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Transition in Japan's View of Bangladesh: How Should Two Middle Powers Behave Along with Hegemons?



Incubator from Japan (2004)



RMG factory in Dhaka EPZ (2008)

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December 2, 2022

Conclusion of This Presentation

- The relation between Bangladesh and Japan is changing from "donor-recipient" to "**investor-business partner**".
 - Symbolic projects: MRT, Araihaazar SEZ, ...
- A background: Bangladesh has been developed in decades.
- Another background: Japan also changed in the past decade.
 - Japan became more inward-oriented than before.
 - Japan began exposing **national interests** incorporated in international cooperation (Development Cooperation Charter).
 - "**Own country first policy**" which thrived in the world in the late 2010s become dominating in the field of international cooperation of Japan.
- Japan expects Bangladesh to be a business partner who benefits the Japanese.

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1. Introduction: Bangladesh and Japan

- Origin of interaction between the Bengali and the Japanese: **Rabindranath Tagore and OKAKURA Tenshin (1863-1913)**
 - Okakura is an art historian and curator. He introduced Japan's culture to the world (e.g. tea ceremony). The first director of the Tokyo School of Fine Arts (predecessor of the Tokyo University of the Arts).
 - Okakura consulted Tagore for the Pan-Asianism.
 - Okakura went to Kolkata in 1901.
 - Tagore visited Japan five times (first time in 1916, after demise of Okakura).
- Rabindra Okakura Bhawan, Kolkata, symbolizes Bengal-Japan cultural interactions.

2. Transition in Japan's View of Bangladesh

From Development Partner to Business Counterpart

- The momentum for the Japanese to begin largely recognizing Bangladesh as a business partner was the Multi-Fiber Arrangement (MFA) phase out in 2005.
 - Bangladesh overcame the MFA phase out well.
 - Fast Retailing Co., Ltd. (brand holder of *UNIQLO*) found BD was an alternative source of its clothing to China in 2007.
 - *UNIQLO* considered Bangladesh as a new innovative element into the brand: *Grameen UNIQLO* was established in 2010.
 - Muhammad Yunus and Grameen Bank receive Nobel Peace Prize in 2006.
- *UNIQLO*'s attitude was influential in Japan.
 - It was a symbolically growing brand of Japan while many other Japanese brands lost momentum in the 1990s and thereafter.

A Store of Grameen Uniqlo



Note: A store in Jamuna Future Park, Dhaka. Taken by the author in 2017.

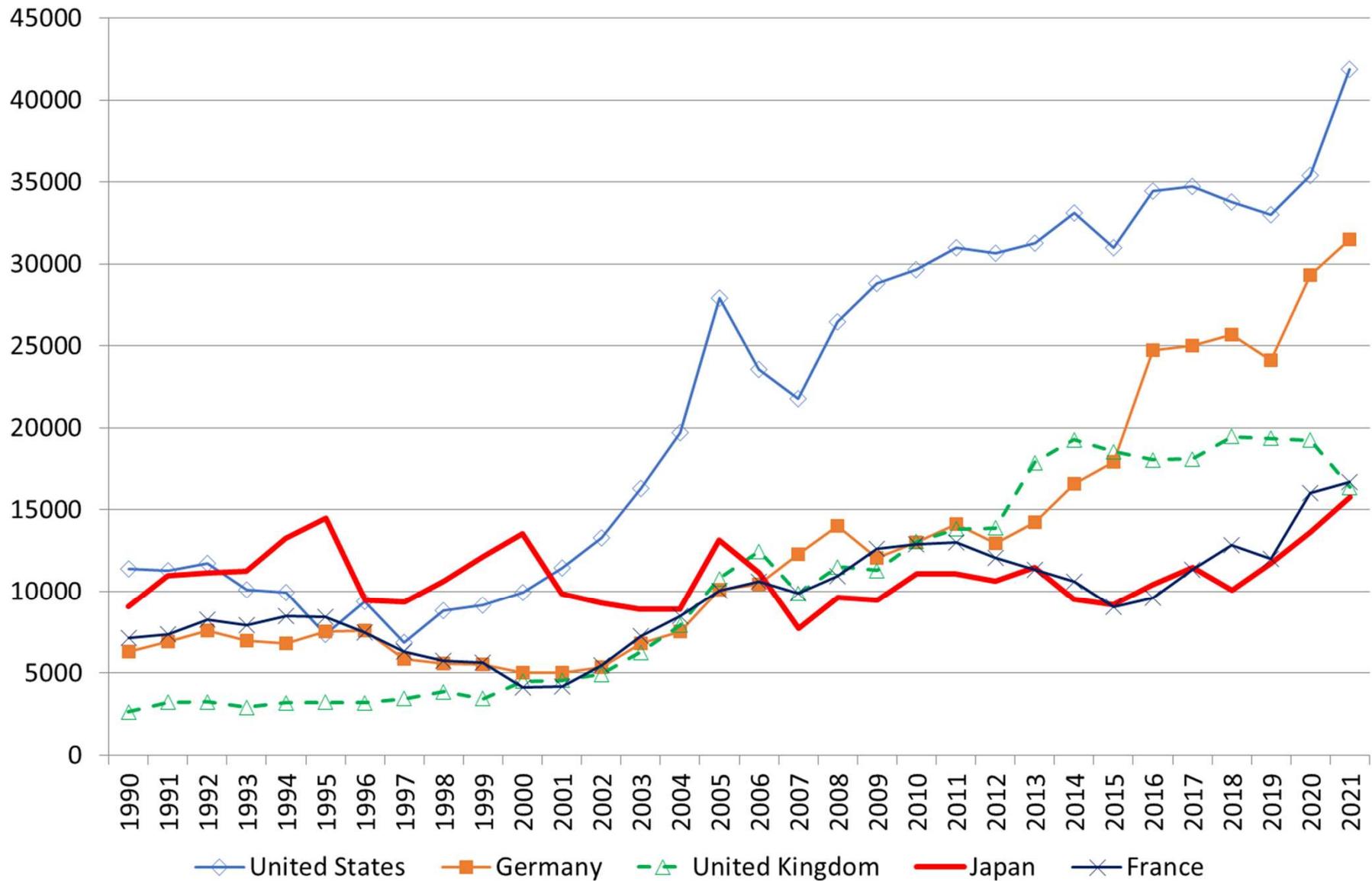
Tragedies Did Not Change Japanese View of BD

- Rana Plaza Collapse in 2013.
 - It shocked the world and is still remembered.
 - It informed the world that Bangladesh was the 2nd garment exporter. Most of Japanese did not know that before the Rana Plaza Collapse.
- Holey Artisan Bakery Attack in 2016
 - Seven Japanese were killed among others.
 - ODA and business continued to be made in remote manners, because **Bangladesh is one of credible and potentially great recipient of Japan's ODA loan.**

Japan Needs Bangladesh as a Recipient of ODA Loan

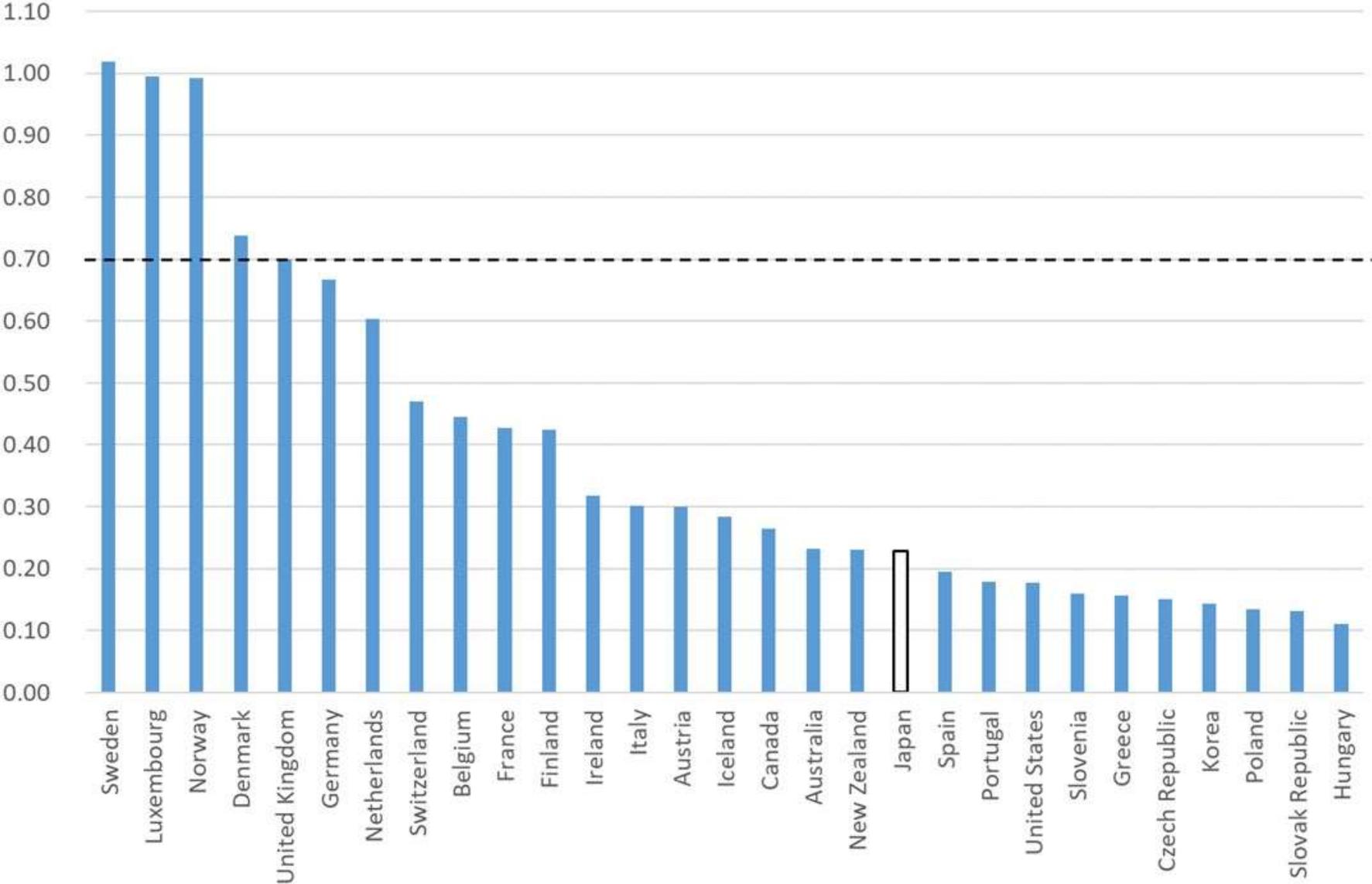
- Japan has faced a challenge to raise ODA/GNI ratio.
 - Japan was the greatest ODA supplier in the 1990s.
 - However, the target of ODA/GNI to 0.7% has been far to reach.
 - On top of that, the Japanese public dislikes tax increases.
- This speaker argues that Government of Japan intends to raise ODA/GNI ratio in 2 ways.
 1. To enlarge concept of ODA into "Development Cooperation" (this will be elaborated in Section 3).
 2. To increase ODA loan, relative to grant and technical cooperation.
- Bangladesh has a good potential as a borrower.
 - Big in population; fast growing; good relation with Japan.

Total Aid Flow (Million USD)



Source: OECD's Query Wizard for International Development Statistics.

ODA-GNI Ratios of OECD/DAC Member Countries (% , 2017)



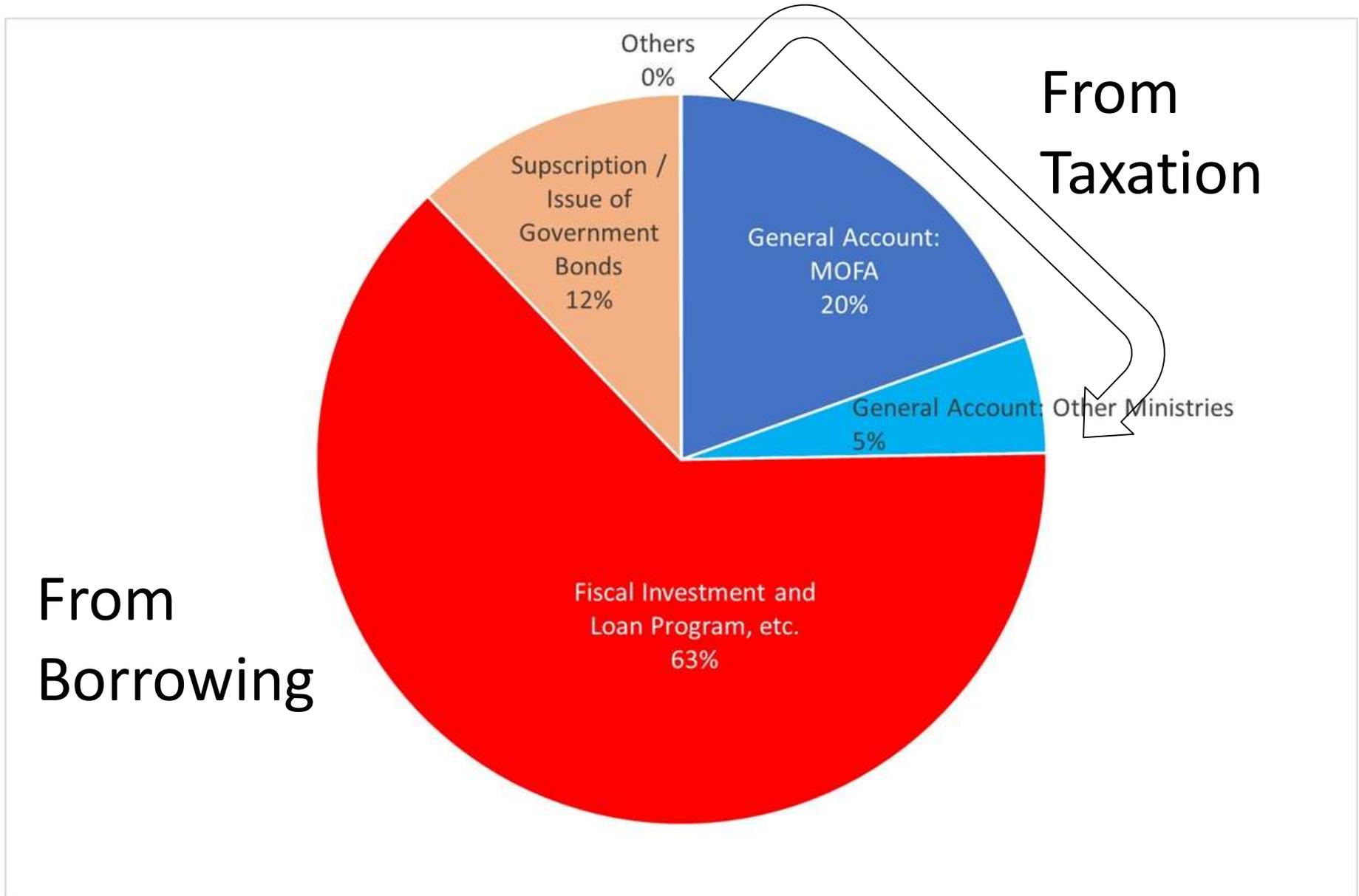
Data: OECD database (<https://stats.oecd.org/qwids/>).

Why Japan to Increase Loan instead of Grant?

- The Japanese tends to save a lot.
 - Savings/GNP \approx 16% for 1950s-80s (US: 8%). (Ito 1992)
- The Central Government has a convention to absorb private savings and to reallocate (Fiscal Investment and Loan [FIL] by **Ministry of Finance**).
 - **Recipient/Purpose**: Local governments; innovation for science; regional development; SMEs; scholarship; ODA; etc.
 - Thus, Ministry of Finance handles ODA loan.
- Two sources of ODA: Tax and Borrowing (FIL)

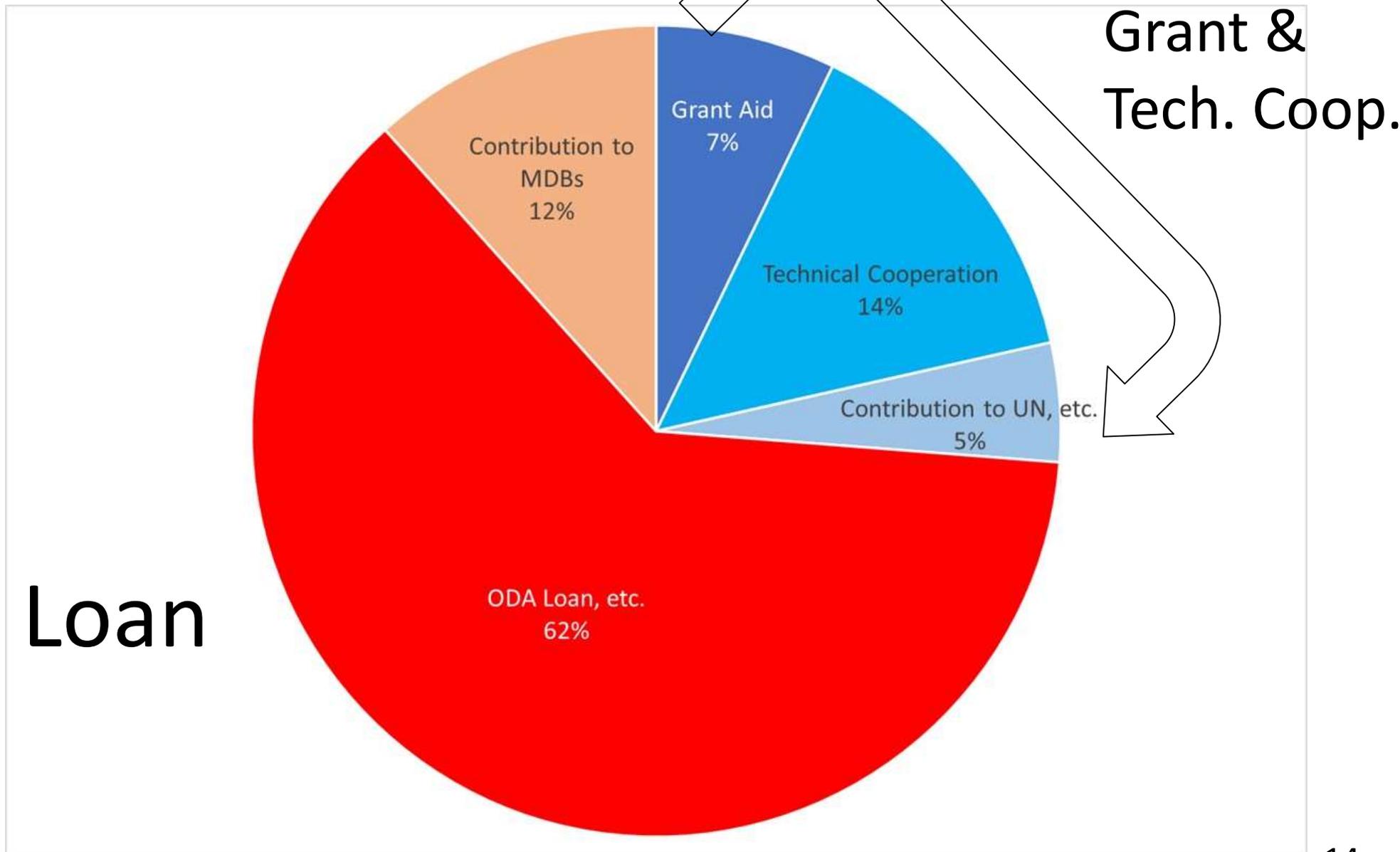
Source	Profitability	Scale	Projects	Modality	Ministry	Japanese Public
Taxation	Not required	Small	Social	Grant / TC	Foreign Affairs, etc.	Concern a lot
Borrowing	Required	Big	Infrastructure	Loan	Finance	Does not care

Composition of Japan's ODA (2020 budget: Source)



Source: MOFA 2021.

Composition of Japan's ODA (2020 budget: Expenditure)



Source: MOFA 2021.

3. Japan Turned Inward: International Cooperation Policy

1992 ODA Charter (MOFA 1992)

- Humanitarianism raised first.

*"We must recognize the fact of **interdependence among nations** of the international community that stability and further development of the developing world is indispensable to the peace and prosperity of the entire world."*

- Priority

- Regions: **Asia**

- Issues:

- a. Approach to Global Problems (environment, population)
- b. Basic Human Needs
- c. Human Resource Development, etc.
- d. Infrastructure Improvement
- e. Structural Adjustment

2003 ODA Charter (MOFA 2003)

- Aim of this revision
 - To "to have public support for ODA" by the Japanese, it was aimed to enhance "the **strategic** value, flexibility, transparency, and efficiency of ODA".
- Priority Issues
 - a. **Poverty Reduction**
 - b. (Sustainable) Growth
 - c. Addressing Global Issues (global warming and other environmental problems, infectious diseases, population, food, energy, natural disasters, terrorism, drugs, and international organized crime)
 - d. Peace-building

2015 Development Cooperation Charter (MOFA 2015)

- Development Cooperation Charter (DCC) overwrote ODA Charter.
- Japan's "**national interests**" achieved by international cooperation were stressed out while the term did not appear in ODA Charters 1992 and 2003.

A Part of Official Briefing Note of Development Cooperation Charter

Main points of Development Cooperation Charter

◆ Philosophy of Japan's Development cooperation

=> **Proactive contribution to the peace, stability, prosperity**

- ✓ As peace-loving nation, contribute to the world through **cooperation for non-military purposes**
- ✓ **Human security** (Focus on individuals and cooperation for their protection and empowerment)
- ✓ Collaboration with developing countries in **equal partnership**



◆ Development cooperation in a new era

=> **Toward post 2015 development agenda**

- ✓ "**Quality growth**" (**inclusiveness, sustainability, resilience**) and poverty eradication through such growth
= Foundation of economic growth (e.g. infrastructure, human resources), overcoming vulnerability (human development, social development) , inclusiveness(e.g. reduce disparity, empowerment of women, governance), sustainability (e.g. environmental issues, climate change), resilience(e.g. disaster risk reduction)
- ✓ Sharing **universal values** and realizing **a peaceful and secure society** as the foundations for development
= Rule of law, good governance, basic human rights, democratization, peacebuilding, capacity building of law enforcement , anti-terrorism
- ✓ **ODA graduated countries with special vulnerabilities** ("middle income trap", climate change etc.)



◆ Development cooperation as catalyst

=> **Partnership with private sectors**

- ✓ **Public-private partnerships, partnerships with local governments**, partnerships with NGO/CSO

◆ Participation of diverse actors in development

=> **To realize inclusive and equitable development**

- ✓ Promotion of women's participation, promotion of participation of concerned actors including vulnerable groups

Metamorphose of ODA into Development Cooperation

- A new concept of "Development Cooperation" replaces and expand that of ODA.
- ODA metamorphoses into "Development Cooperation" (Yamagata's interpretation):
 - **Security** (national and human) stands out (Asplund and Söderberg 2017, Sugita 2017).
 - **Government of Japan (GoJ) fades away** with a role of "catalyst" (Kharas et al. 2011).
 - GoJ pushes burdens to other actors (private sector, local governments, NGOs).
 - Money goes to even high-income countries and Japanese SMEs.

Domain of Development Cooperation

		Contributors	
		Government of Japan	Private sector/local government/NGO
Recipients	Developing countries	ODA	
	Middle/high-income countries	Development cooperation	
	Japanese companies	Development cooperation	

Note: The set of cells encircled by the broken line is the domain of development cooperation; ODA limited the contribution of the central government of Japan to central governments of developing countries.

Source: Yamagata (2016), Figure 1.

Recap: 2015 Development Cooperation Charter

- Japan's national interests are spelled out explicitly in DCC (Ohashi 2016, Takeuchi 2022, Yamagata 2016, 2022).
 - It echoed with the "own country first" policy adopted by many countries in the 2nd half of the 2010s.
- Yamagata's interpretation
 - Japan wants to outreach high income countries with Development Cooperation.
 - Japan wants to inflate "cooperation" to come close to ODA/DAC's 0.7% principle.
 - Pushing burdens to the business sector becomes easier than before because of the orientation of SDGs.
 - Once involvement of business into development was likely to be associated with corruption. Now young people prefers start-ups / unicorns to NGOs.

2023 Development Cooperation Charter (MOFA 2022)

- Japan transform "Development Cooperation" further by 2023.
 - MOFA has already shown "directions of new DCC" even before the consultation meeting for new DCC was held.
- Directions of New Development Cooperation Charter
 1. Contribution for Peace: **National Security**
 - Along with the concept of Free and Open Indo-Pacific (Takeuchi 2022).
 2. **Economic Security** for Japan
 - Securing supply chain of essentials for the Japanese.
 3. **Human Security (HS)** (Commission on Human Security 2003, Takeuchi 2022)
 - HS is a flagship concept for international contribution.
- Development Cooperation will be aimed to maintain (political, economic and social) security for the Japanese.

4. Final Remark: How Should Two Middle Powers Behave Along with Hegemons?

Middle Powers Should Behave as a Global Actor

- Superpowers do not dominate in the contemporary world.
- Middle powers often plays key roles among Hegemons.
 - India manufactured a COVID-19 vaccine and distributed it to the world in 2021 (Takasu and Yamagata 2022).
 - Turkey mediates between Russia and Ukraine for food export through the Black Sea.
 - Egypt hosted COP27 (27th UN Climate Change Conference).
 - Japan is asked by Sri Lanka to lead its creditor nations for debt restructuring.
- All countries should behave and act not only for the nationals of their own, but also the globe and 8 billion people.
 - I hope ABCD is an attempt for citizens in Bangladesh and other countries to seek for ways to do so.

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