

Iftekharuzzaman

JAPAN'S ROLE IN SOUTH ASIA AND BANGLADESH : A CRITICAL OVERVIEW

1. INTRODUCTION

The intellectual quest for defining the features of the post-Cold War era has so far added more confusions than clarity, and prognoses range from the 'end of history' to the 'clash of civilizations'.¹ Debate on the nature of the evolving world order apart, in terms of political ideas, democracy appears to have triumphed over communism and any form of totalitarianism. On the economic arena liberalization and free market system are the order of the day. As a corollary of the end of ideological and military confrontation (at least at the level of the superstructure of the global power configuration), it appears that the economic

1. Francis Fukuyama was among the first to initiate the debate. See his, "The End of History", *The National Interest*, Summer 1989. Samuel P. Huntington followed up with his "The Clash of Civilizations" in *Foreign Affairs*, Summer 1993, pp. 22-49. Huntington extends the hypothesis that conflicts in the post-Cold War era will be dominated by dissensions between nations and groups of different civilizations centering more on cultural rather than ideological and economic issues. The most important conflicts of the future according to Huntington will occur along the cultural fault lines separating civilizations from one another. He also suggests that the next world war, if there is one, will be a war between civilizations. For a set of interesting critique on the thesis see, *Foreign Affairs*, September/ October 1993. A Japanese reaction which looks at the theory as "encouraging confrontation" and "obsessive about any threat of world domination by a non-American power" appears in, Makoto Iokibe, "Global Calling; Japanese Perspective on the Clash of Civilizations", *Look Japan*, May 1994.

Iftekharuzzaman, Ph. D., is Research Director of BIISS.

strength and performance have become more important than ever in defining the comparative position of nation-states. Flourishing economic base, technological progress and trading-financial strength have throughout human history been critical in the determination of a nation's power and influence, but hardly ever in the past have these been so firmly underlined as in the context of recent global changes. This does not, however, change the pyramidal international power hierarchy with the United States at the apex and the rest of the industrialized west contributing to its further consolidation.² To be sure, the global power hierarchy may be diluted to the extent that the emerging sub-groupings within the OECD are poised to have greater regional roles and influence. The polarization centering around trading and economic blocs in Europe, North America and East Asia is the evidence. The intra and inter-relationships between these blocs will also define the pace and pattern of international economic relations of the post-Cold War era. In any event, this new multilateralism, coined as "competitive interdependence"³ will strive to sustain the hegemony of the developed world in which the three main groups of donor nations - North America, Japan and Europe will be in charge of their respective "spheres of influence". Accordingly, in terms of aid-related influence and leverage, while Europe may be primarily concerned with its "developing" neighbours in East Europe and Russia and North America with the Western hemisphere, the influence of Japan in Asia as the largest source of aid to this region is likely to grow more than ever before.⁴

2. For further details on the subject, see Iftekharuzzaman, "International Security in the post-Cold War Era : Challenges Facing the United Nations", *Biiss Journal*, vol. 14, no. 3, 1993.
3. Samuel Huntington, *op. cit.*, pp. 39-40.
4. See for more on the concept of "spheres of influence" in the post-Cold War era, Akio Watanabe, "International Security in Post-Cold War Era : A Japanese Perspective", in Iftekharuzzaman (ed), *South Asia's Security: Primacy of Internal Dimension*, Academic Publishers, Dhaka, 1993, pp.

Against this backdrop, the burden of this paper is to analyze the evolving nature of international role of Japan as the global economic superpower, and to examine the implications of the same for South Asia and Bangladesh. The paper is organized into three main parts. The first part presents a discussion on the emerging pattern of Japan's foreign policy posture against the backdrop of growing expectation for it to play a more active global role. The second part indicates some possible Japanese initiatives in South Asia for which Tokyo is an important economic power. The third part presents the contours of Bangladesh-Japan relations which is critical to the former's development, with or without the changes in the global context.

II. JAPAN'S IMAGE IN THE INTERNATIONAL COMMUNITY

The international image of Japan is complex. Covered by the facade of a dynamic and vibrant global economic superpower Japan portrays the self-image of an introvert and conservative society. Each nation survives and prospers in its own way. But the Japanese way appears too different from the rest of the world. An intense feeling of Japaneseness and a strong racial and cultural pride interact with a deep-seated sense of international isolation and vulnerability to shape Japan's perception of its role beyond its borders. Japan's geo-political and resource constraints as a small, densely populated, resource-poor island nation define the imperatives for Japan in its external role. A deep sense of external

293-305. Agreeably, the concept of tri-polarity has its limitations to the extent that it apparently tends to underestimate the security concerns of both Japan and Europe which with their nuclear neighbours in turmoil may be still determined to remain under the American security umbrella. Even on the economic front, the idea of regional influence may not be compatible with the globalism of the ever powerful multinationals. See, for details, Joseph S. Nye, "What New Order?", in *Foreign Affairs*, Spring 1992, pp. 86-88. In any event, the growing regional role and importance of the three key players in their respective economic clusters in the emerging world order appears inevitable.

vulnerability has not merely prescribed the Japanese perception of its place in the world, but also made the Japanese people highly protective to the perceived impact of events outside its national frontiers. Japanese overseas adventures before the close of the World War II was evidently a distorted response to such feeling of vulnerability. The traumatic experiences of military defeat in the war and the shocks of the atomic bomb remain the most deeply ingrained memory in the Japanese mind.⁵ Efforts to get back what Japan lost in the war - independence, national self-confidence and prosperity - have thus persistently formed the main theme of post-war Japanese foreign policy. From a position of humiliation the Japanese have placed greatest priority on economic development as the means to restore Japanese national pride and international status. And as the Japanese people see, "Japan did it, and did it well".⁶ A frequently used term by the Japanese leaders in the context of its international role has been "economic diplomacy" which received wide popular acceptability in the context of history.⁷

The other dimension of Japan's vulnerable-psychosis is a sense of obligation for the war atrocities which continues to delineate the perimeters of Japanese conception of its international role. The Japanese mind remains hostage to a suspicion that there is a persistent anti-Japanese feeling around its frontiers. Limits to possible Japanese active political and security role in international affairs is to a great extent dictated by the enduring belief that the international community in general and people in Southeast Asia in particular will reject bigger Japanese role because of their bitter

-
5. See for details, Akio Watanabe, "Japanese Public Opinion and Foreign Affairs 1964-73", in Robert Scalapino (ed.), *Foreign Policy of Modern Japan*, University of California Press 1977, p. 107-114.
 6. Jun-ichi Kyogoku, "A Self-Portrait of Japan by the Ordinary Japanese", *Japan Review of International Affairs*, vol. 8, no. 1, 1994, pp. 65-83.
 7. Akio Watanabe, *op. cit.*,

memories of the way the Japanese behaved during the World War II. Japan kept its participation in the UN-sponsored multinational forces against Iraq essentially confined to its cheque books which indicated the many dimensions of dilemma facing today's Japan. Its Western allies were not sure if they wanted Tokyo do more, Japan's neighbours were skeptic to say the least, while Japan itself never knew what could be a better option. Similarly, the Japanese participation in UN Peacekeeping Operations in Cambodia and even Tokyo's bid for permanent membership of the UN Security Council are believed to have contributed to nervousness in other East and Southeast Asian nations.⁸ The former Prime Minister of Singapore Lee Kuan Yew is reported to have commented that allowing Japanese defense forces to undertake overseas operations was like "giving liqueur chocolates to an alcoholic" (who would then go on a drinking binge). Openly critical of Japanese war atrocities and suspicious of revival of militarism in Japan, Lee said this when Japanese minesweepers called at Singapore for fuel and supplies in May 1991 on their way to a post-war cleanup operation in the Persian Gulf.⁹ According to Lee, the "Japanese have a cultural trait, whatever they do they carry it to the nth degree". He agrees that the present generation of Japanese leaders do not want to project power, but is not sure what follows when leaders born after the war take charge. "If Japan can carry on with its current policy, leaving security to the Americans and concentrating on the economic and political, the world will be better off... (but) when Japan becomes a separate power, it is an extra pack of cards."¹⁰ The East Asian perception

8. For details on this subject see, Furukawa Eiichi, "Changes in Southeast Asian Views of Japan", *Japan Echo*, volume XX no. 3, Autumn 1993 and Shinyo Takahiro, "The Conditions of Permanent Membership in the U.N. Security Council", *Japan Echo*, vol. XXI, no. 2, Summer 1994.

9. *International Herald Tribune*, quoted in Furukawa Eiichi, *ibid.*, p. 45.

10. Quoted in Fareed Zakaria, "A Conversation with Lee Kuan Yew", *Foreign Affairs*, vol. 73, no. 2, March/April 1994, pp. 123-4.

of Japan may have modified from that of hegemon in the so-called "Co-Prosperity Sphere" to a less unpalatable "natural leader" of "East Asia Economic Group".¹¹ The latter to an extent excludes USA, Australia and Canada and accepts Japan in the role of regional leader. But the hangover of the past has not died down and the ambivalence still persists on the one hand with admiration for Japan's technological and economic power and with fear of its corporate might and potential military ambition on the other. Japan is also aware of its success in gaining an equal status with global powers that count - all of them Western nations - but Japan as the only non-Western major power nourishes a feeling of complex suspicion, isolation and to an extent inferiority.

The dimensions of Tokyo's economic power, including rise into the position of the second largest economy of the world, a leading manufacturing power-house and foreign investor, largest ODA donor, largest creditor and the world's biggest pool of financial and investment funds are well-known. To give just few examples, six out of ten and twenty-two out of fifty top ten largest banks of the world are, for example, Japanese, who also hold more than 40 percent of the international assets of these banks. On the other hand, Japan's economic significance to the Third world has witnessed phenomenal increase in recent years with Tokyo's position as an Official Development Assistance (ODA) donor dramatically increased from fourth or fifth in the mid 1970s to that of the world's largest in late 1980s. Japan's ODA increased from only \$244 million in 1965 (when the figure for the US was \$4 billion) to little over \$1 billion in 1975, about \$3.8 billion in 1985 and \$10.95 billion in 1991.¹²

11. Reference is made to the proposal of Mahathir Mohammad. See, Walden Bello and Shea Cunningham, "Trade Warfare and Regional Integration in the Pacific: the USA, Japan and the Asian NICs", *Third World Quarterly*, vol. 15, no. 3, p. 455.

12. World Bank, *World Development Report 1994*, p. 196.

Japan's economic success, on the other hand, also generated increasing concern and criticism: its protective trade and economic policies came under severe criticism to a great extent because of the fact that the openness of the post-World War II international economic, trading and financial systems have been amongst the strongest pillars on which Japan's rapid economic expansion was based.¹³ The rise of the economic superpower in the Pacific thus caused frictions in the international economic scene. As Japan out-performed other global front-runners including the U.S., Japan came to be regarded as a "threat" to the structural *status quo*, particularly to the hegemony of the U.S.¹⁴ The image of Japan is, therefore, one of a very strong, dynamic and in many ways dominant global economic force and technological-industrial forerunner. This could assign it a role of leading contributor to the international economic and financial systems and thereby to global prosperity and stability without having to accept a major political or security role in the world.¹⁵

In terms of security, Japan has remained over the post-war period directly under the American strategic umbrella, and to that

-
13. For an analysis of Japan's industrial and trade policies in the post-war period which gradually contributed to frictions with its external partners, see, E. Sridharan, "Japan's Changing Political Economy: Domestic Roots of Changing International Relations", *Economic and Political Weekly*, September 10, 1994, pp. 2418-2426.
 14. Japan's economic success generated potentially dangerous levels of resentment, fear and antagonism towards Japan in the United States. As a consequence, Japan bashing became popular in and outside the government in the United States leading to protectionist US economic policies such as "Super 301" provisions of the 1988 Trade Act directed against Japan. See, Martin E. Weinstein, "Japan's Foreign Policy Options: Implications for the United States", *Swords and Ploughshares*, University of Illinois at Urbana-Champaign, Vol. 5, no. 1, 1990.
 15. Takashi Inoguchi, "Four Japanese Scenarios for the Future", *International Affairs*, vol. 65, no. 1, see Also Akio Watanabe, *op cit.* (n. 5).

extent Japanese view of her overall security environment has not undergone any profound change. The degree of intensity of tensions between the two superpowers and their respective blocs had immediate effect on Japan. With or without this, Japanese security policy was carefully dovetailed with that of the U.S. to a considerable extent because of its relative cost-effectiveness compared to going it alone or taking any other line. The domestic grass-roots pacifism and the psychological inhibitions against any overt military posture also contributed to the acceptability of the role of a second order supporting actor.

Signals of change are not, however, altogether absent. The prospect of a revision of the Japanese constitution and the Japan-U.S. Security Treaty are amongst the most sensitive issues in Japan. The U.S. imposed constitution, particularly the oft-quoted article nine whereby "the Japanese people for ever renounce war as a sovereign right of the nation and the threat or use of force as a means of settling international disputes" stipulates that "land, sea and air forces as well as other war potentials will never be maintained". The spirit of the article has been the foundation of Japan's defence policy although it is argued that a steady build up of Japan's "self-defence forces" has in reality eroded the article to a substantial degree. Voices were heard long before the constitutional change permitting the participation of the SDF in UN peacekeeping operations arguing the need for more independent and active security role of Japan.¹⁶ The widespread debate in Japan over its role in the Gulf crisis is an indication of the simmering change in Tokyo's international military role.

16. See for example, Motofumi Asai, *Nihon Gaiko-Hansei to Tenkan* (Japanese Foreign Policy : Reconstruction and Turnabout), Iwanami Shoten, 1989, quoted in *Japan Times*, 26 October 1989. A considerable degree of debate was generated by the controversial book by Akio Morita, late Chairman of the Sony Corporation co-authored with Ishihara titled, *A Japan That Can Say No*, published in 1989, the main theme of which was that Japan must stop being "subservient" to US demands and being bullied.

A related dimension of the change is the possible un-pegging of Japan's security posture from that of the U.S. The period since the end of American occupation of Japan is characterized by most ambiguous and often contradictory currents in perception of Japanese people and leaders towards the U.S. as a nation and an ally. It can be best described as a sense of "fear and dream America". The relationship began with a Japanese view of America as the country that inflicted disastrous defeat on Japan on the one hand and as a model of democracy that the Japanese people longed for on the other. This mixed feeling of fear-America and dream-America continued through the whole of the post-war period. Parallel with this went increasing economic interdependence of the two countries. The perspective subsequently transformed into a sense of equal partnership with the U.S. This shift from dependence to partnership reflects Japanese urge for, and stakes in, maintaining its close security ties with the U.S. in conjunction with some degree of independent political and security posture. Post-war Japan has thus effectively maintained a reasonable distance from global power politics. Tokyo's prohibitive self-restraint on full-fledged participation in international politics commensurate with its economic power has in effect resulted in a Japanese political dependency *vis-a-vis* Washington which largely continues till date. The persistent Japanese attitude is a national pride drawn more from the country's economic success and socio-cultural distinctiveness. Japan today, with or without the end of the Cold War has very limited, if any, urge of playing any major politico-military role in the international arena. This may be viewed as excessive inertia, extra caution due to past failures, lethargy due to withdrawal for decades, cultural isolationism, or purely self-interest driven mercantilist policy. The United States itself which on the one hand wants Japan to take increasing portion of global political and

security responsibility in addition to its role on the economic front, on the other hand is also yet to be prepared to see Japan emerging as an independent power-pole.¹⁷ This is particularly relevant in the context of domestic political and economic transitions being experienced in Japan which make it furthermore incapable of making any dramatic change in terms of its international political and security postures.¹⁸ Japan's possible role in South Asia and for that matter Bangladesh has to be viewed in this overall perspective.

III. JAPAN'S ROLE IN SOUTH ASIA: FACILITATING DIALOGUE FOR STABILITY

Japan is a leading economic and trade partner for South Asia. More than 10 percent of South Asian exports are directed towards Japan while over 11 percent of the region's imports come from this country. The trade balance, is of course in favour of Japan which has over \$2 billion worth of trade surplus with South Asia.

-
17. The Aspen Institute's Aspen Strategy Group report titled: *Harness the Rising Sun: An American Strategy for Managing Japan's Rise as a Global Power*, published in January 1993 recommended that the United States should promote for Tokyo a permanent seat on the UN Security Council to help Japan become a "global civilian power" that would pursue global interests by acting through international institutions. The strategy was considered preferable to three other options under which Japan might i) become a "normal" great power by building up its military establishment to complement economic strength; ii) pursue a regional strategy of trying to build East Asian trading bloc; and iii) maintain the status quo, protecting its broader global interests through bilateral ties with the United States. Quoted in, Shinyo Takahiro, *op.cit.*, pp. 63-64.
 18. Debate over the future nature of the Japan-US alliance apart, the need for preserving it continues to be recognized and the opinion prevails that Japan has a vital stake in keeping the alliance alive particularly in the context of dramatic transformations in the international as well as domestic political and economic structures. Seizaburo Sato, one of the best known Japanese experts on international relations and security, for example, subscribes to this view. See his article in *Chuo Kuron*, March 1990.

Needless to mention, trade balance with Japan is negative for all the South Asian countries, the value of import being in most cases many times that of exports. For Japan South Asia is, of course, a relatively less significant region as a partner for trade with less than 1.5 percent of its exports and import taking place with the region. Japan's trade with countries like China, Korea or ASEAN members individually are several times more than its trade with all South Asian countries taken together.

In terms of economic aid, however, South Asia figures relatively more prominently in Japanese concerns. The total value of Japanese ODA to the region is nearly 15 percent of total Japanese ODA making South Asia the second most important region for Japan after Southeast Asia (which includes countries of ASEAN). Japan is the largest bilateral donor for most of the South Asian countries. Japanese ODA to the region is well above that from the US and is about equal to the combined flow from West Germany, U.K., France, Netherlands and Sweden, the other largest bilateral donors for the region.

Japan's relationship with South Asia is, therefore, of profound mutual significance. The figures also indicate the leverages available at the Japanese end and thus the type of a role that Japan may play in its dealing with these countries. Partly in response to growing international pressure and partly in pursuance of its own national interest, Japan has been expanding its international role through its 'International Cooperation Initiative', the main contents of which include expansion of ODA, promotion of cultural exchange and cooperation for peace.¹⁹ Japan has also initiated significant policy changes to eliminate its image of a donor with no significant political role. In defining Japan's ODA

19. See for details, Ministry of Foreign Affairs, Government of Japan, *Diplomatic Blue Book*, 1991.

policy in the post-Cold War era the Japanese government announced that Japan will "pay full attention" to the trends in military expenditure, development, import and export of weapons of mass destruction and efforts for promoting democratization and introduction of market economy as well as issues of basic human rights in the recipient countries.²⁰

Japan has indeed manifested, slowly and discretely though, that it follows a policy of using its economic assistance for political objectives. To protest Soviet invasion of Afghanistan Tokyo boycotted Moscow Olympics and imposed economic sanctions against the Soviets. The Vietnamese invasion of Kampuchea prompted Japanese aid freeze to Hanoi. Economic sanctions were also imposed on Iran in the wake of the taking of US hostages in 1979. Tokyo refused economic aid to Poland for the latter's suppression of the trade union movement. Japanese assistance to Philippines was greatly increased after the fall of Marcos in 1986. Japanese economic aid was also used as an instrument of pressure for political objectives in case of China after the Tiananmen square incident. Japan is considered to be committed to strengthen its assistance to "those areas that are important to maintenance of peace and stability of the world".²¹ Experience, therefore, suggests that Japanese aid has been used as

-
20. Ministry of Foreign Affairs, Government of Japan, "Outlook For Japanese Foreign Aid", April 1992.
 21. Dennis T. Yasutomo, *The Manner of Giving: Strategic Aid and Japanese Foreign Policy*, Lexington, 1986. See also, Juichi Inada, "Japan's Aid Diplomacy: Increasing Role for Global Security", in *Japan Review of International Affairs*, Spring/Summer 1988. Although in the post-war period successive Japanese governments have not been conspicuous in assuming political responsibilities, they did undertake diplomatic initiatives to reduce regional tensions. See Michael Leifer, "Conflict and Regional Order in Southeast Asia", in Robert O'Neill, *Security in East Asia*, IISS, London 1984, p.144.

an instrument of positive incentive as well as negative sanction. By the same token in the wake of political liberalization in East Europe most of the countries of the region have been receiving increased flow of Tokyo's economic assistance.

Japan's interest in a similar role in South Asia was indicated in a statement made by Japanese Foreign Minister Tadashi Kuranari in Dhaka in 1987 when he indicated Japan's intention to contribute to the relaxation of tensions and peaceful settlement of conflicts, by promoting dialogue.²² During a more recent visit to some of the countries of the region the former Japanese Prime Minister Toshiki Kaifu said, "I would like to pronounce clearly Japan's intent to continue its vigorous support for the political stability and economic development of the South Asian countries as well as the rest of the world by engaging in dialogue and cooperation."²³ During Indian Foreign Minister Madhavsingh Solanki's visit to Japan in January 1992 Tokyo indicated that Japan might cut off its development aid to India unless it signed the Nuclear Non-proliferation Treaty (NPT).²⁴

To be sure, problems that bedevil the South Asian political scene are basically of regional origin and are rooted in the region's history, geo-politics, economy and ecology which the outside powers can hardly eliminate.²⁵ But they can use their

22. Tadashi Kuranari, "Japan's Relations with South Asia: A Golden Chance", Speech delivered at a seminar organized by BIIS, Dhaka, 14 August 1987.

23. *The Japan Times*, 1 May 1990.

24. Rajaram Panda, "India and Japan in the Post-Cold War Era", *Reitaku Journal of Interdisciplinary Studies*, 1(1), March 1993, pp. 106-109, quoted in Partha S. Ghosh, "Nuclear Rivalry in South Asia: Strategic Imperatives and National Pride", *Conflict Studies* 274, Research Institute for the Study of Conflict and Terrorism, London, September 1994, p. 10.

25. For a detailed account of problems in inter-state relations in South Asia, see, Iftekharuzzaman, "South Asia at the Crossroads: Conflict and Cooperation", paper presented at the international seminar held at BIIS, Dhaka 6-8 February 1994.

leverage to prevent further deterioration and facilitate the improvement of the overall climate. The role of Japan as a "donor superpower" becomes relevant in this context. Japan's new international responsibility, as it includes help establish global peace cannot be confined to extending money in the name of economic assistance irrespective of developments in the political arena. This is not to suggest that Japan could jump headlong into South Asia's political problems. Japan may possibly engage itself constructively and positively as a facilitator in political dialogue on specific issues that relate to peace and stability in the region by way of following up what Japan has already indicated through political pronouncements. During his visit to New Delhi in 1990 the former Prime Minister Kaifu urged upon India and Pakistan to sign the nuclear NPT to ensure regional peace and stability and urged upon India and Pakistan to "exercise self-restraint and try to resolve the (Kashmir) issue peacefully through talks".²⁶ Japan may, in cooperation with the US and possibly Russia and China, initiate a negotiation process between India and Pakistan on nuclear restraint. The scope of such initiative has already received notable academic interest in South Asia, a region to which Japan's dissatisfaction with nuclear proliferation is nothing new.²⁷ The Japanese Government, opposition parties and media are known to have reacted very negatively to the 1974 Indian nuclear explosion and to have condemned India. To anticipate, however, that a Japanese initiative can resolve the problem of nuclear proliferation in India and Pakistan will certainly miss the essential dynamics of the problem which is so intimately linked with the basics of South Asian conflicts²⁸, both regional and extra-regional. But the point

26. *Ibid.*

27. See, for example, Partha S. Ghosh, *op.cit.*

28. For an exhaustive analytical survey of South Asian conflicts, see, Abdur Rob Khan, "South Asian Conflicts: A Compendium", *Biiss Journal*, vol. 14, no. 3, 1993.

here is that Tokyo's economic leverage may be a useful instrument for promoting nuclear restraint in the region. Tokyo's continued economic assistance may also be linked with positive incentives to induce such favorable developments in the region as cuts in defense budgets and other measures for reducing tensions, like use of dialogue instead of confrontation in inter-state relations.

On a wider plane, Japan offered to cooperate with SAARC as a "dialogue partner" in line with Tokyo's relation with ASEAN which has proved to be very constructive.²⁹ The region's response was cool, and to be sure, the prospect of progress in such areas is likely to remain hostage to the inability of the states of South Asia in getting out of their paralyzing past and age-old attitudes of mutual mistrust and confrontation.

IV. BANGLADESH AND JAPAN: PATRON-CLIENT RELATIONS OR PARTNERS IN DEVELOPMENT?

Ties between Bangladesh and Japan may be viewed to be based on historical roots. Bangladesh as a part of the region that cradled Budha has drawn Japanese attentions and visits for ages. As countries of Asia both may be viewed to be under the same broad cultural umbrella. Other similarities include high population density, frequent natural disasters, poor resource base, and hence, historically proven resilience of both and survival capacity in adverse circumstances, dependence on foreign economic cooperation and, therefore, high external vulnerability.

Beyond such commonalities, it needs to be recognized that the two countries are poles apart in many more substantive ways. As shown in Table 1, in terms of development the two are at the two

29. Prime Minister Kaifu, quoted in, *Ibid.*

extreme ends of the scale with per capita GNP of one Japanese equivalent to that of 128 Bangladeshis. The Japanese economy has grown in last few decades several times higher than that in Bangladesh. Divergences are pervasive and the table is only indicative. Suffice it to note that Japan's annual GDP is equivalent to 154 times that of Bangladesh which is only about one-fifth of Japan's annual trade surplus.

In terms of socio-cultural characteristics also, similarities, if any, are overshadowed by outstanding contrasts. Japan has historically been a closed society and the Japanese are an extremely introvert people with unusual sense of pride for being 'Japanese'. Despite Japan's critical dependence on foreign interactions, the Japanese are excessively allergic to foreigners and overly alert in avoiding 'invasion' of Japan by alien culture and influence. Bangladesh, for its part, is at the other extreme being an essentially open and extrovert society hospitable towards other peoples, cultures and traditions. Japan is also a rigidly hierarchical society with manifest allegiance to superior authority at every level - household, institutions and state - which in many ways may account for success of relevant policy measures. Bangladeshis are not usually so comfortable in hierarchical structures and are clearly more used to an anti-establishment and protest-oriented culture both in social and political life which account for continued politico-economic instability. In terms of work ethics Japanese are well-known for their "workaholism" while they are also monotonically materialistic in value-orientation. In Bangladesh, the people are far from the Japanese work habit while emotionalist rather than materialistic values dominates the way of life. People here largely believe in, as well as practice religion which often, positively or not, influence the core values in statecraft whereas most Japanese do not consider religion as a category significant enough to influence the way of

life. Historically, Japan has been a colonial power in the neighbourhood of Bangladesh which has the traumatic experience of being for centuries under colonial rule. As a colonial power and otherwise too, Japan has focused basically on its immediate neighbourhood of South-east Asia under one or other version of its "East Asia Co-prosperity Sphere" as the core zone of its political and economic influence. Bangladesh for its part belonging to South Asia, a region of Japan's peripheral interest, has always been linked more to the West.

Bangladesh's ties with Japan are bound to be qualified by limitations posed by these divergences, and would also be to an extent in the nature of a client-patron relationship rather than deep affection for each other. What strikes out prominently as the key factor in this context is a combination of two of the vital policy contents in Japanese overseas economic policy. Firstly, to ensure expanding market for its export Japan needs to contribute to enhancing the purchasing power of countries like Bangladesh (this defines the basis of Tokyo's role in Bangladesh's trade, technology and investment). Secondly, as a part of Japan's response to global pressure for increasing Japan's contribution to international peace, Tokyo will continue to provide Bangladesh with economic assistance.

Few other factors can be as important in Bangladesh's external relations as economic imperatives. And, like it or not, aid dependence has been amongst the leading issues in defining its external economic ties. The pre-eminence of the aid factor is dictated by the fact that Bangladesh's exposure to the global economy is very low especially in terms of trade and investment. Export accounts for very low share of the country's GDP while import continues to be overwhelmingly credit-financed. Foreign investment for its part, is at a very low level - picking up only in recent years. Against this general backdrop, the quantum, nature

and terms of inflow of external resources play a critical role in the country's economic interaction with the outside world. The country's total outstanding debt by 1992 reached \$12.2 billion which is about half of its annual GDP.³⁰ The debt service ratio has remained fairly low because of the concessional terms in which Bangladesh receives foreign aid. But still it is at the level of 17.1% in relation to export earnings in 1992³¹. More importantly, the share of aid in ADP provisions remains very high and there is hardly any two opinion today that the Bangladesh economy cannot be effectively managed without assurances of aid inflow. The question in this context is whether Japan as the largest donor is likely to influence the conditions in which Bangladesh has to operate its external economic policy. Before taking up aid relations we discuss briefly Japan's position as Bangladesh's trade partner.

Japan is a leading economic and trade partner for Bangladesh. In 1993, 12.6 percent of Bangladesh's global imports came from Japan. This is more than one-third of Bangladesh's total imports from industrialized market economies. In terms of exports Japan is a relatively smaller partner with only 2.5 percent of Bangladesh's total exports entering into Japan in the same year. The trade balance is against Bangladesh as Japan imported in 1993, for example, only about 11.5% of what it exported to Bangladesh. Significantly, this has always been the trend as shown by the data presented in Table 2 while in contrast, Bangladesh has considerable positive trade balance with the US which in 1993 imported from Bangladesh goods worth about thirteen times more than Japan did.

Bangladesh's global export has grown significantly - more than tripled during the period 1983-93. The country's exports to

30. World Bank, *World Development Report* 1994, p. 200.

31. *Ibid.*, p. 206.

the IME group has increased five-fold during the period while that to the US rose by seven times. By contrast, there has not been any growth at all in export trade with Japan. Import from Japan, however, grew at a rate many times higher than from anywhere else. Bangladesh has continued with its endemic deficit in trade balance. But as Table 2 shows, deficit with the IME group has been showing a declining trend. In case of the US the balance has been indeed improving significantly with the cumulative balance reaching \$1.754 billion in 1993. In case of Japan, however, the deficit has been increasing sharply. Over 16 percent of Bangladesh's global trade deficit and more than 86 percent of that with the IME group is accounted for by Japan. The cumulative trade deficit of Bangladesh with Japan during 1983-93 stood at \$3.263 billion which is about 150 percent of Bangladesh's global export earnings and more importantly, almost equivalent of the amount of aid disbursed by Japan to this country during the whole period since independence (\$3.322 billion).³²

The growth of Bangladesh's trade imbalance with Japan has been matched by the latter's rise as the country's largest source of foreign investment and aid. Japan is ahead of any other country in terms of private foreign investment in Bangladesh followed by UK and US. The Export Processing Zones in Chittagong is the host to more Japanese firms than any other. On the other hand, Japan's aid under its Official Development Assistance (ODA) programme has been increasing considerably in recent years. By 1989 Bangladesh joined about 30 other developing countries for whom Japan is the largest donor.³³ Japan

32. External Relations Division, *Flow of External Resources into Bangladesh*, Ministry of Finance, Dhaka, 24 February 1993, pp.39-40.

33. In 1990 Japan accounted for 33.9 percent of total aid flowing into Bangladesh. Other countries for which Japan is the largest bilateral donor are: China (51%), Indonesia (57%), Korea (92%), Laos (33%), Malaysia

consolidated its position as the largest bilateral donor for Bangladesh by June 1992 when its total ODA disbursement (from 16 December 1971 to 30 June 1992) reached \$3.332 billion compared to \$2.791 billion of the US, the second largest bilateral source of external assistance.³⁴ The comparative growth of Japanese and US aid is notable. As shown in Table 3, while in the early seventies Japan's aid to Bangladesh was roughly about one-third of what came from the US, by late 1970s and early 80s it reached the equal level and by the late 1980s the situation reversed with Japan providing more than double the amount coming from US (\$1,960 million compared to \$808 million during 1986-92). The content of aid, particularly grant share is also important. The grant share in Japan's global aid is the lowest among all the major donor countries - 45.6 percent compared to 94.8 percent for US, 97.7 percent for Canada, 99.7 percent for Norway and 100 percent for countries like Australia, New Zealand, Sweden, Switzerland and Denmark.³⁵ The low grant content of Japanese aid is also reflected in case of Bangladesh. Of the total disbursed amount of \$3.32 billion, about one-third (\$1.07 billion) came in the form of grant while \$ 2.24 billion was extended as loan.³⁶ The ratio is much lower than other bilateral

(81%), Myanmar (73%), Nepal (23%), Pakistan (29%), Philippines (58%), Sri Lanka (43%), Thailand (57%), Bahrain (67%), Turkey (54%), Ghana (27%), Nigeria (45%), Brazil (45%), Bolivia (27%), Grenada (36%), Paraguay (56%), Kiribati (53%), Tongo (41%) and Western Samoa (33%). Economic Cooperation Bureau, Ministry of Foreign Affairs, Government of Japan, *Outlook of Japan's Economic Cooperation*, Tokyo, April 1992, p.30.

34. External Resources Division, *Flow of External Resources into Bangladesh* (As of 30 June 1992), Government of Bangladesh, Ministry of Finance, Dhaka, February 1993, p.30.
35. Economic Cooperation Bureau, Ministry of Foreign Affairs, Government of Japan, *Outlook of Japan's Economic Cooperation*, Tokyo, April 1992, p.11.
36. External Resources Division, *op.cit.*, February 1993, p.30.

donors in the OECD group for which it was over 70 percent during the same period.³⁷

All these show a client-patron pattern in Japan's aid and trade policies *vis-à-vis* Bangladesh and also indicate the two-way flow of benefits as a result of Japan-Bangladesh ties. The client depends critically on the patron for survival and development while the patron needs the client to thrive further. As in any such client-patron relationship, the stakes are mutual, though of different type and degree. It remains to be determined who is gaining how much. In terms of trade deficit, the question of competitiveness of the Bangladeshi products in the highly competitive Japanese market may have had an important role to play. There is also a need for closer analysis of the problems faced by Bangladeshi exporters in the Japanese market compared to other IME markets. But the above analysis clearly indicates two points: a) it challenges the notion that Bangladesh is always at the receiving end in terms of its economic relations with Japan. Notably, benefits to Japan including the return from investment and reverse flow from aid programmes have not been considered; b) it also indicates the potentials for improvement that can be made with liberal - if not preferential - trade practices to be adopted by Japan *vis-a-vis* Bangladesh.

Japan's own spectacular catching up with the West took place largely in conditions of booming export under post-war liberali-

37. Despite being the largest donor, Japan is further criticized on the ground that in relation to its GNP the ratio of Japanese ODA is one of the lowest among the DAC countries - 0.31 percent in 1990 compared to over 0.90 percent for some of the European donor countries like Norway, Denmark, Sweden and Holland. See, "Outlook of Japan's Economic Cooperation", *op.cit.*, p.10. Japan's ODA administration also suffers from the lack of well-organized system for project implementation and monitoring. Compared to a staff strength of 4,700 in case of US-AID, Japanese aid operation is conducted by a team of only 1,700 JICA officials. JICA President Kimio Fujita quoted in *Look Japan*, October 1994, p.10.

zation of trade and subsequent growth of foreign investment opportunities. The largest portion of soaring Japanese foreign direct investment went to the developed world, particularly USA and Europe followed by the Asian NIEs and ASEAN countries. The real success of Japanese ODA programme in Bangladesh would depend on the extent to which Bangladesh can also benefit from some liberal trade and investment policies on the part of Japan. Bangladesh's recent economic liberalization, particularly investment promotion measures have yet to make any lasting impact on Japanese investment. Production cost including wages are low in Bangladesh and there are immense opportunities for relocation of plants. Japan's growing need for outsourcing of components of production for exporting components and semi-finished goods to Japanese or third markets can be fruitfully met by Bangladesh.³⁸ Japanese investment in Bangladesh, although leading the source of such investment in the country, is still much below the potentials. As of 1992, the size of total Japanese investment was only \$60 million whereas the total Japanese investment in Asia was \$6,425 million.³⁹ A re-thinking on the direction of Japanese investment to countries like Bangladesh may help Japan maintain its competitiveness in the face of stiff challenges from other developed countries as well as NIEs. Bangladesh will be par-

-
38. The point has been drawing greater awareness in Japan also, particularly stressing the need for focusing greater resources into Asia. See for example, article by Kazuo Nukazawa, Managing Director of the Federation of Economic Organizations (Keidennen), "Total Rethink", in *Look Japan*, October 1994.
39. Ministry of Finance, Government of Japan, International Capital Division of International Finance Bureau, quoted in "Japan's Homes in Asia", *Look Japan*, July 1994. The article (p.5) also mentions that overall Japanese investment level in South Asia is very low, with India, Pakistan, Bangladesh and Sri Lanka accounting for less than 1% of all Japanese overseas investment.

ticularly attractive to small and medium sized Japanese investors who in the face of severe competition elsewhere may find their ventures economically viable in the country. Opportunities exist in export-oriented industries as well as in production geared to meet the demands of huge local market.

In terms of political influence as a result of economic leverage one basic consideration appears important. As indicated earlier, Japan's foreign political posture is in the foreseeable future likely to continue to be pegged essentially with that of the US. Japan may certainly become increasingly concerned about the way its aid would be used in the recipient country as in case of the financial scandal of 1990 involving supply of relief boats against a part of Japanese ODA for Bangladesh. A big Japanese corporation in association with a section of influential coteries in the then government of Bangladesh reportedly managed to obtain supply orders of the boats at a rate many times higher than what was available from other Japanese bidders. The scandal raised significant concern in Tokyo and it was even debated in the Japanese Parliament. As a result during the Japanese Prime Minister's visit to Dhaka in 1990 Japan reportedly went to the extent of conveying to Dhaka that it may be forced to review its aid policy to Bangladesh. Similar assertion was once again indicated during 1990 mass upheaval against the autocratic regime of Ershad when Japan indicated the possibility of withholding aid to Bangladesh if political repression continued. Japan also sent its first ever Parliamentary team to Bangladesh as observers in the 1991 national elections. Tokyo is, however, likely to remain modest about imposing its preferences on Bangladesh. Japan would certainly avoid intruding too closely into the political problems of countries like Bangladesh primarily because it lacks the necessary will and determination. It will rather follow its partners in the DAC. Moreover, for Tokyo having the relatively

largest commercial involvement as a bilateral donor there is as yet no need to use its aid leverage to protect and enhance its commercial interests in the country. It would rather continue to bank on its competitive ability to promote its stake in Bangladesh.⁴⁰

On the wider plane, Japan as the world's leading donor nation can indeed assume an increasing role in the shaping of overall priorities of its aid recipients, particularly in the way aid is to be utilized. This is in accordance with a widely held view that the world's largest donor has a responsibility to guide its recipients, as and when applicable, "on a smooth path of development by giving them advice on development strategies and macro-economic policies."⁴¹ There seems to be an appreciation in Tokyo of both imperatives and leverages leading to such role. Foreign ministry officials accompanying the Japanese Prime Minister during the mentioned visit to Bangladesh was reported to have said that they "want to improve the quality of Japanese economic assistance in a region where the country's aid policy has come under criticism." One official said, "we have reviewed Japan's policy of money gift giving and want it tied to more constructive projects."⁴² It may be useful to diversify the type of projects sponsored by Japanese aid to respond more closely to local and small-scale needs side by side with large-scale infrastructure type projects which have so far drawn the main

40. Rehman Sobhan and Debapriya Bhattacharya, "Donor Perspectives and Influence on Domestic Economic Policy" in Rehman Sobhan, (ed), *From Aid Dependence to Self-Reliance: Development Options for Bangladesh*, BIDS/UPL, 1990, p. 185.

41. *Japan Official Development Assistance Annual Report 1988*, Ministry of Foreign Affairs, Japan, p.29.

42. *The Japan Times*, 2 May 1990.

attention.⁴³ In addition, education and human resources development are areas that need Tokyo's increased attention.

Finally, it is relevant that most of the problems of Bangladesh are related to domestic politico-economic weakness and instability of the state. Stability and progress in Bangladesh depend to a great extent on efficient management of the economy and polity, a process for long obstructed by divisive forces and unresolved issues within the country. No measure of policy changes for trade liberalization or promotion of foreign investment will improve the situation unless economic activity within the country picks up with certain degree of stability and vibrancy. Policy reforms may be introduced and agreements may be signed by governments, but like it or not, business decisions will not be taken unless there are sufficiently convincing evidences that ventures are going to be profitable. From this point of view issues related to socio-political stability in Bangladesh are central to the further mutually beneficial economic relations between Bangladesh and Japan.

43. See for details, Iftekharuzzaman, "Bangladesh: Aid for Whom", *Look Japan*, June 1990.

Table 1: Comparative Basic Indicators of Bangladesh and Japan

#	Indicator	Bangladesh		Japan	
1.	Population (million/1992)	114.4		124.5	
2.	Area (thousand sq. km.)	144		378	
3.	Density (per sq. km.)	794		329	
4.	GNP per capita (1992)				
	- US \$	220		28,190	
	- Rank	159		3	
5.	Human Development Index				
	- Index (1992)	0.309		0.929	
	- Rank (1992)	146		3	
6.	GNP Growth (% av. annual)				
	- 1965-1988	0.4		4.3	
	- 1980-1992	1.8		3.6	
7.	GDP (million \$)				
	- 1970	6,664		203,736	
	- 1992	23,783		3,670,979	
8.	GDP Growth (% av. annual)				
	- 1970-1980	2.3		4.3	
	- 1980-1992	4.2		4.1	
9.	Structure of GDP (%)	1970	1992	1970	1992
	- Agriculture	55	34	6	2
	- Industry	9	17	47	42
	- Manufacturing	6	9	36	26
	- Services, etc.	37	49	47	56
	Real GDP per capita (PPP\$ 1992)	19,390		1,160	
10.	Life expectancy at birth (years/1992)	55		78	
11.	Adult literacy (% in 1992)	36.6		99	
12.	Trade (\$ million in 1992)				
	- Export	1,903		339,492	
	- Import	2,527		230,975	
	- Balance of trade	- 624		108,517	

Sources : World Bank, *World Development Report*, 1990 and 1994, UNDP, *Human Development Report*, 1994.

Table 2 : Japan as Bangladesh's Trade Partner

Figures in US \$ millions

Year	Bangladesh Exports to				Bangladesh Imports from			
	World	IME	US	Japan	World	IME	US	Japan
1983	724	338	104	53	2,164	1,018	271	164
1984	931	473	129	62	2,825	1,184	256	260
1985	999	481	180	72	2,772	1,115	257	310
1986	887	526	210	71	2,486	1,145	211	319
1987	1,067	711	323	62	2,680	1,225	190	381
1988	1,291	883	322	62	3,046	1,325	181	477
1989	1,304	848	370	56	3,659	1,402	282	437
1990	1,671	1,193	510	65	3,598	1,570	186	482
1991	1,689	1,278	449	53	3,401	1,248	176	307
1992	2,098	1,605	734	52	3,888	1,240	258	294
1993	2,272	1,792	765	58	3,987	1,425	174	503
	Total turnover				Trade balance			
1983	2,888	1,356	375	217	-1,440	-680	-167	-111
1984	3,756	1,757	385	322	-1,894	-711	-127	-198
1985	3,771	1,596	437	382	-1,773	-634	-77	-238
1986	3,373	1,671	421	390	-1,599	-619	-01	-248
1987	3,747	1,936	513	449	-1,513	-514	+133	-319
1988	4,337	2,208	503	539	-1,755	-442	+141	-415
1989	4,963	2,250	652	493	-2,355	-554	+188	-381
1990	5,269	2,763	696	547	-1,927	-377	+324	-417
1991	5,090	2,526	625	360	-1,712	+30	+273	-254
1992	5,986	2,845	992	346	-1,790	+365	+476	-242
1993	6,259	3,220	939	561	-1,715	+367	+591	-445
Cumulative trade balance:					-19473	-3769	+1754	-3,268

Source : IMF, *Direction of Trade Statistics*, (Yearbook 1990, p.95 and Yearbook 1994, p.116).

Table 3: Comparative Growth of Japanese and US aid to Bangladesh

Disbursement of Aid in \$ millions

Period	United States	Japan
1971/72-1972/73	45.8	14.8
1973/74-1977/78	835.5	250.5
1978/79-1979/80	348.7	358.2
1980/81-1984/85	752.3	738.3
1985/86-1989/90	567.7	1462.4
1990/91-1991/92	241.7	498.1

Source: Economic Relations Division, *Flow of External Resources into Bangladesh* Dhaka 18 February 1989, pp. 32-33, and 4 February 1993, pp. 40 & 47.