**Yen Loans — Between Norms and Heterogeneity**

**Yen Loans as a Symbol of Heterogeneity**

Development assistance norms—the dominant value perceptions and systems dictating what development assistance should be—were formed in the period after the Second World War, mostly under the guidance of the United States and European countries. These norms are founded on the premise that development assistance is a form of charity undertaken by rich countries for the sake of poor countries. Because charity is “help, especially in the form of money, given freely to people who are in need,”[[1]](#footnote-1) it is only natural that grants and technical assistance—the transfer of money, property and services to developing countries for no return or consideration—are seen as the ideal modalities of assistance.

Under these norms, loans, although not rejected outright, have been characterized as “lower quality” assistance than grants and technical assistance.[[2]](#footnote-2) The development assistance provided by Japan, mainly in the form of concessional or soft loans, often referred to as “yen loans,” has been a continuing object of criticism based on these norms.

Yen loans are long-term, low-interest loans provided to developing countries as part of the Japanese government’s Official Development Assistance (ODA). The loans are administered by the Japan International Cooperation Agency (JICA) based on diplomatic agreements between the Japanese government and the government of the country receiving assistance. Loans are mainly allocated to infrastructure development, a purpose for which commercial loans are unsuitable. Yen loans have been characterized as typical of Japanese development assistance for two reasons. First, yen loans have accounted for the largest monetary component of Japan’s development assistance throughout its history of over 60 years (Yamada 2021:5). This contrasts sharply with the Netherlands and the Scandinavian countries, which have hardly ever used loans as a means of development assistance, and with the United Kingdom, which provided loans in the past but cut back dramatically from the 1970s onwards. Even compared with countries such as Germany and France, which also provide loans, Japan is notable for providing a significantly larger proportion of its total monetary assistance in this form.[[3]](#footnote-3) Second, yen loans are closely associated with other elements seen as characteristic of “Japanese-style assistance.” Yen loans play a pivotal role in Japan’s approach to development assistance, based on the so-called “Trinity” of assistance, investment, and trade (Wang 2022) Specifically, yen loans have functioned to create environments for investment in developing countries by helping to build core infrastructures such as electric power, communications, and transport. They have also worked to stimulate and encourage foreign direct investment by Japanese companies. Yen loans not only embody the characteristics of Japan’s approach to assistance—its focus on infrastructure and economic growth—but are also associated with Japan’s ideal of “assistance for self-help efforts” (Shimomura 2020:180; Yamada 2021:3).

Yen loans are symbolic of “the heterogeneity that flows through the history of Japan’s development assistance policy” (Shimomura 2020:1-2). What, then, is the nature of this discord over yen loans between Japan and the *norm-makers*—the United States and European countries—that established development assistance norms? Has Japan always been the *norm-taker*, pressured to comply with established norms? Has contact with this heterogeneity brought about no change in the *norm-makers* who, it has been pointed out, “lack flexibility with respect to difference” (Shimomura 2020:17)?

With an awareness of these issues, we begin this paper by presenting an overview of the historical relationship between loans and Japan, before examining issues including why Japan adopted yen loans as a method of assistance, why it adopted its unique approach to development assistance based on yen loans, and how this approach has developed to the present day. Next, we provide an outline of the assessment given to Japanese-style assistance from the perspective of development assistance norms, guided by the United States and European countries, and how Japan has responded to this assessment. We then touch on the changes in the nature of the discord that has arisen over the establishment of these norms, in the context of significant changes in the international political and economic order in recent years.

**Japan’s history of providing loans**

In this context, “loans” refer to the long-term provision of credit between the governments or public institutions of sovereign nations.[[4]](#footnote-4) Loans were used extensively by the great imperial powers from the 19th century onward. Japan’s first experience came as a borrower, at the end of the Edo period. In 1865, Japan accepted a loan of 2.4 million dollars from France’s Société Générale for the construction of the Yokosuka Ironworks. These ironworks were later to become the Yokosuka Naval Arsenal, which provided Japan-made warships to the Imperial Japanese Navy, which played a leading role in Japan’s victory in the Russo-Japanese War.

Japan successfully used its borrowing as a foothold to national prosperity and stronger defense, gaining a place among the great powers. With this, it transformed from a borrower to a lender. This time, the borrower was China (the Qing dynasty and later, the Republic of China), where the great powers were engaged in a massive power struggle.[[5]](#footnote-5) Interestingly, a framework reminiscent of the discord between norms and heterogeneity concerning postwar yen loans can be observed in prewar lending to China. At the time, China was seen as “the only remaining giant undeveloped market in the world” (Sakai 2001:100), and the great powers, comprising the United Kingdom, the United States, Germany, France, Russia, and now Japan, jointly provided it with loans to prevent any single one of them gaining a particularly advantageous position. Japan, while ostensibly adopting an attitude of international cooperation through participation in the consortium formed for the purpose of mutual containment, attempted to secure “special interests in Manchuria.” However, this “heterogeneous” behavior by Japan was forced to comply with the norms of international finance, led by the United Kingdom, under the label of “standards of a civilized country” (Sakai 2001).

There was a general feeling after the Second World War that it was the duty of “advanced nations” to support the economic and social development of the “developing countries” newly freed from colonial rule. Loans, which had previously been used as a means of imperial posturing, were now transformed into a way of supporting developing countries.[[6]](#footnote-6) The International Bank for Reconstruction and Development (World Bank) was established in 1945 with the mission of providing loans for development. From the 1950s through the early 1960s, the United States, the United Kingdom, West Germany, and the USSR actively provided loans to India and other developing countries. It was in this context that Japan made its first yen loan in 1958, for a steelworks construction project in India, and joined the ranks of loan providers.[[7]](#footnote-7)

Specific circumstances led to Japan’s adoption of yen loans as its way of providing development assistance. Almost all major cities in Japan were reduced to rubble in the Second World War, and conditions were so poor that people were dying of starvation in the streets. Nevertheless, immediately after the War, there was already consensus among Japan’s policy circles, including members of the ruling party and government officials, concerning the critical importance of “economic cooperation.” There was a perception that economic autonomy was vital for Japan’s political independence, and that “economic cooperation”—the injection of Japanese money and technology and the strengthening of trade and investment relationships—was needed to achieve economic growth in Asia. The problem was finding the necessary financial resources. Thus arose the idea of combining war reparations to Asian countries with economic cooperation. In other words, this meant using Japanese materials, equipment, and technology, provided in the name of reparation, to build infrastructure in developing countries, effectively incorporating economic cooperation into Japan’s fulfillment of its duty of compensation (Shimomura 2020:40-47; Sato 2021:19-22, 191). The resulting projects included the construction of core infrastructure still in use today, such as the Baluchaung Hydropower Plant in Burma, and projects that later developed into large-scale yen loans, such as the project to develop the Brantas River basin in Indonesia. It is therefore said that Japan’s assistance began with war reparations. Development assistance by Japan started as compensation paid as the losing side in the Second World War, in what was, literally, economic cooperation by the mutually distressed. It was certainly not "assistance as charity provided by a rich country to poor countries."

When Japan’s rapid economic growth began in earnest in the 1960s, the country’s policymakers began to adopt the optimistic view that Japan was now firmly on “the road to becoming an advanced nation.” The volume of yen loans was increased to take the place of war reparations in funding infrastructure development in Asia. In 1961, the Overseas Economic Cooperation Fund (OECF) was established as an assistance organization especially to provide loans. The situation at the Ministry of Finance at the time was one factor behind Japan’s adoption of yen loans as its main method of development assistance. Concerned over increases in the assistance budget in response to pressure from the United States and Europe, the Ministry of Finance promoted yen loans as a form of assistance with less impact on the general account budget (Shimomura 2020:80-82).[[8]](#footnote-8)

The design of the yen loans system and its features reflect Japan’s “Trinity” approach to development assistance. For example, yen loans were tied aid: specific conditions were attached with the aim of supporting overseas expansion by Japanese companies. Only Japanese companies could be contracted to carry out infrastructure works funded by yen loans. Tied aid accounted for almost 100% of all yen loans up to the mid-1970s (Yamada 2021: 24). Moreover, the major recipients of yen loans were countries in Asia in which Japanese countries had an interest, such as South Korea, Thailand, the Philippines, Indonesia, and Burma.

The Japanese approach to development assistance did not just reflect circumstances on the Japanese side, however. The focused injection of yen loans into infrastructure projects was also consistent with the national development plans of the recipient countries. Asian countries were desperate to improve their investment environments through infrastructure improvement so that they could attract foreign direct investment, strengthen their international competitiveness and promote exports. In other words, both Japan and its recipient countries in Asia shared a tacit understanding of the importance of linking assistance, investment and trade. This approach was distinct from that adopted by the United States and European countries, which perceived assistance as charity and rejected the pursuit of profits by the assistance provider. This “other approach” (Shimomura 2020:142, 190), however, was not clearly articulated by Japan until 1987, when the Ministry of International Trade and Industry announced the New AID Plan (New Asian Industrial Development Plan). As we will examine later in this paper, this lack of clarity led to criticism of the Japanese assistance ideal from the United States and Europe.

The geographical spread of the recipients of yen loans expanded greatly from the 1980s onward. The People’s Republic of China was already a recipient of yen loans in 1979, but it was joined by Middle Eastern countries such as Turkey and Jordan, and African countries such as Kenya and Ghana. In the 1990s, immediately after the end of the Cold War, yen loans were also provided to formerly socialist countries including members of the former Soviet Union, Eastern European countries, Mongolia and Vietnam. The range of projects targeted under yen loans also became more diverse, including support for SMEs, human resources development, and, recently, the construction of patrol boats to strengthen the maritime law enforcement capabilities of developing countries concerned about China’s maritime expansion. The former over-emphasis on infrastructure is disappearing. However, the fundamental characteristic of yen loans—their focus on support for infrastructure development in Asian countries in cooperation with private-sector companies—remains unchanged today.

**Criticism of yen loans from the perspective of the *norm-makers***

How, then, have yen loans, and the Japanese-style approach based on yen loans, been perceived from the perspective of the *norm-makers*? The main forum for discord between the norms championed by the United States and European countries and Japanese heterogeneity was the Development Assistance Committee (DAC) established by the Organization of Economic Cooperation and Development (OECD) in 1961.[[9]](#footnote-9) This coincided with an era of escalating tension in the Cold War, with the erection of the Berlin Wall (1961) and the Cuban Missile Crisis (1962). Competition between the United States and the Soviet Union over assistance to newly-emerging developing countries, mostly on the African continent, also intensified during the 1960s. The DAC’s system of peer review, where member states assessed each other’s assistance programs, was aimed at achieving effective, closely coordinated assistance to counter the assistance being aggressively provided by the Soviet Union. Even after the Cold War, the DAC continued to function as the main forum of criticism directed at Japanese assistance. Critics of Japan’s development assistance also included journalists, researchers into assistance policy, and international NGOs, which rapidly increased their unofficial influence on international affairs from the 1990s onward.

It was journalists from Europe and the United States who first expressed criticism of the assistance provided by Japan. From the 1960s to the early 1970s, they criticized Japan’s development assistance as serving Japan’s own interest in promoting exports, rather than the interests of developing countries. For example, Håkan Hedberg, a Swedish journalist, disparaged Japanese assistance as implemented not to benefit developing countries in Asia and Africa, but rather “for Japan, or Japanese industry” (Hedberg 1970:257). Meanwhile, the DAC made efforts “aimed primarily at the development of developing regions” a definitive requirement of ODA, and thus became another forum for similar criticism of Japan’s assistance efforts. Together with this criticism of commercialism, Japan’s development assistance was repeatedly denounced for its lack of clear principles concerning the aim of the assistance (Sato 2021:189).

In the 1970s, styles of assistance quite different from Japan’s approach were becoming mainstream. One of these was assistance grants. The United Kingdom, for example, established a policy of making assistance free of change in the 1970s, and drastically reduced the volume of its loans (Iijima 2004:127, 156). Moreover, through the advocacy of the United States Agency for International Development (USAID), support for the fulfillment of basic human needs such as food, health and medical services, and basic education became the norm for development assistance. In this context, the “heterogeneity” of Japan’s development assistance, which focused on infrastructure development through loans, became yet more marked. For example, the report from a 1995 peer review of Japanese development assistance carried out by the DAC criticizes Japan for having the lowest quality assistance of any DAC member in 1993, measured on the basis of its grant element, as a result of the fact that “Japan relies more on loans and less on grants than most donors” (OECD 1996:7,44).

The gap between development assistance norms and Japan’s approach to assistance widened even further in the second half of the 1990s. This time, the formation of norms was led by the United Kingdom, under the Blair government which came to power in 1997 (Iijima 2004:124). The United Kingdom advocated the reduction of poverty as the goal of aid,
and attempted to bring it to the center of international assistance efforts. In this context, criticism was leveled at Japan’s focus on economic growth: “Japan needs to more fully mainstream poverty reduction” (OECD 2004:101). The United Kingdom also proposed common funds, to which donors make joint contributions, and general budget support, where funds are provided into the recipient country’s general account budget, to replace traditional project-based assistance, in which each donor country funds its own individual projects. The Netherlands and the Scandinavian countries sympathized with this perspective, and it came to dominate the mainstream of international assistance. In the second half of the 2000s and the first half of the 2010s, with the major developed nations increasingly focused on closely-coordinated efforts to enhance the effectiveness of the assistance they provided, Japan’s assistance efforts, which emphasized support for individual projects, became subject to new criticism: that they were “uncooperative with the trend of international assistance coordination.”

In the 2000s, yen loans faced significant adversity. Debt relief measures for Heavily Indebted Poor Countries (HIPCs) became a focus of international attention, and Japan, a major lender, was left with no alternative but to substantially reduce or exempt these borrowers from the repayment of yen loans. “Loans are not an appropriate method of assistance, to begin with.” This assertion was echoed among international NGOs and in academic circles. In the DAC peer review conducted in 2004, it was recommended that Japan should raise its proportion of assistance grants. In the 2010 peer review, Japan’s economic growth-centered approach, with its focus on supporting infrastructure development, was again subject to criticism, and Japan was yet more bluntly advised to strengthen its assistance linked to poverty reduction.

**The “heterogeneous” Japanese reaction**

Faced with mounting pressure from *norm-makers*, Japan was left with no option but to “reform.” A representative example of this was the “tied aid” condition attached to its yen loans, which had been criticized as “unprincipled commercialist assistance.” As a result of the progressive shift to untied aid since the mid-1970s, allowing European and US companies to bid for infrastructure projects funded using yen loans, the proportion of tied yen loans had fallen to 32% in 1983. By 1996, no yen loans were delivered as tied aid (Yamada 2021:24).[[10]](#footnote-10)

However, Japan made no attempt to change its loan-centered, infrastructure-focused assistance approach, which had consistently been the target of criticism. Faced with the need to justify the Japanese-style approach to development assistance, Japan put forward the principle of “assistance for self-help efforts.”[[11]](#footnote-11) Assistance for self-help efforts was listed as part of Japan’s assistance philosophy in the ODA Charter established in 1992. This was not only a response to criticism of Japan’s assistance efforts as unprincipled but also aimed at justifying yen loans as a method of assistance, based on the logic—advocated by the Ministry of Foreign Affairs (MOFA)—that yen loans, by making developing countries responsible for repayment, would encourage autonomous efforts to ensure repayment in the future, including efforts to use funds efficiently.

An important factor in Japan’s persistent implementation of loan-based assistance, apart from fiscal reasons, was the massive demand for infrastructure funding among developing countries in Asia. With Europe and the United States intent on positioning BHN and poverty reduction as the main focus of assistance and steering towards an emphasis on the social sector through grants and technical cooperation, Japan’s “rarity value” increased, as a bilateral donor willing to provide long-term, low-interest loans to meet this demand for infrastructure funding. Even as it was being criticized as an “unprincipled donor” by countries in Europe and the United States, Japan continued to respond conscientiously to the demands of assistance recipients as a “sensible donor” (Shimomura 2020:176).

One of the very rare instances in which Japan expressed any opinion on the creation of norms was “The East Asian Miracle” research carried out in the first half of the 1990s as a result of Japanese pressure on the World Bank (Shimomura 2022).[[12]](#footnote-12) By 1989, Japan had overtaken the United States to be the largest assistance donor in the world. Moreover, many of the main recipients of Japanese assistance in Asia had achieved rapid economic growth with some, such as South Korea, Thailand and Malaysia, becoming donors in their own right. With deepening confidence in its own assistance policy, Japan (specifically the Ministry of Finance and the OECF) expressed disagreement with the loan policies adopted by the IMD and the World Bank, which were based on the neoclassical economic theory in vogue at the time. Japan aimed to gain recognition for the role of government in stimulating economic growth, as well as to provide an indirect justification for its own infrastructure-centered assistance policy. Contrary to Japan’s expectations, however, *The East Asian Miracle — Economic Growth and Public Policy*, published by the World Bank in 1993, did not provide a positive assessment of industrial policy (policy intervention to develop specific industries, revitalize exports, etc.). Nevertheless, the report concluded that the establishment of basic conditions by East and Southeast Asian governments, such as appropriate infrastructure development, together with macroeconomic stabilization and human resources development, had enabled them to sustain rapid economic growth.

Japan never again took the initiative in the establishment of development assistance norms. The norms championed by Europe and the United States became increasingly dominated by the perception of assistance as “charity,”[[13]](#footnote-13) which gained further traction after the end of the Cold War, and an ideology focused on poverty reduction. Despite becoming the largest assistance donor in the world, Japan was unable to become a *norm-maker*.

**An example of the successful establishment of norms? — the proposal of “Principles for Promoting Quality Infrastructure Investment”**

Ironically, it was not until the second half of the 2010s, long after its glory as the top donor in the 1990s had faded[[14]](#footnote-14) and it had fallen behind the United States, Germany and France in terms of the amount of assistance it provided, that Japan began to exert an influence on the formation of development assistance norms. Faced with the need to differentiate its own approach from assistance efforts by China, which had become the target of harsh criticism from the global community, Japan embarked on the formation of assistance norms concerning support for infrastructure development. China, which had ramped up its assistance efforts from the 2000s in the context of continuing rapid economic growth, was criticized by Europe and the United States for using these efforts to secure resources and gain overseas markets. Some in the United States even denounced Chinese assistance efforts as “rogue aid,” recklessly supporting “rogue states” such as North Korea, Iran and Venezuela (Naím 2007).

Wariness and criticism of Chinese assistance efforts became more pronounced with the appearance of the Xi Jinping administration, which strengthened China’s self-assertion under the banner of the “Chinese Dream.” The Belt and Road initiative of 2013 was perceived as a clear indication of China’s will and ability to meet the massive infrastructure demand across both the land and sea between China and Europe. It was in this context that an event occurred in 2016 that became known in the international assistance community as the Hambantota Shock. In return for complying with the Sri Lankan government’s request for debt relief concerning the money it had borrowed from The Export-Import Bank of China to fund the construction of Hambantota Port, Chinese authorities forced the Sri Lankan government to agree to a 99-year lease of the port. This action gave rise to criticism from those who claimed China was providing massive loans to poor countries to fund unprofitable infrastructure projects, leaving these countries unable to repay their debt, and using this situation to secure key strategic bases (the “debt trap” theory).

The issue for Japan was that China’s approach to assistance was similar to its own. China not only made extensive use of loans to support infrastructure projects in developing countries but also used this assistance to support the overseas expansion of its domestic companies—a method of assistance reminiscent of Japan’s “Trinity” approach.[[15]](#footnote-15) This was deeply concerning for Japan. Struggling against the worst fiscal conditions of any advanced country, Japan had no option but to place increasing reliance on yen loans, which carry a relatively light fiscal burden, to combat China. At the time, it was in the process of responding to calls from financial circles to increase yen loans delivered as tied aid in order to bolster the domestic economy, which was suffering from long-term stagnation. Yen loans were fast becoming Japan’s “flagship product.” Chinese assistance, however, was a “similar product,” and Japan had to avoid becoming caught up in international criticism that this “similar product” was attracting. Japan, therefore, needed to differentiate its approach from Chinese assistance. MOFA and JICA, concerned about the state of Chinese assistance, carefully considered differentiation strategies. They came to the conclusion that Japan should emphasize the difference in “quality” between its approach and the Chinese one.

The concept of “quality infrastructure” was a concrete expression of this. Quality infrastructure was defined as accessible, long-lasting, environmentally-friendly infrastructure that can be used to prepare against disasters, and is therefore inexpensive in the long-term, despite the high initial price (MOFA 2015). This definition was aimed at striking a contrast with the infrastructure produced through China’s assistance efforts, which was criticized as low-price but poor-quality infrastructure with little development benefit and a negative environmental impact (Naím 2007). However, this definition was too lengthy and intuitive to articulate a normative concept of infrastructure. “Quality infrastructure” was therefore redefined using three standards: “resilient,” against natural disasters and other risks, “inclusive,” leaving no one behind, and “sustainable,” taking into account its impact on society and the environment (MOFA 2021).

Moreover, as China came under increasing criticism for using excessive loans to set “debt traps,” Japan was pressured to lead the establishment, not only of norms concerning infrastructure but also of norms for the conduct of debt-providing nations. Its first attempt to do this was the “G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment,” endorsed at the G7 Ise-Shima Summit in 2016. At the G20 Osaka Summit in 2019, Japan went on to propose the “G20 Principles for Quality Infrastructure Investment.” These principles require countries providing loans to fund infrastructure projects in developing countries to consider factors including transparency, openness, economic efficiency, and debt sustainability. According to the Japanese government, the principles are aimed at preventing “poor quality” infrastructure investment (assistance) impeding growth in developing countries. The principles of “transparency” and “openness,” which require that completed infrastructure is operated in a transparent manner with all users allowed equal access, and the principle of “debt sustainability,” which requires the lender to consider whether the borrower is able to sustain the debt, were, of course, formulated with the criticism of Chinese assistance efforts in mind.

What is important here is that the Japanese government clearly aimed for the “international standardization of quality infrastructure,” and succeeded in gaining the endorsement, not only of developed countries, but also of developing countries such as India, Brazil, South Africa, and Indonesia. China doubtless understood that it was, in effect, the target of Japan’s actions, but the framing of the principles—as standards of conduct that should be adhered to by responsible lenders for the sake of developing countries—left it unable to refute them. This can be regarded as a successful attempt to establish development assistance norms.

There were specific reasons why Japan, which had not previously taken a leadership role in establishing development assistance norms, was able to succeed this time. The first was the rise in demand for infrastructure development. With numerous developing countries incorporated into value chains as a result of economic globalization, demand for logistics infrastructure had grown phenomenally.[[16]](#footnote-16) Private sector investment in infrastructure through private-public partnership (PPP), however, had not progressed as originally anticipated. Another important reason was the growing influence of developing countries in the establishment of assistance norms. In contrast to the Millennium Development Goals (MDGs), which were created mainly through the leadership of developed countries and international institutions, and leaned heavily towards poverty reduction and BHN, the Sustainable Development Goals (SDGs) were formulated to reflect a wide range of development needs, including infrastructure development. Behind this change lay the increased influence of developing countries. Japan obtained the support of developing countries such as Indonesia, which demanded stronger infrastructure development, and used this support as a tailwind to promote the adoption of the Infrastructure Principles at the G20 Summit.

Even the developed countries that had persistently criticized Japanese-style assistance efforts could no longer deny the need for infrastructure development loans. This was because Europe and the United States were also left with no option to resist the swift response of Chinese lenders to the vigorous demand for infrastructure in developing countries. Even the United States and the United Kingdom, which had been critical of loans, recommenced the provision of loans for infrastructure development support, one by one. The United States, for example, established the International Development Finance Corporation (DFC) in 2019 and began to provide loans for infrastructure projects in developing countries. The DFC website clearly states that its purposes include providing “the developing world with financially sound alternatives to unsustainable and irresponsible state-directed initiatives” and making “America a stronger and more competitive leader on the global development stage” (DFC 2022). Loans are no longer simply a way to promote development. Recognition is gaining of their justification as a tool of competition between great powers, and a tool for the pursuit of the state interests of the lender.

**In place of a conclusion: the meaning of the discord between norms and heterogeneity**

An overview of the discord between norms and heterogeneity regarding yen loans reveals anew the stubborn tenacity of the development norms championed by Europe and the United States. As indicated in *The East Asian Miracle*, the three decades of growth experienced by countries in East and Southeast Asia from the 1960s to 1980s was, when compared to other regions, nothing short of “miraculous.” Japan was the main donor to these countries. It could be argued, therefore, that the yen loans that formed the backbone of Japan’s development assistance policy (and indeed Japan’s development assistance policy as a whole) should be given more credit than it was. However, this had no effect on the established norms. It would have been next to impossible to bring down these norms, supported as they were by the unassailable principle that “assistance should be charity” and the overpowering influence of universities, thinktanks and others.[[17]](#footnote-17)

That is not to say that Japan has capitulated to these norms. Infrastructure support through yen loans remains a characteristic of Japan’s development assistance efforts, and the “Trinity-style” development assistance approach built on loans has been adopted by “emerging donors” such as China, South Korea, and Thailand, and adapted for assistance to less developed countries in Southeast Asia such as Laos and Vietnam. China, in particular, is challenging the development assistance norms championed by Europe and the United States by providing huge amounts of loans, effectively positioning loans as the new standard for development assistance. Confronted with the power of Chinese cash, the United States and European countries, too, have begun to provide loans. This policy about-face clearly demonstrates the fragility of the development assistance norms that they have championed. The decision by the United Kingdom and the United States to recommence assistance loans was made for the sake of resisting China—in other words, geopolitical national interests. This is not a reason that can be justified in terms of the norms that they previously emphasized, such as “assistance as charity” and “nobles oblige.” The hypocrisy of the norms dictated by the great powers has been unexpectedly laid bare.

So, what has Japan learned from its many years of being unable to join the ranks of the *norm-makers*? Simply speaking, Japan was unable to present the convincing principles or theories needed to refute the dominant norms championed by Europe and the United States. This includes, for example, “Japan’s experience” of using postwar loans from the World Bank to build the foundations for the economy and society, becoming one of the world’s great economic powers through the resulting period of rapid economic growth, which was presented to the DAC and others by MOFA to justify loans as “assistance for self-help efforts” (MOFA). The DAC’s report on the 2003 peer review of Japan points out the danger of applying Japan’s postwar experience to the rest of Asia, which faces quite different conditions (Shimomura 2020:195). Nevertheless, Japan persists in trying to justify its approach to development assistance in terms of “Japan’s experience.” It would be difficult to claim that sufficient effort has been made to explain why Japan’s experience is applicable to developing countries with different political, economic, historical, and cultural backgrounds. Neither has there been enough effort to theorize the individual episodes or anecdotes that make up Japan's experience into an abstract discourse that can be applied to other countries.

Perhaps Japan never really aspired to be a *norm-maker*. This may be because Japan had become used to being regarded as heterogeneous since the time of the Meiji Restoration. Historically, Japan has prided itself on the *wakon-yosai* approach (Japanese spirit with Western learning), molding “advanced” systems and technologies from the West to fit its own political, social, and cultural conditions. The unique Japanese derivatives that resulted were perceived and criticized by Europe and America as heterogeneous. Japan has had many such experiences. When Japan became a member of the DAC, it was aware of the fact that “development assistance,” and its Japanese translation “*kaihatsu-enjo*,” were supported by the norm of “charity” and that, although superficially similar, this was in substance quite different from Japan’s concept of “economic cooperation” based on yen loans, which had originated from war reparations. Nevertheless, it never directly challenged the norm of “assistance as charity.” Japan viewed the United Kingdom and other countries in Europe and the United States as models from which it should learn, yet showed little interest in their concept of charity as a norm. Maybe this was because “charity was not a phenomenon that many Japanese people were interested in” (Kanazawa 2021:vi).

If Japan had actually expressed direct and genuine dissent against the norms championed by Europe and the United States, and had managed to ignite debate about the ideal approach to development assistance, then it should have been able to reveal the issues inherent in these norms—specifically, their authoritarian nature, which suppressed even the ability to imagine alternatives—and placed a diverse range of approaches to development assistance firmly on the table for discussion. Today, with infrastructure assistance no longer perceived as “heterogeneous,” perhaps Japan still has the opportunity to seize the initiative to discuss its vision of development assistance.

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1. Cambridge Dictionary (<https://dictionary.cambridge.org/dictionary/english/charity>) [↑](#footnote-ref-1)
2. The Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) collects data on the assistance provided by its member countries, and measures and compares the quality of this assistance on the basis of its “grant element.” This index measures how close the assistance is to a grant, with pure grants receiving a score of 100%. The higher the score, the higher the “quality of assistance” is assessed to be. [↑](#footnote-ref-2)
3. For example, loans accounted for 51% of Japan’s ODA project budget for fiscal 2008. This is obviously much higher than the DAC as a whole, for which grants accounted for 89.4% of assistance in the previous year. [↑](#footnote-ref-3)
4. International institutions and private-sector financial institutions with close ties to their national government sometimes also act as lenders or borrowers. [↑](#footnote-ref-4)
5. The Nishihara Loans, made by Japan’s Terauchi Masatake government through the Prime Minister’s secretary Nishihara Kamezo to the Republic of China’s Duan Qirui government from 1917 to 1918, are a famous example. The impact that Japan’s experience of prewar loans to China may have had on postwar yen loans is a topic for future research. [↑](#footnote-ref-5)
6. However, until the Organisation for Economic Co-operation and Development (OECD) established the definition of ODA, there was no clear distinction between loans and export trade credit provided to support domestic companies. [↑](#footnote-ref-6)
7. The joint declaration on this loan by Japan and India was the first official document to use the term “yen loan” (Yamada 2021: 173). [↑](#footnote-ref-7)
8. Funding for yen loans comes from fiscal investment and loan funds, which are sourced from postal savings deposited by the general population, rather than from the general account budget. [↑](#footnote-ref-8)
9. The predecessor of the DAC was the Development Assistance Group (DAG) established in 1960 on the advocation of the United States. [↑](#footnote-ref-9)
10. The shift to untied aid was partly an effort to address opportunistic criticism by the United States, made in the context of intensifying US-Japan trade frictions in the 1980s, but also a response to resistance among Southeast Asian countries to Japan’s economic expansion.　 [↑](#footnote-ref-10)
11. It is necessary to remember that Japan only began to emphasize assistance for self-help efforts in the 1980s (Shimomura 2020:180): it was not always put forward as Japan’s development assistance ideal. In fact, in the 1960s, DAC peer reviews of Japan’s development assistance actually pointed out a lack of consideration for self-help efforts (Sato 2021:192-193). [↑](#footnote-ref-11)
12. Another example is Japan’s efforts, at around the same time, to introduce the “human security” concept into the mainstream. This concept is not directly related to yen loans however, and is thus beyond the scope of the current paper. [↑](#footnote-ref-12)
13. Clare Short, who served as the United Kingdom’s Secretary of State for International Development from 1997 to 2003, wrote that “we all have a moral duty to reach out to the poor and needy” (UK Government 1997). [↑](#footnote-ref-13)
14. Japan became the largest aid donor in the world in for the first time in 1989, surpassing the United States, and remained the largest donor for a decade (with the exception of 1990), until the United States reclaimed the top spot in 2001. [↑](#footnote-ref-14)
15. According to Shimomura, China combined Japan’s “Trinity approach” with its own economic development strategy, the “grand economic and trade strategy” (Shimomura 2020:196-197). [↑](#footnote-ref-15)
16. According to a forecast by the Asian Development Bank (ADB), as much as 26.2 trillion dollars in infrastructure development will be needed between 2016 and 2030 in the four areas of electric power, transport, communications, and water and sanitation, for developing countries in Asia to maintain their current economic growth (ADB 2017). Recent estimations also point to a 15 trillion US dollar supply-demand gap by 2040 (G20 Global Infrastructure Hub). [↑](#footnote-ref-16)
17. For example, the Commitment to Development Index published by the Center for Global Development, a US thinktank, every year since 2003, adopts assistance assessment criteria that disadvantage loans, leading to an objection from Japan’s MOFA. [↑](#footnote-ref-17)