

Japan as Provider

—From the 1988 White Paper—

The 1988 white paper on Japan's economic cooperation, issued by the Ministry of International Trade and Industry, showed that Japan extended \$20.5 billion in economic cooperation to developing countries in 1987, a hefty 40.4% increase over the previous year. It was the third straight year in which Japan was the world's largest aid provider.

The total, consisting of official development assistance (ODA), other official flows and private flows, accounted for a quarter of all economic cooperation to the developing world. In terms of ODA alone, Japan ranked second after the United States in 1987. It ranked second again in 1988, but it is expected to overtake the U.S. as the biggest ODA provider in 1989.

The MITI white paper cited a growing gap among recipient countries as a new challenge for assistance strategies. It pointed out that while the economies of newly industrializing economies (NIEs) in Asia and the members of the Association of Southeast Asian Nations (ASEAN) continue to grow, those of debt-ridden Latin-American countries remain mired in a serious slump. The annual report also presented a new proposal on ways to contribute to the economic progress of the developing nations on a regional basis.

According to the report, Japan should expand imports from Asian NIEs to help them achieve economic growth and cooperate with their efforts to further upgrade their industrial structure. In Latin America, it should support economic development using private-sector initiatives through the effective use of international public funds.

The report was a further indication that Japan has embarked on a new era in economic cooperation. The history of Japan's economic cooperation can be divided into four periods.

The first period (1954-1964) coincided with Japan's rapid economic recovery from the devastation of World War II, and

marked the start of the nation's role as an aid provider. The economic cooperation provided during this period, however, primarily consisted of reparations payments to Asian countries which had suffered at Japan's hands during the war. From 1954 to 1958, Japan concluded reparations payment agreements with Burma, the Philippines, Indonesia and what was then South Vietnam, and began extending economic cooperation to implement the agreements. Japan also established government offices and affiliated organizations to handle this cooperation.

The second period (1965-1977), years during which Japan's economy achieved rapid growth, was characterized by rapid expansion in Japan's governmental financial cooperation with and private investment in developing countries.

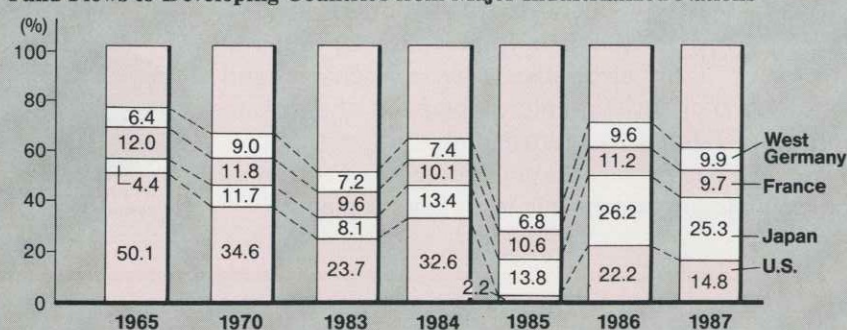
Throughout the second half of the 1960s Japan's economy enjoyed high growth. The nation's international economic status rose sharply as the economies of the United States and other industrialized countries remained in the doldrums. Japan took advantage of its growing economic strength to improve both the quantity and quality of its economic cooperation with South Korea, ASEAN and other Asian countries. At the same time, it further diversified its economic cooperation, particularly in the wake of the oil crises, as it implemented large government-backed projects and technical cooperation with oil-producing countries. Private-sector direct investment also soared.

The third period (1978-1984) witnessed an expansion of Japan's planned economic cooperation as it was increasingly urged by other countries to shoulder a greater international burden. Both industrialized and developing countries had been hard hit by the second oil crisis, and most industrialized countries, mired in economic stagnation, were unable to meet requests from the developing countries for greater economic cooperation. Japan, however, had fared relatively well, and had a favorable balance of payments despite the oil crunch. Pressure for Japan to do more mounted, and since 1978 it has repeatedly raised its ODA targets and pushed economic cooperation, largely to live up to international expectations.

The fourth period (from 1985 to the present) has seen Japan further increase its international contributions. Japan achieved its third medium-term ODA target much earlier than the scheduled date through a sharp increase in its ODA budget and the worldwide exchange rate adjustments following the Plaza agreement, which raised the dollar-value of its cooperation. It is now implementing its fourth medium-term ODA target, set in June 1988, on schedule.

Since 1986 Japan has been recycling the huge current account surplus it has earned since the beginning of the decade to developing countries. Its economic cooperation with these countries, in both ODA and private-sector funds, is playing a key role in international economic development.

Fund Flows to Developing Countries from Major Industrialized Nations



Source: DAC "Development Cooperation"