corporations introducing fund raisers, and tactfully encouraging their cooperation.

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2.3.2 The Expansion of Corporate Philanthropy

Nippon Keidanren has expanded its philanthropic programs to NGOs working on international issues including aid and development since the 1990s. Such an expansion was necessary to create business-conducive environment overseas. There have been an increasing number of cases of NGOs studying and reporting the impact of foreign business operations on the local community. They often organize movements to address the issues caused by business activities, involving local residents and other NGOs. Business leaders have become aware that responding to these movements and communicating with the local voices is the key to the successful operation amidst the increasingly competitive environment. Global issues such as the environment, if left unattended, could impede their commercial activities. And in order to address such issues, they need to work with NGOs.

The establishment of the Global Environment Charter in 1991 and the Keidanren Nature Conservation Fund in the following year are an embodiment of such recognition. Nippon Keidanren established the fund in response to the growing concern for ecosystem protection and resource conservation amidst of Japanese companies’ advance overseas. The fund supports the activities and projects of foreign and Japanese NGOs working on nature conservation in developing countries. It also dispatches member company employees to these organizations to help them develop their organizational capacities. Okuda Hiroshi, chairman of Nippon Keidanren, stated in his speech at a symposium hosted by the fund in March 2003 that companies should undertake nature conservation work in a positive manner since it will create business opportunities and lead to the growth of the companies in the long run.67

67 Naotake Okubo, “‘Keizaikai ga shizen hogo katsudo wo susumerutameni – NGO tono renkei wo motomete’ wo kaisai” [A symposium on the partnership with NGOs for promoting nature conservation activity by the business sector], Keizai Trend (May 2003): 42-44.
In 1994 Nippon Keidanren sent a study mission to the United States and Canada, where Japanese business leaders visited international development institutions, governments, aid agencies and NGOs. Before the mission many of the participants had perceived NGOs as charity groups staffed by housewives and retired workers, but meeting with major NGOs in North America greatly changed such a perception. Yonekura Isao, who headed the mission, acknowledged that NGOs have potential to constitute a pillar along with the government and the business sector in ODA, as the current aid system was shifting its focus from “hardware” to “software.”

Individual companies work with Japanese NGOs on various projects in developing countries. Ajinomoto, a major food-processing company, has been involved in programs, in partnership with NGOs, aimed at enhancing food, nutrition and health situations in developing countries. Nissan Motor provides scholarships for interns working at Japanese NGOs to develop human resources in the voluntary sector. Tokyo Marine and Nichido, an insurance corporation, works with an environmental NGO to preserve mangrove forests in Southeast Asian countries.

Yet another example of corporate-NGO collaboration is the Japan Alliance for Humanitarian Demining Support (JAHDS), which originated in a company called Geo Search that had been developing systems for scanning roads with ground penetrating radar to spot sinkholes. Approached by a UN official in charge of de-mining, the company started developing a portable mine detector in the early 1990s. In 1998, JAHDS was founded as a voluntary organization, with Omron, Sharp and IBM Japan joining the organization to develop mine-detecting technology together. Other corporations including Toyota, Honda, and Nippon

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68 “Posuto reisenki ni okeru keizai kyoryoku” [Economic cooperation in the post-Cold War era], *Gekkan Keidanren* (December 1994): 6-17.

69 Emiko Nagasawa, “Kokusai NGO to kigyo no setten” [The interface between international NGOs and corporations], chap. 13 in *Kokusaikyoryoku NGO* [International cooperation NGOs] (Tokyo: Nihon Hyoryonsha, 2004).
Yusen Kabushiki Kaisha (NYK Line) participate in JAHDS’ project by providing logistical support.

MOFA has been working closely with this corporate-based NGO in its anti-landmine campaign, one of the ministry’s recent ODA agenda items. MOFA sends several senior officials to JAHDS, including Owada Hisashi, the former UN ambassador, as a director of the organization.

This chapter has looked at major actors in Japan’s aid system – NGOs, MOFA and the business community – to find out how these players have contributed, either directly or indirectly, to the making of the government’s NGO-inclusive aid policy. They each have their own objectives and incentives in involving the public into the aid scheme, NGOs protecting their grassroots orientation and addressing humanitarian concerns, MOFA pursuing political objectives and looking for public support for it, and business dealing with the social aspect of corporate activities. No matter what the underlying motives are, it is true that they now turn more attention to NGOs and take them more seriously than ever before, boosting their reputation and status in the policymaking circles. There are, however, tensions and conflict of interests that are hard to reconcile among these actors, which will be the subject of the next chapter.
CHAPTER III CONFLICT OF INTERESTS AMONG ACTORS

As the previous chapter has illustrated, initiatives of differing actors based on differing objectives have made NGOs an integral part of foreign aid. Whereas in chapter 2 the focus was on the individual initiatives, this chapter turns attention to the interaction among the actors involved. Although there are some successful cases of collaboration, their interaction embraces inherent conflict of interests (Figure 3.1). The chapter first takes up a case of Japan Platform (JPF) and studies the new form of inter-sectoral cooperation it embodies, as well as some problems that JPF has. Following this the chapter examines how MOFA’s policy causes frictions between the ministry and METI, another ministry involved in the aid policymaking, and NGOs, respectively, and then looks at frictions between the business initiatives and NGOs.

3.1 Successful Collaboration – Japan Platform

JPF, which was established in 2000, presents a relatively successful case of the NGO-business-government partnership. Originated in a proposal made by several NGOs, the new program provides a systemic support of the government and corporations for NGOs involved in emergency relief activities in natural disasters and refugee situations. Official fund of ¥500 million and assistance from the One Percent Club of Nippon Keidanren form a solid financial base for the new system. JPF maintains a pool of resources – funds, equipment, personnel, information and so forth – provided by the official and business sectors. These resources are available to NGOs to mobilize and carry out relief activities promptly and effectively.

JPF is different from other forms of inter-sectoral partnership in that NGOs took initiative in its establishment. In addition to that, JPF also benefited from positive responses from government ministries and Nippon Keidanren. JPF consists of the NGO Unit, Secretariat, and the Council. The NGO Unit makes
proposals and undertakes implementation of projects. The Council functions as the decision-making body, and consists of representatives from the government, private corporations and NGOs, which make up the majority of the council.

Currently eighteen NGOs participate in JPF selected by rather strict criteria. Membership of JPF requires NGOs to: (1) have a legal person standing such as NPO hojin, shadan hojin, or zaidan hojin; (2) have a record of overseas operations with no less than ¥50 million of contract revenue on annual average in the past three years; (3) have operated in more than three countries or regions; and (4) have more than three paid fulltime staff. Although it was apparent that majority of Japanese NGOs would not be able to meet these criteria, they were nonetheless maintained to make JPF competitive with Western major NGOs.

JPF is also outstanding among other NGO networks of its kind in that it garners substantial corporate support in non-financial forms. Prior to JPF’s establishment in August 2000, Nippon Keidanren’s think tank, the 21st Century Public Policy Institute had compiled a report calling on greater participation of NGOs in ODA. The report critically analyzes the underdevelopment of Japan’s civil society at large and more specifically, development NGOs. It then evaluates MOFA’s NGO support programs pointing out a number of insufficiencies. As a concrete measure to facilitate a greater degree of NGO participation, the report recommends that a “Team Japan” be established to provide prompt and effective aid. The unit envisioned in the report crosscuts the government agencies, business, the academia and the media. The idea had been around in the think tank since 1998, and the report and a concurring symposium hosted by the Institute in early 2000 signaled Nippon Keidanren’s support for JPF, which had by then been undergoing preparatory procedure for its formal establishment.

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70 Katsuhiro Harada, Kokorozashi ha kokkyo wo koete: NGO ga Nihon wo kaeru [The power of will crossing the borders: NGOs changing Japan] (Tokyo: Nihon Keizai Shimbunsha, 2001), 11.
several months later. Onishi Kensuke, the founder and chief director of JPF, was invited to the symposium and received encouragement from the director of the Institute.\textsuperscript{72}

In addition to the support from Nippon Keidanren, JPF enjoys technical assistance from individual corporations. Teijin, a company that manufactures fibers, films and plastics has been working with JPF to develop portable refugee shelters that can withstand harsh weather conditions. NEC, a leading IT corporation publicizes JPF activities on one of its websites. Fuji Xerox sends its employees to the JPF secretariat for personnel assistance.\textsuperscript{73}

\textsuperscript{72} Harada, \textit{Kokorozashi}, 23-25.
\textsuperscript{73} Ibid., 155-61.
Figure 3.1 Interaction among actors

- MOFA: Politicization of aid
  - Four Guidelines
  - ODA Charter/revision
  - NGO support policies
  - Reluctance for ODA Law

- METI: Infrastructure
  - Aid and investment
  - Dichotomous aid policy discussion

- Business: Business priorities
  - (JAIDO, JITCO, etc., policy recommendations)
  - Partnership with NGOs

- NGOs: Support legislation efforts
  - ODA Reform Network

- Opposition parties: Attempts for ODA legislation (70s-90s)

- Trade unions: International cooperation activities
  - E.g. Rengo
  - Partnership with NGOs

→: cooperative ties
↔: conflicting interests
····: overlapping interests
3.2 Conflict of Interests

3.2.1 MOFA vs. METI

METI and MOFA view aid generally from two totally different worlds, METI from the perspective of commerce and MOFA from that of diplomacy. Policy disagreements between MOFA and METI have existed during the five decades of Japan’s foreign aid history. The two ministries fought each other over the establishment of the Institute of Developing Economies\(^{74}\) in 1960, introduction of grant aid in the mid-1960s, and reorganization of the Overseas Technical Cooperation Agency into JICA in 1974.

The two different worlds still exist today, despite domestic and international changes, and the policy gap between the two ministries remains as wide as before. MOFA’s policy to put forth its political agenda and involve NGOs for that end is at odds with METI’s policy. This section first discusses policy disagreements between the two ministries in the pre-1990s period before going on to look at how the situation has evolved since the 1990s. The section then studies the process of how the differing policies are merged into one policy statement such as the ODA Charter, with many inconsistencies left unresolved.

Comprehensive Security by MOFA vs. Economic Security by MITI

When MOFA came up with a new concept of “comprehensive security” to reorient foreign aid in the early 1980s, METI was working on refining another concept of “economic security.” MOFA positioned comprehensive security as a central principle of aid, and published in 1981 a booklet to explain its aid principles and stressed the importance of ODA as a cost to build the international order which secures Japan’s comprehensive security and also as

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\(^{74}\) The institute carries out researches on economic, political and social issues of developing countries in Asia. METI wanted the institute to serve as a think tank, based on whose information the ministry was to make ODA policies for these countries. After the turf battle, the institute came under METI’s jurisdiction.
part of the country's foreign policy. METI, however, did not fully agree with this interpretation of the role of aid; rather, it placed more emphasis on the stable growth of the global economy, for which achievement the ministry argued the aid should be used.\(^75\)

The conception gap between MOFA and METI can be seen in the issue of using aid to address problems arising from armed conflicts. Although METI did not refuse the concept of comprehensive security and acknowledged the role of aid in achieving it, the economic ministry did not easily accede to MOFA's initiative in the early 1980s to allocate aid to countries involved in conflict. In 1981, responding the outbreak of violent conflicts, MOFA decided to funnel more aid to surrounding countries of the conflict areas such as Turkey, Pakistan and Thailand. To this METI responded reluctantly contending that such a pattern of aid was not of central importance to Japan, a country highly vulnerable to resource scarcity, and that aid should be used to overcome the vulnerability, especially to secure energy.\(^76\)

**Policy Difference between MOFA and METI in the 1990s**

The different policy preferences of MOFA and METI have become more apparent since the 1990s as MOFA targets its aid budget more towards the non-traditional areas such as basic human needs (BHN), women in development, poverty reduction and peacebuilding, while METI insists on the primary significance of economic infrastructure and tries to tie aid with other economic activities including trade and direct investment.

MOFA regards the aid guidelines set in the Four Guidelines and the ODA Charter as the central pillars of Japan's ODA policy and practice. The ODA Four Guidelines was initially drafted by MOFA and, after consultations with METI, the Ministry of Finance (MOF) and the Economic Planning Agency, it was

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finalized and announced by Prime Minister Kaifu Toshiki at the Diet in April 1991. MOF and METI were reluctant to bring in political conditionality to aid, but were persuaded by the growing international and domestic opinion that favored the trend. Kaifu referred to the recent international attention to the armament in the developing world, and stated that the decision on Japanese aid allocation would take into consideration the following situations of recipients: (1) military expenses; (2) development and production of weapons of mass destruction; (3) imports and exports of weapons; and (4) the level of effort to achieve democratization, market economy, and the protection of human rights.

The announcement of the ODA Four Guidelines gave momentum to the discussion that a more comprehensive ODA charter should be enacted. The Third Administrative Reform Committee formed in October 1990 reviewed ODA policy and reached a consensus that the government should position ODA at the core of its foreign policy and employ it strategically to demonstrate its political will to recipients. Director-general of MOFA’s Economic Cooperation Bureau attended the committee’s first meeting to show MOFA’s support for the enactment of an ODA Charter. In the report submitted the prime minister in December 1991, the committee was in the line with MOFA’s position to call for an ODA Taiko, with which ODA was to be used as a tool to attain Japan’s foreign policy principles including freedom and democracy, pacifism and international cooperation.77 Thus the ODA Charter came into being in 1992 and it lists target areas of aid including global issues and BHN issues, as well as the four principles set in the Four Guidelines.

Both the Four Principles and the ODA Charter are significant in that they show MOFAs initiative in ODA. Along with the foregoing Guidelines, the Charter shows the Japanese government’s intention to take political affairs into consideration when providing aid. MOFA’s ODA white papers regularly follow

77 Arase, Buying Power, 124.
up with the application of the Guidelines and the Charter to actual aid implementation.

This trend of aid politicization grew more conspicuous as MOFA started revising the Charter in 2002. MOFA’s Bureau of Economic Cooperation issued a statement in December that year, in which the ministry explains the rational for the revision that “there is an urgent need for the international community, including Japan, to address new development challenges such as peacebuilding” and that Japan needs to cope with these challenges. The problems that MOFA raises vary from violent conflicts and terrorism, political issues such as human rights and democracy to humanitarian crises such as extreme poverty, refugees and natural disasters. Thus, the term “human security,” which focuses on protecting the well-being of individuals in conflicts, disasters and infectious diseases, has been introduced in the revised Charter. The list of priority issues in the new Charter reveals the degree of significance that MOFA attaches to the relatively new areas of aid, including poverty reduction, sustainable growth and peacebuilding.

MOFA reinforced its stance by compiling a new Mid-term Policy on ODA in February 2005. The priority issues of poverty reduction, sustainable growth, global issues and peacebuilding, as well as the concept of human security, are addressed in more detail to make its philosophy and implementing measures known both domestically and internationally and to deliver ODA more strategically.

In contrast to MOFA, METI continues to emphasize building infrastructure and utilizing Japanese private companies in aid, which is in line with Nippon Keidanren’s recommendations. METI’s priority in aid remains to be about revitalizing and developing Japan’s industry and economy, with its consistent

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regional focus on East Asia. METI remains silent or dismissive with regard to the new aid challenges and NGO involvement in ODA. In its 1993 white paper on economic cooperation, noting the termination of the Cold War and concurring changes, METI’s attention is directed to the growing prospect of direct investment in and trade with developing countries:

"Under such circumstances, post-Cold War economic cooperation should assist developing countries to reinforce foreign currency system, make them better prepared for foreign direct investment (FDI), build infrastructures and facilitate foreign trade. Equally important is to tie up the aid with our effort to foster FDI into these countries and accept more imports from them."\(^{80}\)

METI places priority on infrastructure-building since it deems physical infrastructure necessary as the base for any economic development and people’s welfare in the recipient country. It also focuses aid disbursement on environmental and energy projects because Japanese companies have experience and expertise in these areas as well as in infrastructure-building, and aims to cultivate new markets for Japanese businesses in these areas.

In addition to that, METI recently focuses on economic institution-building in developing countries to establish harmonized rules and institutional arrangements in investment and product distribution. Human resource development thus constitutes an important part of the ministry’s aid plans. With a new emphasis on intellectual cooperation relating to the development of a stable environment for trade and investment in East Asian countries, METI sees the need to develop human resources who will be engaged in protection of intellectual property rights, development of a common system for standard sand conformity assessment, promotion of information technology, and development of efficient management practices.

Of a number of internal councils on economic cooperation in METI, the Study Group on Asian Dynamism undertakes theoretical justification of METI

\(^{80}\) MITI, Keizai kyoryoku no genjo to mondaiten 1999 [The current situation and issues of economic cooperation 1993] (Tokyo: Tsusho Sangyo Chosakai, 1994), 67.
policies and contextualizes them in the new aid discourse led by MOFA. Kimura Fukunari and Ohno Kenichi, academic members of the study group, lead the discussion of the group by introducing a dichotomous approach to aid. Kimura divides ODA into two categories, one for East Asian countries and the other for poorer countries outside the region. For the first category Kimura endorses aid policies linked to commercial activities to deepen economic integration in the region. For the second category, he suggests that the Japanese government decide whether to take an East Asian-type of approach or to confine ODA to humanitarian aid only.

Similarly, Ohno argues that Japan’s ODA policy should be constructed with two pillars. The first pillar of aid, he maintains, should aim to sustain and develop the unique growth pattern of East Asia. Therefore, Japan should integrate aid policy with other economic policies including those of trade, investment, finance and labour immigration. At the same time, under the second pillar, which is of less importance to the study group and METI, Japan can cooperate selectively with multilateral institutions for issues such as poverty, environment and education.81

In sum, MOFA’s policy to incorporate NGOs into the aid policymaking and implementation is not based on a government-wide consensus in a true sense. Although NGOs now make frequent appearance in official policy statements, this is primarily driven by MOFA’s desire to utilize aid for its political purposes, and METI does not necessarily buy into this idea since it has its own priorities.

3.2.2 MOFA vs. NGOs

Discussion on an ODA Law: MOFA

MOFA’s NGO-inclusive policy has been welcomed by the NGO community in some cases like JPF, but meets skepticism and opposition in others.

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The discrepancy between MOFA and NGOs on the issue of enacting an ODA law represents a perception gap despite the ongoing NGO-supportive measures and collaborative programs. As well, the debates between MOFA and NGOs on the ODA Charter, a substitute to the much foreseen ODA Law, shows a clear distinction between the perceptions of the two sides, and the distinction is even deeper on the issue of charter revision.

As have been pointed out in the extant literature, the Diet's role in aid policymaking and implementation has been minimal. Japan's legislative body sets no broad guidelines for the program, yielding control over ODA to the bureaucracy and the private sector. Japan's ODA is not bound by any fundamental legislation or legislative oversight. Calls for the enactment of an ODA law started to reach the government in the 1980s to make the ODA policy system in subjugation to an ODA law that would severely limit the discretion of policymakers.

MOFA, for its part, has been reluctant to accommodate the requests of formal legislation made by opposition parties and civic organizations. From MOFA's perspective, legislation should be avoided because of the political nature of aid. By leaving the interpretation and criteria of aid policies open to its discretion, MOFA intends to increase its leverage vis-à-vis other ministries and donor countries. The establishment of the ODA Charter was, in a sense, a preemptive measure on the part of MOFA and the entire government for that matter, which saw the need to offer a more detailed statement of the principles and objectives of Japan's ODA and appease the public.

Successive director-generals of MOFA's Economic Cooperation Bureau have spoken out showing their dismissive or even dubious attitude toward the Diet's involvement in the aid system. For instance, Oshima Kenzo parallels ODA to domestic security debates, which are under the restriction of Article 9 of the nation's pacific constitution and dominated by lingering opposition to Japan's playing any military role in the international arena. He points out that security
issues, highly diplomatic in nature, are being reduced to the debates of legal interpretation centering on Article 9. If defined by law, he argues, ODA would run the risk of following the same path and lose its political flexibility.\footnote{“ODA ha gaiko sonomono de aru” [ODA is diplomacy itself], \textit{Gaiko Forum} (July 1999): 26-34.} Another official in the bureau is more explicit in stating MOFA’s objective of ODA as follows:

“To be frank, ODA is a promising diplomatic means. While there are generally a lot of such means, for Japan, which lacks military measures, aid makes an important one. In this sense, we want to keep the ODA Charter on the level of policy statement to ensure its timely and flexible implementation by administrative organs.”\footnote{Japan International Volunteer Center, “ODA Taiko minaoshi ni kansuru ikenkoukankai” [Dialogue on the revision of the ODA Charter] (28 April 2003), \url{http://www.ngo-jvc.net/jp/projects/advocacy/prj01detail02.html}.}

\section*{Discussion on an ODA Law: NGOs}

NGOs confront MOFA with two points: aid philosophy and public participation. First, while they understand that as a government organ, MOFA tends to talk about aid in political terms rather than in humanitarian terms, their altruistic motivation to be engaged in aid activities refuses complying with the political maneuvering of MOFA. Second, they demand a greater degree of Diet involvement in ODA issues and public participation through the process.

The question of an ODA law has been discussed at the Diet over the years, and efforts go back to 1971, when the issue was raised by the Overseas Economic Cooperation Council, the government’s advisory council on aid. Efforts have been made by the opposition parties with the support of NGOs in the Diet to introduce a basic ODA law. Bills have been submitted Diet members from the Socialist Party and the Komeito Party in 1975, 1987, 1989 and 1993 respectively,
all of which failing to be adopted. Calls for the enactment of a basic ODA law spread outside the Diet. Murai Yoshinori formed a citizens’ group called Reconsider Aid, Citizens’ League (REAL) and an ODA Study Group and advocated for the establishment of a “citizens’ ODA charter.” The group went further to compile the bill of an international cooperation basic law and lobbied for its legislation. REAL collaborated with a Socialist Party leader Doi Takako in studying Canada’s case and publishing a Japanese translation of Canada’s aid reports. These initiatives all emphasized the necessity of giving a greater role to the Diet to ensure public participation in aid policymaking and implementation.

Therefore, when the charter was first established in 1992, the response from the NGO community was mixed. Considering that the community had pushed for a formal legislation of an ODA law, the charter that does not have force of law was by no means satisfactory. Nonetheless, the charter was a step forward in that it clarified the objectives and humanitarian principles of aid.

The revised charter that was announced in 2003, which placed more emphasis on Japan’s national interests and political considerations in aid implementation, drew a more negative response from NGOs. The anxieties and concerns expressed by many NGOs have three points: first, political considerations associated with aid deviate from the altruistic and humanitarian aid principles embraced by the voluntary sector; second, MOFA’s engagement in conflict issues including peacebuilding runs the risk of further politicizing aid

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84 Yasutami Shimomura, Junji Nakagawa, and Jun Saito, *ODA taiiko no seijikeizaigaku: unyo to enjorinen* [The politics and economy of the ODA Charter: implementation and philosophy] (Tokyo: Yuhikaku, 1999), 68.


and can make aid programs detrimental to people's welfare in recipient countries; and finally, legislation of a legally binding ODA law is necessary to put a cap on bureaucratic discretion and enhance transparency and public participation through the involvement of the Diet.

These concerns have been voiced by the ODA Reform Network that comprises fifty-eight Japanese NGOs and some individual academics. The Network has called on the government to (1) identify aid principles that respect human rights, democracy, environment, and gender equality; and (2) reinforce government-NGO partnership to foster NGO participation on the decision-making level, and involve legislature by enacting an ODA law. The ODA Reform Network lobbied actively to put forward their opinions and concerns at the time when the ODA Charter was being revised in early 2003. It organized a meeting between NGOs and MOFA officials to exchange their views on revision in April that year, and submitted a list of their requests to the foreign minister in May.

What should be noted here is that NGOs are not necessarily against MOFA's focus on human security and conflict-related issues in the newly revised ODA Charter. These issues themselves are of great concern to NGOs as well and as such, MOFA's involvement has common ground with NGOs which are involved in similar activities on their own. The Japan Center for Conflict Prevention, for instance, carries out programs to prevent violent conflicts from taking place in cooperation with local and donor governments, UN agencies and other NGOs. Their programs include promotion of dialogue and confidence building among local actors, collection and destruction of small arms and provision of basic education to ethnic minority population. Another example of NGOs working on conflict-related issues is the Japan International Volunteer Center. Through its involvement in conflict prevention and peacebuilding

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87 The network was established first under the name of the Citizen-NGO Liaison Council for ODA Reform and was renamed in 2000.
activities, this NGO has set up an internal study group to look into an appropriate civil-military relationship. Although it is not yet in depth, it is nonetheless an important nongovernmental initiative to contribute to conflict prevention.\textsuperscript{89}

Precisely because of these undertakings and initiatives on their own, NGOs sense that MOFA is trying to politicize aid by buying into the ideas of human security and peacebuilding. Not a few NGO officials view that MOFA, in its attempt to create new catchphrases of ODA in the post-Cold War era, jumped on the bandwagon along with other donor governments and international institutions to coin aid philosophies such as social development, peacebuilding and human security. They see the pursuit of narrowly defined national interests and other MOFA-led political objectives of aid incompatible with their humanitarian principles. The skepticism held by NGOs changes into opposition in such cases as Afghanistan and Iraq.

The other major concern held by many NGOs is insufficient public participation in policymaking despite MOFA’s rhetoric and various NGO support programs. To them, MOFA’s reluctance toward legislation appears to be an obvious detour of the Diet, where aid policy should be discussed and formulated by representatives of electorates. In the course of the charter revision, this concern grew, as the revision process included just a few public consultations and bypassed the Diet. NGOs felt that their requests had been practically ignored whereas those made by Nippon Keidanren had been incorporated into the new charter.

3.2.3 Business vs. NGOs

Although the business sector has been working to facilitate volunteerism and assist NGOs in various ways, its concerns remain to be about prioritizing certain fields – infrastructure, environment and energy – in aid implementation

and seeking greater business participation in them. Its pursuit of these two different goals sometimes makes its policy contradictory and incompatible with the goals pursued by NGOs.

**Pursuing Business Goals**

Nippon Keidanren has been active in presenting its recommendations on ODA policy to the government and in organizing institutions to realize them outside the aid system. It has established the Japan International Development Organization (JAIDO) for private investment in developing countries, the Japan International Training Cooperation Organization (JITCO) for technology transfer and human resource development, the Foundation for Advanced Studies on International Development for education and research in international development, and the 21st Century Public Policy Institute for policy research and advocacy. These institutions function outside the ODA administration led by MOFA and METI, but they maintain ties with the bureaucracy and work closely with it when necessary. This section focuses on JAIDO and JITCO to discuss how business pursues its own goals in aid.

**JAIDO**

Nippon Keidanren established the Japan International Development Organization (JAIDO) in April 1989 for the promotion of export industries in developing countries and expansion of exports of their products into the Japanese market. JAIDO was created with the idea that the private sector has an important role to play in economic cooperation in the forms of overseas private investment, financing, technology transfer, and identification and planning of potential development projects for developing countries.

The organization, which is open to Japanese and foreign firms alike, makes equity investments to encourage private enterprises to participate in development projects. Another important feature of JAIDO is that it seeks
various official supports for projects through close communication and consultation with related government agencies and international organizations. Projects eligible for JAIDO investment are associated with a variety of difficulties and risks, and they require sophisticated considerations related to foreign policy. For example, JAIDO was involved in projects in former communist countries in Eastern Europe, oil projects in the Middle East, and supportive programs for the Fujimori government in Peru. These projects received support from METI and MOFA.90

The purpose of such experimental activities is to demonstrate that private overseas direct investment in developing countries can successfully take place when governments, the private sector, and international financial institutions are prepared to coordinate with each other. JAIDO’s investment projects are strategically confined to those that will improve export earning capacity of the host countries and, whenever possible, produce for imports back into the Japanese market. When these conditions are fulfilled, JAIDO seeks ODA resources to be partially directed toward improving infrastructure for private-sector development projects.91 For instance, MOFA has been providing JAIDO-led infrastructure projects in Asia with ODA loans under the recognition that they will contribute to the overall economic development in the region and consolidating a long-term relationship between Japan and its neighbours.92

**JITCO**

The Japan International Training Cooperation Organization (JITCO) is another example of Nippon Keidanren’s initiative in development cooperation. The organization was established in 1991 under the joint jurisdiction of five

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90 Koretsugu Kodama, “Naigai no kitai ni kotaeru JAIDO” [JAIDO living up both domestic and overseas expectation], Gekkan Keidanren (October 1998): 51-53.
ministries of Justice; Foreign Affairs; Economy, Trade and Industry; Health, Labour and Welfare; and Land, Infrastructure and Transport.

The strict government policy on foreign workers only accepts foreign skilled workers in limited numbers and trainees, but not manual labourers. The purpose of the establishment of JITCO, therefore, was twofold: to supply foreign workforce for Japanese, especially small- and medium-sized, companies; and to transfer Japanese techniques and skills to developing countries, where workers trained at JITCO can be expected to create stable business environment back at home for the incoming Japanese investments. JITCO invites workers from developing countries under the Industrial Training Program and the Technical Internship Program, and sends them to Japanese companies for short-term training and work. Nippon Keidanren posits JITCO programs as an important channel of development cooperation.93

Under such circumstances, business support for NGOs is dwarfed by these initiatives that pursue industrial priorities. Although Nippon Keidanren and individual companies do provide financial and organizational assistance to NGOs as detailed in chapter 2, such support does not surface with the same earnest as other greater priorities do when the business sector present their views on ODA to the government. It is a common practice that business leaders occupy significant percentage of membership of official committees and councils that deliberate on ODA policy, and at such meetings their concerns focus on economic and industrial agenda rather than on the partnership with NGOs.

The same thing goes with Nippon Keidanren’s recommendations on ODA, another formal channel through which the business sector lobbies its agenda to the government. Nippon Keidanren has issued five recommendations since the early 1990s; 1992, 1994, 1997, 1999 and 2001. The series of recommendations

consistently focus on two points: strengthening partnership between the
government and business in aid policymaking and implementation; and linking
aid to trade and investment, with an emphasis on economic infrastructure
building.

First, on the partnership between the public and private sectors, the reports
stress that the Japanese private sector has accumulated capital, know-how and
skills which would be an asset to the official aid planning and project
implementation. Nippon Keidanren questions the traditional government-led
ODA framework and argues that private initiative should be incorporated to a
greater degree to deliver aid more efficiently and effectively. In this regard,
Keidanren urges that JAIDO be given more active role in ODA.94 The 2001
report suggests that private companies, including consultant firms, trading
companies, manufacturers and engineering companies, and their global
networks be utilized in coordination with the central ministries administering
ODA.95

Second, Keidanren calls for the continued focus on economic
infrastructures as the major area of activity in Japanese ODA on the grounds that
this is the area where Japanese technology and expertise have comparative
advantage over those of other countries. It raises energy conservation, the
environment, and infrastructure-building as examples where Japanese
companies have strength and therefore can contribute much to the official aid. As
a consequence, Nippon Keidanren supports tied loans as they can utilize the
Japanese private sector's resources and reminds the government that untied aid
should also be consistent with private sector interests.96 Keidanren states the

94 Nippon Keidanren, “Seifu kaihatsu enjo ni kansuru wareware no kangae” [Our views on official
development assistance] (15 April 1997),
95 Nippon Keidanren, “ODA kaikaku ni kaknsuru teigen” [Recommendations on ODA reform] (16
96 Nippon Keidanren, “Kongo no seifu kaihatsu enjo to kokusai kyoryoku ginko heno teigen”
[Official development assistance for the future and recommendations for Japan Bank for International
importance of the continued focus on the economic orientation of ODA as follows:

“It goes without saying that Japan, with humanitarian concerns and international responsibility, should use its ODA to address issues such as poverty and the environment in developing countries. However, since Japan has scarce natural resources and depends much on foreign trade, maintaining international peace and friendly relationship with other countries and seeking our own survival and prosperity through economic activities such as trade and investment are even more important. They are our very national interests.”

NGOs and their role in aid are mentioned in the recommendations, but NGOs are placed in the broader circle of “the private sector” that includes businesses and academia. Nippon Keidanren’s emphasis is obviously on businesses, and NGOs are only given supplementary significance in the reports.

Business support for the revised ODA Charter tells where Nippon Keidanren places its priority on. Nippon Keidanren’s positive evaluation toward the new charter makes a contrast to the criticisms from NGOs. Several requests that the federation had made earlier, including regional focus on East Asia, sectoral specialization of aid in infrastructure, environment and energy, and emphasis on Japan’s national economic interests, have been incorporated in the revised charter, to which Nippon Keidanren leaders show satisfaction.

Cooperation between NGOs and Unions

Under such circumstances, trade unions have advocated more ODA allocation for social development and basic human needs. Although the history of their activity in this field is much shorter than that of the NGOs that have been studied above, it is worth paying attention. The Japanese Trade Union Confederation (Rengo), the largest union federation in Japan, established the Japan International Labour Foundation in 1989 for international exchange and

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97 Nippon Keidanren, “ODA kaikaku.”
cooperation on labor issues. The Foundation aims to utilize ODA funds for the projects it is conducting in developing countries\(^99\) and improve the government's NGO support programs, which it considers is still focused on hardware rather than on software.\(^{100}\)

Eight NGOs and five union associations including Rengo set up the Forum for International Cooperation between NGOs and Trade Unions in July 2004, which is specifically focused on pursuing humanitarian goals in development aid. The forum is committed to resolving problems related to poverty, human rights and environmental protection, and calls for the government to allocate more ODA funds to these areas.

By looking at several cases, this chapter has revealed how the two major supporters of NGO, MOFA and the business sector, come at odds with NGOs on some issues of fundamental importance. The conflict happens because their policies to support NGOs are motivated by principles which are incompatible with those of NGOs (as in the case of MOFA), or come under the shadow of other policies of higher priority (as in the case of Nippon Keidanren).

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\(^{99}\) The foundation carries out two programs. One of them is to invite union leaders in developing countries to Japan for exchange and learning on labor issues and movement. The other provides support for education and other social development activities targeted at workers.

\(^{100}\) Teruhito Tokumoto, “Kokusai NGO to shiteno Kokusai Rodo Zaidan” [Japan International Labour Foundation as an international NGO], Rengo Soken Report, no. 188 (1 November 2004), http://www.rengo-soken.or.jp/dio/no188/kikou.htm.
CHAPTER IV  CONCLUSION

The foregoing chapters have looked at different sectors of the Japanese society to explain the recent government policy to encourage NGO participation in aid policymaking and interaction among these sectors. Japanese NGOs have grown considerably in the number, scope of activity and networking since the late 1970s, especially in the 1980s and 1990s. Various domestic and exogenous factors have influenced their development, and NGOs have now grown to constitute a major pillar of society.

After detailing the development of Japanese NGOs, chapter 2 turned to MOFA to examine its motivation and rationales for incorporating NGOs in the aid system. The ministry's efforts to politicize aid have evolved since the 1970s, and recent attempt to attach political meaning to aid has made it necessary for MOFA to work with NGOs. In other words, by cooperating with NGOs, MOFA can expect to satisfy its policy priorities.

First, the small size, flexibility and mobility of NGOs make them promising actors in delivering aid that tailors to the changing needs of developing countries. As the aid focus shifts from building physical infrastructures to assisting community development through poverty reduction, disease control and education, MOFA has come to recognize the utility of NGOs in dealing with these new aid needs. Emergency relief activities and post-conflict reconstruction, the recent aid agenda of MOFA, also require collaboration with NGOs. In sum, grassroots experience and local knowledge that NGOs have accumulated over the years are of great value to MOFA in this new aid context.

The second advantage for MOFA of working with NGOs is to appease public criticism that Japan's aid is commercially oriented and that the public is left out of the aid system. The presence of NGOs in both aid policymaking and implementation adds a humane aspect to aid programs and satisfy the demands of public participation.
Based on these analyses of these policy rationales of MOFA, the chapter looked into the ministry’s fundamental incentive - employing aid as a foreign policy tool. For a foreign ministry that aspires to raise its country’s diplomatic profile, collaboration with NGOs in ODA serves its own interest.

The chapter then turned attention to the business sector to discuss its role in facilitating NGO empowerment: The role of business in the aid program has almost always been characterized as that of the promoter of mercantilist aid projects. While this characterization is true to some extent, business contribution to the growth of NGOs has been underappreciated.

Such concepts as “good corporate citizenship” and “corporate social responsibility” emerged in the period of rapid economic growth as industrial pollution and environmental problems became social issues. In the 1980s, with the advancement of Japanese companies overseas, they had to take these concepts more seriously than before as their operation caused frictions in host communities. Under such circumstances, business leaders started to provide financial and personnel assistance to NGOs involved in various domestic and international issues and encourage their employees to take up volunteer activities. Of particular importance are Nippon Keidanren’s initiatives aimed at supporting NGOs to reconcile commercial activities and corporate social responsibility. The supportive efforts have consequently spilled over to development NGOs working internationally.

Chapter 3 looked at conflict of interests among different actors in the aid system. It first examined METI’s response to the ongoing MOFA-led aid trend. Although the policy of NGO inclusion has been endorsed by official policy forums and statements, a closer examination reveals that the endorsement is not government-wide, as METI regards the MOFA-inspired aid policy to be of secondary importance and conceives of aid as a promotional tool of export and investment. Nippon Keidanren, at the same time of promoting NGO participation, supports METI’s policy as well with institutional and personnel
backup. In other words, although NGO participation is growing partly due to the support from MOFA and the business sector respectively, the traditional aid system with priority on economic objectives is still in place.

NGOs respond to these moves by teaming up with political opposition parties and trade unions when necessary. While official programs to support NGOs do benefit the voluntary community, the two sides are yet to be true partners. A case study of the ODA Charter illustrates the difficulties of the government-NGO partnership. The discussion on the charter and legislation of a legally-binding ODA law reveals the inherent gap between MOFA, who wants to utilize ODA as a foreign policy tool, and NGOs, whose perception of aid is rooted in humanitarian principles. Similarly, NGOs come at odds with the business community, who have interests in industrial growth rather than in the promotion of humanitarian causes.

As a whole, this thesis about NGOs, foreign aid and businesses in Japan covers a broad range of hitherto unconnected subjects. In so doing, it challenges a couple of commonly accepted notions. One is that formation of foreign policy is invariably dominated by bureaucrats while public participation is kept minimal. The role of NGOs as new constituents for bureaucrats and politicians is becoming so important that NGOs are given a key function as issue advocates, policy players and agents of influence in the contemporary Japanese politics. The other is that the role of the business sector has always been that of a promoter of commercial interests and nothing else. This is obviously a one-sided view since business initiatives have certainly benefited NGOs.

**Importance of NGO Participation**

As the new ODA Charter revised in 2003 shows, development aid is now an integral part of the government's foreign policy. The charter states Japan's aid objectives as to "contribute to the peace and development of the international
Indeed, in order to attain these objectives, Japan needs to address various humanitarian issues and aid needs and strive for sustainable development, as the charter articulates. Dealing with such tasks and achieving the aforementioned objectives are in the interests of every party – the government, business and the voluntary sector – and the involvement of NGOs, or more broadly, the general public, is particularly important for two reasons.

First of all, as the previous parts of this thesis have discussed and as MOFA is well aware of, the new task of dealing with social and humanitarian issues could not be done without grassroots organizations. Policymaking bodies including MOFA and aid agencies such as JICA and JBIC need to seek adequate forms of partnership with NGOs for effective aid delivery, whether it is contracting-out of projects, financial support, or consultation on planning and evaluation.

A central official unit which coordinates cooperative programs between the government and various nongovernmental groups would be desirable for this purpose. For instance, the Canadian International Aid Agency (CIDA), Canada’s official organ for aid policymaking and implementation, has the Canadian Partnership Branch to carry out international cooperation programs with nongovernmental organizations including colleges, universities, companies, NGOs, unions and professional associations. The branch has several divisions and subdivisions to manage different types of projects with different types of partners.

While creating a unified aid ministry like CIDA is not feasible in the current Japanese political climate, expanding extant units such as the NGO Assistance Division in MOFA or the Trade and Economic Cooperation Bureau in METI may be possible for a better coordination of partnership programs. This would especially be suited for some aid areas where the interests of

\[101\] MOFA, *Revision*. 
development-minded MOFA and infrastructure-oriented METI overlap, including environmental protection and economic institution-building focused on human resources development.

Second, involving NGOs in ODA is important to guarantee public participation in this major national program. NGOs have functioned as a major driving force in revealing corruption, mismanagement and other problems related to aid projects and provoking public debate, often with other actors who share their principles and objectives in aid, including academics, opposition parties and, recently trade unions. Public participation should be promoted further on the political, institutional level. Just as Japan’s external issues such as security, participation in UN peacekeeping and deployment of the Self Defence Forces are defined by laws, the objectives, priorities and procedures of ODA should be codified in a law and put under public scrutiny and debate at the Diet.

As the previous chapter discussed, such changes can expect fierce bureaucratic resistance since MOFA is currently reluctant to have parliamentary check under formal legislation. However, the passage of the NPO Law and amendments made to it during the past few years despite the opposition from the bureaucracy present an encouraging precedence. Since the NPO Law that went into effect in 1998 offered no tax privileges, NGOs formed a liaison council in 1999 aimed at the revision of the law and worked closely with the non-partisan Parliamentary Caucus, which was set up in the same year. The council submitted an amendment proposal to the Caucus and held public forums throughout Japan to present their opinions to legislators. In 2001, their efforts resulted in the amendments to the NPO Law and tax measures concerning NGOs that allow nonprofit organizations approved by the law to receive tax-deductible donations. Further amendments were made in 2002 to loosen restrictions on tax deductibility and simplify administrative processes. ODA legislation can follow suit if such networking and cooperation take place again.
Problems in the NGO Community

That being said, there are two issues in the NGO community to be dealt with so that it can grow into the solid third pillar of society after the government and business. The case of Japan Platform, a relatively successful case of inter-sectoral collaboration examined in chapter 3, illustrates these issues, namely the gap between large, affluent NGOs and smaller ones, and balancing government reliance and advocacy function.

First, while NGOs participating in JPF are able to operate extensively with assistance from the government and businesses, smaller and less organized NGOs are left out of the system with same old problems. NGOs that have no connections with the government are put at disadvantage compared to those which have established relationship with the government in one way or the other. Fukiura Tadamasa, vice president of the Association for Aid and Relief Japan, a NGO engaged in refugee relief efforts, points out that officialdom retains strong influence in the voluntary sector, raising the Japan Overseas Cooperation Volunteers (JOCV) as an example. Managed with the ODA budget and administered by JICA, JOCV sends Japanese youths to developing countries to engage them in volunteer activities. Since its inception in 1965, the program has dispatched more than 20,000 volunteers in total, which is a phenomenal number for a single volunteer program in Japan. Human resources management of JOCV is sustained by a solid organizational base to recruit and train a large number of volunteers every year and provide them with various forms of assistance. Meanwhile, NGOs without such official ties suffer from lack of funds, legal status and trained personnel. Similar to JOCV, member organizations of JPF have solid financial and personnel bases. While 40% of NGOs in a 2001 JANIC survey have less than ¥20 million of annual revenue, JPF members boast ¥4277 million on average. Government subsidies make up 25.9% of the revenue of a

102 "Puro to shiteno NGO wo Nihon ni sodateru hitsuyosei" [The necessity to nurture professional NGOs in Japan], Gaiko Forum (March 1997): 66-75.
JPF-affiliated NGO, while the figure is much lower at 10.1% for NGOs at large.\textsuperscript{103} This "North-South" divide within the NGO community could put the organizations whose activities do not coincide with government interests at disadvantage vis-à-vis those who stand closer to the authority.

Secondly, somewhat related to the first one, there is an issue of how to balance financial dependency on the government and NGOs' advocacy function, especially for those NGOs in JPF. For Japanese NGOs, most of which are of small- and medium scale, dependence on government and business funds runs the risk of losing their independence. It is possible, for instance, for NGOs receiving a large amount of funds from official sources to drift from pursuing their roots and original purpose of existence to managing contracting arrangements without failure. Kumaoka Michiya, a NGO official from the Japan International Volunteer Center (JVC) sets a guideline for Japanese NGOs when he pointed out that many Japanese NGOs do not have capacity to handle funds of ¥50 million to ¥100 million and that NGOs should accept only twenty to thirty percent of the amount they can handle from external sources.\textsuperscript{104}

How to maintain their advocacy function is an important issue in forming partnership with the government, especially in a contracting relationship. As Ian Simillie argues, contracting between the government and NGOs is "usually a hegemonic relationship in which the weaker partner is obliged to accept the practices and policies of the funding agency. It is a relationship too often based on interference, containment, manipulation and limitation."\textsuperscript{105} This issue drew attention of many NGOs when they were faced with reconstruction tasks in Afghanistan and Iraq, following U.S. military campaigns in respective countries. Many Japanese NGOs opposed the wars and the Japanese government's support for the military actions. They were critical of the wars themselves and, moreover,

\textsuperscript{103} JANIC, Directory of Japanese NGOs.

\textsuperscript{104} http://www.parc-jp.org/oda_watch/index.html.

of the "peacebuilding" approach employed by the government. The approach, they maintained, is part of the government's strategy to politically support the U.S.-led wars and mobilize NGOs for the reconstruction works in the aftermath. Therefore, participating in the refugee relief and reconstruction efforts meant supporting the official approach, while refusing to do so meant turning their back on people who needed help. Many NGOs thus put much effort into advocacy activities against the wars and using ODA funds for peacebuilding works. In the postwar Iraq, some NGOs including JVC refuses to receive ODA funds and carries out humanitarian aid projects on their own.

When considering that the government-NGO partnership is likely to be strengthened in the coming years, how NGOs can maintain an arm's length from the government in their partnership becomes an important issue. In order for NGOs to remain a critical partner, their activities need to be supported by nonofficial funds as much as by government subsidies. Furthermore, as important as the financial aspect are the understanding and support of NGOs and their activities on the part of the general public. Public attitude to regard NGOs as groups of benevolent volunteer workers is still prevalent in Japanese society and it fails to acknowledge their roles in various domestic and international issues.

Corporate contributions to NGOs in non-monetary terms partially illustrate this point. Business support is increasing due to the top-down initiatives of Nippon Keidanren and it has made accomplishments in some outstanding cases such as JPF and JAHDS. On the lower level, however, corporate contributions are still insufficient. As discussed in chapter 2, many Japanese companies have introduced systems to encourage their employees to participate in volunteer activities, ranging from paid volunteer holidays to information dissemination on available volunteer opportunities. Despite these arrangements, the actual implementation of these systems fares poorly. A 2002 survey by Nippon
Keidanren shows that companies that actually implement the systems are minority. 65.7% of overall respondents raise “promotion of employee understanding and social participation” and 62.2% raise “leadership of top executives” as major challenges over the next three years. In other words, the survey results indicate that corporate support for volunteerism is initiated from above and that it has yet to prevail at the lower levels.

On the other hand, the inter-sectoral partnership could also bring challenges to MOFA and the government at large for that matter. For MOFA, working with smaller-scale, less organized organizations that lack accountability could decrease the efficiency of aid management. While ministries and other governmental agencies are required to guarantee that program operations meet certain standards of accountability including financial management and documentation, some NGOs may have difficulty in meeting the standards due to their organizational weaknesses.

The other challenge in cooperating with NGOs is that the government is required to be sensitive to social or humanitarian concerns and accommodate public requests that are not necessarily in the interest of policymakers. To the government, public participation is indeed a double-edged sword. Incorporating NGOs into the ODA program can increase public support and fit with general foreign policy goals on the one hand, but it may impose restrictions on specific policies on the other. As the cases of Afghanistan and Iraq imply, the more MOFA strengthens its cooperative ties with NGOs, the more the ministry may be affected by their advocacies. In a separate case, NGO advocacy pushed JBIC to establishing environmental guidelines in 2002 to be applied to the bank’s financial operations related to ODA projects. Preparation of the guidelines went under extensive public consultation processes, in which NGOs, academics and industry representatives presented their opinions.

106 Nippon Keidanren, Synopsis of the Survey.
These issues will become prominent as the partnership evolves and thus shall be the subjects of future study.


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