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मनोहर पर्रिकर रक्षा अध्ययन एवं विश्लेषण संस्थान

# JAPAN

## *Digest*

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## India's External Affairs Minister visits Tokyo

India's External Affairs Minister Dr. S. Jaishankar [visited](#) Tokyo between 6 and 8 March 2024, as part of a trip that also included Seoul, to attend the 16<sup>th</sup> edition of the India-Japan Foreign Ministers' Strategic Dialogue. Jaishankar [met](#) Minister for Foreign Affairs Yoko Kamikawa in Tokyo on 7 March, during which the two sides discussed ways to strengthen cooperation in the Indo-Pacific across a range of domains amid China's increasing military footprint in the region. They also discussed a range of issues relating to bilateral relations, and agreed to work together to deep their ties in the economic and security domains.

At a press conference held after the meeting, Kamikawa announced that Japan would "proactively promote" defence equipment transfers and technical cooperation in fields such as outer space and cybersecurity. Jaishankar [flagged](#) the potential for a "quantum leap" in Japanese investment into India, a point he had in an [interview](#) with the *Asahi Shimbun* prior to his visit alluded to as being hampered by the "overly cautious" business mindset in Japan. The two sides also discussed ways to boost cultural ties as well as development of India's Northeast. After the meeting, Jaishankar also paid a visit to Prime Minister Fumio Kishida and spoke at the inaugural Raisina Roundtable in Tokyo event hosted by the Ministry of External Affairs and the Observer Research Foundation.

## Japan introduces new aid policy

On 12 March 2024, Japan's Ministry of Foreign Affairs [released](#) the 2023 version of its White Paper on Development Cooperation, where it unveiled its new "proactive approach" to development aid, which it noted would take the form of offer-based aid. The new system, which would operate alongside its current system, would enable Japan to essentially offer to fund development projects in recipient countries, making it unnecessary for the latter to formally apply for aid. The White Paper operationalises the change made in June 2023 to the Development Assistance Charter, the basic document governing Japan's Official Development Aid (ODA) policy.

In her prefacing remarks to the new White Paper, Foreign Minister Yoko Kamikawa called development aid one of Japan's "most important diplomatic tools" and noted that building a peaceful, stable and prosperous international community was directly tied to Japan's core national interests.

The white paper also provided statistical data on trends in Japan's disbursement of ODA in FY2022-23, noting that its total foreign aid in 2022 had fallen 0.8 percent as compared to 2021 when calculated under the grant equivalent system. This, the paper noted, was mainly due to the weaker value of the yen vis-à-vis the US dollar. The total figure for 2022 was 2.30 trillion Japanese yen (\$15.6 billion), a rise of 18.8 percent from 2021, though the figure includes aid

for Ukraine in the aftermath of its crisis with Russia. Japan remained among the top three aid donors in the 32-member Organisation for Economic Cooperation and Development (OECD), trailing only the United States and Germany. However, as a percentage of GDP, Japan's ODA in 2022 [accounted](#) for only 0.39 percent of its gross national income, well below the 0.7 percent target set by the United Nations.

### **Bank of Japan ends negative rate of interest**

The Bank of Japan in a meeting of its Policy Board on 19 March 2024 [announced](#) that it would raise its interest rates, ending a two-decade long policy of maintaining easy money policies in a deflationary scenario. Since 2007, the BOJ had maintained negative short-term interest rates, whereby banks had to pay it marginal rates of interest for capital held in their accounts. The BOJ had also effected unorthodox policies such as [yield curve control](#) (YCC), whereby it essentially prevented interest rates on government-backed long-term currency bonds from going beyond a certain cap by buying up the excess itself. The BOJ under previous governor Haruhiko Kuroda decided to undertake this policy to support Japan's long-stated goal of achieving 2 percent inflation in order to break out of its prolonged 'lost decades' of deflation.

In a press conference delivered after the decision was made, incumbent BOJ governor Kazuo Ueda announced that the policies of the past had served their purpose, and the BOJ would henceforth guide short-

term interest rates to a net positive value, in the range of 0 to 0.1 percent. He also announced that the BOJ would not consider further interest rate hikes until economic and price considerations aligned positively. He attributed the central bank's decision to the robust wage growth seen in the top firms of Japan, where negotiations between labour unions and management have yielded up to a 5.4 percent hike in wages from FY2024 onwards. As a result of the decision, the BOJ will no longer buy exchange-traded fund (ETF) bonds in the open market, and will dismantle its control over long-term interest rates, letting market forces determine them instead.

Stock markets in Japan and Asia responded positively to the decision, with the Tokyo Stock Exchange showing a healthy rise in trading in the aftermath of the announcement. In remarks delivered as part of his daily press conference, Prime Minister Fumio Kishida [described](#) the BOJ's decision as "appropriate", and confirmed his intention to work closely with it to shape an economic policy appropriate to the achievement of 2 percent inflation.