

Chapter VII

Japan's ODA and APEC

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Contrary to the commentaries generally prevailing in the western media, I think the APEC's Manila conference has revealed impressive plans for trade liberalization of the developing members in these areas. The action plans prepared by China and the Philippines were particularly encouraging ones when we consider the enormous internal difficulties to be tackled by the respective administrations of these countries in their liberalization process. The Manila conference also revealed, however, that they had not made enough efforts among themselves in the area of economic and technology cooperation, thus, they had to agree to exert renewed efforts to step up the level of collaboration in this area. The purpose of this paper is to discuss what Japan can contribute to the APEC's regional cooperation agenda while in the midst of its own economic difficulties that claim radical restructuring of Japan's whole system. My conclusion is that Japan will be able to contribute substantially to the region through conventional forms of bilateral and multilateral aid projects. On the other hand, Japan's contribution to the APEC cooperation agenda will have to be modest due to the nature of the approach required in the APEC cooperation. In my view, the APEC can introduce another concept into the APEC economic cooperation in order to exploit the real potential of the region. Considering the mounting criticism within Japan about Japan not utilizing its ODA efficiently, it may be beneficial for both Japan and the members of the APEC to launch projects that have scale and scope comparable to the present Mekong Project in areas such as environment conservation and infrastructure building. These projects would have

profound impact on the APEC's vitality and cohesiveness although these projects may not agree squarely with the spirit of the APEC's way of cooperation based on equal partnership, shared responsibility, mutual respect, etc.

1. IMPORTANCE OF ECONOMIC AND TECHNOLOGY COOPERATION IN THE APEC AND JAPAN'S POSSIBLE CONTRIBUTIONS

1.1. Importance of economic cooperation in the APEC setup

The APEC Economic Leaders' Declaration of Common Resolve, made in Bogor, Indonesia on November 15, 1994, stipulates that APEC needs to reinforce economic cooperation in the Asia-Pacific region based on equal partnership, shared responsibility, mutual respect, common interest, and common benefit, with the objective of APEC leading the way in "intensifying Asia-Pacific development cooperation" together with "strengthening the open multilateral trading system" and "enhancing trade and investment liberalization in the Asia-Pacific region." ¹

The resolve also states: "Our objective to intensify development cooperation among the community of Asia-Pacific economies will enable us to develop more effectively the human and natural resources of the Asia-Pacific region so as to attain sustainable growth and equitable development of APEC economies, while reducing economic disparities among them, and improving the economic and social well-being of our people. Such efforts will also facilitate the growth of trade and investment in the Asia-Pacific region," and, "Cooperative programs in this area cover expanded human resource development (such as education and training and especially improving management and technical skills), the development of APEC study centers, cooperation in science and technology (including technology transfer), measures aimed at promoting small and medium scale enterprises and steps to improve economic infrastructure, such as energy, transportation, information, telecommunication and tourism, with the aim of contributing to sustainable development." ²

¹ APEC Secretariat, Selected APEC Documents, 1989-1994, Feb., 1995. pp.5-6.

² Ibid., p.7.

In response to the adoption of the Bogor Declaration, the APEC leaders adopted the Osaka Action Agenda to carry through their “commitment at Bogor”³ Part two of the Agenda has introduced a framework of cooperation among the members on the basis of the above mentioned principles of “mutual respect and equality, mutual benefit and assistance, constructive and genuine partnership and consensus building.” Moreover, the Agenda states that APEC members shall make voluntary contributions “commensurate with their capabilities” and the benefits of the cooperation shall be shared broadly. The document also illustrates 13 specific areas of cooperation for member economies to pursue. They are, Human Resources Development, Industrial Science and Technology, Small and Medium Enterprises, Energy, Transportation, Telecommunications and Information, Tourism, Trade and Investment Data, Trade promotion, Marine Resource Conservation, Fisheries, and Agricultural Technology.

1.2. Past performance

As we have seen above, economic and technology cooperation, with its unique philosophy, has been one of the three important pillars for the APEC’s activities (The remaining two are trade and investment liberalization, and their facilitation). Well, how is it progressing? According to the list of completed joint activities in the economic and technology cooperation, as of October 1996, 120 activities in 13 different areas (“Economic Infrastructure” was added to the above 13 areas) were completed so far (see Table 1). The number of projects in the Energy field was 30, the largest of all, and the Human Resource Development Field came in second with 29 projects. Most of these activities, however, were survey and research projects, seminars, and information gathering projects.⁴ Seemingly, very few, if any, projects had produced concrete, direct

³ APEC Secretariat, Selected APEC Documents, 1995, Dec., 1995. p.1.

⁴ According to the descriptions on the completed economic and technology activity, there were no activities that had anything to do with actual production, construction, or performance of service at the work site level. See, MAPA, List of Completed Ecotech Joint Activities as of October 1996.

Table 1 Number of Completed Ecotech Joint Activities

(as of October 1996)

Area	Number
Human Resources Development	29
Industrial Science and Technology	12
Small and Medium Enterprises	10
Energy	30
Transportation	1
Telecommunications and Information	7
Tourism	7
Trade Promotion	8
Trade and Investment Data	2
Fisheries	6
Marine Resource Conservation	4
Agricultural Technology Cooperation	3
Economic Infrastructure	1
Total	120

impacts on the area's real economy. Professor Ippei Yamazawa of Hitotsubashi University, a member of the Eminent Persons Group created by the APEC ministers in 1992, also thinks the achievement is not satisfactory because most of the projects are small in terms of budget size. He also says the project expenses are very often borne by members who initiated the respective projects which makes each project very much a miniature of conventional bilateral ODA projects with limited scope for technology transfer and economic impacts.⁵ As far as the smallness of the budget size of technology cooperation projects is concerned, Japan's is no exception. According to a document published by JICA in March, 1995, the budget size of Japanese initiated projects in the APEC scheme are in the range of one-120th to one-250th of the comparable bilateral ODA projects of Japan.⁶ The document also states that approximately half of the APEC projects receive a subsidy from the APEC Fund, and the

⁵ I.Yamazawa, (1997), "APEC manira koudou keikaku to ajia taiheiyou no keizai chitsujyo" Sekai Keizai Hyoron, Feb., 1997 (in Japanese). pp.27-28.

⁶ Ibid.

remaining uncovered costs are borne by the overseer or other participating members.⁷ Thus, the limitation of APEC Funds might have been one of the factors contributing to the generation of many projects which had probably played some important role in the dissemination of knowledge among the members of the regional community. Yet they seem to have had limited impact on the real economies of the Asia-Pacific region. Is the financing issue alone responsible for the problem of the rather limited scope of activity with the APEC's economic cooperation? Is the APEC's cooperation philosophy of mutual respect and equality, mutual benefit and assistance, constructive and genuine partnership, and consensus building too idealistic when carrying out economic cooperation on a bigger scale? Do member countries, after all, prefer bilateral aid to multilateral aid? Does APEC need strong leadership assumed by either one influential country or a powerful secretariat with a host of capable full-time staff experts? Don't we need a type of review and coordination committee, which evaluates cooperation projects, to vitalize activities on a bigger scale as well as direct them in such a way as to enhance mutual externalities? These questions may bear some relevance to the problems at hand, and we will touch upon some of the points raised here later in a special reference to Japan's role in the area.

Whatever the reasons may be, it is important to realize that there is a possibility that against this rather disappointing performance, questions about the adequacy of the APEC's policy orientation as a whole may echo among its developing members. Many of these developing countries believe that the developed members of APEC have placed disproportionately heavy emphasis on lifting trade and investment impediments, which existed mainly in the developing members, and devoted too little efforts to promote economic and technology cooperation. This sense of discomfort on the part of developing members of the APEC may increase as the trade and investment liberalization process goes on. There is a possibility that, if the situation continues as it is, the APEC may lose its relevance as a regional forum, and that this area may produce a regionalism based on, after all, familiar exclusiveness diverged from present innovative inclusiveness entitled "open regionalism".

⁷ Japan International Cooperation Agency, APEC: Partners for Progress Research Report, March, 1995. pp.17-18.(unpublished research paper).

Therefore, Japan, which was one of the instigators of APEC and whose economy depends on the liberalization of world trade and capital movement more than any other major country in the world, is expected to assume an expanded role in this area. But, can Japan assume the role to fulfill the expectations of the developing members of the APEC? Dr. Alan Rix does not think so. In the next section we will discuss this matter in more detail to gain a realistic perspective of Japan's role as a major aid donor in the region.⁸

1.3. An evaluation of Japan's role as a promoter of APEC's economic cooperation in the Asia-Pacific region

Dr. Alan Rix thinks Japan can play only a minor part in advancing the aims of APEC. He writes, "The Japanese aid program...is a traditional donor-centered program where decision-making is highly centralized, rigid, with a strong bilateral focus." He continues to say "it can allocate limited assistance where that suits the objectives of the particular APEC program. It cannot seek to lead the economic cooperation agendas of APEC, however, without undermining that agenda's very rationale."⁹ In his view, the Japanese aid program is unsuited for the APEC agenda because of the following seven main reasons:

- (a) a firm bilateral focus remains within the Japanese aid system, notably within the Foreign Ministry's Economic Cooperation Bureau and the OECF. JICA remains sector-based in its structure for historical reasons relating to the ministries that control different parts of the Agency;
- (b) the focus of multilateral aid policy is within the Ministry of Finance, which deals with relations between the main international financial institutions. The Foreign Ministry looks after United Nations aid and, of course, coordinates Japan's policy on APEC. At the same time, the fiscal 1995 aid budget provided for APEC-related measures through the Ministry of International Trade and Industry. Notably, it provided funds for investment

⁸ Alan Rix, (1996), "Japan, APEC and Foreign Aid", Dokkyo International Review no.9 (Saitama:Dokkyo University), p.338.

⁹ Ibid.

and technology transfer studies, an APEC study center, and ongoing human resource development programs to be conducted through a variety of training organizations. The types of economic cooperation envisaged through the APEC process are ones which would fall within the purview of this ministry, rather than the Foreign Ministry;

- (c) Japan's approach to program aid is still relatively weak, because of the strong tradition of project-based lending;
- (d) human resources development within Japan's overall program is not a high priority. In some areas (e.g. the MITI programs mentioned above) it stands out, but generally it has not been strongly targeted. For example, Japan's aid to the education sector has not been strong, and in 1993 made up only 6 per cent of total bilateral ODA (the largest single sector was transport, at 18 per cent). The Ministry of Education aid budget now includes an item for contribution to APEC programs, mainly for exchange student support. It is clear, with this record of approach to education, that achieving the stated objective of strengthening HRD and institution-building is not going to be easy;
- (e) aid is a dominant feature of Japanese foreign policy and of the Foreign Ministry's approach to Japan's global position. Yet, the aid program is much bigger than the Ministry of Foreign Affairs - whose 1995 ODA budget from the General Account was exactly half of the total government ODA budget - and there remains significant tension within the system over both the broad policy and finer detail of the aid program. Strong pressures remain---to prevent an aid program that is too internationalized and ignores Japanese economic interests. Japan's foreign policy interests lie in enhancing its capacity to influence regional and global events and keeps intact Japanese economic and military security. Aid is, therefore, a key determinant of Japan's capacity to effect its bilateral and multilateral relationships. Its Asia-focused aid policy provides great support for its regional foreign policy and its specific bilateral dealings. While some kudos go to Japan for being seen as an international player through the APEC process (although some danger also exists of being seen as an ineffective player if expectations of its leadership at the Osaka summit are not met), it is already heavily involved in multilateral assistance programs through long-standing and well-developed channels---over some of which (the Asian Development Bank, for example) Japan has had significant influence.

- (f) the APEC forum provides none of the certainty that Japan's other multilateral aid activities have provided - such as its high profile in the ADB, World Bank, and IMF, its accepted strong role in international environmental aid funding through the UN and other agencies, or its UNHCR contributions. There are inter-ministerial rivalries involved at the Tokyo end, and the Partners in Progress scheme would need to be strongly Japan-centered to produce an appropriate return for Japan's foreign policy - if only to ensure that sufficient sums contributed to Japanese aid targets and to fit the APEC-related scheme into existing Japanese aid priorities;
- (g) Japanese dominance of the scheme would be politically counter-productive. APEC is founded on a principle of equal contribution from all members. The Partners for Progress scheme would not be that, linked as it is to the world's largest aid donor, one that is---by its own admission---not suffering from aid fatigue, and one that is seeking to impose its own scheme upon an, as yet poorly formulated, APEC economic cooperation agenda.¹⁰

Needless to say, economic and technology cooperation for APEC is important, but it is just a portion of Japan's huge ODA. Thus, the issue will be adequately examined in the discussion of the whole issue of Japan's ODA policy. In the following section, we will look into some of the issues faced by Japan's ODA policy, keeping in mind the comments made by Dr. Rix on the capability of Japan as an Aid donor in the APEC projects.

2. SOME OF THE POLICY ISSUES FOR JAPAN'S ODA

2.1. Budget problem

Dr. Rix correctly states that Japan's ODA policy involves deep-rooted rigidity stemming mainly from bureaucratic rivalry. This will create a serious problem for Japan as the aid and private capital are virtually the only means for Japan to deliver its message to the world community. In the area of national security, together with the security treaty with the US and

¹⁰ Op cit., pp.335-337.

the UN system as a whole, APEC is an institution that renders a loose but an indispensable framework for the regional security in the post cold war era. Since various issues on Japan's ODA policy have been coming up lately, the Japanese government is becoming more cautious in executing its ODA policy with regular review of its past performance. One of the most serious issues is the budget constraints.

Japan has been the largest ODA donor since 1991 and is unlikely to complete its Fifth Medium-Term Target of Official Development Assistance (with disbursements of \$70-75 billion over the period of 1993-97). Over the past 15 years, Japan's ODA has been growing at an average annual rate of 7.7% on a yen basis. The amount, however, has been almost fixed at around 1.4 trillion yen since 1994. Apparently, a turning point in the Japan's ODA has come at least on the financial capability side.

Since the government budget deficit has reached around 372 trillion yen, or 77% of GNP, and Japan is approaching an aging society, the Ministry of Finance does not take ODA for granted and demands effective implementation of the ODA. For the year 1996, the budget for the ODA expenditure was set below the amount for the preceding year, i.e. the 1996 budget for the grants was 21% smaller than that for 1995.

2.2. Issues concerning ODA Loans

In 1995, The bilateral share of total Japanese ODA was 72%, while the rest of the ODA was contributed to multilateral organizations. The share of loans in the total bilateral ODA was 28%. Based on the cumulative percentage for the year 1995, major recipients included Indonesia, China, India, the Philippines, Thailand, Pakistan, and Malaysia. Japan began to untie ODA loans in the 1970s. Since then, Japan has assiduously progressed towards untying the loans. As a result, the share of untied lending in bilateral ODA loan commitments has reached 98.3% in 1994, and 97.7% in 1995¹¹. A few issues have emerged out of ODA loans recently. One issue relates to the fluctuation of the value of the yen. Some countries have complained about the exchange rate risks associated with ODA loans. These complaints were serious when the value of the yen was increasing rapidly against their local

¹¹ Gaimusho, wagakuni no seifu kaihatsu enjyo, 1996, p. 57.

currencies. A more important problem that should be tackled by the Japanese government will be the problem of ODA loans becoming unattractive for some projects as either domestic funds or foreign private capital become alternative sources of funds.¹² It seems that steady development of local capital markets and phenomenal inflow of foreign private capital into Asia in general call for reallocating ODA loans either among sectors or among countries or both.

As Japan has made noteworthy progress towards untying ODA loans, Japanese private companies have tended to show less interest in undertaking preliminary surveys for ODA loan projects. As a result, in 1995, Japanese firms procured 27% of the contracts. Enterprises based in developed countries other than Japan accounted for 13%, and developing countries' enterprises produced the rest of the 60%.¹³ With the recession in progress, some Japanese companies have begun to question this situation. It is not likely that Japan will decrease its untying rate. It is possible for Japan, however, to transfer some of the aid funds from loans to grant aid category---in which case tying is a rather common practice internationally. Thus, the role of ODA loans as a whole is becoming another subject of wide concern in Japan, lately.

2.3. Rigidity issues

Flexibility is a rather rare phenomenon in the Japanese ODA scene. Trends in geographical and sectoral distribution of bilateral ODA provides a case in point. The regional distribution of Japan's ODA to developing countries has changed only slightly in the 1990s (1990-1995). Asia's share of ODA going to developing countries has fluctuated within the narrow range of 51% and 59.5 %, and its share was 54.4% in 1995. The rigidity seems even more apparent when looking at the country composition of the largest recipients of Japan's bilateral ODA. Nine countries, namely, China, Indonesia, Thailand, India, the Philippines, Sri

¹² It is reported that the government of India has decided not to use Japan's ODA loan for their third stage Anpara "C" thermal power station construction project. The ODA loan had been supplied until the second stage of the project. Source: Nihon Keizai Shimbun, February, 4th, 1997.

¹³ OECD Development Co-operation Review Series: Japan, OECD, 1996, p.37.

Lanka, Bangladesh, Egypt and Pakistan are constantly included in the list of ten major recipients of Japan's bilateral ODA for the years 1993 to 1995 (See Tables 2 & 3). Moreover, the shares of these countries are fairly stable: China has been the top recipient and Indonesia, Thailand, India and the Philippines occupy somewhere between 2nd and 5th. In addition, Japan has been the top donor in these countries. These simple facts suggest a serious rigidity exists in the management of ODA in Japan, and that there has been little scope for the government to execute aid policy based on some definite principles. The rigidity has been formulated by the habit of bureaucrats to preserve the past as a vested interest. Another explanation for the rigidity might be that the relative importance of these countries to Japanese national interests has not changed at all in the past. This may be true to a certain degree. However, it is hard to use this logic to justify its rigidity in the industrial composition of Japan's ODA because the industrial structure of these countries has changed dramatically in the past. It is hard to conceive that the priority ladder among industries of these countries for international cooperation has not changed at all during the last decade or so.

The rigidity creates a problem of misallocation of resources. The misallocation occurs in two areas. Firstly, funds may not be distributed among countries by need or a definite criteria. Secondly, within a country, funds tend to be consumed for non-productive yet politically favorable projects from the standpoint of the host central government. This happens because a certain amount of funds will be allocated to the country without much competition. From a development point of view, the aid might have been used for areas of less or no importance.

Table 2 10 Major Recipient Countries of ODA (FY1993-1995)

No	FY1993	FY1994	FY1995
1	China	China	China
2	Indonesia	India	Indonesia
3	Philippines	Indonesia	Thailand
4	Thailand	Philippines	India
5	India	Thailand	Philippines
6	Egypt	Syria	Mexico
7	Pakistan	Pakistan	Sri Lanka
8	Bangladesh	Bangladesh	Bangladesh
9	Sri Lanka	Sri Lanka	Egypt
10	Kenya	Egypt	Pakistan

(source: Ministry of Foreign Affairs, ODA Hakusho, 1996, p.28.)

Table 3 Sectoral Distribution of Bilateral ODA

(%)

Sectors/Year	1991	1992	1993	1994	1995
Transport	20.5	10.5	18.8	20.7	18.8
Energy	14.8	9.7	12.5	17.5	22.7
Soc. Infrastructure & Service	12.3	17.5	22.6	23.2	26.7
Production Sectors	17.4	27.0	12.1	12.3	11.7
General Program Assistance	28.9	27.1	27.5	18.0	16.0
Multilateral Sectors	0.9	1.1	1.1	5.4	1.2
Other Sectors	5.3	7.4	5.4	2.9	3.0

(source: Ibid., p.29)

2.4. The use of the ODA Charter

The ODA Charter adopted by Japan's Cabinet in June of 1992 consists of 5 sections, namely, basic philosophy, principles, priority, measures for the effective implementation of Official Development Assistance, measures to promote understanding and support at home and abroad, and ODA implementation system. The Charter has characteristics of a product combining globally accepted political ethics of western origin such as democracy and human rights and Japanese development philosophy based on its own experience. For instance, column 4 of article 4 of the Charter states clearly that "Japan's own development policies and experiences, as well as those of countries in East and Southeast Asia which have succeeded in economic take-off, will be put to practical use." Another significant feature of the Charter is that it does not have legally binding power. Once the budget has been proved, there is no such procedure in the Diet to deliberate respective aid projects. Thus, the responsible ministries have considerable freedom to select aid projects. Since the Charter requires merely "paying full attention" on the part of Ministries responsible for the implementation of the ODA, decisions which contradict the Charter have been made without much pain.

There have been many criticisms claiming the government's negation of the Charter. For instance, Mr. Yoshihisa Komori, a journalist stationed in Washington, has contended that Japanese aid to China, India, Pakistan, Vietnam, Myanmar, Syria, and Cuba cannot be justified in light of the "principles" proclaimed in the Charter. The Charter provides that Japan's ODA will be subject to four basic principles:

- pursuing environmental conservation and development in tandem;
- avoiding using ODA for military purposes;
- paying full attention to recipient countries' practices in relation to military expenditures, production of mass destruction weapons and arms export; and
- paying full attention to progress in democratization, human rights, and the market-orientation of the economy.

In Mr. Yoshihisa Komori's view, the above mentioned countries conflict with one or more of the above mentioned principles, but they receive considerable amounts of Japan's

ODA. He concludes that the Charter is hypocritical and Japan's enormous ODA money has been administered by bureaucrats' typically self-complacent manner in which the decision-making process is opaque and without definite legal or political foundation.¹⁴

It is true that this ambiguity in the application of the Charter may render some convenient flexibility for the government when delicate diplomatic negotiations may advance Japan's national interests. It may, however, deteriorate the image or integrity of Japan in the long run.

3. CONCLUSION: WHAT JAPAN CAN DO TO APEC WITH ITS ODA ?

According records of my private communications with economists residing in Southeast Asia, almost all of them agreed that the twelve specific areas of cooperation pursued by APEC member economies are extremely pertinent to the sustained development of this area, and they pointed out the importance of active participation by Japan in this field. The emphasis shifted somewhat, however, when they were asked to give an account of the problems with which their economies confronted.

Most of them believe that in order to develop their economies in the future they must improve their technological base, eradicate income disparity among people and among regions within each respective country, improve infrastructure, raise entrepreneurs in the ancillary industries, and take immediate action to fight environmental problems.

Economists from countries whose export industries have been seriously challenged by the products from labor abundant economies such as China strongly seek improve technological capability. These countries are seemingly like wild geese, frustrated as they have to fly shoulder to shoulder at still fairly low altitude and worse still, more are approaching from behind to prove the flock they belong. They hope Japanese firms will transfer their technology---so they do not move around quickly looking for cheap labor. Strong demand continues among Asian economies for foreign direct investment. This is not surprising since the

¹⁴ Komori, Yoshihisa "ODA 1-chou 4-sen-oku no kouyou wo tou", Sei-ron, February, 1997, pp.72-86. (in Japanese)

total amount of private fund flow received by the developing countries reached \$ 22.98 billion, whereas, the total amount of foreign aid was about half that level, \$ 14.73 billion.

Considering the current situation of Asian economies and the limitation of Japan's capability in to give aid, there will be three areas to which Japan can contribute:

(1) Promotion of projects directly concerned with private investment and technology transfer.

The task of encouraging private capital flow and technology flow will be properly addressed by the APEC Business Advisory Council, and it is important for Japan to back up the council's activity. Seemingly, two areas exists for Japan's ODA to contribute to technology transfer and foreign direct investment. One area is the careful consideration of the link between infrastructure projects with the private sector. The other area is to develop a scheme which mobilizes retired professionals such as engineers (silver corps). In this regard, it would be very important for these professionals with a lot of experience to transfer their engineering knowledge to the host community.

In view of the fact that many Asian students helped the US develop high-technology industries, it seems to me cultures or institutions conducive to scientific business activity will often be more important than the knowledge or know-how itself. If this is the case, it would be rewarding to give training, with Japanese funding if necessary, to engineers from neighboring countries like Singapore whose culture has a distinct combination of Southeast Asian culture and that of an industrial economy.

(2) Promotion of big projects in conventional bilateral and traditional aid

As we have seen in the preceding sections, Japan's ODA policy has to re-orient itself and consider problems such as budget constraints, shortcomings of ODA loans, strong rigidity in terms of country composition and industrial distributions when allocating ODA, vacillate reference to the ODA Charter which tends to blur the Japanese message to the world community. In sum, Japanese tax payers want their government to use their precious money efficiently, i.e. to allocate it for projects with a great need and for projects with a distinctive message. This aid will be comfortably and substantially carried out through conventional forms of bilateral and multilateral aid projects, with which Japan has much experience. It may be

beneficial for both Japan and the members of the APEC to launch projects that have scale and scope comparable to the present Mekong Project in areas such as environmental conservation and infrastructure building. These projects will have a profound impact on the APEC's vitality and cohesiveness although these projects may not accord squarely with the spirit of the APEC's way of cooperation based on equal partnership, shared responsibility, mutual respect, common interest, and common benefit.

(3) Promotion of projects within the framework of existing APEC cooperation agenda

Japan's contribution to the APEC cooperation agenda may have to be relatively modest due to the nature of the approach required in the APEC cooperation. Apart from training programs, Japan may not have a comparative advantage in formulating educational projects---mainly due to language barriers. In the other area, I do not consider Japan or Japanese people to have any disadvantages in formulating and implementing APEC's cooperation projects.

As the focal point of economic development theory and strategy shifts to social development and human resources development, the role of NGOs in development becomes increasingly important, and Japan's contribution to the NGO activities are further encouraged within the APEC's cooperation projects. We should remember that Japan also has considerable potential resources in this area. In addition to retired professionals, ex-members of the Japan Overseas Cooperation Volunteers, and other experts with rich experiences in the foreign community will make Japan-based NGOs very active ones. We should also remember, however, that NGO is not almighty. First of all, NGOs are not homogeneous. Each NGO has a different history, orientation, and capability. Secondly, some countries do not welcome foreign based NGOs to enter their countryside.

There is no country without the history of mutual help. Japan is no exception. People helped each other in paddy fields, with fishing nets, and at small factories. Under the reins of harsh feudal loads the poor had to share their burdens. Buddhist temples offered a helping hand, though humble, to the refugees passing by. As a recent example, thousands of people of all walks of life from the Northern island to that of the South voluntarily gathered at Kobe at the time of the merciless earthquake. Companies decided to encourage their employees to

take leave to help victims. Thus, there are some good possibilities for Japan to generate many volunteers and ODAs.

Finally, I would like to make just a very brief comment about Dr. Rix's statements and perhaps the general interpretation of the APEC's cooperation philosophy in reference to Japan's participation in these projects. The first point concerns Japan's policy of "request-based methodology" in drawing up ODA projects, and "supporting self-help efforts of recipient countries" which Japan has claimed to be part of its basic philosophy in the implementation of ODA. Wouldn't this approach allow recipient countries more opportunities to express their ideas to be included in the project? It is well known that Japan's general trading companies, rather than local interests were very active in drafting the ODA loan projects. The situation, however, might have changed considerably recently due to the thoroughness of its untying process. Recently, quite a few local firms as well as other non-Japanese foreign firms are involved in Japan's ODA loan projects.

Dr. Rix is correct, however, that it would be difficult for Japan to lead, or propose, economic cooperation agendas as founded on the principle of equal contribution from all members, if we define the principle in a very rigid manner. In my view, however, the definition of such a term as "equal partnership" should inherently involve degree of subjectivity. In my interpretation, the egalitarianism sought by the APEC involves, after all, such things as attitudes or ways of thinking that should be shared among members based on the sense of equality in the process of consensus---building rather than, say, the equivalence of contributions to the respective project among the heterogeneous APEC members. Whether the proposal is beneficial, directly or indirectly, for every party member involved is more significant than the origin of the basic idea or intention of the planner. Moreover, complementary elements always exist in any international encounter, and all members of the party will learn from each other in the process, even in a very specific grass-roots project. Japan needs to maintain, I think, a type of philosophy stating, "We are in the same boat, mates."