

How much is Japan owed?

Japan is owed a total of \$10.5 billion by the 41 Heavily Indebted Poor Countries (HIPCs) and \$31.4 billion by the wider group of 52 Jubilee 2000 countries. This makes it the largest bilateral creditor to the Jubilee 2000 countries (France is second with \$19.8 billion, and the US is third with \$12.5 billion).

Which countries owe the most to Japan?

Of the 41 HIPCs the largest borrowers are Burma (Myanmar) (\$2.5 billion), Kenya (\$1.1 billion), Vietnam (\$1.0 billion), and Ghana (\$957 million). Of the Jubilee 2000 52 countries, the largest debtors to Japan are the Philippines (\$11.6 billion), Bangladesh (\$3.4 billion) and Nigeria (\$2.4 billion).

The full list of debtors to Japan is shown in the annex.

Can Japan afford to cancel the debts of the poorest countries?

a. Yes. Despite the damaging recession that Japan has suffered, it remains the second richest country in the world, after the United States. While the average person in Vietnam (one of Japan's biggest debtors) lives on \$310 per year, the average in Japan is \$38,000 – more than one hundred times and twenty times richer. Other debtors are similarly impoverished – average income in Ghana, for example, is \$390 per person. Yet Vietnam and Ghana pay money every year to Japan.

b. Japan is estimated to receive about \$307 million each year in debt repayments from the 41 poorest countries – 0.006 per cent of its total income, or about \$2.50 (Yen 260) per person – less than the price of a cup of coffee in Tokyo. This is what the Japanese people would effectively be giving up each year if they wrote off those debts.

c. The cost of cancelling the poorest countries' debts is also small in comparison to the amount the Japanese government was able to find to bail out private banks last year, as the recent recession took hold. That bailout cost Japanese taxpayers a total of \$600 billion. Cancelling the debts of the poorest countries would cost less than

one fiftieth of that amount, even taking the debts at their unrealistically high face value.

5. How much debt has Japan cancelled or promised to cancel?

Japan agreed to the Cologne terms, which called for cancellation of:

- a.all debt owed by eligible countries to government aid departments (ODA debt)
- b.90 per cent or more of debt owed through export credits.

Most of the debt owed to the Japanese government by the 41 HIPC's is ODA debt. The government promised to cancel Yen 400 billion of its HIPC ODA debt (out of a total of about Yen 900 billion or \$8.6 billion). The remainder is owed by Myanmar (Burma), Kenya, Vietnam and Ghana. This would not be cancelled, because of concerns about democracy in the case of Myanmar, but for economic reasons in the case of the other three. The government argues that these countries are not seeking debt cancellation from Japan. However, Jubilee 2000 believes that Japan is putting improper pressure on these countries in some cases (see below).

Additionally, Japan has committed \$10 million to the HIPC Trust Fund, which has been set up to deal with the debts of some of the multilateral lending banks. This is less than the amount contributed by Ireland which has paid in \$16 million. Japan's GDP in 1998 was \$3783 billion

Ireland's is \$80.9 billion

The Japanese government has not responded to the further developments in the UK and the USA to pledge 100 per cent cancellation of export credit as well as ODA debt.

6. Is it imposing any extra conditions on countries due to get debt relief or pressuring them in any way?

Japan has been exerting significant pressure on its debtor countries, and has used debt as a lever of foreign policy. The government has explicitly stated that it will adopt a policy of not lending or giving grant assistance to countries that apply for HIPC assistance. In an explanation given to the UK campaign by Mr. Inamata of the Japanese embassy in London, the reason for this approach is that “if Ghana is unable to pay off old debts, how can she be expected to pay off new debts?” Instead Japan would only offer grants, in much smaller amounts. (Please note apparently contradictory point below on Japan's policy towards grants and loans). Japan has suspended a joint loan with the World Bank to Ghana until Ghana gives explicit guarantees that it will not apply for HIPC. This is a \$50 million loan, and the policy leads countries like Ghana to assess the potential benefits of HIPC in debt relief alongside the disadvantages of losing aid and new loans from the world's largest bilateral donor and creditor. Publicly Ghana has stated it will not apply for HIPC, although there is still uncertainty as to whether it will maintain this decision.

Japan is promising to provide additional assistance to countries ready to support it in its own foreign policy initiatives. African countries ready to support a resumption of international whaling, for which Japan is strongly in favour but isolated, will be given increased ODA.

The conditions already imposed on countries qualifying for the HIPC Initiative are already onerous and in some cases inappropriate. Past experience suggests that this 'conditionality' may well serve the purpose only of delaying (sometimes indefinitely) debt relief for some of the poorest countries. Even the World Bank's departing chief economist, Joseph Stiglitz, has acknowledged this, saying that “good policies cannot be bought”.

7. What is Jubilee 2000 asking Japan to do?

First, Japan must cancel all its ODA debt. This was first recommended by UNCTAD in 1979 and was an explicit commitment under the Cologne agreement. Other creditors have done this systematically over many years but Japan has failed to do so. It should cancel debt rather than continue its Grant Assistance for Debt Relief

Scheme, which does not cancel debt stock, but instead provides a grant that must then be spent on goods – often Japanese goods.

Second, Japan should match and go beyond the UK and USA initiatives on bilateral export credit debt. It should cancel 100 per cent of this debt, and look to extend the countries eligible for this beyond the narrow HIPC list to include countries such as the Philippines, Nigeria and Peru.

Third, Japan must use its role as chair of the G8 to push for delivery of existing commitments by the leading creditors in the year 2000 and further improvements to the HIPC Initiative, beyond what was agreed in 1999. The addition of further conditionalities to be met before countries are deemed eligible has stalled the process for debt cancellation.

Furthermore the blatant contradictions between the IMF's macro-economic conditionalities and the new poverty reduction strategies has meant that highly eligible countries like Guyana and Mozambique have had debt cancellation delayed. IMF policies have been widely discredited, and even the Wall St. Journal acknowledges that these have caused “morally indefensible” impoverishment. Japan, which has long challenged the “Washington Consensus” must use her role as leader of the G8 to remove the obstacles placed by the IMF in the way of countries desperately in need of debt cancellation, and must bring an end to irresponsible IMF economic policies that have so impoverished millions of people.

Above all Japan must ensure that the G8 offer more generous debt cancellation. Chancellor Schroder said in a New Year message that the G8 should do more. President Clinton expressed similar sentiments in his speech to the IMF in September, as did Prime Minister Blair on his return from Cologne. With the support of Canada, there is almost a consensus in the G8 that more should be done. Japan should also lead the call for a fairer and more transparent process for lending and borrowing in the future, to ensure that another debt crisis does not arise.

The USA called in Cologne for 90 per cent of new aid money to be in the form of grants. Japan has resisted this. The portion of aid which is in the form of loans is 55 per cent for Japan, much higher than all the other G7. The next highest is Germany with

15 per cent. (Figures for 1997). Much of the \$30 billion Miyazawa Initiative to promote Asian recovery is in the form of loans.

8. Who are the decision-makers in Japan?

Ultimately, decisions lie with the Prime Minister, Keizo Obuchi and his finance minister, Kiichi Miyazawa.

The Ministry of Finance is the key government department in issues related to debt owed to Japan. However the government system for Overseas Development Assistance (ODA) [1] is complex, with a number of different players. The Ministry of Foreign Affairs is nominally in charge of ODA policy, although ultimately it is the Ministry of Finance which controls the ODA budget.

The Japanese International Co-operation Agency (JICA) is responsible for providing grant aid and technical co-operation. Bilateral loans, generally known as "Yen loans" were until October 1999 administered by the Overseas Economic Co-operation Fund (OECF). These yen loans carry a grace period of 7-10 years and an interest rate of 0-3 per cent.

The OECF and the Export Import Bank of Japan (JEXIM) were merged in October 1999 to form the Japan Bank for International Co-operation (JBIC). The bulk of the debt owed to Japan is therefore now owed to this institution. The Ministry of Finance is responsible for funding JBIC, and carries ultimate responsibility for it.

9. Why has Japan not yet responded more positively to Jubilee 2000?

Japan has traditionally been resistant towards proposals of bilateral debt relief. It prefers to refinance old loans with new, more concessional loans rather than cancelling debt. As pressure continues to grow on the Paris Club to cancel greater amounts of debt, Japan's position of refusal to cancel outright is leading to absurd outcomes. Rather than canceling debt outright the Paris Club is likely to reschedule debt over a period of 350 years with a payback interest rate of 0.0001 per cent.

One of the main reasons cited against debt cancellation by the Japanese government is fear of moral hazard – the concern that cancelling debt increases the likelihood of non-repayment of loans in the future. However, the poorest countries' debts are in many cases not being serviced anyway, so the risk of moral hazard is greatly reduced. In any case, the risk inherent in this kind of historic write-off is minuscule compared to the moral hazard involved in the process that created this debt crisis: reckless lending and borrowing where lenders knew that in the absence of an international insolvency procedure, they were ultimately almost certain to be repaid.

Another reason for the government's intransigence is that a large share of the ODA debt is secured by funds borrowed from the Fiscal Investment and Loan Programme of the National Postal Savings System. These loans must be repaid to the savings' holders.

Despite these concerns, there is good reason to believe that the Jubilee 2000 message can be just as powerful in Japan as elsewhere. In fact, the real reason for the lack of enthusiasm from the Japanese government may well be simply that the campaign has taken longer to ignite in Japan than in Europe and the United States. As the campaign becomes stronger in the coming months, the government may well take a more positive stance.

10. Is there a Jubilee 2000 campaign in Japan?

Yes. Jubilee 2000 Japan was launched in 1998 and has rapidly built up a strong alliance of fifty organisations including trade unions, aid agencies and religious groups. A Parliamentary caucus on Jubilee 2000 has been established in the Diet House, led by former Prime Minister Tutomu Hata, and has the ear of government and parts of the media.

Members of Jubilee 2000 Japan took part in campaign actions at the 1999 G8 Summit in Cologne and already plans have been made to host international meetings in July to coincide with the Finance Ministers meeting in Fukuoka and the G8 Summit in Okinawa. We and our Japanese colleagues know there is much to do in the months

ahead.

ANNEX

The outstanding debts of the poorest countries to the Japanese government are as follows:

The 41 HIPC's

US\$ millions, unless stated otherwise

Country

Debt to Japan

Country

Debt to Japan

Angola

37

Madagascar

188

Benin

34

Malawi

287

Bolivia

566

Mali

79

Burkina Faso

0

Mauritania

82

Burundi

30

	Mozambique	
	57	
Cameroon		
20		
	Myanmar	
	2505	
Central African Rep.		
5		
	Nicaragua	
	123	
Chad		
0		
	Niger	
	26	
Congo, Dem. Rep.		
451		
	Rwanda	
12		
Congo, Rep.		
0		
	Sao Tome and Principe	
	0	
Cote d'Ivoire		
129		
	Senegal	
	109	
Equatorial Guinea		
0		
	Sierra Leone	
	20	
Ethiopia		
16		
	Somalia	

		59
Ghana	957	
Sudan	315	
Guinea	119	
Tanzania	663	
Guinea-Bissau	0	
Togo	82	
Guyana	1	
Uganda	57	
Honduras	395	
Vietnam	1001	
Kenya	1077	
Yemen	318	
Lao PDR	21	
Zambia	564	
Liberia	53	
Total	(41	countries)
\$10.5 billion		

Additional 11 Jubilee 2000 countries

US\$ millions, unless stated otherwise

Country	Debt to Japan	Country	Debt to Japan
Bangladesh	3435	Nepal	295
Cambodia	13	Nigeria	2443
Gambia	0	Peru	2278
Haiti	0	Philippines	11602
Jamaica	314	Zimbabwe	94
Morocco	460		

Total (11 countries)

\$20.9 billion

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Footnotes

- [1] There are three main categories of ODA:
1)Bilateral Grants (Grant Aid and technical co-operation),
2)Bilateral Loans(Loan Assistance, generally known as "Yen Loan"),
3)Contributions and subscriptions to multilateral donor organisation.