

# **JAPANESE AID DIPLOMACY**

**A Dissertation Submitted to  
Department of International Relations and Diplomacy  
(DIRD)  
Faculty of Humanities and Social Science  
Tribhuvan University  
In Fulfilment of the Requirement for the  
Master's Degree  
In  
International Relations and Diplomacy**

**By  
Pragyawatee Rai  
Roll No: 221  
(2015-2017)  
T.U. Reg. No: 6-3-28-123-2014  
DIRD, TU  
Kathmandu, Nepal  
March, 2020**

## **LETTER OF RECOMMENDATION**

I certify that this dissertation “**Japanese Aid Diplomacy**” was prepared by Pragyawatee Rai under my Supervision. I hereby recommend this dissertation for final examination by the Research Committee Master’s in International Relations and Diplomacy, Tribhuvan University, in fulfilment of the requirements for the Degree of MASTER’S IN INTERNATIONAL RELATIONS AND DIPLOMACY.

.....

Prof. Dr. Khadga K.C

DIRD, TU.

Kathmandu, Nepal

March, 2020



## **DECLARATION LETTER**

I hereby declare that this dissertation is my own work and that it contains no materials published. I have not used its materials for the award of any kind and any other degree. Where other author's sources of information have been used, they have been acknowledged.

.....

Pragyawatee Rai

March, 2020

## **ACKNOWLEDGEMENT**

I offer my sincere gratitude to my Supervisor Professor Dr. Khadga K.C, Program Coordinator of Department of International Relations and Diplomacy, Tribhuvan University for allowing me to do this research in “Japanese Aid Diplomacy” who patiently corrected my writing and guided me to complete this dissertation. His tremendous support has provided me with generous help in Japanese Embassy in Nepal and JICA. I would have never been able to finish my dissertation without the support of my friends, seniors and colleagues.

I would like to thank all my respected professors, associate professors, lecturers, all faculty members and administrative staff of the Department of International Relations (DIRD), TU. I would also like to thank Professor Li Tao, my Supervisor and all the faculties of the Institute of South Asian Studies at Sichuan University, Chengdu, China who gave me a golden opportunity to learn, grow and explore.

I must offer my heartfelt gratitude to Mr. Harendra Bikash Baruwa from the Embassy of Japan, representatives from JICA, MoFA and IFA who trusted me with their valuable time and provided significant reports, databases, their knowledge and experiences. My thesis would not have been possible without unconditional love from my dear parents who are my strongest critic and support system. Thank you!

Pragyawatee Rai

March, 2020

## ABSTRACT

The thesis Japanese Aid Diplomacy in Nepal attempts to explore both the reasons and benefits of Japanese Aid to Nepal. Japan is one of the most significant actors in global politics. In response to global demands and for its national interest, Japan has contributed to the peaceful order of other nations and regions by enhancing liberal norms and regimes. Japan views South Asia with strategic geopolitical interest and places a high priority on working with the region to create peace and stability underpinned by rules that comply with liberal universal values.

Japan provides aid less than the United Kingdom and the United States but still, Japan is a significant aid provider to Nepal than its neighbours. Unlike western power, Japan does not have significant stakes in Nepal. There is a demand for shifting income from rich to poor countries with different International Program like bilateral aid, multilateral aid from International organisations, technical assistance and grants at below market rates.

Japan's renewed focus on South Asian countries can also be noted through the latest ODA white paper, released in April 2016. In view of Japan's standoff with China in the East China Sea and Beijing's relentless and assertive claims in the South China Sea, Japan actively promotes the notion of freedom of navigation of sea lanes and aims to develop a network of like-minded nations in the region. To achieve Japan's objectives of the rule of law, maritime security, cyber security and peace-building measures, the white paper notes the importance of South Asian nations as partners. The use of aid to bolster its national interest is another key policy change in Japan's ODA objectives. While national interest implicitly guided Japan's aid policy in the past, it is the first time that it has been stated in a Government document and defended by the Ministry of Foreign Affairs and Japan's aid agency, the Japan International Cooperation Agency (JICA).

Japan has redefined its aid orientation to serve its geostrategic and national interests, largely due to the changes in the global geostrategic environment, especially in the wake of China's rise, Tokyo also remains strongly committed to the conventional aid philosophy and puts significant financial and human resources into social and humanitarian issues confronting developing societies in Asia, Africa and elsewhere.

The thesis perceives the Japanese Aid to Nepal as a positive-sum game as the growth of Nepal increases the capacity of Nepalese to buy Japanese products on one hand while it also helps grow Japanese soft power in the country on the other. JICA was established in 1978 and is playing a significant role in the socio-economic development of Nepal. In the present context, Japanese assistance covers almost all aspects and dimensions of the Nepalese economy.

Japan has been providing grant aid, loan and technical assistance and a large number of details could be found from the reports and data from JICA's official website. Japanese loan and grant assistance started in Nepal in 1969 and 1970 respectively. From 1970 onwards, Japan has been providing technical cooperation with the dispatch of Japan Overseas Volunteers in implementing and handling technical cooperation projects. All potential data have been looked for and has been analysed to create a strong case of the thesis.

Japan has been seen to have a keen interest in construction and the discussion of the B.P Koirala highway has been discussed on multiple occasions. Japan has helped by loans in hydro-power, cement plant project, and Kulekhani Disaster Prevention Project

The thesis suggests that Japan has started to increase its interest in the South Asia region as a whole and India specifically is the largest aid receiver since 2008.

## TABLE OF CONTENTS

Letter of Recommendation	i
Letter of Approval	ii
Declaration Letter	iii
Acknowledgement	iv
Abstract	v
Table of Contents	vii
List of Abbreviations	x
<b>Chapter 1: Introduction</b>	<b>1-10</b>
1.1. Background/Context	1
1.2. Statement of the Problem	6
1.3. Significance of Research	7
1.4. Objectives of Study	8
1.5. Research Questions	8
1.6. Research Methodology	9
1.7. Limitations of the Study	9
1.8. Organization of the Study	10
<b>Chapter 2: Review of Literature</b>	<b>11-21</b>
2.1. Major Literature upon Japan's aid Diplomacy	11
2.2. Review of JICA Reports	17
2.3. Nepalese Aid Literature	19
2.4. Supportive Readings	21
<b>Chapter 3: Theoretical Framework</b>	<b>22-26</b>
3.1. Power and IR	22
3.2. Types of Power	23

3.3. Hard Power	23
3.4. Soft Power	25
3.5. Smart Power	26
<b>Chapter 4: Japan's Trends and Culture of Foreign Aid</b>	<b>27-32</b>
4.1 Modernization of Japan	27
4.2. Aid Diplomacy of Japan	28
4.3. International Trends	30
4.4. Nepal-Japan Relationship	30
<b>Chapter 5: Japanese Aid diplomacy to Nepal</b>	<b>33-45</b>
5.1. Nepalese Aid History	33
5.2. Japan's Official Development Assistance to Nepal	34
5.2.1. Grant Assistance	34
5.2.2. Loan Aid	36
5.2.3. Total projects and Disbursement	37
5.3. JICA Funded Projects	37
5.4. Japanese ODA to Nepal (2002-2007)	39
5.4.1. Improvement of Intersections in Kathmandu City	39
5.4.2. Progress of Sindhuli Road	40
5.4.3. Implementation of Kathmandu Water Supply Facilities	40
5.4.4. Handover of Storage Facilities of Iodized Salt (Phase I)	40
5.4.5. Achievement of Japan's ODA in Nepal in 2003	40
5.4.6. Achievement of Japan's ODA in Nepal in 2004	42
5.4.7. Achievement of Japan's ODA in Nepal in 2005	43
<b>Chapter 6. Japanese Aid: Impact on Nepal</b>	<b>46-61</b>
6.1. Economic Impact	46

6.1.1 JICA's assistance for Agricultural Development	47
6.2. Social Impact	48
6.3. Political Impact	51
6.4. Environmental/Security Impact	52
6.5. Technical Assistance	53
6.6. Primary Research (Interview)	54
6.6.1. What is the benefit of Japanese Aid to Nepal?	54
6.6.2. How is the Japanese aid functioning in Nepal?	55
6.6.3. What is the impact of aid from Japan to Nepal?	56
6.6.4. What is the benefit of Japan accepting Nepali students?	56
6.6.5 Why does Japan give aid to Nepal?	57
6.6.6. How is the Japanese aid functioning in Nepal?	58
6.6.7. What is the impact of aid from Japan to Nepal?	59
6.6.8. Has the Japanese soft power increased by accepting Nepali students?	59
6.6.9. Why does Japan give aid to Nepal?	59
6.7. Road Assistance	59
6.8. Loan Aid Projects	60
<b>Chapter 7. Summary and Conclusion</b>	<b>62-65</b>
7.1. Summary	62
7.2. Conclusion	63
<b>References</b>	<b>66-73</b>

## **LIST OF ABBREVIATIONS**

APEC	:	Asia-Pacific Economic Cooperation
ARF	:	ASEAN Regional Forum
ASEAN	:	Association of Southeast Asian Nations
BRICS	:	Brazil, Russia, India, China and South Africa
CNBT	:	Comprehensive Nuclear Test Ban Treaty
EU	:	European Union
FDI	:	Foreign Direct Investment
G6	:	The Group of Six
G7	:	The Group of Seven
GDP	:	Gross Domestic Product
GNI	:	Gross National Income
GON	:	Government of Nepal
IMF	:	International Monetary Fund
INPS	:	Integrated Nepal Power System
JICA	:	Japan International Cooperation Agency
JSDF	:	Japan Self-Defence Forces
LDC	:	Least Developed Countries
MITI	:	Ministry of International Trade and Industry
MOF	:	Ministry of Finance
MOFA	:	Ministry of Foreign Affairs
MW	:	Mega Watt
NDF	:	Nepal Development Forum
NGO	:	National Governmental Organisations
ODA	:	Official Development Assistance

ODI	:	Overseas Development Institute
OECD	:	Organization for Economic Cooperation and Development
OECF	:	Overseas Economic Cooperation Fund
OHCHR	:	Office of High Commissioner for Human Rights
SLORC	:	State Law and Order Restoration Council
SSDP	:	School Sector Development Program
TPP	:	Trans-Pacific Partnership
UK	:	United Kingdom
UN	:	United Nations
USAID	:	The United States Agency for International Development

## CHAPTER 1

### INTRODUCTION

#### **1.1. Background/Context**

A century ago, a Zen Buddhist scholar Ekai Kawaguchi arrived in Nepal on January 26, 1899 and stayed for two and a half years to study the sacred place Lumbini where Lord Buddha was born and to collect Buddhist manuscripts. After his visit, eight Nepalese students visited Japan in 1902 for the first time to study agriculture, mining, papermaking, and mechanical engineering. Japanese foreign relations had earliest beginnings in the 14th century and after their opening to the world in 1854 with the Convention of Kanagawa. Meiji Restoration brought the demise of the Tokugawa Shogunate (military government) ending the Tokugawa period (1603-1868). The word "Meiji" means "enlightened rule" and the goal was to combine "modern advances" with traditional "eastern" values. It was a historical event that restored imperial rule under Mutsuhito (Emperor Meiji) to the Empire of Japan (Asia for Education, 2009).

During the Meiji Era which is the period that extended from January 25, 1868 to July 30, 1912. Japan moved from being an isolated feudal society to a modern, industrialised Nation-state and emerging great power influenced by Western technological, scientific, political and philosophical ideas. During the 1860s Meiji Japan set out to build a modern nation-state with a global empire, followed by the wake of advanced Western countries. This is what separated it from most of Asia and Africa. It had a strong foundation to build on, because of a competent centralized government, a relatively mature civil society, a high level of literacy and education, and a relatively advanced economic system. By 1968, a century after the Meiji Restoration, Japan had managed to establish itself as the world's second-largest

economic power, after the U.S. Japan emerged as a great nation after the Meiji restoration and slowly accumulated its power and slowly became a more military state until its fall in the Second World War. However, Japan quickly recovered from the damages of the World War and started to re-pay countries which it had occupied during the period of war. Like the United States which had supported Japan, and Japan had to support countries which the U.S controlled and have helped smoothed its relations and also to make those countries productive that would increase its capacity to purchase Japanese products as well as sell Japanese goods which Japan intends to import.

Japan claims to prioritize in three areas “(a) poverty reduction, (b) support for the peace process and democratization, and (c) infrastructure building for sustainable development.” (Ogawa: 2019, p.11) however, this idea could be contested while looking at the pattern of the aid and its dissemination.

By the early 20th century, the goals of the Meiji Restoration had been largely accomplished. Japan was paving its way to becoming a modern industrialized country. The unequal treaties that had granted foreign powers judicial and economic privileges through extraterritoriality were revised in 1894, and with the Anglo-Japanese Alliance of 1902 and its victory in two wars (over China in 1894–95 and Russia in 1904–05), Japan gained respect in the eyes of the Western world, appearing for the first time on the International scene as a major world power. The death of the emperor Meiji in 1912 marked the end of the period, although several of the important Meiji leaders carried on as elder statesmen (genro) in the new regime (1912–26) of the Taisho Emperor.

Japan’s foreign policy after World War II was grounded in international cooperation and followed the pacifist current of the time. During the early years, the

urgent needs were to regain acceptance within the international community, to ensure national security, and to lay the economic foundations needed to meet the people's minimum requirements of living.

Japan was able to maintain its free and democratic institutions and achieve its economic development largely because it was blessed with a relatively favourable international environment and international order, including the cooperation with those countries sharing the same basic political ideals, and it is now imperative that Japan contribute positively to the maintenance and strengthening of these international environment and order. Japan has made consistent foreign policy efforts since the end of the war to build a peaceful and prosperous nation. Assisting the developing countries efforts for growth and stability is not only an obligation to the international community, but also very much in Japan's own interests in the sense that Japanese prosperity and stability are possible only in a peaceful international climate. Japan rapidly modernized and built a strong military. In the swift economic development in the 1960s and 1970s, Japan became the second largest economy and was one of the major economic powers in the world.

ODA (Official Development Assistance) is the core of Japan's economic cooperation. Japan has long been working for the planned amplification of its ODA, as seen in the two successive Medium-Term Targets. Japan intended to set a new Medium-Term Target for ODA in 1986 and beyond and thus to continue its efforts to steadily increase its ODA, to improve the quality of its ODA as much as possible, and to work for even more effectiveness.

Nepal-Japan relations date back to the late eighteenth century. The formal establishment of diplomatic ties on September 1, 1956 and Japan established its Embassy in Nepal in 1967.

Japan is one of the major donors to the Government of Nepal (GoN) which contributes 5.57% out of total aid provided, this aid is less than USAID (9.6%) and economic assistance of U.K (9.20%) but the aid is actually more than the neighbouring states of Nepal namely India (4.25%) and China (2.96%) (GoN Ministry of Finance, 2017, p.5). Japan has helped Nepal in fields such as Human Resource Development, Social Sector, Agriculture Development, Economic Infrastructure Environment Conservation and Cultural Grant Aid (Embassy of Japan in Nepal, 2012). Japan's contribution has made a significant development in Nepal which ought to be studied in-depth in order to understand the 'diplomacy of aid' as well as to create a new perspective to strategize for the development of Nepal.

The two countries, namely: Nepal and Japan have a distance of 5, 106 km and therefore are very far from one another. Nepal borders Tibetan Autonomous Region of China while Japan is an island which is located between the Sea of Japan and the Pacific Ocean which is near China's rich coastal areas. More than the distance, the economy of the two countries are extremely different from one another, Japan is a highly industrialized state with the world's third-largest economy while Nepal is still an agrarian state which is the third poorest country in Asia after Afghanistan and Yemen and heavily depends on remittance.

However, even after so much of differences Japan and Nepal are connected with one another as both the states have the Asian culture incorporated deep in heart, such as both countries share societal values like the dedication towards one's own family and spiritual values such as Buddhism (Thapa, 2004). Buddha's birthplace is in Nepal, this increases Nepalese reputation in countries where there is a significant Buddhist population.

Nepal is also connected to Japan through tangible heritage such as Pagoda architecture as well as through intangible traditions like social groups such as Guthis as well as festivals that allow the two countries to feel connected to one another.

In contemporary International Relations, gunboat diplomacy has lost its value while economic diplomacy has become an important factor to make a significant technique to yield the desired outcomes. It is generally not allowed for states to intervene in domestic affairs of other states, however, in order to achieve national interest- states are able to affect Nation states through foreign aid. It should be focused that in reality, developed countries are supporting developing states as per their vested interest even though they are located hundreds of miles away from one another. It may actually seem that Japan has no specific agenda to support Nepal, however, in the world with the United Nations, each voting country in the General Assembly has a significant position on Global politics.

In the past, Japanese aid started as war reparation (ODI, 1990, p.1). However, the dynamics of aid have proven to be useful for Japan and it started to spread in India and in other countries.

Japan is at present the world's third-largest economy and it spends heavily in foreign aid. The image of world politics suddenly changed after 1945, since the inception of the cold war when the United States and the Soviet Union went in an ideological war, it was in this era when both countries spent heavily to create a sphere of influence through the means of foreign aid. The ability to bring prosperity to favourable countries encourage trade with them and end up in a positive-sum game where both sides become winners such as war-torn South Korea is at present very developed and become a strong trading partner and trade has enriched both the

countries. Similarly, development due to assistance would create the soft power of the aid-giving country while it is able to maintain its trust in the foreseeable future.

In order to have a greater influence in world politics- Japan needs to have good terms with a country like Nepal and this could be conducted through the means of aid diplomacy. There is also the accusation that aid keeps the state in tyranny and would turn it poorer than before, these aspects need to be focused as well in order to have a clearer picture. The world is more interconnected due to trade and technology and, in addition, labour forces are extracted from developing countries- therefore it is a necessity of developed countries to assist developing countries. Developing country like Nepal should create a conducive environment to increase ODA in hydropower generation, infrastructure, tourism and economic development projects.

## **1.2. Statement of the Problem**

There is some general misconception that states support weaker states due to mere benevolence while neglecting the deeper dynamics of diplomacy. There is also a trend to look at aid with suspicion on such circumstances. A balanced academic research is required to understand the difference between misconception and truth.

Nepal is surrounded by emerging powers - India and China and the studies about Nepal's international relations are largely limited to these two countries. Nepal is a member of various larger international societies which provide aid to Nepal or have been conducting trade with Nepal either directly or indirectly. In such circumstances, Nepalese need to move out of the box and study about other countries apart from India, China, United States, United Kingdom as well as members of European Union which promote western values in South Asia.

Furthermore, the theory Soft power as propagated by Joseph Nye has been used to study Japanese Aid diplomacy in Nepal. So, this study focuses on Japan as

one of the largest donors of Nepal, its aid and assistance are significant to the economic development of Nepal.

It may seem that Japan does not have a direct interest in Nepal which may be true as Japan is more concerned in South East Asia and few countries in Asia such as Bangladesh and India that have interest in Nepal. However, for Nepal, Japan is one of the key donors and for Nepalese context Japan being one of the economically giant countries in Asia, it's national interest and aid policies plays a significant role. Therefore, this case needs to be studied in depth in order to widen the understanding of research.

### **1.3. Significance of Research**

Aid diplomacy has become very significant in international relations. It can determine if a country would move towards democracy or would assist in installing tyrannical regimes in power; it ensures if a country is going to progress or would become poorer than before.

Nepal heavily depends on aid and Japan is one of the crucial aid providers to Nepal. Japan's aid has played a key role in preserving heritage, building new infrastructure as well as to train manpower to create a competent workforce. The study of aid diplomacy would allow Nepalese to maximize the benefit from aid through different infrastructural development, convenient roads and educational institutions.

Japan aid to Nepal should have a positive aspect which is yet to be studied. Therefore, the thesis is a great opportunity to enhance our understanding and appreciation of the work of the Government of Japan in Nepal. It would further strengthen the relationship between the two countries and help foster building friendship and cooperation even for the future generation.

Apart from the Japanese source which would provide the detail of their achievement, the Nepalese side should also assess the impact of aid diplomacy in order to acquire valid details of a given report. This would also provide more light and create recommendations for activities conducted in the future.

As Nepal is the recipient country, Nepalese perspective is also required in order for future cooperation which is free from Japanese or Nepalese bureaucracy and would be able to judge independently and would be able to provide a deeper insight which would create a more constructive conclusion for Japanese aid in Nepal as well as interpret the role of aid as a whole.

#### **1.4. Objectives of Study**

The main objectives are to identify the critical points which should be observed in the thesis.

1. To analyse the trend of Japanese aid to Nepal.
2. To understand the benefits and consequences of aid diplomacy in Nepal.
3. To explore the impact of aid from Japan to Nepal.

The thesis would provide an assessment of Japanese aid which is a crucial aspect for economic development in Nepal while pinpointing the consequences in order to make necessary changes for future usage. In the process, the thesis would be able to generate a balanced image and understanding of Japanese co-operation for the development of Nepal.

#### **1.5. Research Questions**

Three research questions have been formulated in order to have a deeper insight into the topic.

##### **Primary Question**

1. What is the benefit of Japanese aid to Nepal?

2. How is the Japanese aid diplomacy functioning in Nepal?
3. What is the impact of aid from Japan to Nepal?

The key aspect is to study and understand the reason why Japanese provide aid to Nepal. We ought to understand how beneficial it is for Nepal and understand the benefit of aid diplomacy. We need to be able to understand in which field is the Japanese aid provided and what impact it has created into the Nepali society.

### **1.6 Research Methodology**

The research will be ‘Qualitative study’ based on Primary and Secondary Sources.

The research would use a single case study and would look up to reports made by JICA to understand the activities conducted by the Japanese government in Nepal.

#### **Primary Sources**

Interviews from experts and pioneers of Japanese diplomacy were interviewed. The students who graduated from Japanese University and their contribution to Nepali society were interviewed and analyzed. The infrastructure built by the Japanese in Kathmandu have been observed in order to see its impact.

#### **Secondary Research**

The publications made by the aid-giving organization have been studied; academic writing about aid diplomacy has been used to combine a deeper understanding of aid diplomacy in Nepal.

### **1.7. Limitations of the Study**

Nepal and Japan relationship could be analysed from multiple dimensions such as the case of religion, trade and other aspects of the society. However, due to constraints of resources and to remain targeted to the topic, the thesis would only look

at the dimension of Foreign Policy through Aid. The Embassies and Japanese aid agencies were primarily a part of the research but their access was difficult at times. Aid is, in fact, a strategic tool and the strategic aspect has to be looked in-depth to understand the impact of the Japanese aid in Nepal. The thesis has tried to interpret why Japan has become a major player in aid diplomacy. The literature review provided sufficient insight that the Japanese aid helps in bringing transformation in states and is not just limited to the economic relationship. The study took longer to complete than anticipated due to personal reasons.

### **1.8. Organization of the Study**

There are five chapters which have tried to look in-depth about Japan's aid in Nepal in order to analyse the reason and benefits of the aid diplomacy.

The first chapter introduces the thesis; it provides the background about the topic and would provide a basic structure for the entire thesis.

The second chapter detailed the existing literature of the thesis in order to build comprehensive knowledge about the aid culture as a whole.

The third chapter discusses Power and International Relations with regard to Aid diplomacy.

The fourth chapter looks at Japan's aid culture in order to understand how Japan's aid culture developed and also looks at the Nepal Japan relationship and the documentation of how the Japanese have documented about its aid.

The fifth chapter discusses Nepalese aid history and then it further elaborates the Japanese aid to Nepal, followed by JICA reports and the documents on Japan's embassy's website.

The sixth chapter reviews the impact of the Japanese aid to Nepal to understand its benefits and its weaknesses.

The seventh chapter concludes the thesis and intends to understand the nature of Japanese aid and the objective of aid to Nepal.

## CHAPTER 2

### REVIEW OF LITERATURE

The literature has played a significant role in helping the thesis understand that the Japanese aid as a whole because Japan, like other countries, has their specific agenda on economic growth. The literature also explained about “giatsu” which is the foreign pressure imposed upon Japan specifically by the United States. Japan supports American geostrategic and ideological interests to secure mineral resources. Japan generally emphasizes good governance, democratization discourages military investments, it also intends to promote market-oriented economic reforms.

#### **2.1 Major Literature upon Japan’s aid Diplomacy**

Kono and Montinola (2009) article “Does Foreign Aid Support Autocrats, Democrats, or Both?” published in Journal of Politics gives us an interesting perspective that the application of aid determines if the regime would be democratic or autocratic. It is generally believed that Japan supports the country with similar political interest; this could play a crucial role in the stability of the regime in Nepal due to the aid of Japan.

The article of Broz and Hawes (2006) “Congressional Politics of Financing the International Monetary Fund.” Published in the International Organization looks at the domestic picture of the United States Congress which impacts the International Monetary Fund, while we would emphasize the issues inside Nepal, the article could give us a deeper insight on how the affairs run in Japan while supporting events in Nepal.

The article of Thacker (1999), Strom titled "The High Politics of IMF Lending." Published in World Politics looks at the image why IMF funds some

project while it does not fund other countries, the loan of IMF should also be seen in order to understand the political dynamics of aid diplomacy.

Alan Rix (1990) concluded in the article Japan's Foreign Aid Policy: A Capacity for Leadership? That "Japan is not yet a leader in international development assistance" even though Japan as a large donor plays a significant role in aid diplomacy. The writer even argues Japan may well recognize the advantage of "cooperative hegemony" and be accepted as the leader through collective action. The Foreign Minister introduced some aid diplomacy strategy which is called "Kuranari Doctrine" due to which Japan emphasizes in providing aid to Island nations in the east of Japan. The article provides useful insight into the ambiguity of Japanese aid as they have the capacity but do not seem to have a well-planned strategy about the aid politics.

The article 'Why Aid Japan as an Aid Great Power'" written by Dennis T. Yasutomo (1990) discusses how Japanese aid started as an obscure component of Japanese Foreign Policy and grew to become an aid great power. Originally, Japan provided aid only to non-communist nations until 1973. Japan's original motive of aid was to promote exports and assist its industrial investment overseas. Aid is a non-military diplomatic method which helps in building peace and prosperity which also builds Japanese national prestige. The aid is assertive but popular and Japan refuses to use the military to regain its great power status. Aid is both benign and flexible, it helps Japan to gain access to raw materials and also serve as a market for its exports.

"Japan's Aid Policy since the Cold War: Rhetoric and Reality" written by Steve W. Hook and Guang Zhang (1998) mention the difference between the narrative and implemented strategy. Even though Japan claims it would emphasize in development all over the world - Japan continues to focus in Asia. Japan's three major

aid recipients were China, India, and Pakistan. The narrative also claims not to aid countries which spend heavily upon the military; however, Indonesia and Malaysia have been spending heavily in the military. However, the article also provides an insight that by implementing carrots and sticks these countries have eased their action and Japan has behaved in a very flexible manner. Only eight countries were identified as violators of aid conditionalities due to which they suffered suspension of aid or subsequent cutbacks. The names of countries were Myanmar, Guatemala, Haiti, Nigeria, Malawi, Kenya, Zaire, and Sierra Leone. Japan believes that enhancing business competitiveness would benefit both recipient and donor and is perceived as a method to promote its own economic revival strategy.

Donald M. Seekins (1992), article "Japan's Aid Relations with Military Regimes in Burma, 1962-1992: The Kokunaika Process" provides useful insight about the procedure Japan has implemented in providing aid and assistance. In 1989, Japan recognized the military rule which was called State Law and Order Restoration Council (SLORC) and resumed the aid which it had blocked under the previous regime. Japan's response to the 1988 coup in Myanmar has long been ambiguous. The article also elaborates Japan's self-image as a poor nation in its post-war period and has critiqued the nature of Japan in Myanmar. The article also discusses Japan's connection with elites trained by Japan in the event of the Second World War. Japan had not been very supportive towards the military regime but had opened its aid policies in around 1992, the article provides a deep insight about Japan's role in military governed Myanmar while there is the emergence of sympathy towards Noble Prize Laureate Aung San Suu Kyi and had complicated relation between Myanmar and Japan.

The article “New Challenges to Japan’s Aid: An Analysis of Aid Policy-Making” written by Keiko Hirata, (1998), provides an interesting perspective that Japanese administration is fragmented with competition factions such as Ministry of Foreign Affairs (MOFA), Ministry of International Trade and Industry (MITI), Ministry of Finance (MOF), Overseas Economic Cooperation Fund, Japan International Cooperation Agency (JICA) as well as politicians private sector and non-government bodies commonly known as NGOs. The Ministry of Foreign Affairs has a direct relation with foreign organizations while the Ministry of International Trade and Industry have trade interests and would like to divert funds accordingly. The Ministry of Finance has a preferred loan to aid as the loan does not burden Japan in the long run and the loan is under ministry jurisdiction. In general circumstances, Japanese politicians are not interested in foreign aid because it does affect their voter base while some politicians look at the interest of business groups. The article concludes that as the Japanese aid policy is fragmented, Japan is facing a hard time assuming the leadership position of international aid.

Eileen Marie Doherty (1987), in the article “Japan’s Expanding Foreign Aid Program” has provided a deep insight about the economic priorities of Japan which have shaped the policies of its foreign aid. The first stage of foreign aid of Japan is mentioned as war repatriation from the mid-1950s to nearly 1965 which actually helped South East Asian countries to absorb imports from Japan while the second stage was an exchange program where the states need to buy Japanese products in exchange for economic assistance. Japan helped in large scale industrial development projects which are also designed to increase imports from Japan. After the 1973 oil crisis, Japan went to the third stage where the aid-funded resource-rich countries and

nations along shipping routes. The final stage supported poverty alleviation and overall development as per the interest of its western allies since 1980.

Saori N. Katada (2001) article “Why Did Japan Suspend Aid to China? Japan’s Foreign Aid Decision-Making and Sources of Aid Sanction” is important literature for the thesis because it provides important insight about how independently the United States could pressurize Japan while its aid giving policy and circumstances when Japan would go beyond its economic interest in order to act per its core belief. Japan had blocked aid to China in June 1989 to July 1990 due to western pressure upon the issue of Tiananmen square incident while Japan’s response was both delayed and ambiguous while it affected its economic interest. Another cancellation of aid happened from August 1995 to March 1997 due to China’s nuclear testing; without the interference of western power and had a negative impact on Japan’s economic interest. However, Japan was able to convince China to sign on to the United Nations Comprehensive Nuclear Test Ban (CNBT) treaty. This article is very crucial to understand the power of Japanese aid diplomacy and prove how Japan can be a leader about Nuclear Non-Proliferation as well as strategic user of aid diplomacy if the public, politicians, and bureaucrats react unitedly. The article proves that Japan is not just a reactive state but can also be a pro-active and could strategically push as per its needs and demand.

The article “Japan’s Foreign Aid Policy” written by Kiyoshi Kojima, (1966), provides a very crucial background of Japanese Aid and policy which plays a critical part for the thesis. The article explains the Japanese aid started in 1954 as Japan became a participant of the Colombo Plan. The aid started as a reparation payment obligation and slowly transformed in form of loan and credits, receiving trainees, dispatching technicians, contributing through multilateral aid agencies. Japanese

reparation has been both for Japan and for recipient countries as it has increased their capacity increasing Japanese exports. In addition, Japan assists in sectors such as primary industries, mainly oil and metal extracting projects, products or maize from Thailand which are in demand by Japan.

Akitoshi Miyashita (1999), provides a very interesting paper titled “Giants and Japan’s Foreign Aid: Rethinking the Reactive-Proactive Debate.” Giatsu means foreign pressure and specifically American pressure in Japan which has shaped Japanese foreign policy. In many circumstances such as in the case of Vietnam and in China, Japan has the interest to provide aid but faces severe pressure from the United States. The article elaborates that there is an asymmetric relation of Japan with the United States as the United States is the single most important market for Japan. No other country has the capability to absorb Japan’s high-technologic capacitance and in addition Japan depends on the United States for its security. The fear of abandonment allows Japan to remain committed to working with the United States. In reality, US hegemony has been beneficial to Japan which has allowed Japan to remain a reactive state.

The article of Bolade M. Eyinla (1999), titled “The ODA Charter and changing objectives of Japan’s aid policy in Sub-Saharan Africa” also discusses the struggle between the competing factions in aid diplomacy and agenda to promote exports. Japan serves American geostrategic and ideological interest as well as a technique to secure raw and mineral resources. Japan has a history of providing aid as a tool against the rising criticism as Japan was a trading partner of apartheid South Africa. Japan generally emphasizes good governance, democratization discourages military spending or spending on both conventional weapons and weapons of mass destruction, it also intends to promote market-oriented economic reforms. It is stated

in the article that there is no empirical evidence that Japan's aid played a decisive role in exerting pressure; however, Japan has both increased and suspended aid in various Sub-Saharan states because Tokyo has very limited interest in Sub-Saharan Africa.

## **2.2. Review of JICA Reports**

Nepal has been perceived as one of the most impoverished countries of the world due to its social and cultural background of ethnicity and caste living in hazardous terrain, JICA emphasizes in health care, primary education, socioeconomic infrastructure, agriculture, rural development, and environmental conservation.

The study discusses Civil War and also mentions Nepal Development Forum (NDF) the literature again discusses the same issues as discussed in the report of 2003 (JICA,2004).The report of 2005 only discusses Sri Lanka. The 2006 report continues to discuss Sri Lanka and short information about the civil war in Nepal. Finally, in the 2007 report there was a proper paragraph written about Nepal, the report acknowledged the civil war continued for 10 years and had cost 14,000 lives. The report mentioned the historic peace agreement and the first step of a new nation-building process through the interim government. The report discusses JICA providing assistance for the “implementation of Constitutional Assembly” .The report also discussed JICA would focus on the improvement of livelihood of people who were affected by conflict. The 2008 report continues to discuss peace building and support of democratization and the pending constituent assembly and its effort to support people who were most affected by conflict (JICA, 2008)

The report of 2009 mentions the election for the constitutional assembly was successfully held and JICA now focuses on democratization and peace building.

The 2010 JICA report continues to discuss 10 years-long civil war and discuss JICA providing its assistance to rebuild the state and develop policies and programs

as well as create awareness-raising initiatives and human resource development. In a 2011 report it hardly discussed anything about Nepal.

In a 2012 report finally, Nepal, as well as each South Asian country, received a column, the passage mentioning Nepal has the lowest income (per capita 490\$) in South Asia. Nepal has a population of around 26.6 million (2011) and consists of more than 100 castes and ethnic groups which speak more than 90 languages. The passage continues to speak about the civil war and its transition to become a federal republic. The text mentions hydropower and tourism sectors have huge potential in Nepal. The report mentions, “JICA’s overall assistance strategy to Nepal focuses on three fields: (i) Infrastructure and institutional development for sustainable economic growth; (ii) consolidation of peace and a steady transition to a democratic state; and (iii) rural poverty reduction.” (JICA, 2012).

JICA has been creating roads in Kathmandu Metropolitan Area and Terai plains. It has also helped in the democratization process by drafting civil code and dialogue with members of the Constitution Assembly and has also assisted in agriculture.

The report of 2013 mentions Nepal as a landlocked state and one of the poorest in South Asia situated between the Himalayas with 8,000 meters peaks in the north and flat lowlands with an elevation of around 60 meters in the south. The report mentions the Communist Party of Nepal (Maoist) and it writes Nepal is politically and socially unstable. Nepal has large development potential such as electric power and tourism but has not been able to achieve it due to inadequate infrastructure. The report also mentions disparities caused by regional differences, caste, and ethnic groups. JICA assists in peace consolidation and democratization, infrastructural development and about the same ideas which were discussed in previous reports.

The 2014 report continues to write a column for each country including Nepal elaborating the same concept in the previous report, adding up about economic conferences including Nepal Economic Summit. The report mentioned among infrastructure projects, “construction of 160-kilometer-long Sindhuli road, symbolizing Japanese support for Nepal.” This road received its special section which mentioned the construction of the road started in 1995 and was finally completed in March 2015; the section mentions the benefit of roads which have helped the local people. The 2015 report of JICA continues to mention the same issues as in the previous report including the Sindhuli road, in addition, the report also mentions 7.8 richter scale earthquake in April 2015and has provided all forms of support for restoration and reconstruction.

The JICA 2016 report repeats the issues from the previous report and in addition, puts some deeper insight into the earthquake. The report also mentions the Indian blockade of India.

The JICA 2017 report continues to repeat the same idea of Nepal being a poor country and the new constitution being implemented and local elections being held after 20 years.

In the 2018 report JICA mentioned the democratization of Muluki Ain of the mid-19th century and had written a special section about three years after the earthquake which mentioned Build back better.

### **2.3 Nepalese Aid Literature**

Khadga K.C. (2016) in his article “ Nepal-Japan Political and Diplomatic Relations: An Assessment” has provided significant highlights on the nurturing of spiritual and intellectual relationship between Japan and Nepal since a long period of time. It is mentioned that Japan is opting for stable market based partners unlike

limiting herself only by spiritualism and ideologies of peace and harmony. The article highlights that political stability is a must to give a message to Japanese and corporate sectors which have clear ODA AND FDI policy that provides official aid only to the elected government.

Khadga K.C (2009) in his article “Discourses on Democratization and External Assistance” has clearly elaborated vital concepts of external aid since the end of Second World War, factors of Japanese aid and ASEAN countries and being top ODA donor from 1991 to 2001. The article provided significant information about Japanese extended electoral support since 1994 for democratic elections to more than 40 regions around the globe. The article also highlights the approaches on assistance to achieve human security, strengthen local communities by supporting livelihoods, protection from threats, reduce poverty through economic growth and balanced development.

Narayan Khadka (1997) in his article “Foreign Aid to Nepal: Donor Motivations in the Post-Cold War Period” provided an important insight into the background of Nepalese aid receiving culture and how the cold-war politics have played in Nepal. The article elaborates that Moscow did not have a strategic interest in Nepal but they provided aid to counter the US which changed after 1962 with Sino-Indian war after which the Soviet came closer to India while the United States stopped looking at China as a threat specifically with the visit of President Nixon of the US to China in 1971. The article also mentions the IMF and World Bank have imposed conditions which have forced Nepal to privatize government run industries.

Narayan Khadka (2000) in his article U.S. Aid to Nepal in the Cold War Period: Lessons for the Future shows the image of United States key interest is to prohibit communism from taking over Nepal while it had been reluctant towards its

support for democracy prove the case that the aid diplomacy is more related to interest than welfare and growth.

#### **2.4. Supportive Readings**

There are few more articles which have been used to understand Japan such as “the Seclusion of Japan” by Sara Watts, “The Meiji Restoration and Modernization” published by Columbia University. Article published by OHCHR on their website titled “The long-awaited apology to ‘comfort women’ victims is yet to come.” These three articles discuss the history of Japan which have important role in the thesis followed by the article of Waxman titled- “How the U.S. and Japan Became Allies Even After Hiroshima and Nagasaki,” provides the idea about how Japan grew after the post-world war and the power of aid diplomacy utilized to generate soft power.

The thesis also depends on the report published by Foundation for the Welfare and Education of the Asian People which was provided for the thesis by Japanese Embassy, in the magazine the former Ambassador provides a very important insight for the topic “Current Situation of Nepal and Relationship with Japan.” Finally, to study impact, there has been brief research upon all documents found on the website of Nepal Electricity Authority, Udayapur Cement Industry Limited, Tanahu Hydropower Limited.

## CHAPTER 3

### THEORETICAL FRAMEWORK

#### **3.1 Power and IR**

The concept of Power is central to International relations and diplomacy.

Robert Dahl has defined Power as a relational concept among people and other actors that may be individuals, groups, roles, offices, governments or nation-states (Dahl, 1957). Especially among Classical Realist thinkers, power is an inherent goal of humankind and of states. Military growth, socio-cultural growth and economic growth can all be considered as marching towards the ultimate goal of international power. Power is the ability or capacity of a nation to influence or change the behaviour of other nations with a view to secure the goals of its national interest. It is a relationship in which a powerful nation is in a position to achieve its desired goals of national interest in international relations. Power of a nation is measured in terms of its ability to secure its goals and objectives in international relation (Nye, 1990).

In today's International political system, states that have significant amounts of power within the international system are referred to as small powers, middle powers, regional powers, great powers, superpowers, or hegemony but there is no definite commonly accepted standard to be called as a powerful state. NATO, the G7, the BRICS nations and the G20 are seen by academics as forms of governments that exercise varying degrees of power and influence within the international system.

Similarly, Michael Barnett and Raymond Duvall, argue that scholars of International Relations should employ multiple conceptions of Power and develop a conceptual framework that encourages rigorous attention to power in its different forms. Realist theory holds that politics like society is governed by objective laws that

are rooted in human nature. National objective or the national interest defined in power terms is the major objective of a Nation's foreign policy.

### **3.2. Types of Power**

Power is the ability to influence others. Joseph Nye, Jr, an American political scientist born in 1937 has defined many of our modern theories of power, and particularly power in international relations. In Nye's model of international relations, power can be understood in three different forms such as Hard Power, Soft Power and Smart Power. Each nation seeks to use its power for securing its national interests in international relations. It is this characteristic which makes us regard international relations as a process of struggle for power. The nature of this struggle for power can be analysed only through an analysis of the powers of various nations. The role that a nation is playing or can play in international relations can be judged by evaluating its national power. It is also needed for understanding the national interests of nations (Nye, 2005).

### **3.3. Hard Power**

Hard Power refers to coercive or military power which is an important form of national power. Hard power is 'the ability to get others to act in ways that are contrary to their initial preferences and strategies' (Nye, 2011). It is regarded as a prerequisite factor for achieving the target of security of the nation. For every nation, security is the most significant component of its national interest. It is the most vital concern of every nation to work for securing her security. Hard power refers to coercive strategy: the threat or use of armed forces, economic pressure or sanctions, assassination or any other forms of intimidation. Hard power is associated with the strength of nations, as the ability to change the domestic affairs of other nations through military threats.

Realists and neorealists, such as John Mearsheimer, are advocates of the use of such power for the balancing of the international system.

The possibility of violation of security of a nation through war and aggression by other nations is always considered as a distinct possibility and hence every nation gives first priority to her security. For keeping her security against possible violations, each nation maintains an army. Military power is regarded as the key means for securing the security and territorial integrity of each nation.

Military power is a vital part of national power. The role and importance of a state in international relations depends upon its military power. No state can get recognition as a super power or big power without becoming a big military power.

While assessing military power of a nation we have to take into account the “Economic Power”, , an important element of military power. Economic power is an important form of national power. It is composed of the ability of a nation to satisfy its own needs and to control the behaviour of other states by affording or denying access to economic goods and services. The economic means of foreign policy are today the most significant means which a state can use for influencing the actions and behaviour of other states. No state can become a military power without having adequate economic power. Economic power is used by rich and developed nations to influence other states by granting them foreign aid and loans. It is also through its economic power that the rich states try to acquire their national interests in international relations. It is used both as a means to produce as well as to coerce through economic pressure for achieving a desired change in the behaviour of other states (Nye, 2011).

In the present world, economic power has been acknowledged as an even more significant form of power than military power. The example of Japan can be

quoted as evidence that will be discussed upon in this dissertation . Lack of economic power has been a basic factor behind the weak power positions of the developing and poor countries.

### **3.4. Soft Power**

Joseph Nye is an American leading advocate and theorist who coined the term “soft power” in the 1980s. Nye’s three pillars of soft power are: political values, culture, and foreign policy (Nye, 2004). But within these three categories, the individual sources of soft power are manifold and varied. Instruments of soft power include debates on cultural values, dialogues on ideology, the attempt to influence through good examples, and the appeal to commonly accepted human values. Means of exercising soft power include diplomacy, dissemination of information, analysis, propaganda, and cultural programming to achieve political ends.

Soft power is the ability to get ‘others to want the outcomes that you want’ and more particularly ‘the ability to achieve goals through attraction rather than coercion’ (Nye, 2004). He mentions that “if its culture and ideology are attractive, others will more willingly follow.” For Nye, the basis of U.S. soft power was liberal democratic politics, free market economics, and fundamental values such as human rights—in essence, liberalism. The concept of soft power is close to the Liberal tradition, even if ‘there is no contradiction between realism and soft power’ (Nye, 2011). In opposing hard power, soft power emphasizes not the ever-possibility of war, but the possibility of cooperation; not military power, but the power of ideas.

Indeed, soft power enables a change of behaviour in others, without competition or conflict, by using persuasion and attraction (Nye, 2011). Furthermore, the use of hard power in the modern day would be more costly (both financially and politically), whereas it is possible to say that soft power is “free”, in the sense that it

does not require substantial resources and has limited consequences in case of failure.

Nye also points out the importance of style: as soft power is a matter of seduction, behaviours such as arrogance might be counterproductive and entail repulsion rather than attraction.

### **3.5. Smart Power**

Nye introduces smart power as the ‘balance of hard and soft power’ (Nye, 2005). He argues that soft power is as important as hard power, and even more so in international politics. Nye finally acknowledges that soft power does not always have good purposes, as for example propaganda is a form of soft power: ‘It is not necessarily better to twist minds than to twist arms’ (Nye, 2011).

The most effective strategies in foreign policy today require a mix of hard and soft power resources. Implementing only hard power or only soft power in international politics will usually prove inadequate. Nye notes that smart power strategy denotes the ability to combine hard and soft power depending on whether hard or soft power would be more effective in a given situation.

Nye has stated that we need to recover the ability to combine our soft power with our hard power if we’re going to build the capacity to use smart power (Doug Gavel, 2008). There are governments that have understood these concepts for some time. Norway has based its foreign policy on being a peacemaker in the Oslo peace process and in efforts to mediate the conflict in Sri Lanka. This makes Norwegians utilize Smart power and attractiveness more than other countries.

## CHAPTER 4

### **JAPAN'S TRENDS AND CULTURE OF FOREIGN AID**

In order to understand aid diplomacy, we ought to have a very brief understanding of the modernization of Japan as aid diplomacy of Japan is deeply rooted in its actions which it had committed in the past. There are multiple factors which need to be looked at in order to understand the dynamic nature of Japanese aid given around the world which is also affected by the United States pressure. Finally, the Chapter ends with the Nepal Japan relation which creates a bridge for the following chapter titled “Aid Assistance to Nepal.”

#### **4.1 Modernization of Japan**

Japan was an isolated country from 1635 to 1853. The 1635 edict prohibited Japanese from leaving Japan and installed restrictions on limiting the trading cities and specifically controlling the missionaries from entering Japan (Watts, 2019).

In 1853 the American Naval Commander Commodore Matthew Perry with the gunpowder forced Japan to open with the Convention of Kanagawa on March 31, 1854. After a major turmoil, Meiji was restored as Head of Japan and it was in this period Japan developed a centralized and bureaucratic government, parliament through election, advance communication and transportation system, highly educated population free of feudal class restrictions, rapidly growing industrial sector with the latest technology and a very powerful army and navy. (Asia for Educators, 2009)

Japan in the true sense was an Asian giant but was not treated appropriately by western powers because Japan was an Asia country. Japan slowly grew tired of many western powers and later decided to support Germany in the Second World War.

In addition, Japan also developed the Malthusian fear due to which it started to expand itself in such a form that it converted Japan into an aggressive and destructive

state until its defeat in the World War. On 28 December 2015, South Korea and Japan agreed upon one billion yen (the US \$ 8.3 million) one-time contribution of Japan to acknowledge and regret Japan's act of exploiting South Korea in the issue of 'comfort woman'. (OHCHR, 2016)

The documentation of the gross human rights violation from Japanese military upon the occupied territories and its attack on Pearl Harbour followed by its defeat in the Second World War had a negative impression in countries around the world.

Fortunately, Japan quickly recovered from war with the support of US occupying forces led by General Douglas A. MacArthur, the rapid transformation of Japan from 1945-52 re-modelled Japan and helped it become one of the strongest economies of the world.

Due to the effective measures implemented by the United States even after the two bombs blasted in Japan, 84% of Japanese feel closure to the United States (Waxman, 2018). The United States effort by acting as a supportive actor in progress of Japan may have motivated the country to enhance its own soft power.

#### **4.2. Aid Diplomacy of Japan**

Aid is generally assumed as an act of philanthropy but the crude sense of International Relations each and every activity conducted by the state is done is a very strategic agenda.

Japan had major difficulties after its defeat in the Second World War but with the strong support of the United States, Japan was able to regain its lost status as an international power. Japan started its aid program in 1954 by becoming part of the Colombo Plan (Kojima, 1966). Japan has assisted countries in South East Asia as a part of war repatriation of the Japanese government.

Japan continued to help boost the economy of the countries in Asia to strengthen them in order for them to be able to absorb Japanese products (Doherty, 1987). In reality aid diplomacy can serve as a win-win scenario as countries around the world prosper and are able to participate in trade with the developed world which would help all the countries in the world.

Japan's economic co-operation started when Japan provided "yen credit" to India in 1958 for her second five-year plan in 1958. India is a very promising country with great potential both due to its competent manpower and its strategic location in the world map. In the JICA report from 2003 to 2017, we could see India suddenly became a significant receiver of Japanese aid since 2008. This allows us to understand the Japanese aid in the South Asian region plays a role for strategic reasons.

Japan assists foreign countries by providing them loans and aid, receiving trainees and dispatch experts around the countries of the world (Kojima, 1966). This process would help the Japanese to build trust with citizens of other countries while Japan is able to exert influence upon people who have taken education in Japan and experts who have worked in foreign countries. Aid and loans serve as a straightforward carrot and stick imposed upon states which would and would not cooperate with Japanese policies.

Japanese "government loans have been extended to India, Pakistan, Brazil, Paraguay and Vietnam, and lines of credits to India, Pakistan, the Philippines, Indonesia, United Arab Republic, and few other countries"(Kojima, 1966) This also shows India and Pakistan have been receiving attention from Japanese government which previously focused more on island countries in Asia. India and Pakistan are more crucial for the United States and the Soviet Union back in 1966 which were active in South Asia in order to gain world hegemony.

As the end of 1963 Japan emphasized in Mining (214,519,000\$) followed by Machinery (40,472,000\$) and steel and metals (39,210,000\$) as for Japan's Private Overseas Investment in less developed areas; this allows us to understand Japan have heavily focused in manufacturing industry as it needed aspect of mining, machinery, steel, and metals for its own growth and has organized technical assistance accordingly. (Kojima, 1966)

#### **4.3. International Trends**

Japan is protected by the United States and is the single most important market for Japan. Therefore, Japan is linked with the United States for both its Security and Economic Interest. In such circumstances, any aid given by Japan could be affected by American interest. In certain circumstances Japan has stopped providing aid to countries due to American pressure (Miyashita, 1999). The aid is more associated with international relations because domestic members such as citizens are rarely directly affected by aid.

Business groups and international actors which have a direct interest which adds pressure on Japan to direct Japanese in order to stop Japan aid to countries which affect the interest of the United States.

Japan's growing interest in South Asia may be motivated more by other International Actors which have a far direct interest in South Asia than Japan.

#### **4.4. Nepal-Japan Relationship**

Masashi Ogawa (2019) mentions Nepal to be traditionally a pro-Japan country since its diplomatic relation with Japan in 1956. The two countries have developed multi-layered friendship such as the exchange between the imperial and royal family of Japan and Nepal. Japan has assisted Nepal in sectors such as mountain climbing, agricultural assistance, medical care, etc. The relationship of Nepal was much better

at the time of Birendra which could be seen by looking at Grant Assistance of Japan to Nepal from 1979 to 2001. There was a fall in 1989 when the Panchayat regime collapsed but it was signed up while comparing it with 2002 onwards. This also signifies Japan remained supportive in case of the Panchayat regime which is called a unique royal government.

Ogawa (2019) further mentions 1,107 Japanese are staying in Nepal (October 2017) and 74,300 Nepalese are staying in Japan (June 2017) in which approximately 22,000 Nepalese students are being educated in Japan. Nepal sends the third-highest number of students to Japan after Chinese and Vietnamese. The student who goes and studies in Japan will bring Japanese culture and values to Nepal which would strengthen the relationship between the two countries at a higher level.

In the case of trade Japan has a unilateral surplus as Nepal imported goods from Japan worth US\$ 55.61million while Nepal exported goods around US\$ 9.7million. Nepal imports steel products, machinery, automotive parts, etc. From Japan, Nepal exports ready-made garments, carpets, paper products, textiles, etc. There are 53 companies with an investment worth US\$ 26.52 million in sectors such as travel agencies, restaurants, hotels, and production of construction materials.

Japan has been supporting Nepal in the field such as hydro-electric power generation, transportation, medical care, agriculture, and education. The total amount of Japanese aid to Nepal till 2016 is ¥121.7 billion for ODA loans and ¥74.1 for grant aid and technical support (until FY 2015). JICA have dispatched experts and volunteers totalling 4,344 people while Japan has received 5,675 Nepalese trainees (till the end of 2015). This would be looked in far greater depth in the next chapter.

Japan prioritizes three areas “(a) poverty reduction, (b) support for peace process and democratization, and (c) infrastructure improvement for sustainable

development.” (Ogawa, 2019, p11) Japan provided emergency assistance such as blankets, tents and other relief supplies. Further, Japan sent 264 people as JICA’s rescue and medical team and JSDF medical team. Japanese Government has committed to providing US\$ 260 million for the rebuilding of schools, damaged houses, and public infrastructure.

Nepal has great opportunities which could enhance Nepal’s relationship with Japan and could change Japan as a far greater investor for Nepal.

## CHAPTER 5

### **JAPANESE AID DIPLOMACY TO NEPAL**

Japan has provided aid to Nepal in various titles which need to be understood properly and the chapter would also look upon other South Asian states and aid received by them in order to understand how Nepal has received aid differently than other countries in South Asia. The chapter would allow us to understand the impact of the regime in Nepal while providing aid.

#### **5.1. Nepalese Aid History**

Nepal has a long history with its interaction with the United Kingdom which created a culture of sending Nepalese abroad and served as British soldiers which brought remittances to Nepal. The aid diplomacy of Nepal started with “the Four Point Agreement for Technical Cooperation, with the United States in January 1951” (Khadka: 1997, p.1046).

The necessity of aid to Nepal was an impact on the emergence of Communist China and an effort to contain it. As an effort to counter the United States-Soviet started providing aid to Nepal without direct security and strategic interest. However, Sino-American relations started to warm itself in the 1960s and so the aid to Nepal started to shrink slowly. Soviet relations with India grew further after the defeat of India in Sino-Indian war and the interest of Soviet also declined in Nepal.

“India vigorously pursued aid diplomacy and became Nepal’s largest donor from the mid-1960s until the 1970s, when Japan assumed that role”(K.C, 1997). Nepal was a significant country with strategic interest for India and therefore India played a significant role in providing aid. China in the north of Nepal had troubled India and had a reasonable doubt as India could not allow another country in its border to turn against India. Soviet would continue the cultural and educational

relations and would take students on the recommendations of Nepal's pro-Moscow communist party. The aid was negatively affected by the demise of the cold war and Nepal had to privatize state run industries as a conditionality of aid by IMF and World Bank.

## **5.2. Japan's Official Development Assistance to Nepal**

The report prepared by Japan's Official Development Assistance to Nepal created by Japanese Embassy in Nepal provides a very in-depth and important understanding of Japanese aid culture in Nepal.

The Official Development Assistance is divided into two schemes Bilateral Assistance and Multilateral Assistance, in which Bilateral Assistance is divided into three units namely i) Grant Assistance (211,742,842,000¥ from 1969-2017)), ii) Loan Aid (74,128,000,000¥) and iii) Technical Assistance (121,662,000,000¥) while Multilateral Assistance is conducted through UN agencies and International Finance Institutions.

The report describes 51.96% is received by Nepal as Grant Assistance, 18.19% is received as Technical cooperation and 29.85% is received by Nepal as Loan Assistance. The report shows Nepal has received more Grant Assistance than Technical Cooperation and Loan Assistance combined.

### **5.2.1. Grant Assistance**

In grant assistance from JFY 1970-2015, Nepal has received highest aid in Agriculture (35,376,900,000¥ which is 17%), Road and Bridge (34,006,000,000¥ which is 16%), Debt Relief in Form of Cancellation (DRF) (19,528,678,000 which is 9%), Education (19,124,000,000¥ which is 9%), Drinking Water (17,986,000,000¥ which is 8%). Altogether there are nineteen titles including 2% for even smaller projects (JICA,2018). The report shows us, the Japanese Government emphasizes

agriculture in Nepal and agriculture is a core element for the agrarian country to be able to transform itself in becoming self-reliant in agriculture projects. However, at present circumstances Nepal needs to depend on its neighbors for food imports. Japan has helped in construction of roads and bridges which have played a crucial role in building up Japanese image in Nepalese society. DRF also shows Nepal is not heavily burdened by Japanese loans as they have also provided a debt cancellation scheme, helping Nepal to reduce pressure of debt repayment. The Japanese government is also assisting in education which would help Nepal become a more competitive nation and drinking water would help Nepalese be healthier. There are many other aspects where the Japanese government is assisting Nepal, but these were the main titles in which Japanese government has provided aid.

Japanese have provided assistance for grassroots human security projects in Kavrepalanchowk, Chitwan, Sindhupalchowk, Doti, Nuwakot, Rasuwa, Kathmandu, Siraha, Morang, Mustang, Dhading, Lalitpur, Myagdi, Bhaktapur in which there seems to be a lot of projects in Kavrepalanchowk, Chitwan, Gorkha districts. The report suggests Japanese aid has been active in all three ecological belts of Nepal and is spread both in east and west of Nepal.

Japan has provided a Human Resource Development Scholarship (JDS), School Sector Development Program (SSDP) which shows Japan has played a crucial interest in the education of Nepalese masses.

Looking at the diagram of grant aid Japan had started aid since 1970 (72,000,000¥) and slightly grew in 1976 (905,640,000¥) which it fell down next year 1977 (330,000,000¥) which then gradually grew and peaked in 1982 (8,35,0,221,000¥) then it suddenly fell down to 1983 (5,809,775,000¥) then it again gradually grew till 1987(7,183,795,000¥) which again came down in 1989

(4,721,461,000¥) which climbed up in 1994 to (10,402,361,000¥) then it suddenly came down the next year in 1995 (4,855,881,000¥) and climbed back up in 1996 (6,684,111,000¥) then again fell down in 1998 (4,160,119,000¥) next year in 1999 it peaked (7,206,420,000¥) which slightly fell in 2000 (6,723,114,000¥) and then peaked in 2001 (9,857,812,000¥).

After 2001 it suddenly fell down till 2004 (2,996,235,000¥) this was the lowest since 1978 (2,696,241,000¥), however the grant assistance would go even lower than that in 2014 (496,301,000¥) which was lower than in 1976. However, the amount also peaked three times after 2007 (1,131,875,000¥) in 2009 (7,803,379,000¥), 2012 (6,138,906,000¥), 2016 (8,238,454,000¥).

The report shows that Nepal's grant assistance had boomed from 1979 to 2001 which was governed by King Birendra and it became more turbulent after his death. The aid was relatively unaffected by the Panchayat regime of Nepal but fell down significantly in 1989 at the time of the collapse of Soviet Union only to get to its highest peak in 1994 when Nepal was fully able to act as Constitutional Monarch but slowly Nepal became more unstable creating quick rise and fall as Nepal went through a civil war. After the Birendra death, Nepal became more turbulent and the grant assistance came down in 2007 after which Nepal became the Secular Republic in which Nepal has gone up and down.

### **5.2.2. Loan Aid**

The largest loan received by Nepal from Japan as according to report is for Udaipur Cement Plant(1987) (18,770,000,000¥ which is 17.87% of total loan assistance, followed by Kali Gandaki Hydroelectric Project(1996) (16,916,000,000¥ which is 16.11% of total loan assistance), Emergency School Reconstruction Project (2015) (14,000,000,000¥) all these three projects consume around half of the total

loan aid. The report shows that Japanese loan aid has been very diverse while providing aid. It has provided loan aid in constructing cement plants.

Hydropower, emergency school and altogether there were 10 projects granted by the Japanese Embassy. There has also been Debt Relief Measure for Cancellation of Loan (Principle and Interest) 21,116,159,000¥ which has eased Nepal and it also project Nepal has not been competent in paying back its debt.

### **5.2.3. Total projects and Disbursement**

Total number of Projects and Total disbursement shows that the amount remained significantly low which quietly grew up in 2001 (1,298,973\$), and again few down and it suddenly grew up since 2010 (1,402,929\$) which again exponentially grew in 2017 (4,331,710\$). The report suggests Nepal has slowly been growing up in its value due to which more money has been entering from Japan to Nepal. This may have probably related to the growing importance of the region and therefore a chart is required to understand the Japanese Aid policy.

### **5.3. JICA Funded Projects**

Countries	FY2003	FY2004	FY2005	FY2006	FY 2007	FY 2008
India	1,034,475	966,950	835,829	1,316,672	1,231,288	123,739,000
Pakistan	1,512,404	1,731,847	2,139,816	2,530,353	1,392,872	11,014,000
Bangladesh	2,633,857	2,251,606	1,628,476	1,611,947	1,641,068	8,977,000
Nepal	1,512,404	1,770,017	1,418,261	1,369,019	1,090,411	5,631,000
Sri Lanka	2,125,544	2,254,125	2,975,367	2,594,478	2,175,984	31,739,000
Bhutan	775,146	1,069,928	931,220	881,483	810,477	2,600,000
Maldives	216,610	269,530	435,829	216,346	173,229	629,000
Total	10,097,283	10,314,003	10,368,505	10,520,298	8,515,329	187,018,000

JICA, 2018 (Unit: 1,000¥)

The report shows a very interesting picture, India most of the time has been receiving fairly little money in comparison to Pakistan, Bangladesh, and Sri Lanka which suddenly changed in FY 2008 in which India suddenly became the largest and

most dominant recipient of JICA. It is well known Pakistan has been an ally of the United States and funding Pakistan would have American lobby in order to support Pakistan.

In the case of Bangladesh, it gradually fell until in 2008 when the number rapidly grew for all countries. It provides a complex picture of how the geopolitics has shifted towards South Asia.

The reports slowly enhance it providing more data which helps in conducting the research. It would be a misinterpretation to claim Nepal has significant value as per Japanese aid as Nepal sits in between the aid and has neither very high aid nor very little rather it receives comparatively stable aid than most of the countries.

Countries	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
India	131,220 (66.8%)	126,502 (62.3%)	142,034 (58.0%)	116,074 (50.3%)	150,417 (57.9%)	165,954 (57.2%)	190,655 (59.0%)	222,050 (65.6%)	256,822 (54.2%)
Pakistan	5,446 (2.8%)	18,046 (8.9%)	18,386 (7.5%)	25,158 (10.9%)	19,593 (7.5%)	25,338 (8.7%)	23,129 (7.2%)	18,665 (5.5%)	15,503 (3.3%)
Bangladesh	11,309 (5.8%)	11,126 (5.5%)	17,462 (7.1%)	38,071 (16.5%)	46,590 (17.9%)	49,302 (17.0%)	68,151 (21.1%)	53,432 (15.8%)	158,564 (33.4%)
Nepal	4,509 (2.3%)	3,897 (1.9%)	5,338 (2.2%)	3,961 (1.7%)	4,596 (1.8%)	6,827 (2.4%)	8,460 (2.6%)	10,998 (3.3%)	10,586 (2.2%)
Sri Lanka	34,022 (17.3%)	27,901 (13.8%)	39,321 (16.0%)	26,922 (11.7%)	29,020 (11.2%)	28,735 (9.9%)	20,802 (6.4%)	24,217 (7.2%)	24,092 (5.1%)
Bhutan	2,792 (1.4%)	3,500 (1.7%)	3,043 (1.2%)	2,200 (1.0%)	1,437 (0.6%)	4,119 (1.4%)	2,259 (0.7%)	2,877 (0.9%)	2,369 (0.5%)
Maldives	2,657 (1.4%)	1,496 (0.7%)	274 (0.1%)	164 (0.1%)	114 (0.0%)	234 (0.1%)	365 (0.1%)	267 (0.1%)	2,986 (0.6%)
Afghanistan	4,493 (2.3%)	10,434 (5.1%)	19,186 (7.8%)	18,424 (8.0%)	8,176 (3.1%)	9,615 (3.3%)	9,136 (2.8%)	5,887 (1.7%)	3,232 (0.7%)
Total	196,449	202,902	245,044	230,974	259,943	290,124	322,957	338,392	474,154

JICA. 2018 (Unit: millions of yen)

Nepal receives aid in between 1.7% to 3.3% while Afghanistan moves from 0.7% aid to 7.8%, it seems that aid to Afghanistan is motivated by American interest in Afghanistan. Sri Lanka's value seems to be going down from 17.3% to 5.1% while Bangladesh is receiving aid from 5.8% into 33.4%. After 2008, India suddenly

became the single largest recipient of aid as per the JICA report. The report shows that aid diplomacy of Japan is not very stable and could shift at any time.

The reports have been more useful with new data being given which could help us analyze the issue from more than one paradigm. Nepal is comparatively insignificant in the report, but the report also constantly writes huge potential Nepal has to transform itself. Nepal could be able to acquire the right international support with social and political stability with the right leadership. At present Nepal does have a stable government but has not been able to yield its real potential. The country suffers from continuous struggle in various forms.

#### **5.4. Japanese ODA to Nepal (2002-2007)**

The Embassy of Japan to Nepal in its webpage has mentioned reports from 2002 to 2007 which could be looked in-depth in order to understand the Japanese aid assistance to Nepal.

Achievement of Japan's ODA in Nepal in 2002: The webpage mention Japanese government has prioritized five areas that were “set with prior consultation between two countries; namely (i) human resources development, (ii) the social sector such as education, health and medical care, (iii) agricultural development, (iv) basic economic development, and (v) environment conservation mainly through grant aid and technical cooperation”(Embassy of Japan in Nepal, 2012).

Important achievements were marked namely -

##### **5.4.1. Improvement of Intersections in Kathmandu City**

The project helped in solving various traffic problems such as traffic congestion, traffic accidents, fuel loss, and many other problems.

#### **5.4.2. Progress of Sindhuli Road**

The partial opening of the road has improved the marketing and price reduction of some essential goods.

#### **5.4.3. Implementation of Kathmandu Water Supply Facilities**

The project was expected to reduce the leakage and increase the supply capacitance in all three districts of Kathmandu Valley and was planned to contribute even after the completion of Melamchi which has not been completed even till this day.

#### **5.4.4. Handover of Storage Facilities of Iodized Salt (Phase I):**

Two storage facilities were constructed in Biratnagar and Janakpur and were handed to back then His Majesty's Government of Nepal. This would have helped contribute to preventing iodine deficiency in Nepal.

1. Construction of Primary Schools under BPEP II: Under this project, 2,540 new classrooms, 43 resource centres, 817 toilet blocks, and 431 water supply facilities were constructed in 13 districts.
2. First Non-Project Grant Aid: Aid granted to develop the economic and social structure and help pay the international loans. In addition, there has been a project such as Multipurpose Martial Arts Centre, construction of a Community Bridge and supply of Educational Equipment.

#### **5.4.5. Achievement of Japan's ODA in Nepal in 2003**

Some of the major achievements of ODA 2003 are as follows:

- Technical Cooperation between Japan and Nepal: In September 2003 for the first time technical cooperation was signed between the two countries in order to strengthen the human resource which was aimed in two folds.

Firstly strengthen technical cooperation and second for simplifying and improvement of the cooperation under the single umbrella.

Inauguration of Kaligandaki “A” Hydroelectric Project: The 144 MW project was completed and inaugurated, Japanese support has helped in acquiring 40% of the present total energy capacity of NEA.

- The extension and reinforcement of Power Transmission and Distribution System in the Kathmandu Valley: The grants assistance is supposed to increase more reliable power supply to Kathmandu Valley.
- Improvement of Kathmandu Water Supply Facilities: The improvement of water supply was done in Manohara and Shaibhu and would augment the supply of water in Kathmandu by 20.6 million litres per day and the project also intends to reduce the leakage.
- Improvement of Expanded Program on Immunization: the grant was for the renewal of old cold chain equipment, the project is to reduce infant mortality rate and would help to improve general health status and also increase life expectancy.
- Non-Project Grant: The project is for economic structural readjustment and to the alleviation of economic difficulties of Nepal.
- Emergency Rehabilitation on the Sindhuli Road (Section IV): Repair work was conducted from 50km km stretch- Road Section- IV (Dhulikhel – Nepalthok) damaged by rain and landslide.
- Construction of Primary Schools in Support of Education for All: The project intends to improve the access of education by building classrooms, resource centre buildings, toilets and also water supply units in Bardiya, Dang, Sindhupalchowk, Kailali, Nuwakot, and Kapilvastu districts.

- Grant Assistance for Grassroots Project: In fiscal year six organizations were provided by the grant. There has been construction of secondary school in Gorkha, Healthcare Centre at Nuwakot, High-Quality Agro-Production (HAC) in Lalitpur, two ambulances we handed to TU Teaching Hospital.

#### **5.4.6. Achievement of Japan's ODA in Nepal in 2004**

Comparing the report of 2002, 2003 and 2004 in the Japanese Embassy website the dissemination done in 2004 is actually shorter than the previous two years. Altogether eight projects have been mentioned by the Japanese embassy website.

- Debt Relief Measures: The Japanese Government cancelled the debt in order to help the Nepalese government reduce poverty and promote social and economic development.

Project for the Construction of Primary Schools in Support of Education for All (Phase II): As per the goal of Nepal Government “Education for All by 2015” the grant helped in creating classrooms, resource centres, toilets and installation of water supply units in 12 districts.

Non-Project Grant Aid: In order for the promotion of economic adjustment in sectors such as education, agriculture, local development, health, drinking water, sanitation, and infrastructure grant was provided by the Japanese government.

- Food Aid: The procurement and supply of rice to be needy people in districts which have been affected by food deficient and insurgency.
- Cultural Grant Aid for the Supply of Microfilm and Book Binding Equipment to TU Central Library: Cultural Grant was provided for

promotion of cultural, educational and research activities in order for preserving historically valuable books and old documents.

- Grant Assistance for Grassroots Projects (GGP): Many projects have been conducted such as the construction of High-Quality Agro-Product Centre, construction of Moxa factory and many other events for the welfare of Nepalese people.
- Inauguration of Nepal's Biggest Hydroelectric Project Kaligandaki 'A': This topic has already been discussed in 2003.
- Partial Opening of Sindhuli Road Section II: A segment of 12km Sindhuli Road has been opened for traffic use. The road has helped rural areas with Sindhuli Bazaar. The road would help access basic human needs such as food, education, health, basic infrastructure for the local people.

#### **5.4.6. Achievement of Japan's ODA in Nepal in 2005:**

In the report of 2005 the projects have come down to five. This shows that Japan has been losing interest in Nepal with the growing instability leading to failure of the monarchy. The website mentions few details about the projects Japan had done in that period

Human Resource Development: Japan had sent technical experts and Japanese Overseas Cooperation Volunteers in order for effective and efficient management of natural resources and capacity building.

- Social Sector (Health and Education): The T.U. Teaching Hospital, Nursing School and the National Tuberculosis Centre have been the major success of Japan's ODA program. The Japanese government has been providing assistance for construction of Primary Schools, Resource Centres, and other facilities.

- Agricultural Development: Japan has provided high-value agricultural products, an extension of various technologies of sericulture, livestock, fisheries in order to improve the lifestyle of farmers and reduce poverty.
- Economic Infrastructure: Japan has supported projects such as road, power, water supply, and disaster management.
- Environmental conservation: Japan has extended assistance in the field of environment conservation, such as forestry/watershed management and solid waste management.

**Other type of Support and NGO Activities:** Japan has extended aid in schemes such as Cultural Grant Aid, Non-Project Grant Aid and Grant Aid for Underprivileged Farmers.

**Japan's ODA to Nepal in 2007:** The last report found in the Embassy of Japan in Nepal's website. The few activities which are mention are-

**Increase of Food Production in Nepal with Special Emphasis on Underprivileged Farmers:** The grant was used for fertilizers necessary to boost agriculture products and meet its acute shortage of food.

**Food Aid:** The project was used to supply rice in food deficits districts of Nepal.

**Project for the Construction of New Kawasoti Substation:** The grant was used for 132/33KV Kawasoti Sub-station which would be used for distribution of electricity of eastern Nawalparasi district.

**Project for the Improvement of Kathmandu-Bhaktapur Road:** A grant was used to upgrade a 9.1 km section of Kathmandu-Bhaktapur Road transforming the two-lane road into four lanes. Which plays a vital role in connecting Kathmandu Valley with Eastern Terai?

Cultural Grant to Nepal Television for the Improvement of TV Programs: The main objective of the cultural grant was for the promotion of cultural, educational and research activities and preservation of cultural relics and assets of Nepal through TV broadcasting.

Grant Assistance for Grassroots Human Security Projects (GGP) Japanese Embassy have helped in construction of Hostel for Dhulikhel Medical Institute; Project of Quality Education for Children's who were affected by armed conflict; Improvement of rural road in Phedi-Kutang- Ghumaune Chair and Project for the Forest Conservation in Remote Villages in Parbat and Myagdi districts in order to generate income.

Technical Assistance: Japan has sent experts in various skills in order to help Nepal which has been discussed earlier.

## **Overview**

The reports provide an in-depth view of how the Japanese government has been supporting Nepal. The Japanese government has been emphasizing specifically in road construction, food aid, cultural aid, construction of educational institutes. The report of 2006 is missing when Nepal was going through major turbulence; the report begins with the emergence of a new king in Nepal and it ends after the demise of the monarchy from the country. There is a pattern in Japanese effort and has shown preference to the previous regime; however, after 2008 South Asia came in much higher light and Nepal have been a recipient as an aid receiver if we are to look at the annual report created by JICA.

Finally, a chapter needs to be written in order to review the current condition of the Japanese aid in order to analyse how it was useful for Nepal. The first-hand observation and research from the Internet can help us understand the condition of the projects in Nepal.

## CHAPTER 6

### **JAPANESE AID: IMPACT ON NEPAL**

The entire agenda of aid to bring the change in the recipient country. The generation of soft power allows the donor state to be valued by the recipient state and the consumption-ability of the recipient state allows the donor's product to be sold in the local market, creating a win-win scenario.

#### **6.1. Economic Impact**

Japan's economic assistance to Nepal started in 1960 and Nepal-Japan trade volume took shape after the 1970s. Japan is one of the major donor countries on socio-economic transformation. in extending economic and technical assistance to Nepal, Japan has given priority to five areas that are set with prior consultation between the two countries. They are as follows:

1. human resources development
2. social sectors such as education, health and medical care
3. agriculture development
4. basic economic and social infrastructure and
5. environmental conservation.

Japan connects importance to the improvement of basic infrastructure such as in areas of power generation, roads, airport, bridges, water supply facilities, telecommunications, etc. Insufficient infrastructure development is one of the major reasons for low investment (FDI), slow economic growth and low standard of people's life. The construction of Sindhuli Road has immensely influenced the economic activity of the common people. While in the past farmers needed to hire porters to transport milk to Panauti or Banepa, now with the easy road access dairy farms as far as Kathmandu have started collecting milk from the surrounding villages,

providing farmers with a stable source of income. Japan has also provided extensive loan assistance to Nepal such as for the Kulekhani (I and II) Hydro-power Station, Kali Gandaki 'A' Hydroelectric Station, Udayapur Cement Industry and Melamchi Water Supply Project. Recently the project for the Improvement of the Intersections in Kathmandu under the grant aid was completed for further facilitating smooth vehicular movement in the city. JICA has contributed in construction of more than 9500 classrooms of public schools, construction and operation of Tribhuvan University Teaching Hospital (TUTH), establishment of Central and Regional Tuberculosis Center, Promotion of One Village One Product Program and Construction of Major Water Treatment plants in Kathmandu and semi urban areas .

#### **6.1.1 JICA's assistance for Agricultural Development**

Agriculture is the most important industry in Nepal in terms of GDP share of 36.9% and 34% population is involved in the sector. It can directly contribute to the economic development and upliftment of rural population by bridging the gap between urban and rural areas. In the 1970s, JICA established Janakpur Agriculture Development Center (1971-1984) and constructed agricultural storage facilities. JICA has introduced breeding, extension of agricultural products and new cultivation techniques, formation of agriculture producing areas, capacity building for implementing these projects where a large number of government officials have been trained and developed.

Sindhuli Road Corridor Commercial Agriculture Promotion Project (2014-2019) is an ongoing project that has established a farming system among producer groups for producing marketable products, improved outreach service and delivery of private actors and improved skills and capacity of counterpart agencies for promoting

agricultural commercialization. The project targets an impact to increase agricultural income of farm households through agricultural commercialization.

In recent years, notable contributions by the returning students have been identified in various fields like in the agricultural sector, noteworthy work has been accomplished. In the 1970s, two types of ploughs, called Pragati halo, fixed and reverse type, and the rice thresher were designed, manufactured and introduced for the first time. Cross breeding of rice (Japonica and Indica) was developed and introduced. The improved variety of Mansuli rice is popular now. The Japonica type of rice, Taichin, is common in the Kathmandu valley and hilly regions. A rolling manual thresher was designed and manufactured by the students returned from Japan. The thresher is widely used in the valley and hilly areas.

As Nepal is pursuing to graduate from the status of LDC to a developing country by 2022, assistance provided by Japan has a pivotal role to soothe the economic issues and challenges. Likewise, the bilateral aid should be mobilized by concentrating on the opportune realization of Sustainable Development Goals (SDGs). The coherence of Japanese assistance and support for Nepal's reconstruction drive is much desirable.

## **6.2. Social Impact**

In 1899 a Buddhist monk "Ekai Kawaguchi entered Kathmandu on his way to Tibet. A group of eight Nepali students were sent by Prime Minister Chandra Sumsher Rana in 1902 to Japan for the first time in Nepalese history. After a long period of time, a regular number of Nepalese students to Japan under Monbusho scholarship started as soon as diplomatic ties were established between Japan and Nepal in 1956. Nepali students according to official data, as of the end of 2018, there were approximately 89,000 Nepalese living in Japan — up 11 percent from the

previous year. They are living in the status of students, workers (professionals, academics, skilled and unskilled workers), dependents and permanent residents.

Nepali immigrants are either acquiring education and skills or earning remittances in Japan with persevering and good culture. Moreover, the immigrants return home and use their skills, knowledge for the upliftment of Nepal if there is a good employment environment (K.C, 2014).

Nepalese students have received education in various fields including medical science, engineering, humanities, natural science, etc. They have been given a chance to see a developed country, Japan, and to learn about the history, culture, society and other development work. They also had an opportunity to learn the basic requirements for the development of the country, the duty of being citizens of a country, implementation of their knowledge, skills, and experience of Japanese people.

Some cultural heritage of Nepal is closely linked to the Japanese traditional culture through our ancient Asian history. The government of Japan has initiated “Grant Assistance for Cultural Grassroots Project (GCGP)” which provides non-refundable financial assistance to support the implementation of cultural and higher education projects in developing countries. GCGP directly supports the promotion of culture at the grass-roots level and higher education in each country, while also acting as cooperation which encourages understanding of and cultural exchanges with Japan. Such projects can include the procurement, transportation and installation of equipment and construction or restoration of facilities used for various cultural and higher educational activities and the preservation of cultural heritage (Embassy of Japan in Nepal, 2019).

JICA's volunteer program is a grass-root level cooperation and one of the effective schemes for socio-economic development and reconstruction of developing

countries. The volunteers promote the change in people's attitudes to encourage development of their countries by cooperating with local people and motivating each other in their respective fields. JICA started this program in Nepal in 1970, and has dispatched Japan Overseas Cooperation Volunteers (JOCV) and Senior Volunteers (SV).

The JICA Partnership Program (JPP) was introduced in 2002 to support and cooperate with the implementation of projects formulated by "Partners in Japan" such as Japanese NGOs, Japanese Universities, Japanese local governments, and public corporations. This collaboration contributes to the socio-economic development of the developing countries at the grass-roots level.

In Nepal, 11 JPP projects have been implemented since the beginning of JPP. The target issues are nutrition for mothers and children, quality development of public schools, and peace education for the youth. The present on-going JICA Partnership Programs in Nepal are as follows:

- Strengthening Eye Care System in Nepal (AOCA/NNJS)
- Quality Primary Education through Community Empowerment (SCJ/ASN)
- Disaster Preparedness and Sustainable Livelihood Development Project in Chitwan District (Shapla Neer/ RRN)
- Empowerment of Youths through Practical Peace Education (ADF/CN)
- Promoting Quality Education through Community based School Management (SCJ/ASN)
- Technical Cooperation in Dissemination of Alternative Energy Fuel for Firewood and Kerosene (Hokkaido Higashikawa Town/NEPA/ CEEN)

People-to-people relations are harmonious among the two nations. Nepal remains one of the alluring travel destinations to the Japanese tourists. The Himalayas have lured a plethora of Japanese mountaineering expeditions since 1952. In 1956, first successful attempt in Mt. Manaslu was made by Japanese Alpinist Mr. Minoru Higeta. Moreover, in the International Women's Year of 1975, Ms. Junko Tabei from Japan reached the peak of Mt. Everest being the first woman to do so (Thapa, 2004).

Lumbini –the birth place of Lord Gautam Buddha, is a significant pilgrimage for Japanese. Sister relationship between Lumbini and Japanese city of Koyasan has been established. The abundant cultural beauty that bestows Nepal and the overwhelming natural assets that adorn Nepal makes it a heavenly destination for Japanese tourists. The prospect for increase in tourist flows remains bright. As Nepali economy is struggling to recover from the earthquake disaster.

### **6.3. Political Impact**

Nepal and Japan enjoyed their independence and never were under a Colonial regime. The diplomatic relations between the two countries were established on September 1, 1956. Since Nepal had come out of the swathe of isolationist foreign policy of the Rana regime and was gradually opening up to the world. Japan was the seventh country that Nepal established its diplomatic relations with. The bilateral relationship between the two countries has been defined by mutual trust, heartfelt cooperation, goodwill and understanding. Nepal established its Embassy in Tokyo in 1965 and the Embassy of Japan in Kathmandu was established in 1967 (Barua, 2016).

High level visits between Nepal and Japan in 1960-90 fostered our friendship and bilateral ties. In 1960, King Mahendra and Queen Ratna made a state visit to Japan during the political transformation in South Asia and in the global world. The

Crown Prince Birendra was enrolled at Tokyo University which further enhanced bilateral relations between the royals. Japanese Prince Akisino visited Nepal in 1997, followed by Prime Minister Girija Prasad Koirala's official visit to Japan in 1998.

Japan has been an important observer to SAARC since 2007. Japan's engagement with the SAARC commenced in 1993 after the establishment of SAARC-Japan Special Fund. Similarly, Nepal and Japan have closely worked together in the United Nations and other multilateral forums. Both the countries attach great significance to the UN peacekeeping operations. Japan has been a substantial partner for the LDCs. It has been providing generous ODA through UN agencies and International Financial Institutions including the World Bank Group and the Asian Development Bank.

JICA is assisting in Nepal's state building process by strengthening governance at the central and the local level. It works for capacity building at the central level as well as local governments, primarily on project planning, implementation, and monitoring & evaluation. The main strategy is to develop awareness of the central government on ownership and to reinforce planning and implementation capacity, policies and systems for effective development programs as well as improving government institutions. Similarly, JICA's assistance focuses on maximum utilization of local resources and expertise to make local people more accountable and responsible for their own development.

#### **6.4. Environmental/Security Impact**

Japan established the Cool Earth Partnership for the developing countries aiming to achieve greenhouse gas (GHG) emission reductions and economic growth as well as working to contribute for climate stability. A new grant aid scheme named 'Program Grant Aid for Environment and Climate Change' was created in 2008 as a

component of this package to support a developing country, which is willing to contribute to climate stability but facing shortages in implementing capacity as well as funds. In accordance with the policy of the Japanese Government, JICA decided to promote clean energy, including renewable energy, to be promoted as a ‘co-benefit’ corporation case and utilize Japanese advanced technology including technology of the private sectors.

A solar photovoltaic system of around 350 KW will be installed at Dhabighat. The electricity generated from this system will be utilized by Kathmandu Upatyaka KhanePani Limited (KUKL) for water pumping and the remaining electricity will be connected to the national grid. This project is expected to demonstrate the performance of PV systems as a source of energy to mitigate the shortage of electricity supply. The aim of the project is to promote clean energy utilization and achieve emissions reductions by installing the photovoltaic system to be connected to the national grid. The Centre for Energy Environment Nepal (CEEN) has been encouraging the use of Bio-briquette (Beehive or Honeycomb briquettes and charcoal pellets) as an alternative source of energy for firewood and kerosene. Bio-briquette is regarded as one of the alternative fuels with high potential and is made from a charcoal of ‘non woody biomass or waste biomass’ using agro-forest wastes such as Eupatorium Adenophorum (Banmara), Mugwort (Tite pati), Lantana Camara (Dhurmer phool) and different agricultural residues. The objective of the project is to promote the use of bio-briquette to village and urban areas by developing and promoting better combustion devices.

## **6.5. Technical Assistance**

Japan had provided the highest technical assistance in 1981 (5,928,000,000¥) which suddenly fell down next year in 1982 (1,198,000,000¥). The graph of the

technical assistance part of 1981 and 2015 onwards have been comparatively rhythmic in which was high from 1991 (2, 10,000,000¥) to 1998 (2,318,000,000¥) and may have had a negative impact of civil war for it to fall down. The graph suddenly rose up in 2015 (3,457,000,000¥) and 2016(3,293,000,000¥).

As part of technical assistance 74,127,000,000 ¥ have been used in cooperation, 5,871 people have been accepted as trainees, 3,271 JICA experts have been dispatched, 4,316 people of mission members have been dispatched, 1,175 JOCV volunteers have been dispatched, 173 senior volunteers have been dispatched, 7,146,229,000¥ have been sent for provision.

## **6.6. Primary Research (Interview)**

As a Primary Research (qualitative data), I had the privilege to take an interview of Khadga K.C

### **6.6.1. What is the benefit of Japanese Aid to Nepal?**

Nepal-Japan diplomatic aid relations started in 1959 A.D with the Colombo Plan to promote interest in and support for the economic and social development of Asia. After 1960 and till date, Japan being a country of the far-east does not have political motives while channelling aid in Nepal. Since 1960, Japan's aid policy depended upon former colonies of SouthEast Asia and China. With Nepal, due to cordial relations between Monarchies of both countries, Buddhism, mountaineering and similar culture were major interests of Japanese rulers and commoners. Since 1956, Japan has continuously become the largest donor for Nepal until early 2000 which made a significant positive implication of Japan to Nepal without any visible political engagement.

However, there was some expectation from Japan when she contested the United Nation Security Council Non-Permanent Membership where Nepal didn't vote

for Japan but voted for India. This slightly resulted in a disenchanted Japan which is said to be gradually reducing as Japan is one of the fifth largest developing partners of Nepal.

#### **6.6.2. How is the Japanese aid functioning in Nepal?**

As Mentioned earlier, Japan prioritized her Aid policy towards her former colony. Regarding Nepal, she had constantly been focussing on socio-economic development sectors since the inception of Maoist insurgency in 1996. Japanese aid to Nepal had conditions as per their foreign policy guidelines shifting in 2004. The policy primarily focused that Japan could provide aid only to the elected government. But, due to Maoist insurgency and political instability in Nepal, Japan discontinued her aid to Nepal for a few years and restarted signing tunnel Hydropower assistance 2007.

Japan has been functioning with exemplary successful Aid Projects in Nepal with the following projects:

- High mountain agricultural products of Mustang, Sindhuli, Tarara and Sunsari.
- Kaligandaki A Hydropower Project.
- Kulekhani Hydropower Project.
- Sindhuli Highway
- Koteshwor-Suryabinayak extended road

Similarly, there are other ongoing projects like Nagdhunga tunnel, Tanahu Hydropower project, proposed Kali Gandaki B Hydropower. Despite this, there are many grants and loans based on Japanese assistance which will be the game changer of Nepal's infrastructure and technology transfer projects.

### **6.6.3. What is the impact of aid from Japan to Nepal?**

It has largely built Japanese goodwill to Nepal and Nepalese positive acknowledgement towards Japanese government and people of Japan. In addition, Japan has been contributing to develop human resources right from 1903 A.D when then Prime Minister of Nepal Dev Shumsher Rana had sent eight Nepali students to Tokyo under his Look East Policy. Since then, around one thousand Nepali students have received Japanese scholarships at many universities. They graduate and return home and have worked as bureaucrats, technocrats in different fields which are the best impact of Japan to Nepal. The work ethics, knowledge and values Nepalese graduate from Japan has been significantly contributing to improve governance and technology transfers.

Nevertheless, there is no direct socio-economic impact of Japanese aid to Nepal. It has brought so many positive influences; quality infrastructure buildings, timely completion of projects, no political interest in any projects and quality education through which Nepal's human resource development could be highly benefited for the past six decades.

### **6.6.4. What is the benefit of Japan accepting Nepali students?**

Being one of the members of OECD and G7 countries in the world, Japan has greater responsibility to channel some particular percentage of her GDP to developing countries as grant and loan assistance. Despite Nordic countries, Japan is the largest donor in GDP per capita among OECD and G7 countries. Amidst this background, since the establishment of diplomatic relations of both the countries, Japan has been providing Government scholarship (MIST) to Nepali students. Japan has been benefiting from these graduates who work for the Government of Nepal as revenue officers, judges, engineers, doctors, professors at Universities which is a soft power of

Japan. Their working styles are significantly making good implications on Nepal's governance reform. Medical and engineering sectors are equally benefitting from graduation of Nepalese students so implicitly Japan has developed her Soft power in Nepal. On the other hand, in recent decades thousands of Nepalese go to Japan to pursue technical and language education (80,000 Nepalese). Japanese economy has largely benefitted from this semi-skilled low wage workforce from Nepal to whom Japan doesn't need to provide pension and insurance. The increasing ageing population of Japan and lack of workforce due to almost zero birth rate has been relieved through Nepalese semi-skilled training workers from Nepal. In critical remarks, the growing number of Nepalese private students for language and technical training courses is creating problems in Nepal-Japan relations because these students who aspire to go Japan have high ambitions but cannot get job opportunities as per their areas of interest. Some are engaged in criminal activities and forced them to apply for asylum. It is observed that the majority of Nepal's population are seen to be asylum seekers that have made a counterproductive image of Nepalese in Japan. Therefore, Japanese economy is highly benefited by Nepali students however it has brought some negative consequences as well.

#### **6.6.5. Why does Japan give aid to Nepal?**

Japan being the third largest economy has to provide a percentage of her GDP to developing countries. So under this framework, Japan has continuously provided aid and grant assistance to Nepal. Moreover, aid history has begun and continued in course of time due to cultural proximity such as Buddhism and between two Monarchies of Nepal and Japan. Due to the rise of China, Japan has also become cautious to engage through her Aid in Nepal like elsewhere in Asia, Africa and Latin America. Being a developed country, she has greater responsibility to provide loans

and grants to smaller developing economies like Nepal. She has some specific interests like the majority of Japanese have interest in the Himalayas, Buddhism. Buddhist scholars like Ekai Kawaguchi in the 1890s came and highlighted Nepal in Japan. But when Nepal graduates from LDC soon maybe Japan grant assistance will decrease. But still Nepal Japan engagement in loan assistance and technology transfer and public diplomacy domain should be continued.

Harendra B. Barua has been interviewed for Primary Research. According to Barua, Japan has five major priorities which are as follows:

- Infrastructure
- Agriculture
- Human Resource Management: Education- Skill
- Environment
- Water Resource development

In Nepal three things that any other country doesn't have are tourism, water resources and the birth place of Lord Gautam Buddha.

#### **6.6.6. How is the Japanese aid functioning in Nepal?**

Success stories: Grass root assistance for Cultural Grassroots Project(GCSP) provides non-refundable financial assistance to support the implementation of cultural and higher education projects conducted by non-profit organizations (NGOs), local authorities, research and higher education institutions, etc that are active at the grass-roots level in developing countries. GCGP directly supports the promotion of culture and higher education at the grass root level in Nepal, while also acting as cooperation which encourages understanding of and cultural exchanges with Japan. Japanese Government has built schools, hospitals, drinking water facilities and health centres after the 2015 earthquake.

### **6.6.7. What is the impact of aid from Japan to Nepal?**

The Success stories are:

- Teaching Hospital
- Bagmati-Bishnumati Bridge
- Udayapur Cement
- Sindhuli highway
- Kulekhani
- Nagdhunga tunnel

These infrastructure needs to be maintained and utilised properly. Nepal is still in a transition period where we need a good vision with action.

### **6.6.8. Has the Japanese soft power increased by accepting Nepali students?**

Yes there are a total 24,331 Nepali students in Japan which is the highest number after China and Vietnam. Soft Power boosts by Nepali students who are influenced by Japanese socio-economic and culture, lifestyle.

### **6.6.9. Why does Japan give aid to Nepal?**

To strengthen the bilateral relations and friendship among the two countries. Japanese aid policy is to help a country to become financially independent. Due to the historical similarities in culture, monarchy and religion (Buddhism).

## **6.7. Road Assistance**

Roads play a significant role in connecting people and it also seems Japan has been very much interested in helping Nepal to build roads. Roads play a vital role in transferring goods such as food from villages to cities and from food abundant regions to food deficit areas. The roads help students reach their schools and help the construction project by bringing the necessary materials and equipment.

Road of Sindhuli: The locals have remarked that the road of Sindhuli is of very high class but is very narrow and therefore only small vehicles are allowed apart from a few districts such as Sindhuli, Ramechap, Okhaldhunga, Solukhumbu as they predominantly depend on this road. As only small vehicles can move around, for day travelling travellers would prefer the road of Sindhuli while for night travelling to go to the eastern part of Nepal, the travellers are forced to get to the western exit of the Kathmandu Valley and go around some districts of Nepal.

### **6.8 Loan Aid Projects**

The major event which could be seen and studied is the loan aid because loan aid is generally bigger and is designated to be productive in the long run. Loan aid for agriculture is generally distributed and would be very difficult to study.

S.No	Project Name	Website/ link about details
1	Kulekhani Hydroelectric Project	<a href="https://www.nea.org.np/generation/index.php?page=powerhouse&amp;pid=16">https://www.nea.org.np/generation/index.php?page=powerhouse&amp;pid=16</a>
2	Kulekhani-II Hydropower station	<a href="https://www.nea.org.np/generation/index.php?page=powerhouse&amp;pid=17">https://www.nea.org.np/generation/index.php?page=powerhouse&amp;pid=17</a>
3	Udaipur Cement Plant Project	<a href="http://ucil.org.np/Production">http://ucil.org.np/Production</a>
4	Kulekhani Disaster Prevention Project	<a href="https://www.jica.go.jp/english/our_work/evaluation/oda_loan/post/2002/pdf/113_smry.pdf">https://www.jica.go.jp/english/our_work/evaluation/oda_loan/post/2002/pdf/113_smry.pdf</a>
5	Kaligandaki A Hydroelectric Project	( <a href="https://www.nea.org.np/generation/index.php?page=powerhouse&amp;pid=15">https://www.nea.org.np/generation/index.php?page=powerhouse&amp;pid=15</a> )
6	Tanahu Hydropower Project	<a href="http://thl.com.np/index.php?nav=projects">http://thl.com.np/index.php?nav=projects</a>

The first major loan project was Kulekhani Hydroelectric Project (1975 to 1978). The project produces “6.09% of total energy to the INPS” (Integrated Nepal Power System) (NEA, 2019).

Another project which OCEF Japan and the Government of Nepal have constructed is Kulekhani-II Hydropower station which has the production capacity of 32MW.

The Japanese government has not just invested in hydropower but also in cement plant production in 1987 titled Udaipur Cement Plant Project. Udayapur Cement Industries Limited has given a detailed process of production and the company has the capacity to produce 800 metric tons per day. It is according to its website is the biggest cement factory in Nepal and sells its cement with the brand name of “Gaida cement”, one of the best in Nepal due to its quality and strength.

Kulekhani Disaster Prevention Project was constructed at an interest rate of 1.0% p.a. with a repayment period 30 years. The JICA report suggests that since its completion in 1995 no flood of that in 1993 has occurred (JICA, 2002) the project Kali Gandaki A Hydroelectric Project provides 20.6% of total energy in INPS.

Melamchi water supply has still not been functional but there is a deep shortage of water and has high hopes for people living in the capital to get fresh drinking water from Melamchi.

The Tanahu Hydropower Project seems to be under construction and has some data about it on its website. As it was only established in 2012 it is fairly new.

There have been loan aids in Nepal for construction of Emergency School Reconstruction Project and Emergency Housing Reconstruction Project due to the earthquake which is very fresh in human minds and has deeply hurt Nepal.

## CHAPTER 7

### SUMMARY AND CONCLUSION

The last part of the thesis is divided into two sections first the Summary and Conclusion.

#### **7.1. Summary**

The thesis depended heavily on reports and details created by the Japanese Embassy, Japanese International Cooperation Agency. The thesis looked at the detailed numbers of the amount given to South Asian countries by JICA and it showed the aid received by Nepal have increased with time and have specifically increased after 2008 alongside with all South Asian countries specifically India which is receiving more than half of aid suddenly in around 2008. The grant assistance to Nepal has been deeply affected since the fall of monarchy from the country. The dissemination on its website also closes soon after the fall of monarchy. This clearly suggests Japan has not developed a specified policy towards Nepal and has become more spontaneous in providing aid to Nepal as it has become a region which is growing significantly in International Politics.

Nepal has been very confident of its historic status and respects its beliefs and values it possesses but the reports constantly speak about Nepal as a poor and backward country with great potential in tourism. This image clarifies that Japan sympathizes with the economic condition of Nepal and does not hold much respect to a developing country.

Japan constantly claims it supports democracy but the reports rather show Japan had a smooth relation even when Nepal lacked democracy until its recent period. Rather, the grant aid to Nepal has been very spontaneous after Nepal became a republic and the highest positions of Nepal are maintained democratically. The study

of Japanese aid to Nepal actually provides a very useful insight into how Japan actually perceives the world than norms which it has been repeating constantly.

Apart from Japan's intention, the aid and support made by Japan has helped Nepal and have eased the problem of Nepalese people specifically in the issue of roads and hydro-power. Japan's aid has been a significant boost for Japan to increase its soft-power in Nepal. Nepalese have benefitted from Japanese aid and have developed the country to reach greater heights.

## **7.2. Conclusion**

The thesis constantly looked at the economic aspect of Japan Nepal's relationship however apart from economic assistance there is the social and cultural aspect which have allowed Japanese community to feel closer to Nepal. This aspect could be studied in future.

The Japanese aid diplomacy has been very beneficial to Nepal, however, Japanese aid has made Nepal more dependent on foreign power and it motivates Nepal to function upon their interest against its own interest. As a whole Japan's aid had a positive impact upon Nepal and would further help Nepal strengthen itself. However, even after understanding all the positive aspects of the Japanese aid diplomacy in Nepal, it is the duty of the researcher to judge the issues more critically and to figure out if there have been some negative consequences. It is the negative consequences which would help both Nepal and Japan to implement changes and help us progress even faster and efficiently while building stronger trust and friendship.\

Naturally, any country that spends money spends it with an agenda and understanding that it would benefit something from it. The most likely assumption is that aid would increase Japanese influence in developing countries such as Nepal. Nepal after it builds necessary infrastructure would be more likely to conduct trade

and increase economic relations with Japan in a more favourable condition for Japan due to its soft power which it was able to generate through the means of aid. This is, in fact, a win-win scenario where both Nepal and Japan are the winners.

Japan has been using Smart Power by providing economic assistance through different substantial infrastructure projects and also it has been influencing the country's socio-economic development. It's unique and alluring soft power extends far beyond sushi and recently Japan Houses - new cultural centres showcasing the best of Japanese culture. Japan has assisted Nepal in renovating temples post-earthquake which helped bring more tourists in the country; it has helped to build strong infrastructures like bridges, roads which have made life comfortable and convenient to Nepalese society. Large scale natural disaster and emergency humanitarian assistance were provided by the Japanese government by dispatching Japan disaster relief (JDR) teams in the 2015 earthquake.

Japan has assisted in building roads, hydro-power, schools in Nepal for the development of the country. Japan has constantly acknowledged that Nepal has a great potential in tourism, the Japanese government could provide training for locals to serve as a tourist guide and provide other technical skills in the sector of hospitality industry. There are multiple sectors predominantly associated with tourism and if Japan supports Nepal in these factors it would help Nepalese generate money more efficiently.

Japan utilizes aid as a tool to influence Nepal while it helps in strengthening Nepalese society creating a positive-sum game. The huge impact of Japanese economic, political, social, environmental assistance has immensely benefited Nepal. It also has largely established Japanese goodwill and harmony to Nepal and Nepalese nourishing positive acknowledgment towards Japanese government and people of

Japan. In the context of today's global politics Nepali government should put more effort to maintain a conducive environment to increase Japanese FDI in infrastructure development, hydropower and tourism sector. Nepal should work to bring in potential Japanese investment with substantial market strategy in today's liberalized free global market. The people-people relations should also be prioritised and valued as there are many intelligent scholars from Japanese Universities who have been contributing as the Soft Power of Nepal. The valuable bond that Nepal and Japan have for each other is a precious strength for both the countries which should be further nurtured to foster the pure friendship amongst the two countries.

## REFERENCES

- Asia for Education. (2009). *The Meiji Restoration and Modernization*. Columbia University. Retrieved from afe.easia.columbia.edu/special/japan\_1750\_meiji.htm
- Barua, Harendra B. (2016). A journey in Harmony 60 years of Nepal-Japan Diplomatic Relations. *Japanese Universities Alumni Association*, p.29-33.
- Broz, J., & Hawes, M. (2006). *Congressional Politics of Financing the International Monetary Fund*. International Organization, 60(2), p 367-399. Retrieved from <http://www.jstor.org/stable/3877897>
- Dahl, Robert A. (1957). The Concept of Power. Department of Political Science: Behavioural Science 2. *Yale University*. Vol. 2. p.201.
- De Mesquita, B., & Smith, A. (2009). A Political Economy of Aid. *International Organization*, 63(2), 309-340. Retrieved from <http://www.jstor.org/stable/40345936>.
- Doherty, E. (1987). Japan's Expanding Foreign Aid Program. *Asian Affairs*, 14(3), 129-149. Retrieved from <http://www.jstor.org/stable/30172042>.
- Easterly, W. (2003). Can Foreign Aid Buy Growth? *The Journal of Economic Perspectives*, 17(3), 23-48. Retrieved from <http://www.jstor.org/stable/3216821>.
- Embassy of Japan to Nepal. (2012). *General Introduction of Japan's ODA to Nepal*. Retrieved from <https://www.np.emb-japan.go.jp/oda/general.html>.
- Eyinla, B. (1999). The ODA Charter and Changing Objectives of Japan's Aid Policy in Sub-Saharan Africa. *The Journal of Modern African Studies*, 37(3), 409-430. Retrieved from <http://www.jstor.org/stable/161871>

- Gavel, Doug. (2008). "Joseph Nye on Smart Power." *Harvard Kennedy School Insight Interview*. Retrieved from <https://www.belfercenter.org/publication/joseph-nye-smart-power>.
- Government of Nepal Ministry of Finance. (2017). *Development Cooperation Report Fiscal Year 2016/2017* [Report]. Kathmandu. Government of Nepal Ministry of Finance. Retrieved from [http://www.mof.gov.np/uploads/document/file/DCR\\_20171231102231.pdf](http://www.mof.gov.np/uploads/document/file/DCR_20171231102231.pdf).
- Hirata, K. (1998). New Challenges to Japan's Aid: An Analysis of Aid Policy-Making. *Pacific Affairs*, 71(3), 311-334. Doi: 10.2307/2761413
- Hook, S., & Zhang, G. (1998). Japan's Aid Policy since the Cold War: Rhetoric and Reality. *Asian Survey*, 38(11), 1051-1066. Doi: 10.2307/2645685.
- Hosoya, Y. (2018). Meiji 150 as the end of an era. *The Tokyo Foundation for Policy Research*. Retrieved from ([www.tokyofoundation.org/en/articles/2018/japan-since-meiji-restoration4](http://www.tokyofoundation.org/en/articles/2018/japan-since-meiji-restoration4)).
- JICA. (2002). Kulekhani Disaster Prevention Project. Retrieved from [https://www.jica.go.jp/english/our\\_work/evaluation/oda\\_loan/post/2002/pdf/113\\_smry.pdf](https://www.jica.go.jp/english/our_work/evaluation/oda_loan/post/2002/pdf/113_smry.pdf).
- JICA. (2003). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2003/pdf/200307.pdf>
- JICA. (2004). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2004/pdf/058-062.PDF>.

- JICA. (2005). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2005/pdf/046-048.PDF>.
- JICA. (2006). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2006/pdf/046-048.pdf>.
- JICA. (2007). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2007/pdf/045-047.pdf>.
- JICA. (2008). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2008/pdf/045-047.pdf>.
- JICA. (2009). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2009/pdf/14.pdf>.
- JICA. (2010). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2010/pdf/all.pdf>.
- JICA. (2011). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2011/pdf/all.pdf>.
- JICA. (2012). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2012/c8h0vm00002qe6vj-att/all.pdf>.

- JICA. (2013). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2013/c8h0vm00008m8edo-att/all.pdf>.
- JICA. (2014). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from [https://www.jica.go.jp/english/publications/reports/annual/2014/c8h0vm000090s8nn-att/2014\\_all.pdf](https://www.jica.go.jp/english/publications/reports/annual/2014/c8h0vm000090s8nn-att/2014_all.pdf).
- JICA. (2015). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from <https://www.jica.go.jp/english/publications/reports/annual/2015/c8h0vm00009q82bm-att/c8h0vm00009q82o5.pdf>.
- JICA. (2016). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from [https://www.jica.go.jp/english/publications/reports/annual/2016/c8h0vm0000aj21oz-att/2016\\_all.pdf](https://www.jica.go.jp/english/publications/reports/annual/2016/c8h0vm0000aj21oz-att/2016_all.pdf).
- JICA. (2017). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from [https://www.jica.go.jp/english/publications/reports/annual/2017/c8h0vm0000bws721-att/2017\\_all.pdf](https://www.jica.go.jp/english/publications/reports/annual/2017/c8h0vm0000bws721-att/2017_all.pdf).
- JICA. (2018). JAPAN INTERNATIONAL COOPERATION AGENCY ANNUAL REPORT. Retrieved from [https://www.jica.go.jp/english/publications/reports/annual/2018/c8h0vm0000dxws0g-att/2018\\_all.pdf](https://www.jica.go.jp/english/publications/reports/annual/2018/c8h0vm0000dxws0g-att/2018_all.pdf).
- K.C, Khadga. (2009). Discourse on Democratization and External Assistance. *Journal of Political Science: Central Department of Political Science, Tribhuvan University. Volume X*, p.1-29.
- K.C, Khadga. (2009). Japanese ODA to Nepal: Partnership in Development and Democracy building in *Journal of Political Science, Kathmandu: Central Department of Political Science, Tribhuvan University, Vol XII, No.2*.

- K.C, Khadga. (2010). Democratization and Foreign Aid: Theoretical Discourses. *Readings on Governance and Development: Institute of Governance and Development (IGD), Kathmandu, Volume XIII*, p.27-50.
- K.C, Khadga. (2010). State of Democracy and Local Level Decision Making Process of a Japanese ODA – Funded Project in Nepal in *Journal of Political Science, Kathmandu: Central Department of Political Science, Tribhuvan University, Vol XII, No.1*.
- K.C, Khadga. (2016). Nepal Japan Political and Diplomatic Relations: An Assessment. *A Journey in Harmony 60 years of Nepal-Japan Diplomatic Relations. JUAAN*, p.23-28.
- Katada, S. (2001). Why Did Japan Suspend Foreign Aid to China? Japan's Foreign Aid Decision-Making and Sources of Aid Sanction. *Social Science Japan Journal*, 4(1), 39-58. Retrieved from <http://www.jstor.org/stable/30209652>.
- Khadka, N. (1997). Foreign Aid to Nepal: Donor Motivations in the Post-Cold War Period. *Asian Survey*, 37(11), 1044-1061. Doi: 10.2307/2645740
- Khadka, N. (2000). U.S. Aid to Nepal in the Cold War Period: Lessons for the Future. *Pacific Affairs*, 73(1), 77-95. Doi: 10.2307/2672285
- Kojima, K. (1966). JAPAN'S FOREIGN AID POLICY. *Hitotsubashi Journal of Economics*, 6(2), 45-60. Retrieved from <http://www.jstor.org/stable/43295457>
- Krasner, Stephen D. (1978). Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy, *Princeton: Princeton University Press*.
- Lahneman, William J. (2003). Changing Power Cycles and Foreign Policy Role-Power Realignment. *International Political Science Review. Vol. 24, No.1*, p.97-111.

- Limaye, Satu P., & Tsutomu, K. (2016) US-Japan Relations and Southeast Asia: Meeting Regional Demands. *East-West Centre in Washington*. p.6-8.
- Miyashita, A. (1999). Gaiatsu and Japan's Foreign Aid: Rethinking the Reactive-Proactive Debate. *International Studies Quarterly*, 43(4), 695-731. Retrieved from <http://www.jstor.org/stable/3014027>.
- NEA. (2019). Generation Operation and Maintenance. *Nepal Electricity Authority*. Retrieved from <https://www.nea.org.np/generation/index.php>.
- Nye, J. (1990). 'Soft Power', *Foreign Policy*, No. 80, p.153-171.
- Nye, J. (2005). 'On the Rise and Fall of American Soft Power', *New Perspectives Quarterly*, 22(3), p.75-77.
- Nye, Joseph (2004). Soft Power: The Means to Success in World Politics. New York: Public Affairs. Chapter 3.
- Nye, Joseph. (2011). The Future of Power. *New York: Public Affairs*. p.81.
- ODI. (1990, March). *Japanese Aid*. Overseas Development Paper Briefing Paper. Retrieved from <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6758.pdf>
- Ogawa, M. (2019). Current Situation of Nepal and Relationship with Japan. *Foundation for the Welfare and Education of the Asian People*. FWEAP, Tokyo.
- OHCHR. (2016). Japan / S. Korea: "The long awaited apology to 'comfort women' victims is yet to come" – UN rights experts. Retrieved from <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=17209&LangID=E>.

- Okita, S. (1988). Japan's Foreign Aid: An International Responsibility. *Harvard International Review*, 10(4), 18-20. Retrieved from <http://www.jstor.org/stable/42760932>.
- Rasheed, Faris M. (1995). The Concept of Power in International Relations. *Pakistan Horizon*, Vol. 48, No. 1. p. 95-99.
- Rix, A. (1989). Japan's Foreign Aid Policy: A Capacity for Leadership? *Pacific Affairs*, 62(4), 461-475. Doi:10.2307/2759670.
- Ryoju, S. (2014). Japan's Post World War I Foreign Policy: The Quest of a Cooperative Approach. Retrieved from <https://www.nippon.com/en/in-depth/a03301/japan%E2%80%99s-post%E2%80%93world-war-i-foreign-policy-the-quest-for-a-cooperative-approach.html?pnum=2>.
- Seekins, D. (1992). Japan's Aid Relations with Military Regimes in Burma, 1962-1991: The Kokunaika Process. *Asian Survey*, 32(3), 246-262. doi: 10.2307/2644937.
- Tanahu Hydropower Limited (2019). About the Project. Retrieved from <http://thl.com.np/index.php?nav=projects>.
- Thacker, S. (1999). The High Politics of IMF Lending. *World Politics*, 52(1), 38-75. Retrieved from <http://www.jstor.org/stable/25054100>.
- Thapa, S. (2004). Buddhism and Nepal- Japan Academic Relations: A Native Perspective. Retrieved from <https://www.scribd.com/document/19041818/SHANKER-THAPA-S-Buddhism-and-Nepal-Japan-Relation>.
- Udayapur Cement Industry Limited. (2017). About Us. *Udayapur Cement Industry Limited*. . Retrieved from <http://ucil.org.np/AboutUs>.
- Watts, S. (2019). The Seclusion of Japan. Retrieved from [http://users.wfu.edu/watts/w03\\_Japancl.html](http://users.wfu.edu/watts/w03_Japancl.html).

- Waxman, O.B. (2018). How the U.S. and Japan Became Allies Even After Hiroshima and Nagasaki. *Time.com*. Retrieved from time.com/5358113/hiroshima-nagasaki-history-reconciliation.
- Wibbels, E. (2006). Dependency Revisited: International Markets, Business Cycles, and Social Spending in the Developing World. *International Organization*, 60(2), 433-468. Retrieved from http://www.jstor.org/stable/3877899.
- Yasutomo, D. (1989). Why Aid? Japan as an "Aid Great Power". *Pacific Affairs*, 62(4), 490-503. doi:10.2307/2759672.
- Yuichi Kono, D., & Montinola, G. (2009). Does Foreign Aid Support Autocrats, Democrats, or Both? *The Journal of Politics*, 71(2), 704-718. Doi: 10.1017/s0022381609090550.
- Yukari, E. (2016). Tokyo 2020 and Japan's Soft Power. *The Diplomat*. Retrieved from https://thediplomat.com/2016/08/tokyo-2020-and-japans-soft-power.