

Japan's Foreign Aid to South Asia: Addressing a Strategic Need¹

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Executive Summary

What motivates Japan to look at South Asia as a foreign aid destination? This paper explores the evolution of Japanese attitudes toward South Asia in foreign aid. Japan began sending official development assistance (ODA) to the region as early as 1958 and has become one of its largest contributors. However, Japan's ODA goals to the region have been underexplored. Japan has expanded economic diplomacy by capitalising on the policy of development cooperation to the region and recently stretched it out to the security building cooperation with aid recipients in South Asia, especially with India.

By examining the foreign aid policy change in Japan, the paper argues that the attitude of Japanese policymakers favouring South Asia as the Japanese ODA destination is closely associated with strategic necessities, which are Japan's neo-mercantilist interests that it aims to achieve in the region while deploying development cooperation activities. It analyses how Japan has changed its attitudes towards aid to South Asia from a neo-mercantilist to the idealist and constructivist approach, again to the neo-liberalist, and further to the neo-mercantilist stance. It also discusses how South Asia can serve Japan's neo-mercantilist interests in the realm of foreign aid.

Introduction

Developing cooperation indicates a wide range of financial, organisational, and technical support for developing countries with the aims of achieving the global development agendas. Developing cooperation has been frequently referred as official development assistance (ODA) by many aid donors and recipients, as ODA is a technical terminology used by the United Nations (UN), UN-affiliated organisations, and other bilateral and multilateral development finance institutions dealing with foreign assistance.² ODA is defined as capital flows to developing countries provided by official agencies of aid donor countries to facilitate economic development and welfare of the aid recipient countries. For example, the Organisation for Economic Co-operation and Development (OECD) clearly demarcates ODA as the aid to only developing countries, which are currently around 150 countries or territories with per capita incomes below US\$12,276 (S\$16,657).³

¹ This paper is based on the lectures the author delivered at Kyoto University and Kansai Gaidai University in Japan in November 2017.

² For the definitions of bilateral and multilateral development finance institutions, see Alexander Klein, 'The Growing Development Potential of Other Official Flows', in OECD (ed.), *Development Co-operation Report 2014: Mobilising Resources for Sustainable Development* (Paris: OECD Publishing, 2014), p.61.

³ See OECD, <https://data.oecd.org/oda/net-oda.htm>. Accessed 17 December 2018.

According to the OECD, the top ten recipients of bilateral gross ODA in 2015–16 include Afghanistan, India, Vietnam, Syria, Ethiopia, Indonesia, Pakistan, Jordan, Kenya, and Iraq.⁴ Among them, three states – Afghanistan, India, and Pakistan – are located in South Asia, and the top two recipients are Afghanistan and India. In 2015–16, Afghanistan took US\$3.4 billion (S\$4.6 billion), and India received around US\$3.1 billion (S\$4.2 billion). The net bilateral ODA that Afghanistan and India took in the same period accounts for around 6 per cent of the total bilateral ODA distributed to countries across the world. The OECD’s recent data also indicates that South Asia is the world’s second largest ODA destination after the Sub-Saharan region in Africa.⁵ The sub-Saharan region received around 23 per cent, and South Asia took about 12 per cent of total ODA allocation.

It is interesting that Japan has prioritised South Asia, especially India, in allocating the substantial volume of bilateral ODA. In 2015–16, India ranked as the top recipient of the Japanese ODA by taking around US\$1.7 billion (S\$2.3 billion).⁶ It was much more than any other bilateral and multilateral sources that disbursed ODA to India in the same period. Even International Development Association (IDA), a complementary World Bank agency to the International Bank for Reconstruction and Development (IBRD) and a multilateral development finance institution disbursing the high volume of ODA to developing countries, was behind Japan.

Furthermore, Japan was the largest bilateral ODA donor to many other countries besides India in South Asia such as Bangladesh, Bhutan, Maldives, and Sri Lanka. Table 1 presents the top three donors of bilateral gross ODA for the eight states in the region in 2015–16. Japan has been involved with the countries in South Asia as a major donor.⁷ It also sent the most considerable portion of bilateral ODA to the region among others in the period, at around 29 per cent of the total ODA received by the region.⁸

Table 1: Top three donors of bilateral gross ODA for states in South Asia (2015–16)

| State | 1 st | 2 nd | 3 rd |
|-------------|-----------------|-----------------|-----------------|
| Afghanistan | United States | Germany | United Kingdom |
| Bangladesh | Japan | United States | United Kingdom |
| Bhutan | Japan | Australia | Switzerland |
| India | Japan | Germany | United Kingdom |
| Maldives | Japan | Australia | France |
| Nepal | United States | United Kingdom | Japan |
| Pakistan | United States | United Kingdom | Japan |
| Sri Lanka | Japan | South Korea | United States |

Source: Author based on OECD (2018), *OECD Workbook*.

⁴ See OECD, https://public.tableau.com/views/AidAtAGlance/DACmembers?:embed=y&:display_count=no?&:showVizHome=no#1. Accessed 18 December 2018.

⁵ Ibid.

⁶ OECD, op. cit. IDA sent around US\$1.4 billion (S\$1.9 billion) of gross ODA to India in 2015–16.

⁷ Japan ranked at the fourth largest bilateral ODA donor to Afghanistan in the same period.

⁸ See OECD (2018), *Geographical Distribution of Financial Flows to Developing Countries 2018: Disbursements, Commitments, Country Indicators*. OECD Publishing, Paris. Pp.50–51.

Despite the significance of Japanese aid to South Asia, the rationales and results of development cooperation activities that Japan has executed in the region have been underexplored. This paper seeks to understand the ideas and implications for the increasing Japanese foreign aid to South Asia. The paper mainly discusses the ideas of policymakers in Japan for aid distribution to South Asia at the four different stages. It suggests some implications for the growing trend of Japanese aid to South Asia.

Japan's Ideas for Aid Distribution to South Asia

Why do countries provide foreign aid? Aid donors have various aims to achieve through the development cooperation activities. Table 2 shows the seven broad goals of foreign aid.⁹ Donors send foreign aid to other countries to increase their security over the recipients; pursue power and influence over the recipients; seek the economic interests of their industries in the domestic markets of recipients; enhance global public goods; build a good image of their nations in the international community; fulfill obligations to compensate developing countries for faults they were involved in the past; and promote humanitarian reliefs for the recipients.

Table 2: The Seven Broad Frames relevant to Foreign Aid

| Frame | Goals for Aid |
|-------------------------------|--|
| Security | Increase donor's physical security: support allies, oppose communism |
| Power/influence | Pursue power: increase leverage over others, win allies and positions of influence in international fora |
| Wealth/economic self-interest | Further economic interests of donor economy; support export industries |
| Enlightened self-interest | Pursue global public goods: peace, stability, environmental health, population control |
| Reputation/self-affirmation | Establish and express a certain identity in international relations; improve international status and reputation |
| Obligation/duty | Fulfill obligations, whether historical or associated with position in international system |
| Humanitarianism | Promote the well-being of the poorest groups worldwide; provide humanitarian relief |

Source: Veen (2011), p.10.

Japan's case is quite mixed. The Government of Japan has aimed for different goals at different times in structuring and implementing its aid policy. Such an observation questions what triggers the state to change its aid goals. Is it for domestic reasons or, does it have to do with external factors? Japan's international relations (IR) scholars have argued that the nature of foreign policy in Japan is either 'reactive' or 'strategic'. The former view takes Japan as a reactive state that fails to undertake major independent foreign economic policy, thereby responds to outside pressures for change often incompletely and

⁹ See A. Maurits Van Der Veen (2011), *Ideas, Interests, and Foreign Aid*. New York: Cambridge University Press.

unsystematically.¹⁰ The latter approach, on the other hand, sees Japan as a strategic state that pursues a sophisticated foreign policy with a low-cost, low-risk, benefit-maximising strategy that served national interests extraordinarily well.¹¹

In a study of the Japanese aid policy-making process, Orr (1990) argued that the outside pressure '*gaiatsu*' and the domestic politics acted as important factors.¹² He emphasised the role of bureaucratic politics and interests within the different agencies in the Government of Japan. However, Orr believed that most of the time the Government's attitude toward aid is 'reactive' rather than proactive, of which project was made through 'request' under the influence of the Japan-US relationship. Similarly, Miyashita's (2003) work highlights the significant role of *gaiatsu*, which explains that the asymmetry of both 'economic' and 'security' dependence makes Japan sensitive to the US pressure in the aid policy-making.¹³

This paper argues that the Japanese state is 'strategic' rather than 'reactive' in structuring and implementing its foreign aid policy. However, this argument does not discount the influence of the US in Japan's aid policy-making process. I would not gainsay that the role of external pressure from the US heavily worked in the process in the earlier periods when Japan was acting as a powerful regional leader in Asia. However, Japan's attitude toward foreign aid has strategically transformed to a neo-liberalist approach in the early 1990s and further to neo-mercantilist in the early 2000s. The neo-mercantilist nature has been enhanced while other Asian states such as South Korea, China, India and Thailand, have increased the volume of financial aid and become rising donors. This paper provides evidence of how the Japanese state has been strategic in shaping and reshaping its aid aims, and further performing aid reforms.

The Ministry of Foreign Affairs (MOFA) in Japan defines Japan's aid policy regime by dividing it into four different stages: (1) system development period (1954–76); (2) system expansion period (1977–91); (3) policy and philosophy enhancement period (1992–2002); and (4) meeting the challenges of a new era (2003 onward).¹⁴

¹⁰ The outside pressure has been often described as '*gaiatsu*' in various literature examining the Japanese foreign policy. See Inoguchi Takashi, 'Japan's Images and Options: Not a Challenger, but a Supporter', *The Journal of Japanese Studies*, vol.12, no.1 (1986), pp.95–119; Kent E. Calder, *Strategic Capitalism: Private Business and Public Purpose in Japanese Industrial Finance* (Princeton, New Jersey: Princeton University Press, 1993).

¹¹ See Michael J. Green, *Japan's Reluctant Realism: Foreign Policy Challenges in an Era of Uncertain Power* (New York: Palgrave, 2001); Richard J. Samuels, *Machiavelli's Children: Leaders and Their Legacies in Italy and Japan* (Ithaca: Cornell University Press, 2003).

¹² See Robert Orr, *The Emergence of Japan's Foreign Aid Power* (New York: Columbia University Press, 1990).

¹³ See Akitoshi Miyashita, *Limits to Power: Asymmetric Dependence and Japanese Foreign Aid Policy* (Lanham: Lexington Books, 2003).

¹⁴ See Japan's MOFA official website on ODA, <https://www.mofa.go.jp/policy/oda/cooperation/anniv50/pamphlet/index.html>. Accessed on 20 December 2018.

Phase One (1954-76): Neo-mercantilist Approach¹⁵

Japan's development cooperation activities began by joining the Colombo Plan in October 1954 to provide the government-based financial cooperation to various countries. The development cooperation projects became more active after Japan joined the OECD's Development Assistance Group in 1961, which was later transformed to the Development Assistance Committee (DAC) group.

During the period, most of the economic cooperation was provided as postwar reparations, *baishou*, for wartime damage. The baishou receivers included Philippines, Indonesia, Vietnam, Cambodia, Laos, Thailand, Malaysia, Singapore, South Korea, and Micronesia. After signing the first baishou agreement with the Government of Burma (currently Myanmar) in October 1954, Japan agreed with other countries above on wartime reparation. The reparation agreements comprised the several items such as private loans and investments, goods and services, technical assistance, grants and others.

However, most of the reparation loans were tied through which the recipients had to buy the Japanese products. Many studies have criticised such nature, which was to boost Japan's economy.¹⁶ The aid recipients had to guarantee the purchases of Japanese exports, and it subsequently increased the economic dependency in the recipients' economies on Japan. Japan maintained such a mercantilist approach until its economy developed in the 1970s.

Japan's interests in South Asia grew in the initial period of sending Japanese yen loans with the aim of seeking the potential market. Japan disbursed the first yen loan to India in 1958. The MOFA in Japan considered it a 'groundbreaking significance' in the sense that the loan was the beginning of financial cooperation with concessionary conditions.¹⁷ Rix (1993) put it:

Major aid payments did not begin until the yen loan programme of 1957, and the emphasis base and potential markets. Between 1957 and 1964, sixteen of the twenty-one loan agreements were for India or Pakistan, all from the Export-Import Bank of Japan at not-too-low an interest rate (5.75–6.0 per cent) and all firmly tied to purchases from Japan.¹⁸

¹⁵ For the theoretical discussions on the idealist, realist, liberalist, and mercantilist approaches, see William R. Nester, *Japanese Industrial Targeting: The Neomercantilist Path to Economic Superpower* (New York: St. Martin Press, 1991); Jack Snyder, 'One World, Rival Theories', *Foreign Policy*, vol.145 (2004), pp.52–62; Richard Devetak, Anthony Burke, and Jim George, *An Introduction to International Relations (Eds.)* (New York: Cambridge University Press, 2012); Robert Jackson and Georg Sorensen, *Introduction to International Relations: Theories and Approaches* (Fifth edition) (Oxford, UK: Oxford University Press, 2013).

¹⁶ See Alan Rix, *Japan's Foreign Aid Challenge: Policy Reform and Aid Leadership* (Abingdon; New York: Routledge, 1993).

¹⁷ See MOFA of Japan, *op. cit.* Accessed 24 December 2018.

¹⁸ Quotation from Rix (1993), p.136. The original work detailing the list of yen loans in the period is Tsūshō Sangyōshō, *Keizai kyōryoku no genjō to mondaiten [Phenomena and Problems of Economic Cooperation] 1989* (Tokyo: Tsūshō Sangyo Chosakai, 1989).

It is not clear whether the external pressure was a significant factor for Japan's decision to provide the baishou scheme. However, the goals for yen loan scheme in this period were set up with the endogenous and strategic necessities because the Government of Japan had a focused aim of reconstructing its economy in the post-war period. Japan introduced the 'untied' yen loan only in 1972 when it achieved dramatic economic development and completed the reparation ODA in 1976.

Phase Two (1977-91): Constructivist Approach

Japan increased the volume of ODA substantially in the second phase. The ODA that Japan sent to other countries in 1977 was around US\$1.42 billion (S\$1.93 billion) and it grew up to US\$40 billion (S\$54 billion) within a decade. Japan became the world's top donor in 1989 outpacing the US.

During this period, the Government of Japan was concerned about the environment and human rights in deploying the development cooperation activities. Also, it considered the human resource development and grassroots ODA programmes. At the same time, Japan aimed at bridging the rich and poor countries and participated in the North–South dialogues actively in the international community. As such, Japan's ODA goals were structured by an ideational and constructivist approach, which was completely different from the materialist perspective on the development cooperation in the first phase.

Clear evidence of such a constructive approach is observed in the Government of Japan's movement to formulate ODA philosophies. The MOFA conducted a study on the significance of Japan's ODA activities and structured ODA philosophies in 1978 and 1980.¹⁹ Japan's primary ODA philosophies in the period were to deliver the 'international responsibility and humanitarian standpoints' through the activities. The MOFA put it:

*ODA is Japan's single most important tool for contributing to further development of peace and stability in the international community... it is critically important for Japan, a small country that lack natural resources, to maintain friendly ties with developing countries that have interdependent relationships with Japan.*²⁰

Japan prioritised other countries in the Northeast and Southeast Asia such as China, Indonesia, Malaysia, Myanmar, Philippines, and Thailand in allocating ODA, although it sent the substantial volume of ODA to South Asia in this period. Table 3 presents the ODA dependence on Japan by the select recipients in Asia. The Japanese bilateral ODA accounted for around 39 per cent in Bangladesh, 24 per cent in India, 31 per cent in Nepal, 27 per cent in Pakistan, and 47 per cent in Sri Lanka. However, many of the South Asian countries were resorting to multilateral aid channels beyond the bilateral ODA from Japan during the time.

¹⁹ See MOFA of Japan, *op. cit.* Accessed 24 December 2018.

²⁰ Ibid.

Table 3: Select Asian Countries' Dependence on Japanese ODA in 1989

| ODA Recipient from Japan | | Japanese Bilateral ODA (%) | Japanese ODA out of Total ODA (%) |
|--------------------------|-------------|----------------------------|-----------------------------------|
| Northeast Asia | China | 55.6 | 38.6 |
| South Asia | Bangladesh | 38.7 | 20.6 |
| | India | 24.2 | 14.4 |
| | Nepal | 30.8 | 15.7 |
| | Pakistan | 26.7 | 16.1 |
| | Sri Lanka | 46.9 | 33.9 |
| Southeast Asia | Cambodia | 11.2 | 8.2 |
| | Indonesia | 67.2 | 62.3 |
| | Laos | 45.2 | 14.1 |
| | Malaysia | 63.1 | 56.8 |
| | Myanmar | 79.4 | 38.8 |
| | Philippines | 53.3 | 47.8 |
| | Singapore | 11.4 | 11.3 |
| | Thailand | 75.1 | 69.2 |
| | Vietnam | 2.2 | 1.2 |

Source: Based on *Kaigai keizai kyōryoku kikin [Overseas Economic Cooperation Fund] (1991)*, cited from Rix (1993), p.143.

Phase Three (1992-2002): Neo-liberalist Approach

Japan introduced a new ODA Charter in June 1992 to gain broader support for its ODA activities both at the domestic and international boundaries.²¹ The new ODA Charter highlighted Japan's ODA philosophies aimed at the medium- and long-term period in the four areas: (1) humanitarian assistance, (2) interdependent relationship, (3) environmental conservation, and (4) self-help efforts.

The ODA philosophies and principles presented the neo-liberalist nature supporting the value of the market-oriented economy and other universal values that the international community emphasised to achieve. The Government of Japan specified in the Charter that 'full attention should be paid to efforts for promoting democratisation and introduction of a market-oriented economy, and the situation regarding the securing of basic human rights and freedoms in the recipient country' in allocating the Japanese ODA.²² Furthermore, the Charter also indicated that 'any use of the Japanese ODA for military purposes or for aggravation of international conflicts should be avoided'.²³

The Government of Japan maintained the primary aims for ODA activities based on the neo-liberalist approach until it had to cut the budget for ODA disbursement in 1997. In January

²¹ See MOFA of Japan, <https://www.mofa.go.jp/policy/oda/reform/review0303.html>. Accessed 28 December 2018.

²² Ibid.

²³ Ibid.

1996, Japan's former Prime Minister Ryutaro Hashimoto in his Policy Speech to the 136th session of the National Diet mentioned:

In line with the Official Development Assistance Charter, we will promote overall economic cooperation with a comprehensive approach integrating assistance with trade and investment so as to contribute to enhancing economic dynamism in Asia and elsewhere. Similarly, the efforts to shift to market-oriented economies are of global importance. It is also important for Japan to provide assistance that is optimally attuned to each country's stage of development while paying every heed to the efforts to promote democratisation and to introduce market-oriented economies in the developing countries.²⁴

The 1997 financial crisis influenced Japan's foreign policy. The Government of Japan adjusted the ODA budget through the ODA reform and declared that it would focus more on quality rather than quantity in the area. In a Press Conference on the fiscal structural reform in Japan, Hashimoto made a clear vision toward the ODA budget cut by articulating it,

As the world's top ODA donor nation, Japan has continually increased the level of its assistance. Now, with a shift in emphasis from quantity to quality, we are planning to reduce the level of the ODA budget each fiscal year during the three-year intensive reform period beginning in FY1998. Om FY1998, in particular, the budget ceiling will be set at a level less than the FY1997 budget by no more than 10 percent. In making there cutbacks, we will ensure the smooth execution of our current ODA commitments by improving the quality of that ODA, prioritising and improving efficiency in budget allocations, and by utilising financial resources from the private sector. But it is obvious that Japan will continue to strive for efficient implementation of its ODA and will do everything possible to avoid undermining its spirit of international contribution.²⁵

It is interesting to observe the pattern of the Japanese ODA disbursement that maintained the view of the Asia Pacific region focus despite the budget cut in the period. Around 60 per cent of the total Japanese ODA was sent to various countries in Asia. South Asia was one of the primary destinations in this regard. The Government of Japan recognised the region with the high potential to be a partner for the economic cooperation. Japan attempted to be an 'entrepreneurial' leader and a pacesetter in the aid activities in the Asia Pacific region by creating the space for Japan to negotiate a new international profile as the international leader.²⁶ It enabled Japan to share responsibility which was a division of labour in global roles in the new world order during the period. The role that Japan had in the realm of foreign aid was to 'spend huge sums of foreign aid' under the security umbrella that the USA continued to provide in the region.²⁷ In the 1990s, such arrangement facilitated power

²⁴ The Government of Japan, 'Policy Speech by Prime Minister Ryotaro Hashimoto to the 136th Session of the National Diet', MOFA (1996), https://www.mofa.go.jp/region/n-america/us/security/alliance/ry_136.html. Accessed 28 December 2018.

²⁵ Ibid.

²⁶ Rix (1993), p.195.

²⁷ Richard Grant, 'Japan: A Foreign Aid Superpower', in Richard Grant and Jan Nijman (eds.), *The Global Crisis in Foreign Aid* (New York: Syracuse University Press, 1998), p.57.

sharing and conferred more prestige on Japan as well as provided Tokyo with more autonomy in pursuing independent foreign policy.²⁸

Despite Japan's focus on Asia as its ODA destination, its partners in South Asia did not take the Japanese ODA as much as they receive in the fourth phase. It is difficult to say that Japan's attention in allocating the ODA resources shifted from other Asian regions to South Asia during this period.

Phase Four (2003 onward): Neo-realist and Neo-mercantilist Approach

In August 2003, the Government of Japan revised the ODA Charter. The new ODA Charter was expected to 'contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity'.²⁹ It began paying more attention to the human security and individual human beings in the new Charter, which was revised for the first time in Japan's ODA history while maintaining its primary concerns on the global issues such as poverty reduction, sustainable growth, and peace-building.

Also, the new ODA Charter kept the view that Asia would be the primary destination for the Japanese ODA although Japan built some channels to extend its interests in Africa through the Tokyo International Conference on African Development. Among many, Junichiro Koizumi, serving as the Prime Minister of Japan from April 2001 to September 2006, emphasised to ASEAN members the focus of Japanese ODA disbursement.³⁰ Thus, countries in Southeast Asia rather than India were more important to Japan as primary partners in foreign aid by then. India received around US\$330 million (S\$450 million) of the bilateral Japanese ODA in 2003, while Indonesia took about US\$1.1 billion (S\$1.5 billion) and Philippines had around US\$530 million (S\$720 million) of it.³¹

However, India became one of the most important partners for the Japanese ODA destination after 2008 when Yasuo Fukuda was serving as the Prime Minister of Japan. The Japanese bilateral ODA to India dramatically grew from 1.7 per cent in 2007 to 8.6 per cent in 2008, and peaked at 14.2 per cent in 2016. India came under the spotlight when Shinzo Abe became the Prime Minister of Japan in 2007, but Abe's ideas of building a close economic relationship with India could not be realised during his first term. India received more attention when Abe came back to the Cabinet in December 2012 with his vision for reconstructing Japan's economy. Japan has recently initiated various economic and social infrastructure-building projects in India.³² The Government of Japan placed a heavier emphasis on the economic strategy in deploying the ODA activities during the time. Abe's primary concerns on reviving Japan's economy in foreign policy have been observed in many of his speeches. In an interview with *Foreign Affairs*, Abe mentioned:

²⁸ Ibid.

²⁹ MOFA of Japan, <https://www.mofa.go.jp/policy/oda/cooperation/anniv50/pamphlet/progress4.html>. Accessed 28 December 2018.

³⁰ During a visit to ASEAN member countries in January 2002. See MOFA of Japan, https://www.mofa.go.jp/policy/oda/white/2002/part1_2_2.html. Accessed 7 January 2019.

³¹ MOFA of Japan, <https://www.mofa.go.jp/policy/oda/white/2004/part3-2-4.pdf>. Accessed 7 January 2019.

³² Interview with a JICA officer on 11 December 2017, JICA, New Delhi, India.

When I served as Prime Minister last time, I failed to prioritise my agenda. I was eager to complete everything at once, and ended my administration in failure...Everywhere, I heard people suffering from having lost jobs due to lingering deflation and currency appreciation. Some had no hope for the future. So it followed naturally that my second administration should prioritise getting rid of deflation and turning around the Japanese economy.³³

India's economic potential and self-defence capacity is supportive of Abe's primary concerns on the national security and economic reflation in Japan's foreign policy. India has become a significant partner for Japan in the most recent years while Japan's mercantilist interests grew in the realm of foreign aid, sharing the strategic economic and security interests in the Asia Pacific region. As the main drivers for Japan–India bilateral ties, earlier studies have discussed the rise of China, attitudinal change of the US toward India since 2002 National Security Strategy, and the democratic and cultural connectivity.³⁴

Conclusion

This paper examined how the foreign aid policy has shifted in Japan and how Japan has dealt with South Asia as its ODA destination with strategic necessities over time. It suggested that the policy ideas toward South Asia were framed through the attitudinal changes of the Government of Japan toward foreign aid. It analysed how the attitude transformed from the neo-mercantilist approach to the idealist and constructivist, to the neo-liberalist, and further to the neo-mercantilist stance. The paper argued that Japan's strategic necessities in building a close relationship with South Asia, India in particular, are deeply associated with Japan's neo-mercantilist interests that Japan aims to achieve while deploying development cooperation activities. Considering India's potential in its growing economy and self-defence capacity, it is not difficult to understand why Japan has substantially increased the volume of ODA to India in the most recent decade. It is evident that Japan has put India as a priority with the strategic necessities seeking the economic interests and security cooperation through the channel of development cooperation.

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³³ Abe Shinzo and Jonathan Tepperman, 'Japan is Back: A Conversation with Shinzo Abe', *Foreign Affairs*, vol.92, no.4 (2013), pp.2–8.

³⁴ See Arpita Mathur, 'India and Japan: Sharing Strategic Interests?', in Purnendra Jain and Lam Peng Er (eds.), *Japan's Strategic Challenges In A Challenging Regional Environment* (Singapore: World Scientific, 2013). See also Purnendra Jain, 'The Politics of Japan's New Aid Charter', *East Asia Forum*, 15 December 2014. I also benefitted from Michael J. Green's lecture on 'Where is the USA in Asia? Washington CSIS Senior Asia VP Mike Green Talks About *By More Than Providence: Grand Strategy and American Power in the Asia Pacific Since 1783*' on 24 September 2018, Asian Institute, Munk School, University of Toronto, Canada.