

How Japan Uses Development Finance Strategically: An Analysis of Japan Bank for International Cooperation

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Abstract:

Japan provides an alternative model to China's development finance model, but the Japanese model has received much less scholarly attention than China. There has not been much scholarly research into the role of the Japan Bank for International Cooperation (JBIC) in creating public-private partnerships to simultaneously advance Japanese national strategic interests and support Japanese corporate interests in global markets. This article fills this gap and answers how Japan strategically uses development finance. We use JBIC as an opportunity to illustrate Japan's "strategic partnership triangle" for development in global markets: Japanese government agency – Japanese business – foreign public/private partner. This triangle model explains how Japan's strategic interests have been advanced through private markets by partnering with Japanese businesses and foreign public/private entities. This triangle model fundamentally differs from the conventional "iron triangle" political-economic model of Japanese public-private relations.

In addition to traditional financings such as borrowing from the Fiscal Loan Fund and government-guaranteed foreign bonds, JBIC has strategically borrowed foreign currency funds from the Foreign Exchange Fund Special Account (FEFSA) to swiftly respond to the crisis and flexibly promote infrastructure, resource-related and other strategic overseas projects especially since 2011. JBIC's ability to procure such a diverse range of financing is a notable feature of its operations. Moreover, JBIC has received bipartisan support in the repeated amendments to the JBIC Act to date, which characterizes Japan's unanimous recognition of JBIC's important role. This has enabled JBIC to support projects that strategically serve the national interest and the Japanese government to implement its trade policy and economic security strategy in concrete ways.