Kishida’s Realism Diplomacy

Japan’s Official Development Assistance Strategy

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This report is part of Strategic Japan, a CSIS Japan Chair initiative featuring analysis by Japan's leading foreign policy scholars on key regional and global challenges and the implications for the U.S.-Japan alliance.

Introduction

Intensifying strategic competition between the United States, its allies, and China has dominated debates in Western countries' foreign and security policy circles, and official development assistance (ODA) policies are increasingly discussed in relation to security policy. Japanese ODA policies are not an exception, and it is against this background that Prime Minister Kishida Fumio presented “realism diplomacy for a new era” in 2022, demonstrating his intent to use ODA strategically. This paper aims to clarify the ways in which Japan is trying to use ODA in the context of strategic competition with China, emphasizing the role of ODA in promoting the Free and Open Indo-Pacific (FOIP) initiative.

Background: The Evolution of Japan’s ODA Strategy

Throughout the post-World War II period, ODA has been a critical instrument of Japanese diplomacy for pursuing national interests. Japan's perceived national interests have changed over time per changing international and domestic environments, and the strategies and practices related to ODA have changed accordingly. In that sense, Japan’s ODA policy has been an instrument of “realism diplomacy,” similar to other Western countries, long before Kishida depicted his diplomacy as such. At the same time, ODA policy varies across countries, and Japan has unique features and historical context that set it apart from other Western donors.

JAPAN’S ODA STRATEGY IN THE COLD WAR ERA: NONMILITARY AND NONPOLITICAL

After World War II, Japan advocated becoming a peaceful nation (heiwa kokka). This was a declaration of self-reflection and a national goal of becoming an economic great power through nonmilitary means rather than a military great power as it was before the war. This major diplomatic principle was reflected in the country’s ODA policies. Japan imposed stricter restrictions on itself than other
Western donors in that it would not provide military assistance or allow its ODA to be used for military purposes. ODA, together with export credit and private sector activities, was collectively called “economic cooperation” (keizai kyoryoku) and was used to become an economic superpower. Japan’s ODA has prioritized infrastructure development in developing countries through a concessional development finance mechanism called yen loans. Japan has avoided providing assistance that could be perceived as interference in the internal affairs of recipient countries or making liberal democracy and respect for human rights a condition for granting assistance. This was a rational strategy for Japan because it was intended to allay the fears of Asian countries that Japan was again becoming a military power while also enabling Japan to secure its own markets and resources, promote the economic development of developing countries, and encourage Japanese companies to invest overseas. The provision of a security umbrella by the United States enabled Japan’s ODA strategy to focus exclusively on its economic objectives.

China was one of the largest beneficiaries of Japanese ODA during the Cold War. Since 1979, Japan has supported China’s reform and opening up policies by providing yen loans for infrastructure development and technical cooperation for human resource development. This was motivated by economic national interests, efforts to encourage Japanese private companies to enter China’s vast market, and the hopeful expectation that China, if developed economically, would become democratic like other Asian countries and a responsible member of the international community.

JAPAN’S ODA STRATEGY IN THE POST–COLD WAR ERA

However, the end of the Cold War and changes in the international environment since then have forced Japan to rethink its Cold War-era ODA strategy. In the post–Cold War period, democratization of former socialist countries and state building in post-conflict countries and fragile states became urgent challenges for the international community. Consequently, Japan’s long-standing hesitancy to become involved in the governance issues of recipient countries was obliged to change. The ODA Charter, a document that defined the principles, objectives, and areas of focus of Japanese ODA, first established in 1992, clearly stated that “full attention” should be paid to the democratization and human rights situation in recipient countries when making decisions about the provision of assistance. The charter also clarified Japan’s policy of providing ODA to ensure “good governance” in recipient countries. Japan has begun providing ODA to improve governance, particularly in Asian countries in transition from socialist regimes.

In the 2000s, with the democratic recession and the rise of authoritarian countries such as China, assistance in promoting so-called universal values became increasingly important. Japan assisted in the development of legal and judicial systems and the consolidation of democracy mainly in Asian countries. Meanwhile, Japan’s ODA policy documents repeatedly emphasized the need to avoid interfering in the internal affairs of recipient countries and the importance of self-help efforts. In the actual provision of assistance, consideration was given to avoiding areas that could potentially offend the incumbent government of the recipient country (such as capacity-building support for opposition parties, NGOs, and independent media), and emphasis was placed on promoting economic good governance (fair and transparent business environments necessary for attracting foreign direct investment).

The next change focused on the nonmilitary principle of ODA. This was in the context of the global trend toward the securitization of ODA, or the tendency for ODA to be provided primarily based on the
military security considerations of donor countries. In response to the rise of China and the resultant
deterioration of Japan’s security environment since the 2000s, there has been an emerging argument
in Japanese security and foreign policy circles that ODA should be used more strategically for national
security and that the nonmilitary principle should be relaxed for this purpose.

JAPAN’S ODA STRATEGY UNDER THE ABE SHINZO ADMINISTRATION
Against this backdrop, the Abe Shinzo administration emerged in 2006. The biggest diplomatic
challenge common to the first (2006–2007) and second (2013–2020) Abe administrations was
dealing with a rising China. To this end, the Abe administration promoted the securitization of ODA.
Furthermore, it announced that the development of universal values such as liberal democracy and the
rule of law was Japan’s diplomatic goal, contrary to the time-respected practice of postwar Japanese
diplomacy that distanced itself from values-based diplomacy.

Japan made remarkable progress on the securitization of ODA during the second Abe administration.
This was demonstrated in the National Security Strategy (NSS), first enacted in 2013. Recognizing
that Japan is “confronted by complex and grave national security challenges,” the strategy set forth a
“proactive contribution to peace” that would ensure Japan’s peace and security by actively contributing
to international peace and stability. The NSS was positioned as providing guidance for ODA policy in
addition to foreign and defense policy and clearly stated that ODA would be used as part of Japan’s
security policy. In response, the Development Cooperation Charter enacted in 2015 stated that
the purpose of ODA (renamed as “development cooperation”) was to contribute to securing Japan’s
national interests, such as maintaining Japan’s peace and security.

Meanwhile, the promotion of universal values was embodied in the Arc of Freedom and Prosperity
initiative of the first Abe administration. The initiative declared the addition of “value oriented
diplomacy,” in which universal values such as democracy, freedom, human rights, and the rule of law
would be emphasized in advancing diplomacy, as a “new axis for our diplomacy.” However, owing
to the short-lived first Abe administration and the fact that the underlying intention to contain China
through values-based diplomacy was not welcomed by Southeast Asian countries, the ODA policy did
not change significantly toward a stronger commitment to universal values. The Abe administration’s
second initiative was the FOIP. At first glance, the FOIP appears to be a manifestation of values-based
diplomacy similar to the Arc of Freedom and Prosperity. Indeed, it touches on the commitment to
universal values. In reality, however, it emphasizes international rule of law and freedom of the seas
and navigation, and the ODA strategy focuses on support for maritime law enforcement capacity. In
contrast, less emphasis is placed on democratization and human rights issues within the countries
in the region. Furthermore, the FOIP emphasized promoting the economic prosperity of countries
in the region by strengthening connectivity through the development of “quality infrastructure,”
and a massive amount of yen loans was provided for infrastructure development. In this sense, the
Abe administration’s ODA policy under the FOIP was a multipurpose strategy of pursuing Japan’s
economic interests through infrastructure exports while holding China in check with commitments
to universal values and seeking unity with its allies and like-minded states by confirming a shared
normative foundation. At the same time, it refrained from supporting democratization that might cause
displeasure among some governments in the region. It is a versatile and deft strategy that skillfully
mixes idealist and realist aspects of diplomacy.
**Key Issues: Kishida’s ODA Strategy**

Then came the Kishida administration in October 2021, as the “complex and grave national security challenges” perceived by the Abe administration back in 2013 became even more complex and grave due to the Russian invasion of Ukraine. Underlying the foreign policy of the Kishida administration is the recognition that “the international community now stands at a historic crossroads” at the end of the post–Cold War era in which the rules-based international order is threatened. The Kishida administration has responded to rising international tensions by successively revising the NSS, National Defense Strategy, and Defense Buildup Program in 2022, and plans to revise its Development Cooperation Charter in the first half of 2023.

With China in mind, the Kishida administration has followed the Abe administration’s strategic use of ODA for Japan’s national interests, especially for its security. At the same time, with the advent of the Biden administration, which has shown a strong interest in bolstering democracy, the Kishida administration faces the challenge of how to promote so-called universal values through ODA in cooperation with the United States and other Western countries.

**THE ROLE OF ODA IN JAPAN’S REVISED NATIONAL SECURITY STRATEGY**

The revised 2022 NSS notes that Japan finds itself in a security environment “as severe and complex as it has ever been since the end of World War II” and declares that China presents “the greatest strategic challenge in ensuring the peace and security of Japan and the peace and stability of the international community.”

The strategy sets forth three national interests to be protected: (1) the maintenance of sovereignty and independence; (2) the achievement of national prosperity through economic growth; and (3) the maintenance of an international order based on universal values and international law (and particularly maintenance and development of a free and open international order in the Indo-Pacific region). Then it sets three goals to ensure these national interests, namely: (1) to strengthen Japan’s own capacity to maintain its sovereignty and independence, (2) to maintain an international environment conducive to economic growth (to realize a virtuous cycle of security and economic growth), and (3) to achieve a new balance in international relations, especially in the Indo-Pacific region, and to prevent situations where unilateral changes in the status quo can be made.

ODA is mentioned as a tool to be used strategically in the first of the seven “strategic approaches” to realize these three goals, namely “efforts centered on diplomacy to prevent crises, proactively create a peaceful and stable international environment, and strengthen a free and open international order.” The strategy also states that ODA will be used to support a free and open international order under the FOIP initiative, including global issues such as poverty reduction, health, climate change, environment, and humanitarian assistance under the concept of “human security.”

**ODA POLICY PRIORITIES**

Policy priorities for Japan’s ODA will be outlined in the Development Cooperation Charter, which is scheduled to be revised by the first half of 2023 in response to the revision of the NSS. According to the draft published by the Ministry of Foreign Affairs in April 2023, goals for Japan’s ODA (renamed “development cooperation”) are (1) to proactively contribute to the formation of a peaceful, stable, and
prosperous international society, and (2) to contribute to the realization of Japan’s national interests. The draft charter emphasizes that the former is “directly connected” to the latter, implying that the pursuit of Japan’s national interests is not mutually exclusive with the provision of international public goods but rather that they are mutually reinforcing. Policy priorities for ODA are (1) the achievement of quality growth—meaning growth that is inclusive, sustainable, and resilient—for developing countries, and poverty reduction, (2) maintenance and strengthening of a free and open international order, and (3) playing a leading role in coping with the increasing complexity and severity of global issues such as climate change, public health, and disaster management.

**FURTHER PROMOTION OF THE FOIP INITIATIVE**

Strangely enough, the new 14-page draft charter references the FOIP only once. However, this does not mean that the importance of Japan’s ODA policy has waned under the FOIP initiative. To the contrary, the Kishida administration renewed commitment to pursue this initiative further by publishing the “New Plan for a ‘Free and Open Indo-Pacific (FOIP)’” in March 2023, where ODA is expected to play a major role. The plan observes that “the international community lacks a guiding perspective that is acceptable to all about what the international order should be,” as demonstrated by the failure of the international community to stand united against the apparent violation of established international law by Russia’s invasion of Ukraine. Under such a situation, the new plan argues that the FOIP is more important than ever to the goal of leading the international community toward cooperation rather than division and confrontation since the FOIP’s core ideas—such as freedom, openness, diversity, inclusiveness, and the rule of law as foundations for the international order—are endorsed not only by Western countries but also by emerging and developing countries.

Based on this observation, the plan establishes four main pillars of cooperation: (1) maintenance and strengthening of international rules for peace and prosperity, (2) addressing common challenges in the Indo-Pacific region, such as climate change, energy and food security, and global health, (3) enhancement of multilayered connectivity, and (4) extension of efforts for security and safe use of the sea and the air.

ODA is expected to contribute mainly to the second, third, and fourth pillars. Among others, the third pillar, the enhancement of connectivity, is positioned as the “core element of the cooperation for FOIP.” Japan has already declared in a joint statement at the Quad Summit held in Tokyo in May 2022 that it would jointly contribute more than $50 billion to the infrastructure sector over the next five years. In March 2023, Prime Minister Kishida stated in India that Japan would invest in infrastructure in the Indo-Pacific region by expanding ODA and other measures and mobilizing more than $75 billion in public and private funds by 2030.

Regarding the fourth pillar of security and safe use of the sea and the air, Japan’s cooperation would be a combination of software support in the form of human resource development in the areas of the rule of law, governance, and maritime security (e.g., capacity building of maritime law enforcement agencies) and hardware support in the form of the provision of maritime security equipment, such as patrol vessels and support for the development of maritime transport infrastructure (e.g., ports and harbors). According to the pledge by Prime Minister Kishida at the Shangri-La Dialogue in 2022, cooperation includes the training of more than 800 personnel in the field of maritime security in more than 20 countries over three years starting in 2022, the provision of maritime security equipment and
support for maritime transport infrastructure worth at least $2 billion, and the training of more than 1,500 personnel in the areas of the rule of law and governance.

STRATEGIC USE OF ODA FOR THREE OBJECTIVES
Judging from the abovementioned areas of focus outlined in the revised NSS and the draft Development Cooperation Charter, the Kishida administration intends to utilize ODA in the context of competition with China for three purposes. A clue is a phrase in the revised NSS—“achieve a new balance in international relations”—that did not appear in the previous NSS. It is an expression of a sense of crisis that the balance of power is shifting in China’s favor, which could lead to a situation in which China could unilaterally change the status quo by force. Reflecting the changing nature of strategic competition with China, away from economic competition toward more diverse competition including military and ideological elements, the new balance to be established is also multifaceted.

- The first goal is to rectify power asymmetry in traditional security terms between countries in the Indo-Pacific region and China. Japan intends to enhance the defense and deterrence capabilities of such countries as the Philippines and Vietnam, who are also concerned about unilateral changes in the status quo by China, and couple those actions with efforts to strengthen its own defense capabilities to create a favorable security environment for Japan. To this end, the Kishida administration will further promote the securitization of ODA by providing capacity-building support to maritime law enforcement agencies and assistance to the military for nonmilitary purposes. This will be combined with non-ODA measures, such as a newly introduced category of cooperation named “official security assistance” (OSA) to provide the military with non-lethal defense equipment, such as surveillance radar, capacity-building support by Japan’s Self-Defense Forces for the military, and defense equipment transfers (arms exports) under the new guideline.

- The second goal is to close the gap with China in economic terms by revitalizing the long-stagnated Japanese economy. This is manifested in the draft of the new Development Cooperation Charter that sets “realization of further prosperity (of Japan) through economic growth” as one of the national interests to be secured by ODA provision. Japan’s intent in this regard is evidenced by the fact that a significant portion of yen loans to support the development of “quality infrastructure” in the Indo-Pacific region is so-called tied aid, which obligates the government of the borrower country to award construction contracts only to Japanese companies.

- The third goal is to gain an advantage in competition with China for the support of countries in the Global South. This is accomplished in two ways. The first is to present a concept for the international order that is acceptable to the Global South, which is the FOIP’s guiding principle (a free and open international order based on the rule of law and respect for diversity and inclusion). The second is to respond sincerely to the urgent developmental challenges of the Global South. The draft Development Cooperation Charter emphasizes that Japan would endeavor to meet a wide range of development agendas in recipient countries “through dialogue and collaboration” and by building “a two-way relationship in which we can learn from each other as equals.”

It is worth noting that Japan’s ODA projects are now being devised to simultaneously achieve these three objectives. A prime example is the Matabari Port Development Project, which is under
construction in southern Bangladesh under a yen loan. Its main objective is to contribute to Bangladesh’s economic development through enhanced infrastructure connectivity. However, the project has other objectives. One is to prevent China from providing assistance for port development in Bangladesh. It is also said to have the objective of expanding business opportunities for Japanese private companies by extending infrastructure connectivity to the northeastern part of India, as well as of stabilizing the region by promoting the development of India’s northeastern region, a poverty-stricken area bordering on China and Myanmar.

**Policy Recommendations**

Given the increasingly deteriorating security environment in which Japan finds itself, it is inevitable that ODA policy will become part of Japan’s security strategy. China’s increasingly repressive and coercive posture both at home and abroad and Russia’s invasion of Ukraine have brought about a major change in the international perceptions of ordinary Japanese. The majority of Japanese citizens would now agree on the need for the strategic use of ODA for military and economic national security interests.

However, it is becoming increasingly difficult for donor countries to decide on ODA policy without paying due attention to the voices of recipient countries. In particular, many countries in the Indo-Pacific region have achieved rapid economic development and gained confidence and voice, and their dependence on ODA is declining. It should also be noted that the Global South’s voice in development cooperation architecture is growing, as demonstrated in discussions over the UN Sustainable Development Goals (SDGs). Donor-driven assistance and a donor-led development cooperation architecture are no longer feasible.

The Global South’s reactions to Russia’s invasion of Ukraine have been a sobering reminder for Japan and other Western countries that their voices must be heard more than ever. It demonstrated that the developed world and the Global South do not necessarily share the same assessment of the Sino-Russian military threat, the same sense of legitimacy regarding the existing international order, or the same awareness of the urgent challenges facing the Global South. While developed countries framed the war in Ukraine as a battle between liberal democracy and authoritarianism and advocated the need for international unity to defend the former against the latter, it became clear that the most pressing issues for the Global South were food and energy security crises, extreme poverty, climate change, and humanitarian crises due to forgotten conflicts in Syria, Yemen, Afghanistan, and elsewhere. **Remarks** by India’s external affairs minister Subrahmanyam Jaishankar that “somewhere Europe has to grow out of the mindset that Europe’s problems are the world’s problems, but the world’s problems are not Europe’s problems” may represent the frustration of many countries in the Global South.

Considering this, it is crucial in crafting ODA policy to understand the most pressing issues and worldviews of recipient countries and to construct effective country-specific cooperation policies acceptable and beneficial to recipient countries. In this regard, it is a good sign that Japan is trying to send the message that it duly understands the necessity of hearing the voices of the Global South. This is based on the concern expressed by Prime Minister Kishida himself in his address in Washington, D.C., in January 2023 that “even if we walk on a path which we believe to be right, if the Global South, holding integral places in the international arena, turn their back, we will find ourselves in the minority and unable to resolve mounting policy issues.”
Based on the above, the following are recommendations to the governments of Japan and the United States:

1. **Reaffirm the basic principle of ODA once again.** A clear message should be sent confirming that ODA is to be planned and used primarily for the socioeconomic development of recipient countries to allay the concerns of recipient countries that ODA is increasingly designed primarily according to donor-driven military and economic security considerations.

2. **Increase the ODA budget to 0.7 percent of gross national income (GNI) over the next 10 years.** According to the 2022 White Paper on Development Cooperation released by the Ministry of Foreign Affairs in March 2023, Japan’s actual ODA expenditure in 2021 was approximately $17.6 billion, ranking 3rd among the 29 Organization for Economic Cooperation and Development’s Development Assistance Committee (DAC) countries, after the United States and Germany, but only 12th in terms of ODA-to-GNI ratio, at 0.34 percent. ODA from the United States in the same year was $42.3 billion, ranking first among DAC countries but 23rd in terms of its ODA to GNI ratio, at 0.18 percent. This means that there is plenty of room for the expansion of the ODA budget for both Japan and the United States to address enormous development needs.

3. **Ensure that pledges to support infrastructure development do not end up as empty promises.** Both Japan and the United States have pledged huge amounts of infrastructure support to date, but finding “bankable” projects is no easy task. Due to the inadequate investment climate in developing countries, it is overly optimistic to expect private funds to flow into the infrastructure sector without public support. For this reason, ODA loans such as yen loans must be the main source of support. The United States should consider reintroducing an official financial mechanism to support infrastructure development like Japan’s yen loans.

4. **Lead the discussion on development cooperation architecture.** China has been stepping up its engagement in development cooperation architecture, starting with its announcement of the Belt and Road Initiative in 2014 as an initiative to meet an enormous infrastructure development need globally, followed by the establishment of the Asian Infrastructure Investment Bank in 2016 and the announcement of the Global Development Initiative in 2021. As a discussion of the post-SDG development landscape is gaining momentum, developed countries, especially Japan and the United States, must lead international discussions about the future of development cooperation architecture to help deal with global issues through dialogue with Global South countries. They should also strengthen cooperation with so-called emerging donors, including India, which is establishing a presence through vaccine diplomacy, and Indonesia, which is providing support for democratization to developing countries based on its own experience of democratic transition.

5. **Lead the discussion on strategies to promote democracy.** Given the recent trend of democratic backsliding, reinvigorating liberal democracy is a common mission of Japan and the United States. The challenge is how to promote democratic consolidation in developing countries without imposing values or institutions on them. It would be beneficial for Japan and the United States, which have taken contrasting approaches to governance assistance, to reflect on and compare past performances. In this regard, it is welcome that USAID administrator Samantha Power has launched a policy of touting that “democracy delivers,” reflecting on past democracy
assistance strategies that placed too much emphasis on political freedom and institutions. On the other hand, Japan’s assistance strategy, which has focused on economic governance to facilitate economic development and has distanced itself from political values, also requires reflection. Hopefully, Japan and the United States will bring their lessons together to discuss more effective strategies for promoting liberal democracy and lead the discussion among like-minded countries.

Conclusion

The Kishida administration’s “realism diplomacy for a new era,” in which ideals are held high while responding realistically, has so far made good progress in terms of observing realism. The securitization of ODA is well underway. The Kishida administration has shown agility in balancing between the pursuit of national interests and contributing to international development based on the lessons of the war in Ukraine. However, on the idealistic side, it faces a thorny dilemma. That dilemma is that to protect the current international order based on universal values against encroachment by authoritarian states, Japan will have to work with countries that have not yet achieved universal values domestically. Regarding the promotion of liberal democracy and the rule of law within Indo-Pacific countries, Prime Minister Kishida expressed his commitment at the second Democracy Summit, hosted by the United States in March 2023, to “keep up our work to strengthen democracy through continuous and tireless efforts,” and emphasized that Japan “has implemented various measures in a number of countries to support democratization, including improving judicial systems and institutional capacity building” and “has supported—and will continue to support—each country’s own initiatives with a focus on people.” Does this statement indicate Japan’s intention to continue its past approach to governance assistance? This approach has contrasted with U.S.-style support for democratization, which has been criticized for being too intrusive. Or, just as the United States is trying to improve its democracy assistance strategy, does Japan intend to build on the lessons it has learned from its assistance to countries such as Myanmar and Cambodia, for example, and consider new and effective assistance strategies to promote endogenous change in developing countries? The actual exercise of Kishida’s idealism remains to be seen.

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