

# Institutional Accord in Japanese Diplomatic Policymaking: Vicious and Virtuous Cycles in North Korea and Vietnam

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*Dedicated to my grandfather who supported me through my entire education.*

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## Abstract:

*Since 2002, Japan-North Korea relations have been largely stagnant. Policy responses in Japan since 2006 have been largely focused on sanctions, with little success having been achieved in making progress in Japan's central policy objectives of reducing the security threat and rescuing its abducted citizens. Indeed, these problems have only deepened in severity in recent years. Nonetheless, this did not necessarily have to be. Vietnam, a fellow isolated, autocratic, communist state, was in a similar position to North Korea as the Cold War ended, and yet Japan successfully fostered a stable long-term political and economic relationship with it. This thesis explores Japanese diplomatic policy towards both, and questions what factors in the Japanese policymaking process led to the relative success or failure of Japan in achieving its core policy objectives in each. While the issues which North Korea itself has presented are well-known, significantly less attention has been paid to the institutional politics in Japan and how they influenced policy processes and outcomes. This thesis employs comparative analysis between Japan's engagements with North Korea and Vietnam, supplemented by elite-level interview data, in order to determine causal factors in Japan's policy outcomes with both. It argues that a major factor in both Japan's failure to achieve its objectives with North Korea and its success in achieving them with Vietnam was institutional accord – the relative weight of consensus or the lack thereof behind specific policies. In arguing this, it demonstrates the criticality of non-core policymaking institutions in Japan, and the importance of consensus in the engagement of democracies with autocracies. It argues that institutional accord can lead to highly sustainable, effective policy in cases where it is present, but that a lack of it can create long term acrimony and policy fossilisation in cases where it is not.*

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## Glossary of Terms:

### *Acronyms:*

- AOAB – Asian and Oceanian Affairs Bureau
- ASEAN – Association of Southeast Asian Nations
- BoJ – Bank of Japan
- CCS – Chief Cabinet Secretary
- CSVN - China Steel and Nippon Steel Vietnam Joint Stock Company
- CVID – Complete, Verifiable, Irreversible Disarmament
- CVIR – Complete, Verifiable, Irreversible Return
- DCCS – Deputy Chief Cabinet Secretary
- DPJ – Democratic Party of Japan
- DPRK – Democratic People’s Republic of Korea (North Korea)
- EAF – Electric Arc Furnace
- EPA – Economic Planning Agency
- FUNCINPEC – The National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia, a faction and later political party in Cambodia associated with Norodom Sihanouk and the Cambodian royal family.
- GDP – Gross Domestic Product
- GSOMIA - General Security of Military Information Agreement, an intelligence exchange agreement between Japan and South Korea
- HIPC – Highly-indebted Poor Country
- HSR – High Speed Rail
- ICBM – Intercontinental Ballistic Missile
- IO – International Organisation
- IP – Intellectual Property
- JANIC – Japan NGO Center for International Cooperation
- JBIC – Japan Bank for International Cooperation
- JCOAL – Japan Coal Energy Center
- JFE Steel – Japan Future Enterprise
- JICA – Japan International Cooperation Agency
- JSP – Japan Socialist Party
- JV – Joint Venture
- JVC – Japan Victor Corporation
- KEDO – Korean Peninsula Energy Development Organization
- LDP – Liberal Democratic Party of Japan
- LNG – Liquefied Natural Gas
- MDB – Multilateral Development Bank
- METI – Ministry of Economy, Trade and Industry
- MITI – Ministry of International Trade and Industry
- MNE – Multinational Enterprise
- MoF – Ministry of Finance

- MoFA – Ministry of Foreign Affairs
- NAAB – North American Affairs Bureau
- NATO – North Atlantic Treaty Organization
- NEXI – Nippon Export and Investment Insurance
- NGO – Non-government Organisation
- NKK Steel – Nippon Kōkan Kabushiki-gaisha
- NSER – North-South Express Railway (Vietnam)
- ODA – Official Development Assistance
- OECD – Organisation for Economic Cooperation and Development
- OECF – Overseas Economic Cooperation Fund
- OIIs – Other Interested Institutions
- PRC – People’s Republic of China
- PV – Photovoltaic
- RoK – Republic of Korea (South Korea)
- SDF – Self-Defense Forces
- SLBM – Submarine-launched Ballistic Missile
- SPT – Six-Party Talks
- TIC - Thach Khe Iron Joint Stock Company
- TISCO - Thai Nguyen Iron and Steel Joint Stock Company
- UIC – International Union of Railways
- UN – United Nations
- USJA – United States – Japan Alliance
- USSR – Union of Soviet Socialist Republics
- VJJI – Vietnam Japan Joint Initiative
- VoIP – Voice Over Internet Protocol
- VSC – Vietnam Steel Company
- WTO – World Trade Organisation

*Non-English Terms:*

- *Amakudari* – The practice of leaving a civil service position to work in a high-ranking position in the private sector.
- *Byungjin Line* – Parallel development of the economy and military.
- *Doi Moi* – A series of economic reforms in Vietnam beginning in 1986.
- *Fujisanmaru* – A Japanese ship which was seized by North Korea in 1983 with the crew arrested and held for seven years.
- *Gaiatsu* – Pressure from overseas, especially the United States.
- *Jiyū Shakai Kenkyūkai* – The Free Society Study Association, a private lobbying group founded by Sony chairman Morita Akio.
- *Juche* – North Korea’s state ideology of autarky.
- *Kantei* – The Prime Minister’s office of Japan.
- *Kazokukai* – The Association of the Families of Victims Kidnapped by North Korea, an advocacy group comprised of the families of North Korea’s abduction victims.

- *Keidanren* – The Japan Business Federation, a major lobbying group.
- *Keiretsu* – The system of industrial organisation in Japan in which companies maintain close ties via cross-shareholdings organised around major banks (“horizontal *keiretsu*”) or via tightly integrated supply networks (“vertical *keiretsu*”).
- *Kenkyūkai* – Private lobbying groups founded by Japanese business owners.
- *Netto Uyoku* – Racist and ultranationalist groups which frequently target foreign residents, especially of Korean descent, via the internet.
- *Nippon Kaigi* – A conservative lobby group in Japan.
- *Nitchō Giren* – Parliamentary League for the Promotion of Japan-North Korea Friendship.
- *Rachi Giren* – The Diet Members’ Alliance for the Early Rescue of Japanese Kidnapped by North Korea, a cross-party parliamentary group in the Japanese Diet.
- *Shukkō* – Secondment from one Ministry to another, or to a government agency.
- *Sōgō Shōsha* – Japanese general trading firms.
- *Songun* – Military-first policy.
- *Sukūkai* – The National Association for the Rescue of Japanese Kidnapped by North Korea, an advocacy group.
- *Yonshochō* – The four Ministries which controlled Japanese ODA before 2001 when the fourth (the Economic Planning Agency) was merged into MITI to form METI. It comprised the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of International Trade and Industry, and the Economic Planning Agency.
- *Zainichi* – Ethnically Korean residents of Japan, especially referring to those who are descendants of Koreans who migrated to or were brought to Japan during the colonial period.
- *Zaitokukai* - Association of Citizens against the Special Privileges of the Zainichi, a far-right group in Japan which has been described as a hate group aimed at Korean residents.
- *Zoku* – “Tribes” or factions in the Japanese Diet relating to particular special interests.

# Chapter 1: Introduction

## 1.0: Introduction

“What I can’t stand is wearing a blue badge and calling for a summit meeting with no prerequisites” (Tanaka, 2022). This quote, by Japan’s leading diplomat in the lead to the 2002 Pyongyang Summit Tanaka Hitoshi and referencing the blue ribbon lapel pin of the *Sukūkai* or National Association for the Rescue of Japanese Kidnapped by North Korea, neatly summarises the current state of affairs in Japan-North Korea relations, encapsulating the frustrations of a policy which, for 21 years, has failed to make significant progress on the goals of that summit. Japan’s position has become one of desperation; nuclear progress from North Korea, a changed geopolitical context which has seen a relative decline in Japan’s bargaining position, and perhaps most importantly the fading opportunity to resolve the long-standing abductions problem owing to the advancing age of the victims and their families have placed the country and its leaders and diplomats in an unenviable position. Resolving these matters is unquestionably in the interests of peace and stability in East Asia, and the demand from the Japanese public for these issues to be resolved remains strong. For the Japanese public, the threat perception stemming from North Korea is high, and public anger over the abductions issue continues to simmer; yet without a resolution to the latter issue, policy options remain limited.

This thesis examines the Japanese policy responses to this ever-present and unyielding problem. The timeframe covered is from approximately 1990, as the Cold War ended and North Korea was forced to confront the reality that it could no longer rely on its erstwhile ally in the Soviet Union, to the present day. This covers key events and periods such as the Kanemaru Shin visit to North Korea<sup>1</sup>, KEDO<sup>2</sup> participation, the 2002 and 2004 Summits of the Koizumi period, the Six-Party

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<sup>1</sup> Kanemaru Shin was a high-ranking politician in the Japanese Liberal Democratic Party who led a cross-party delegation to North Korea in 1990 (Jameson, 1990a). The visit is covered extensively in Chapter 4.

<sup>2</sup> KEDO, or the Korean Peninsula Energy Development Organization, was a project created in 1994 to construct light-water nuclear reactors in North Korea in exchange for the abandonment of North Korea’s nuclear programme. KEDO is discussed extensively in Chapter 6.

Talks<sup>3</sup>, and the policy of the second Abe administration. These are presented in comparison to Japanese policy responses to Vietnam; while there are obviously key differences between the two countries, this thesis argues that in 1990 the position they inherited after the collapse of the Soviet Union left them facing broadly similar conditions. Through this, the thesis argues that an issue holding back Japanese policymakers and diplomats was a lack of *institutional accord* - broad consensus over precisely what should have been done – and that this prevented much of the usual diplomatic apparatus from being utilised and weakened Japan’s bargaining power with North Korea. It argues that the presence of institutional accord over policy towards Vietnam allowed for the full unlocking of this same apparatus in the form of substantive financing and human resource allocation, allowing an effective “seizing of the moment” to develop a stronger relationship with Vietnam and helping it to liberalise to the benefit of both Vietnam itself and Japan. Through this, it ultimately argues that without such consensus, Japan’s diplomatic policy towards North Korea is likely to remain unsuccessful because it lacks the key leverage necessary to offer effective inducement. This chapter briefly lays out the background and context in which Japan’s diplomatic policy has operated and lays out the structure and key arguments present in this thesis.

## 1.1: Background and Context

Japan’s North Korea policy is fundamentally paradoxical. It has maintained a relatively steady course since the historic 2002 Pyongyang Summit, having been consumed by the abductions, nuclear and missile issues, but despite the wishes and best efforts of numerous Prime Ministers, civil servants, activists and allied nations, it has unfortunately failed to achieve most of its stated objectives including the return of the remaining 12 abductees, the end of missile and nuclear testing, the resolution of historical issues, and the eventual normalisation of bilateral relations (Ministry of Foreign Affairs, 2022). With seemingly no fresh ideas and little will to challenge the existing consensus, it appears unlikely that this will change in the near future.

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<sup>3</sup> The Six-Party Talks were a programme of negotiations aimed at ending North Korea’s nuclear programme held between 2003 and 2009. Members included South Korea, the United States, China and Russia in addition to North Korea and Japan (Funabashi, 2007).

Much of the blame for this state of affairs lies with North Korea itself. While the 2002 Pyongyang Summit itself was a significant historical turning point, earning the return of five abductees and an official apology from Kim Jong-il, only a month later it transpired that North Korea had been secretly developing nuclear weapons in contravention of its commitments under the 1994 Agreed Framework<sup>4</sup> and the Non-Proliferation Treaty<sup>5</sup>, and public anger over the abductions issue was high (Victor D Cha, 2002, pp.103–108; Lee and Moon, 2003, p.137). Despite a further agreement over the return of the families of the abductees in 2004 (Ministry of Foreign Affairs, 2021), North Korean belligerence in other areas continued apace, with nuclear tests in 2006, 2009, 2013, January and September 2016, and 2017, and with continuous conventional missile testing even with the backdrop of the Six Party Talks (BBC News, 2017). Since the accession of Kim Jong-un in 2012, these issues have all accelerated in intensity, with missiles fired directly over Japanese airspace on several occasions and with record numbers of tests in 2022 (BBC News, 2017; Johnson and Takahara, 2022; Nuclear Threat Initiative, 2023).

Numerous high-profile policy initiatives – from Japan itself and from other countries in the region – have repeatedly failed. The Sunshine Policy<sup>6</sup> of the liberal administrations of Kim Dae-jung and Roh Moo-hyun in South Korea failed to achieve significant results (Lee, 2010), and this was followed by the harder-line conservative governments of Lee Myung-bak and Park Geun-hye which concluded with a series of nuclear and missile tests from the North (Shin and Moon, 2017, p.109). Moon Jae-in's revival of the Sunshine-era engagement policy, dubbed the "Moonshine" policy by some authors, continued this trend, but despite seemingly making major headway in the early years of the administration, the end result was yet another return to the *status quo ante* (Oh, 2022). The Yoon administration has since shifted back to a pressure-oriented policy (Fiori and Milani, 2023, p.60), and at the same time as all of this Japan-RoK relations have faced more than their own

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<sup>4</sup> The 1994 Agreed Framework was led by the Clinton Administration and was aimed at curbing North Korea's nuclear programme with an eye to eventual bilateral normalisation. KEDO was one result of the Agreed Framework (Anon, 1998).

<sup>5</sup> The Non-Proliferation Treaty, or NPT, is an international treaty governing the possession of nuclear weapons. Aside from the United States, the United Kingdom, France, China, and Russia, signatories are forbidden from developing or possessing nuclear weapons. North Korea entered the treaty in 1985 but its noncompliance was a major factor in the crisis which led to the 1994 Agreed Framework, and it withdrew fully in 2003 (Council on Foreign Relations, 2022).

<sup>6</sup> An umbrella term for a series of engagement-focused policies aimed at improving South Korea-North Korea relations.

share of challenges. In the United States, a hardline Bush administration, which was extremely close to the Koizumi administration (Hughes, 2006) gave way to the so-called “strategic patience” of the Obama era (Pyon, 2011, p.79). This in turn gave way to the tumultuous Trump “fire and fury” and détente eras in quick succession with two summits held at the highest levels (Pak, 2020, p.96), followed by yet another freeze (Council on Foreign Relations, 2022). Even China, ostensibly North Korea’s closest ally, went through a period of uncertainty in its relations with North Korea after Jang Song-thaek, a pro-China official, was purged and executed in 2013 (Hoshino and Hiraiwa, 2020, p.23). Japan has had to deal with all of these as part of its own diplomatic response to North Korea, facing competing geopolitical pressures both directly and indirectly related to the DPRK. Further complicating this picture today is the presence of Russia, which since it launched its full-scale invasion of Ukraine in 2022 has attempted to deepen its relationship with Pyongyang through weapons-for-food deals, mutual political support, the facilitation of sanctions evasion, and even the potential use of DPRK-sourced labour in the Russian-occupied regions of Ukraine (Smith, 2023).

North Korea itself saw a change in leadership in 2012 with the death of Kim Jong-il and the accession of Kim Jong-un. The early Kim Jong-un era saw a purge of officials from the previous administration and the insertion of new officials into the leadership (Gause, 2014, p.16). The country itself continued and continues to languish; food security has long been poor in North Korea, but climate change-induced floods and drought, combined with international sanctions, the coronavirus pandemic, and the tightening of the border with China, have progressively worsened the situation (BBC News, 2023b). The biggest change, however, has been the progress of North Korea’s nuclear programme. It has grown more sophisticated, with claimed development of intercontinental ballistic missiles (ICBMs) capable of hitting any part of the US mainland as well as Japan and South Korea, underwater drones capable of launching nuclear weapons, and submarine-launched ballistic missiles (SLBMs) (BBC News, 2023a). While none of these claimed advances are individually verifiable, the rate of progress of DPRK nuclear development is widely believed to have been rapid (Haggard and Cheung, 2021, pp.802–803). The window of opportunity for preventing full North Korean nuclear armament – a longstanding policy objective for Japan and its allies in the US and

South Korea - is closing rapidly, adding further to the geopolitical difficulties faced by Japan in achieving its other objectives.

### 1.1-I: Why Compare with Vietnam?

This all stands in very stark contrast to Japan's relationship with Vietnam, the main point of comparison in this thesis. It may not appear to be immediately intuitive why this thesis decided on the course of comparison with Vietnam, and indeed through the course of the research the author was asked this on numerous occasions. Beyond the decorative trappings of state communism, the two countries appear to have little in common. Indeed, portrayals of North Korea both academically and in popular media focus on the country's apparent exceptionalism and strangeness, reinforced in film by movies such as *The Interview* and *Team America*, and frequently incorporate leading narratives on the country's apparent "craziness" or "irrationality". So why compare diplomacy with North Korea to diplomacy with Vietnam? While this question is answered in greater detail in subsequent chapters, this section provides a brief overview on why this comparative case study was selected.

The answer lies not in the relationship of today, but in the timeframe around the end of the Cold War. In 1990, both states were in similar positions. Both were taking nascent steps to open their economies – Vietnam through the well-known *Doi Moi*<sup>7</sup> reforms from 1986 (McGrath, 1994, pp.2095–2096), and North Korea through a Joint Venture Law in 1984 followed by the development of legal infrastructure to facilitate foreign investment in the early 1990s (Lee, 2000, p.200). In particular, both attempted to attract specifically *Japanese* investment in the 1990s. Vietnam engaged with Japanese experts on a series of intellectual aid projects to better the business environment and facilitate foreign investment (Hatakeyama, 2008, pp.350–351), while North Korea held conferences (Northeast Asia Economic Forum, 1992a), created Special Economic Zones and made high-level visits to Japan (Hughes, 1998, p.400). It even invited high-level and influential Japanese politicians such as Kanemaru Shin for personal meetings with the North Korean leadership (Hughes, 1998, p.398). Both were internationally isolated –

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<sup>7</sup> A series of economic reforms aimed at transitioning to a market-based economy. The *Doi Moi* reforms are widely compared to China's "reform and opening" in the existing literature (Irvin, 1995).

Vietnam as a result of its long occupation of Cambodia and resulting efforts by the United States and China (Yahuda, 1993, p.560), and North Korea as a result of its policy of self-reliance or *Juche* (Lee, 2003, p.112). Both experienced a rapid severing from Soviet support as the USSR collapsed (Yeong, 1992, p.262; Noland, 1997, p.106). Macroeconomic and on-the-ground conditions were also similar, with poorly developed infrastructure and legal frameworks driven by ideological, rather than economic, needs.

The two countries have long since veered off in wildly different directions. Where North Korea remains as isolated and totalitarian as it ever was, Vietnam is a rapidly-growing economy which has seen GDP per capita grow by a factor of nearly thirty since 1992 when Japanese ODA resumed (World Bank, 2020b). Where North Korea leads only perhaps in military provocations, Vietnam is such a popular foreign investment destination that the difficulty in accommodating the investors comes not from poor or antiquated power generation infrastructure, but from sheer energy demand and an inability to build capacity fast enough (Vu and Guarascio, 2023). From a similar starting point, two very different outcomes occurred. Both countries are nominally communist, but one remains in totalitarian isolation while the other continues to see rapid growth and growing prosperity.

This thesis examines Japanese diplomatic policy, including aid policy, in relation to both countries. Japan was heavily engaged diplomatically with both; it engaged heavily in the Cambodian Peace Process through the 1980s to convince Vietnam to leave (Pressello, 2014a), and it went through significant engagements with North Korea in the early 1990s first via Kanemaru Shin (Hughes, 1996, p.101) and then via Koizumi Junichirō in 2002 and 2004 (Funabashi, 2007). Diplomatic engagement continued in bulk with Vietnam through intellectual aid across the 1990s, 2000s, and 2010s, first via the Ishikawa Project<sup>8</sup> and then the Vietnam-Japan Joint Initiative<sup>9</sup>, which are substantial focal points of this thesis, while with North Korea a substantially less positive diplomatic effort continued; that of resolving the abductions issue in addition to the nuclear, missile, and human rights issues. While attempted less in relation to Vietnam, Japan has also engaged heavily

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<sup>8</sup> A programme of intellectual support and technical assistance led by Japanese economist Ishikawa Shigeru (Hatakeyama, 2008). The Ishikawa Project is discussed in detail in Chapter 7.

<sup>9</sup> A collaborative forum between Japanese businesses and Vietnamese officials aimed at being responsive to the needs of investors (Ministry of Planning and Investment of Vietnam, 2023). The Vietnam-Japan Joint Initiative is discussed in detail in Chapter 7.

in multilateral frameworks relating to North Korea, first via KEDO in the 1990s (Kartman et al., 2012), then via the Six-Party Talks between 2003 and 2007 (Chanlett-Avery, 2008), and then via attempts to engage through the temporary US-DPRK détente under the Trump administration (Asahi Shinbun, 2019). The question ultimately is that if 1990 was a metaphorical “fork in the road” for both Vietnam and North Korea, why was Japanese diplomatic policy successful in guiding one down the path of prosperity while the other walked the path of further isolation and military provocation?

## 1.2: Institutional Accord in Japanese Policymaking

Consensus-building and compromise have long been considered entrenched features of the Japanese political system (Curtis, 1999, p.241). These are often presented under frames of backroom dealing or entrenched personal or factional interest, particularly in the older literature referring to the *zoku* or tribal system (Hayao, 1993, pp.147–148). This thesis, however, is less critical of this long-standing element of the Japanese political system, arguing instead taking the nuanced position that consensus-building is both a strength and a weakness. In doing so, this thesis coins the term *institutional accord*. This term is distinguished from the traditional view of consensus in Japanese politics by the incorporation of non-traditional institutional actors and by defining consensus as a scaling framework rather than as a binary construct. It argues that a majority of stakeholders must be in place, and that the greater amount of consensus is reached the stronger and more sustainable a particular policy will become, but that strong advocacy from one camp can overcome opposition from another. It argues that this has been highly beneficial in Vietnam policy, creating a robust and highly sustainable relationship backed by extensive financial and human resource investment, but that it has been detrimental in North Korea policy, entrenching and fossilising failed positions.

This framework is fleshed out in significant detail in Chapter 4, but in essence, the framework of institutional accord is originally based on the iron triangle theoretical construct. This construct was based on the linkages between the Liberal Democratic Party, the civil service, and the business sector, and is present in most of the literature relating to Japanese political bargaining processes, often being a target of criticism (Arase, 2005, p.11; Pitzen, 2016, p.12). However, the author

viewed this alone as lacking in complexity. It entirely precludes the presence of public opinion – critical in any examination of Japan’s North Korea policy – and it even excludes other high-profile influencing factors such as *gaiatsu*<sup>10</sup>. Consequently, the framework of institutional accord is constructed differently; it is constructed of three “core pillars” (core policymakers, typically the *Kantei*<sup>11</sup>, but also including the cabinet and in some cases high profile Diet members or groups), the civil service ministries relevant to a given case (in this case the Ministry of Foreign Affairs, the Ministry of Finance, and the Ministry of Economy, Trade and Industry), and what are termed as *other interested institutions* or OIIs. Utilising a broad, neo-institutionalist underpinning allows this third core pillar to incorporate non-traditional institutions such as public opinion and *gaiatsu*. The business sector is included within the OIIs under the rubric of business interest, in addition to civil society actors and secondary policymakers. When all three “core pillars” are on balance in favour, a state of institutional accord is seen to have been reached.

This introduces two key innovations. The first is that in the institutional accord framework, the “core pillars” do not necessarily have to be in total agreement within themselves, only to reach a minimum threshold of agreement. For example, if business interest is especially high in a particular policy, it might overcome *gaiatsu* as a factor and establish the OII pillar as, on balance, in favour of a policy. Likewise, if the Ministry of Foreign Affairs pushed especially hard for a particular policy, it might overcome reticence from the Ministry of Finance despite the budgetary control powers of the latter. This distinguishes itself from the older iron triangle construct in that it allows for exploration of the diversity of opinion within each grouping and explores how power dynamics have impacted political bargaining processes. Within the context of this thesis, it is argued that in North Korea, a near-total absence of business interest precluded any challenge to prevailing public and secondary policymaker opinion, while in Vietnam, powerful and established business interest allowed for the fleshing out of policy and ultimately overcame *gaiatsu* as a factor in Japan’s pursuit of a relationship with Vietnam in the late 1980s and early 1990s.

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<sup>10</sup> Pressure from overseas, particularly as it pertains to pressure from the United States within the US-Japan Alliance.

<sup>11</sup> The Japanese Prime Minister’s Office.

Second, the model does not see institutional accord as a strictly binary construct, but rather as a scale. This can be summarised in a single sentence; *the stronger the institutional accord, the more sustainable the policy*. Even if it can be argued that at some points (particularly leading to the 2002 Summit), a very weak institutional accord did exist over North Korea policy, it was not robust enough to guard against the difficulties which ensued after the abductions issue came fully to the public's attention in 2002 as those who were previously castigated as hawks over the issue were proven to have been correct all along by no less than Kim Jong-il himself. Consequently, the policy of normalisation, which had been Japan's long-term objective, was unsustainable in the wake of the indignation felt by the Japanese public. Conversely, institutional accord over Vietnam, already strong, only strengthened further as more businesses invested and as the political relationship grew stronger over time. This has led to a robust and highly sustainable policy of strengthened relations which has only grown deeper since 1992 as the business sector and Japan's state apparatus have worked in conjunction to improve the Vietnamese business environment and invest ever-greater sums of capital in the country. These are characterised in the thesis as vicious and virtuous cycles, respectively, caused by the state of institutional accord over each.

Related to the threshold point in the wider context of diplomatic policy are the concepts of "positive zero" and "negative zero". The prior concept essentially encapsulates Japan's pre-1992 relationship with Vietnam. In a positive zero scenario, only a single, but especially strong factor prevents what is otherwise a state of institutional accord. In Vietnam's case, this was essentially *gaiatsu*, and otherwise all policymaking actors had reached accord. This meant that in 1992, Japan's policy moves were both fast and robust; if one imagines a floodgate, then this particular floodgate burst open with a powerful current from the river behind it. Japan's Vietnam policy was "oven ready" – all prepared and ready to implement, and backed by robust business sector interest, significantly benefiting Japan's diplomatic leverage and bargaining power. While the formal diplomatic relationship was frozen – "zero" – this was something imposed by a singular, albeit particularly powerful, spoiler institution in *gaiatsu*. North Korea encapsulates the opposite of this in negative zero. Under negative zero conditions, the floodgate metaphor would see the river dried up. Whether the blockage was removed or not, there would be no flow of water. This thesis argues that the lack of OII and

particularly business interest in North Korea created this state of negative zero and harmed Japan's negotiating position. It argues that North Korea has never been incentivised to accept Japanese positions because it will, in practice, not gain anything out of them, but that North Korea's own acts of provocation and the breaking of various international agreements caused this situation and perpetuated a vicious cycle.

The final theoretical contribution is the concept of "seizing the moment". Essentially a conceptualisation of institutional readiness, this concept was based on the older concept of ripe moment theory (Zartman, 1991, p.21) which has already been used in several works related to Japan-North Korea and Japan-Southeast Asia relations (Oishi and Furuoka, 2003; Söderburg, 2006). Unlike ripe moment theory, which was conceptualised largely in the context of peace and conflict studies, the institutional accord model was conceptualised around diplomatic transition points, and as a result is more broadly applicable. The term has also been utilised in newer works on European security in relation to Ukrainian membership of the European Union and NATO, especially by Tallis (2022), in advocating for the neo-idealist position of spheres of integration. Within the context of this thesis, it is argued that to effectively "seize the moment", institutional accord is a necessary precondition, and that a lack of it over North Korea policy meant that several opportunities for effective engagement were missed, particularly in the 1990s. It further argues that Japan was very effective in "seizing the moment" in Vietnam at the end of the Cold War precisely because institutional accord allowed for the swift deployment of financial and human capital. While the "moment" must be presented by the partner country and cannot be contrived by Japan itself, for the moment to be seized institutions must be ready to do so because the chance may otherwise slip away in a competitive and unforgiving international relations environment. This is particularly true where covertly or overtly hostile third countries are involved, such as Russia and China in the cases of both North Korea and Vietnam.

### 1.3: Thesis Structure and Content

Following the introduction, literature review, and methodology chapters, the thesis is divided into six main body chapters followed by a conclusion chapter. This section describes the core themes and content of each of the main body chapters of

the thesis and also briefly discusses the core methodology. The main body chapters of the thesis can be interpreted as comprising three parts. Part 1, titled “Japan and Institutional Accord” and comprising Chapters 4 and 5, establishes the institutional accord framework and examines it in relation to the Kanemaru Shin North Korea normalisation attempt, the Koizumi Junichirō normalisation attempt, and the resumption of ODA to Vietnam in 1992. Part 2, titled “Apathy to Antipathy, Trickle to Flood” and comprising Chapters 6 and 7, compares the beginnings of the respective vicious and virtuous cycles which have existed in Japanese policy towards North Korea and Vietnam. Finally, Part 3, titled “Vicious and Virtuous Cycles” and comprising Chapters 8 and 9, examines why these cycles have been perpetuated.

Chapter 4 examines Japan’s diplomatic efforts during the Kanemaru Shin and Koizumi Junichirō summits with North Korea. The chapter heavily utilises the aforementioned framework of institutional accord; in examining Kanemaru Shin’s visit to North Korea, it establishes the lack of coordination which took place between Kanemaru and the civil service, alongside the lack of engagement with external stakeholders. This case study is useful in elucidating the need to build consensus in advance and for establishing the position that Japan-North Korea relations were in at the end of the Cold War, with North Korea seeking to develop a relationship with Japan, albeit one heavily on its own terms. This argues that Kanemaru’s failure to build consensus with diplomats in advance meant that he was taken advantage of by North Korea, and that the ensuing acrimony over his “over-promising” was a cause of the subsequent failure and breakdown of this normalisation attempt. It proceeds to examine the state of institutional accord over North Korea in the lead to the 2002 Pyongyang Summit and the immediate aftermath, arguing that the secrecy of the approach created a dilemma for the negotiators and the *Kantei* in that there was no opportunity to build consensus, but that the nature of dealing with North Korea meant that there was little choice. It further argues that while a weak state of institutional accord did exist in the time immediately prior to the summit, that it was not strong enough to overcome subsequent difficulties.

Chapter 5 compares this to the situation in Japan-Vietnam relations prior to 1992. It argues that between the suspension of aid to Vietnam in 1979 and the

resumption in 1992, a powerful undercurrent of support continuously existed in Japan for full re-engagement. It contrasts this to North Korea where even prior to the normalisation attempts no real appetite existed for engagement, particularly from the business sector. It examines the key stakeholders in Japan and why they were interested in Vietnam at this time. It characterises the state of institutional accord as having been divided into four phases – a reluctant disengagement phase, a cold phase, a nascent re-engagement phase and an intensified re-engagement phase. Utilising this characterisation, it argues that even at the worst points in the bilateral relationship the freeze in relations was essentially externally imposed and in a state of “positive zero”, and that the fleshing out of the economic relationship assisted Japan in gaining leverage against Vietnam vis-à-vis ending the occupation of Cambodia in a manner that was absent in its relationship with North Korea.

Chapter 6 discusses the shift in public sentiment over North Korea from one of apathy to one of antipathy. It first discusses the opportunities for engagement which existed over North Korea in the 1990s, with a particular focus on KEDO and the 1994 Agreed Framework, and the Sunshine Policy of Kim Dae-jung in South Korea. It argues that if anything these opportunities were likely to have had the opposite effect, proving that North Korea was unstable and unwise to invest in even in the most theoretically high-profile and robustly state-backed cases, as it continued to make provocations even at the time of these projects. It argues that this effectively created the state of “negative zero” prior to the 2002 Summit and allowed for the discursive shift from being one of mere disinterest to one of active anger, which was made even worse by a poor general environment and wider business sector disinterest in ODA at this time due to reductions in tied aid and loan aid. This is followed by an examination of how public opinion began to diverge from core policymaker opinion, including on the proposal (and eventual introduction) of sanctions, as the abductions issue became the priority for the public and precluded public engagement or the development of public consent over diplomatic approaches other than pressure, beginning a vicious cycle that has not yet abated.

Chapter 7 again contrasts this situation to that in Japan-Vietnam relations. It argues that Japan’s involvement in Vietnam came swiftly and robustly post-1992, with extremely effective and impactful projects having helped Vietnam to improve its

economy and business environment significantly. A particular point of focus is the Ishikawa Project, which was followed by the Vietnam-Japan Joint Initiative. It is argued that these projects were examples of Japan “seizing the moment” and that this helped to take the renewed relationship and turn it into a virtuous and lasting cycle of investment, feedback, policy and regulatory improvement, and further investment. It emphasises the role of the state safety net and the provision of investment insurance in allowing firms to invest even in poor regulatory environments, and the role of *Sōgō Shōsha* trading houses in instances of Japanese overseas development assistance. It is ultimately argued that Japan took a “leap of faith” on Vietnam that allowed initial difficulties to be overcome, something which never happened in the North Korean context as the mutual goodwill established by low-level ties in Vietnam was never present.

Chapter 8 explores how the vicious cycle of policy over North Korea has fossilised and has been perpetuated since the end of the Koizumi period. It critiques Japanese North Korea policy as being stuck and essentially lacking in political leadership; it argues that while it is based on ostensibly admirable principles, that it is fundamentally unfit for purpose. It characterises current policy as based on the three pillars of adherence to the 2002 Pyongyang Declaration, the use of sanctions, and the open offer of a high-level summit, but it argues that in the geopolitical context of today these are unlikely to be effective in achieving Japan’s goals. It then examines the policy options needed for Japan to achieve its aims, arguing that these will be unpopular and difficult to achieve, but would be necessary if the vicious cycle is to ever be broken (and, most importantly, if the victims of North Korea’s abductions programme are ever to be brought home). It uses this analysis to argue that the costs and requirements of resolving the abductions issue have paradoxically become so high due to public anger that without radical leadership to construct new consensus over North Korea policy Japan’s ability to ever “seize the moment” will be deeply limited. In doing so, it also examines how the thesis has overcome some of the limitations in the existing literature vis-à-vis how the roles of public opinion and the business sector have been interpreted.

Finally, Chapter 9 examines the perpetuation of the virtuous cycle in Vietnam, arguing that Japan’s continuous business interest has only allowed for the compounding of more and more business interest. It uses an in-depth case study of

the steel industry and the means by which the Japanese state sector and business sector have worked in conjunction to develop the industry's competitiveness and provide it with support. This includes an examination of how specifically the Ishikawa Project and the Vietnam-Japan Joint Initiative helped the steel industry, including assistance in drafting new legal and regulatory frameworks, how Japanese aid created synergies with the energy and transport sectors, how dependencies were formulated on procurements from Japanese firms, and how the Japanese state in practice has extended a safety net over investing firms. It ultimately contrasts this to the lack of such provisions in North Korea and highlights the nature of the respective vicious and virtuous cycles; there is no business interest in North Korea because there is no state support, but because there is no business interest there is no state support either.

Methodologically, this thesis is based primarily on interview data supplemented by historical-archival research using primary documents from the institutions in question such as the Ministry of Foreign Affairs and the *Keidanren*, the Japan Business Federation, as is discussed in more detail in the Methodology chapter. 13 people were interviewed, with a focus on quality over quantity, and with almost all having had direct experience of the matters discussed in the thesis. The thesis seeks to use the model of institutional accord to build on the existing neo-institutionalist literature and to create a new analytical framework for policy outcomes in the Japanese political system. This is also intended as a generalisable framework for analysis of other political scenarios if the key actors in each system can be identified; while the "core pillars" are Japan-derived, the identification of key political actors in other contexts and their power dynamics would permit application of the concept to a broad array of political puzzles in countries with democratic systems of governance.

## 1.4: Summary

This thesis utilises the framework of institutional accord to analyse Japanese diplomatic policy with North Korea and Vietnam, ultimately concluding that a lack thereof in North Korea and an abundance thereof in Vietnam contributed heavily to the diametrically opposed outcomes seen over the two. It ultimately argues that within the Japanese political system, and within other democratic political systems, consensus and institutional accord contribute heavily to the sustainability of

diplomatic policy, but their absence creates the opposite outcome of policy fossilisation and failure, and that this is especially so when engaging with autocratic states. The next chapter provides an overview of the existing literature on key themes in the thesis, and this is followed by a more detailed explanation of the methodology used in the project and the theoretical underpinning of neo-institutionalism.

## Chapter 2: Literature Review

### 2.0: Introduction

Just as the current state of Japan-DPRK relations is frozen, so too are many of the narratives of Japan-DPRK relations in the existing literature, with the focus naturally being primarily on security issues. The focus is largely on geopolitical structural issues; aside from a few key sources such as *The Peninsula Question* (Funabashi, 2007), little heed has been paid to domestic political factors within Japan itself beyond securitisation narratives focused on Prime Ministers Koizumi and Abe. Discussion of the future relationship exists, but with only few exceptions it is largely confined to the pre-2002 literature with scarce detail beyond the vague idea of economic cooperation and interest in certain key sectors by Japan's business sector. Moreover, there is such preoccupation with North Korea's apparent exceptionalism that few comparative studies exist; those that do are largely based around the recurring trope of comparison to East Germany. These discussions, while interesting in their own right, leave a significant literature gap in relation to the question of diplomatic engagement; what factors in Japanese politics, and specifically Japanese institutional politics, contributed to the failure of achieving desired policy outcomes with regard to North Korea? And, indeed, which of these factors might be generalisable to the interactions of other democratic countries with authoritarian states?

Since a general examination of *all* diplomatic policy would be beyond the scope of this thesis and considering the centrality of Official Development Assistance (ODA) in Japanese diplomacy, this literature review focuses on Japan's development assistance efforts and how they have been impacted by the existing patterns of interaction and political bargaining processes which take place within the Japanese political system. This specific and narrow approach allows for the examination of issues of political bargaining within the main diplomatic institutions over a component of Japan's diplomacy which is highly debated in the literature. ODA policy is tied to debates about security, private sector integration, internal political ordering, and geopolitics in addition to aid practice in itself; in short, an examination of aid policy allows for a broad and generalisable examination of

Japan's diplomatic practice. Japan's key appeal is its economic weight, and ODA policy is the means by which it can leverage this appeal for diplomatic purposes.

This literature review ultimately identifies significant literature gaps relating to Japanese diplomatic interactions with North Korea. Among these are literature gaps in examining the role of domestic institutional and political interactions in diplomatic policy outcomes, a gap in bridging the traditional institutional analysis utilised in wider diplomatic policy with the personalistic analysis often used in North Korea, and a gap in examining the role of the business sector. As this thesis incorporates both significant international relations and domestic political elements, the first section examines the broader literature on both the issue of trust in international relations and institutionalism in policymaking. Trust is the point of focus because one of the key arguments of the institutional accord framework is that a high degree of it in democracies allows for the greatest possible leverage, whether in terms of deterrence or inducement; in other words, whether democracies can be expected to "follow through" on what they promise. Moreover, since the institutional accord model is fundamentally based around the examination of institutions, an analysis of institutionalism in both the Japanese context and the broader field of institutionalism and how it relates to Japanese contexts is applied. This is largely grounded within the Japanese studies field, but other branches of neo-institutionalism are also examined, focusing on discursive institutionalism, actor-centred institutionalism, and historical institutionalism and how they are applicable to this thesis. The proceeding section examines the existing literature on how Japanese institutions have interacted in terms of diplomatic policy through the lens of official development assistance, including their respective motivations and existing analytical frameworks. This is followed by an examination of the role of national-institutional interests in Japanese diplomatic policymaking, examination of nontraditional institutional factors and political bargaining systems via the lens of *gaiatsu*, existing efforts in diplomacy with North Korea, and finally an examination of the role of the private sector, comparing approaches in the literature between North Korea and Vietnam.

## 2.1: International Relations and the Role of Trust

Trust is a difficult-to-define concept in international relations with no definition having reached a point of consensus. Most definitions focus on notions of interstate

exchange, such as realising otherwise unattainable benefits (Wheeler, 2012, pp.1–2) or placing the state’s interests under the control of another (Hoffman, 2002, p.394). An alternative definition is offered by Keating and Ruzicka (2014, p.755) who conceive trust as a structure which “cognitively reduces or eliminates residual risk and uncertainty”. Larson (1997, p.713) notes the definition of trust in psychology – that “trust is the reliance on another at the risk of a bad outcome”. A number of these are based on US-Soviet or US-Russia relations or are at the very least influenced by realist and neorealist-derived notions of international anarchy or by a focus on security dilemmas (Hoffman, 2002, p.394; Kydd, 2007; Keating and Ruzicka, 2014, p.754). In general, realists, and especially offensive realists<sup>12</sup>, are sceptical that trust can be created or can last because they assume that the international system is inherently anarchic in nature (Lobell, 2010). Offensive realists go as far as to contend that state motivations do not fundamentally differ and that mistrust is essentially permanent (Kydd, 2007, p.15).

Under this set of assumptions, all three of the actors examined in this thesis are security-seeking under international anarchy. A distinction is made between offensive and defensive schools of realism in that in the prior, power maximization and hegemony-seeking are the keys to security while in the latter, moderation and balancing are key (Lobell, 2010). Trust is only relevant insofar as it achieves these purposes, and in the case of offensive realism, is barely relevant at all because an assumption is made that states exist in a permanent state of immutable mistrust (Lobell, 2010). Nonetheless, this runs counter to the findings of later chapters of this thesis, especially Chapters 7 and 9, where the development of trust was found to be a crucial factor in Japan achieving and maximising its policy aims in Vietnam.

In this regard, non-realist theoretical notions of trust are more compelling. In contrast to realism and its derivative schools, neo-idealist and liberal institutionalist theories argue that regime type is important in understanding and predicting the trustworthiness of states and how they will act and how much they can be expected to uphold agreements (Kydd, 2007, pp.20–21; Tallis, 2022, pp.115–116). They assume that autocracies are more likely to make more volatile and aggressive decisions (Kydd, 2007, p.20), while democracies are less likely to seek conflict (Kydd, 2007, p.21). In the case studies used in this this thesis, both

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<sup>12</sup> In the theoretical sense, as opposed to other forms of realism such as defensive realism.

North Korea and Vietnam are fundamentally unfree, undemocratic countries, and while Vietnam fares better than North Korea, neither fares well by global standards (Freedom House, 2023), and so would be thought to be less reliable partners in negotiations under this set of assumptions. Since liberal internationalist and neo-idealist analyses would therefore make the assumption that they are inherently less *trustworthy*, they would also assume that they are less likely to hold to agreements because the cost calculations for them are different to democracies (Kydd, 2007, pp.20–21; Tallis, 2022, p.115).

Nonetheless, a limitation of liberal internationalist and neo-idealist theories is that neither contends with the changeable nature of democratic governance in itself. The cost calculations of *not* upholding an agreement are different between democracies and autocracies, but the opposite is also true; if the agreement is unpopular, then democratic governance systems can lead to the agreement being overturned. This is important in the context of Japan-North Korea relations because of the sharp polarisation between different political factions in the Liberal Democratic Party (Hughes, 2006). While it is generally assumed under these theories that democracies are more trustworthy, the question remains over whether they are also viewed that way by their autocratic negotiating partners. Can a (relatively) stable autocracy expect a democracy to follow through on agreements even if those agreements are unpopular with the democracy's voting public? Japan-North Korea relations represent an extreme test case in this regard which is a key point of analysis in this thesis.

## 2.2: Institutionalism and Japanese Diplomatic Policymaking: The *Yonshochō* and the Iron Triangle

When it comes to the institutionalist literature on Japanese policymaking specifically, whether in terms of diplomatic policy or more broadly, the literature has long focused on two primary modes of analysis. These are the *Yonshochō* structure and the iron triangle, with ministries considered to have distinct roles in political bargaining and policy decision-making. Among the most influential works on the role of the civil service are those by Arase (1994), Rix (1993), Orr (1991), and Johnson (1982) – a body of works which can be considered the “classic” literature on the role of the civil service and the impact of various ministries on

Japanese policymaking. More recent works building on these themes include those by Kato (2016) and Shimomura (2016). The older literature is unanimous in discussing the *Yonshochō* as the primary set of civil service actors in Japanese ODA, although the fourth component of it, the Economic Planning Agency (EPA), was merged into the Ministry of International Trade and Industry (MITI) to form the Ministry of Economy, Trade and Industry (METI) in 2001. Rix (1993, pp.72–101) takes a critical view of the administrative infrastructure of Japanese ODA, citing issues in the lack of policy coordination, the pressures brought about by the budgeting process, and the lack of political responsibility among others. This is an essentially rational choice institutionalist approach to analysis of Japan's policymaking structures; clearly delineated roles and interests do not necessarily preclude cooperation, and the agency of individuals within these institutions is ignored. This section examines this problem in existing analyses of Japan's policymaking architecture.

### 2.2-I: The Ministry of Economy, Trade and Industry, the *Keidanren*, and METI as a Mediator between the Civil Service and Private Sector

METI<sup>13</sup>, including the roles it inherited from the former EPA, is widely perceived as serving a role as an intermediary for the civil service and private sector, especially influential business groups such as the *Keidanren*<sup>14</sup> while also performing the function of ensuring that ODA serves Japan's economic interests. Orr (1991, pp.20, 44–45) notes that it is responsible for overseeing the commercial aspects of aid, and that the old EPA, while having a vague agenda and being the weakest within the *Yonshochō* structure, formerly held a role as the administrator of the Overseas Economic Cooperation Fund (OECF), which later became the Japan Bank for International Cooperation (JBIC) and is now an independently-run state-owned entity.

Within this intermediary role, METI is generally regarded in the literature as acting as an advocate for the Japanese business sector and, per Katada (2002, p.322), looking after its "clientele" in aid planning. Arase (1994, p.175), in describing the history of MITI in ODA planning, notes its historical role in securing the acquisition

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<sup>13</sup> NB. METI was formed from MITI and the EPA in 2001. For brevity, METI is used except where specifically pertaining to the body in its previous form.

<sup>14</sup> The Japan Business Federation.

of natural resources for Japan in conjunction with the EPA. This dynamic strengthened further after the formation of the OECF in 1960, which, as Arase (1994, p.176) continues, had a specific remit for lending and investing only in Japanese firms in order to secure Japan resource and energy access. The energy and resource motivation, while arguably not as dominant today, does still maintain a presence in decision making; in one example, in 2018 METI commissioned a feasibility study, subcontracted to Marubeni Corp. and Tokyo Power Electricity Services Corp., on the development of gas and power value chains in southern Vietnam, with the conclusion citing many of the factors that made Japan amenable to ODA historically – the ability for Japanese companies to profit from the aid project via procurements and the ability to contribute to the overall Japanese economy are both cited (Ministry of Economy, Trade and Industry, 2019, p.314). Orr (1991, p.36) likewise notes how MITI historically attempted to veto aid projects which might be threatening to Japan’s own industrial interests, such as in the textile sector.

METI’s advocacy has diversified along with Japan’s wider business interests. With the increasing complexity of modern supply chains, this is perhaps unsurprising, although a large proportion of METI’s main present-day “clients”, as Katada (2002, p.322) describes them, can be essentially narrowed into the construction and manufacturing sectors, with the materials sector also being crucial to both. Indeed, of the 2020 *Keidanren* chairs, vice-chairs and Board of Councillors, which contained representatives of 41 companies, at least 24 could be linked to these sectors directly, with a further eight in the finance sector – both in insurance and investments – also in strong positions to benefit from ODA (Keidanren, 2020, p.14). Across all sectors (excluding Veolia, which is the only non-Japanese company represented), all but one firm (East Japan Railway Company) had overseas operations in countries which are or have been major ODA beneficiaries – for example, 37 had identifiable business operations in China and 32 had identifiable business operations in Vietnam (Keidanren, 2020, p.14). The *Keidanren*, traditionally regarded as one of the major voices of Japan’s business sector, has been known to have lobbied on diplomatic and ODA policy in the past, such as in opposing the ending of tied aid (Hall, 2011, p.658). The *Keidanren* also lobbied over Japan’s wider diplomatic policy in regard to China in the wake of the Tiananmen Square protests - the private sector pressured for a soft stance, and while Japan

was unable to completely avoid sanctioning China (suspending aid between 1989-1990 after some hesitation under pressure from the US, and with sanctions only fully lifting after other countries had begun to ease their own), sanctions were nonetheless lifted as soon as possible due to private sector pressure (Katada, 2001, pp.39, 44-46). In another example, *Keidanren* representatives were involved in drafting the ODA charter in 1992 (Pitzen, 2016, p.12). Both of these examples are testament to their interest in and role in shaping diplomatic policy, as channelled through MITI and METI.

There is, however, significant pushback against the idea that METI acts solely in an advocacy role. For example, Miyashita (1999) argues that the ministry-business relationship during the post-Tiananmen case was more complex. While Katada (2001, pp.44-46) is correct that the sanctions were lifted more quickly than would otherwise have been the case due to private sector pressure, Miyashita (1999, p.717) argues that MITI was cautious on the issue and sensitive to the wider interests of Japan's economy vis-à-vis trade relations with the United States and the potential backlash that could have arisen had Japan fully embraced the soft stance favoured by the private sector. This ties into the *gaiatsu* issue which is discussed in Section 2.3-I, since this is one of the main shared interests within the civil service, government and private sector, and is explored in more detail there, but it offers evidence that METI acts as a mediator and gatekeeper for the private sector as well as an advocate in certain cases, occupying an intermediary or planning role which attempts to balance national-economic and private sector interests. A further example is observable in Johnson's (1982, pp.27-28) discussion of the role of MITI in relation to overall state planning and industrial strategy, and although this is perhaps less relevant in the present-day diplomatic and ODA policy discussion, the fact that it previously pushed for economic rationalisation in the overall national economy is yet more evidence of how it balances what it perceives as the national interest with business interests, and also of how its own institutional interests are not as clear-cut as they have sometimes been presented as being.

In summary, the existing literature paints a mixed picture for METI in diplomatic policymaking. It is seen as an advocate for business interests, but it is still institutionally cognizant of wider issues of national interest and so it is important

to assess its position on a case-by-case basis, to perhaps a greater degree than other civil service institutions. In the North Korean context, METI's position is likely to be determined by the level of business community interest, but even if interest is high, it will still need to be balanced with Japan's wider political goals in the DPRK where appropriate. There is a significant literature gap in exploring both the level of interest of both the private sector and METI, along with any existing notions of what the long-term outcomes are likely to be, and what role METI played in previous discussions on North Korea.

## 2.2-II: The Ministry of Finance – Budgetary Gatekeeper and Representative in Multilateral Development Banks

The MoF is identified as simultaneously the least influential and most powerful body in diplomatic and ODA decision-making – while it takes few direct decisions in relation to policy and planning, it is the budgetary arbiter and so it ultimately has the power of veto with “the final say on the fate of many aid projects” (Orr, 1991, p.32). Kato (2016, p.6) concurs, noting that the primary interest of the MoF is in maintaining budgetary control, although adding that MoF has another role related to diplomatic policy in that it oversees Japan's activities with multilateral development banks (MDBs) – a responsibility which is delineated from MoFA's power over bilateral aid – and within this role it attempted to increase Japan's voting share and influence (Kodera, 2016, p.31). The relationship between these two objectives and Japan's wider ODA goals leaves the MoF's role in Japanese ODA policy formation somewhat less clearly definable than METI or MoFA – decisions are less based on actual aid policy and implementation in MoF than they are over Japan's wider fiscal and economic policies but the MDB role gives MoF more diplomatic weight than its name may suggest on a *prima facie* basis.

Budgetary control in diplomatic initiatives is in line with MoF's wider budgetary oversight role in the Japanese governance system. Kawai and Takagi (2004, pp.260–261) argue that it seeks to ensure that when conducting diplomatic policy that ODA is fiscally sound and that it is not overly placed in any single country. The budgetary control and fiscal responsibility interests are consensus points in the literature, although the latter point is somewhat questionable considering the historical pre-eminence of China-related aid and, more recently, the support of the Japanese government for large-scale aid projects for prestige purposes such as the

North-South Express Railway in Vietnam<sup>15</sup> (Kikuchi and Nakamura, 2020; Kaizuka, 2021) and the Mumbai-Ahmedabad High Speed Railway in India (Jain, 2019). Between 1979-98, Japan alone provided 56 per cent of all bilateral aid to China, a unique situation for the purpose of securing China's energy resources and supporting the growing China operations of Japanese firms as overriding economic priorities over the usual norms of MoF policy (Takamine, 2006, pp.33, 46-47). Indeed, by 1998, ODA to China still comprised 13.46 per cent of Japan's total bilateral aid, including 22.38 per cent of its loan aid – by far the largest of any single recipient (Ministry of Foreign Affairs, 1999). In 2017 41.7 per cent of all Japanese aid to East Asia went to Vietnam (Ministry of Foreign Affairs, 2018b, p.78), making both of them disproportionately large in Japan's ODA disbursements, and certain large-scale projects such as the aforementioned railway projects are considered by some to be of questionable overall economic value (Kikuchi and Nakamura, 2020), including the author (Kaizuka, 2021). This suggests that MoF does place importance on Japan's wider economic interests in its own ODA policy formation – perhaps aligning it to a degree more with METI than MoFA – more than the literature suggests. Nonetheless, the primacy of fiscal soundness of ODA is widely agreed on and can be considered MoF's main policy objective. While budgetary control is widely regarded as the primary interest of MoF, Aoki (1998, p.28) notes that in the 1980s, when Japan enjoyed a current account surplus, the ministry was actually in favour of raising ODA spending levels for political reasons despite an institutional leaning towards budgetary reductionism and cost-cutting, and it became more active in policy formation as a result, which supports Kato's (2016, p.6) assessment that the Ministry of Finance is also interested in increasing its power in international financial institutions because this would provide additional weight to its position of using *gaiatsu* as policymaking leverage. This is a more mixed picture than that painted by the traditional ODA literature, with Orr (1990, pp.31-35) not discussing the issue as a main role of the MoF, and with Rix (1993, pp.118-122) discussing the MDB issue as a national-level rather than a ministry-level issue. An interesting gap exists in the literature in that, while it is widely regarded that MoFA's leverage-base is primarily overseas via *gaiatsu* and METI's is primarily a coalition of domestic business interests such as the *Keidanren*

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<sup>15</sup> A proposed high speed railway project which would connect Ho Chi Minh City and Hanoi and would utilise Japanese *Shinkansen* trainsets (Kaizuka, 2021).

(Arase, 1994, p.198; Katada, 2002, p.198), MoF seems to be able to tap effectively into both domestic and overseas constituencies for negotiating leverage because it is able to present concerns over both the domestic economy and Japan's standing in international organisations and MDBs. Indeed, it has taken proactive steps to include itself in international events such as by arranging sessions relating to TICAD and through proactive engagement with organisations such as the African Development Bank (Japan-Africa Business Forum, 2017). This point is not raised in the literature, but it may nonetheless be a factor which impacts on MoF's decision-making in aid policy formulation since, as Koderá (2016, p.33) writes, MoF, in being Japan's representative in IOs and MDBs, tends to push for "selectivity and cost-effectiveness" in project selection and finance provision. It cannot increase Japan's influence overseas without evidence from domestic policy formation, and the recognition of this would allow it to tap into the leverage of an overseas constituency in Japan's IO and MDB partners in another form of *gaiatsu*. In the DPRK context, these roles leave both questions of scale (*vis-à-vis* budget setting) and Japan's national reputation (*vis-à-vis* the IO and MDB partnerships) – again, an examination of how MoF intends to deal with these dual issues currently does not exist, and this constitutes another literature gap.

### 2.2-III: The Ministry of Foreign Affairs and JICA as Agenda-Setters

It goes without saying that MoFA is at the heart of diplomatic policy and agenda-setting and is the primary institutional actor in both. MoFA's institutional interests are distinguished from those of other institutional actors through *gaiatsu*, which is ostensibly in accord with Calder's (1988) reactive state theory, although in practice MoFA's responses are considerably more complex. *Gaiatsu* is discussed in considerable detail in section 2.4, but it is key to MoFA's policy planning and influence within the ODA system – as noted by Arase (1994, p.198) the lack of domestic backing for MoFA means that it has to rely on foreign pressure as a form of leverage to influence policy. This has been evident in past decisions on aid planning – taking again the post-Tiananmen aid suspension, MoFA was the institutional actor most recipient to and cognizant of the international pressure on Japan to suspend aid in the first place, and so took leadership on the issue which was not challenged by the other *Yonshochō* members despite their favouring of a softer stance (Miyashita, 1999, p.717). MoF did not see non-economic factors such

as human rights as “their kind of issues” while MITI followed MoFA’s reluctance to go against US policy (Miyashita, 1999, p.717). In this instance, with the leverage given by an unequivocal US stance, MoFA was placed in the most powerful position and was the most powerful actor, although this did not mean that it ignored MITI and the business sector’s interests entirely, calling into question some of the assumptions of the reactive state theory. MoFA acted to balance external and internal pressures – while it used *gaiatsu* as leverage in internal Ministry disputes, it was ultimately able to balance the competing pressures of Japan’s diplomatic and economic interests. The MITI and MoFA stances on this issue collectively call into question Orr’s (1990, p.3) assertion, which is repeated by Miyashita (1999, p.706) that aid decision-making is divided into Ministry-level parochial interests; all institutional actors share certain interests in relation to both internal and external pressure.

With ODA specifically, Orr (1991, p.39) regards MoFA’s role as multifaceted – it simultaneously acts as the biggest advocate for ODA, an overseer of Japan’s ODA programme, an innovator, and as a diplomatic agent which is sensitive to the demands of Japan’s foreign relations. It has advocated for ODA as a means to respond to international crises and to improve Japan’s image internationally, distancing it from the economic rationales for ODA employed by MITI (Rix, 1993, pp.20–21). JICA’s role, meanwhile, has changed considerably over time, drifting between theoretical independence and MoFA control, having at various points been responsible for loan, technical and grant aid – in any case, it maintains close links to MoFA despite its theoretical status as an independent government agency through practices such as *amakudari* and secondment (*Shukkō*), although its own role has expanded since it was reformed in 2008 and it has more power in policy design than it previously had (Arase, 1994, p.183; Hirata, 1998b, p.314; Scheyvens, 2005, p.93; Jain, 2016b, pp.97–99). In the modern sense, MoFA’s influence over and role in aid policy can be split into two primary components – protecting Japan’s wider diplomatic interests and promoting Japan’s soft power via ODA projects which benefit the country’s reputation and improve its image, although this has seen mixed success in practice.

Orr’s (1990, p.3) assertion on the overall parochial nature of aid decision-making is called further into question when examining the divisions within MoFA itself. For

example, numerous sources within the literature reflect the policy divides between the Asian Affairs and American Affairs bureaux, which naturally have differing priorities in policy formulation. As Orr (1990, p.41) himself admits, MoFA has traditionally been a highly decentralised ministry with numerous specific and narrow interests which vary by bureau, and as a result policy pronouncements were historically quite vague. Zakowski et al., (2018, pp.77–94) discuss how during the pre-2002 negotiations with North Korea under Prime Minister Koizumi, MoFA saw a degree of infighting, with the two aforementioned bureaux taking opposing sides. The American Affairs and Treaties bureaux opposed negotiations with North Korea, seeing normalisation of relations as undermining the US-Japan Alliance, while the Asian and Oceanian Affairs bureau was supportive of normalisation (Zakowski et al., 2018, pp.81–82). These issues are explored in significant detail in Chapter 4. However, this phenomenon exposes a significant flaw of the traditional institutionalist approach; the roles of individuals and sub-actors is ignored, and MoFA's internal divisions exemplify the importance of considering the roles of these in analysis of specific policies. This leaves a literature gap for analysis which incorporates more strongly the roles of such individuals in policymaking and goes beyond traditional institutionalism into neo-institutionalism. Chapter 4 demonstrates a new, more complex model incorporating these non-traditional institutional actors into the analytical framework of this thesis.

On the role of JICA, Jain, (2016, p.97) argues that while the agency's role has been expanded since the agency was reformed in 2008, field-level input is still relatively minimal in actual policy formation, with management still largely centralised within the core ministries in Tokyo. Sasada (2019, p.1069), counter to this, argues that JICA's role has grown and that aid has become somewhat more decentralised in recent years, and that JICA's research and administration roles in present-day ODA differ greatly from the operational style of the 1980s and 1990s. However, these views can perhaps be reconciled – the literature indicates that the two have differing policy-setting agendas and philosophies, but both are important in the formation of different projects and that they can be complementary to each other. For example, Korkietpitak (2012, pp.186–187) argues that JICA has a strong institutional interest in promoting human security, considering that it was a concept in part pioneered by former JICA President Ogata Sadako and pushed under her tenure in JICA (Kamidohzono et al., 2015, pp.207–208), and that this has

been interpreted in a broad manner to justify numerous development projects across fields such as the environment, education and healthcare as well as purely economic projects (Korkietpitak, 2012, pp.186–187). However, Korkietpitak's (2012, p.188) data on technical aid suggests that this is actually in accord with and supportive of the MoFA philosophy of primarily economic ODA based around industrial policy as described by Addison and Tarp (2015, p.4) – being highly diverse in nature, and with a mixture of expenditures across various humanitarian and economic fields with neither particularly dominating, and with undefined “other” expenditures having seen a significant rise in the share of spending. What is broadly missing in the existing literature is an attempt to bring these strands together; how can ODA support diplomatic policy and human security at the same time, and how do these institutionally differing positions impact overall diplomatic policy?

#### 2.2-IV: Beyond the *Yonshochō*: Power Centralisation in the *Kantei*

While Rix (1993, p.102) notes the historical distance between Japan's prime ministers and aid policy, describing *Kantei* involvement as little more than token gestures, the literature has shifted to suggest that *Kantei* interest in diplomatic policy and ODA has grown in recent years, with this input having particularly grown during the Koizumi and Abe administrations. With ODA policy specifically, this rise in *Kantei* prominence to pursue politically-driven or interest-based aid has been closely linked to the shifting discourse seen in the ODA charters, and especially to Jain's (2016) analysis on the linkages between aid, geopolitics, and Japan's international relations despite the concurrent rise of interest in more apolitical environmental and humanitarian concerns. Prime Ministers Koizumi and Abe sought to be more deeply involved in diplomacy and to use aid in the promotion of different agendas, but the fundamental path appears to have been the same. Generally, *Kantei* influence on aid policy can be said to be both specific and limited – used to push very specific agendas among different Prime Ministers. The danger of Jain's (2016) implication is of understanding *Kantei* involvement in aid as being more broadly applicable – however, this is not supported by the evidence. In North Korea's case specifically, Söderburg (2006, 453) does note the potential efficacy of politicising ODA as an incentive for change within North Korea, but there is no discussion of what specific form this may take.

The literature generally regards Koizumi's diplomatic efforts and interest in ODA as being primarily based around support for the United States and achieving Japan's security goals, with these goals having seeped into wider policy doctrine after Koizumi's tenure. Perhaps the most decidedly political example of this under Koizumi was in offering reconstruction assistance and grant aid during the Bush-era United States invasions of Iraq and Afghanistan. Palanovics (2006, pp.376–377) identifies Japan's humanitarian and reconstruction assistance efforts in Iraq as "the first sign" of a new international role for Japan in line with United States expectations, and in line with contemporary documents, including the 2003 ODA charter, which expressed similar hopes that Japan would have a role in international peacebuilding. This is echoed by Miyagi (2009, p.351), who notes that Japan saw Iraq and the opportunities relating to it, including with reconstruction assistance and ODA, as a means to enhance Japan's position in the US-Japan Alliance, and that it was a position led by a *Kantei* which, under Koizumi, was unusually strong. This support is also discussed by Shinoda (2007, p.114) who notes that support had been pledged by Koizumi even before the US invasion had begun, and that the decision may have even been made more than a year in advance. This is further evidence of the literature gap in the traditional institutionalist literature; Koizumi's personal political will was clearly a driving force behind this element of Japan's diplomatic strategy in this period, and this only becomes apparent with analysis of him personally, rather than solely within the rubric of the *Kantei*.

Moreover, the legacy of this Koizumi-era policy and the tying of aid to wider diplomatic interests is still visible. Both Iraq and Afghanistan remain large-scale recipients of Japanese ODA, being the largest and third-largest recipients among non-Asian countries in 2017, respectively, and with humanitarian assistance to Afghanistan having continued even after the Taliban takeover (Ministry of Foreign Affairs, 2018a, pp.133–137; World Food Programme, 2023), and they represent direct examples of how ODA policy, *Kantei* interests, personal interests, and wider diplomatic policy have become increasingly intertwined – although they are, as noted earlier, specific and limited cases. With North Korea specifically, Tokyo has at various times offered and withheld aid to achieve political goals – offering immediate food aid and the prospect of economic aid in 2002 and then withholding all aid after 2006 as part of Japan's response to both the abduction and missile and

nuclear issues and its support for sanctions thereafter (Auslin and Green, 2007, p.216). This is arguably evidence of the intertwining of these various interests; “aid” was used as a tool of diplomatic policy, but it had the additional effects of being a popular policy domestically and was closely tied to the political will of Prime Minister Abe. This raises the question of whether the fundamental character of the ODA has changed in response to this.

Hughes (2015, pp.36–39) discusses Prime Minister Abe’s policy of Japan “proactively contributing to peace”, characterising the Abe era as overseeing among other things a “militarisation of ODA” which he implicitly links to Japan’s arms export trade, in what is arguably one of the more extreme examples in the existing literature about *Kantei* power centralisation. It is true that, as Hughes (2015, p.82) notes, security cooperation with, among others, ASEAN countries has increased under Abe and that this has been reinforced by economic measures. This is a clear example of the increasing intertwining of ODA, geostrategy, and personal political will, a break from the period where Prime Ministers seemed to harbour little interest in ODA and more in line with Japan’s global peers. However, the fundamental character of the ODA itself has seen little change – comparing the 2018, 2011 and 2002 White Papers<sup>16</sup> (the latter of which lists sectoral and regional distribution of ODA between 1995 and 2001), both regional and sectoral distributive trends have either seen little significant change or have not changed in ways which support the characterisation of ODA becoming “militarised”.

For example, economic infrastructure and services – consistently the largest share of bilateral ODA from Japan – averaged 38.14% between 1995 and 2001, grew to 49.28% in 2010, and stood at 48.95% in 2017 (Ministry of Foreign Affairs, 2002b; Ministry of Foreign Affairs, 2011, p.179; Ministry of Foreign Affairs, 2018a, p.138). The lower 1995-2001 average can be accounted for by the onset of the Asian Financial Crisis and the corresponding growth in program aid<sup>17</sup> - between 1995-1997, the average for economic infrastructure and services was 43.23%, more in line with the 2010 and 2017 figures. The comparison between the 2010 and 2017

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<sup>16</sup> These are selected as the earliest available, latest available and intermediate-point documents. The 2011 paper also has the advantage of having been written under the DPJ government rather than an LDP government, allowing for the control of party-politics as a factor in ODA distribution and *Kantei* influence over diplomatic policy.

<sup>17</sup> Program aid is listed as consisting of debt relief, food aid, emergency assistance and administrative costs.

figures is especially interesting because it indicates that little changed, in practice, even between the DPJ and LDP governments, despite the new ODA charter in 2015 and the change in administration, Japan still continued to target and prioritise large-scale economic infrastructure and social infrastructure as core pillars of bilateral ODA. Likewise, regional distribution has changed little over time – since 2000, the respective shares of aid to each region have seen little variance, with Asia consistently being the largest (between 52.3% in 2010 and 64.3% in 2013, although this high figure is something of an outlier) followed by roughly even disbursements to the Middle East and North Africa region (varying between 7.8% in 2000 and 15.4% in 2012) and the Sub-Saharan Africa region (varying between 8.5% 2000 and 14.9% in 2013) (Ministry of Foreign Affairs, 2018b, p.19). This suggests little change in the “big picture” of ODA, and that ODA has remained the province of civil servants except with some specific and place-specific exceptions. Indeed, even in the *Kantei*, the composition effectively comprises civil servants from the top ministries who continue to represent the institutional will of their home ministries as well as cabinet ministers who are to some degree expected to also maintain “loyalty” to the fundamental positions of their ministries (Shinoda, 2007, p.22).

Yasutomo, (2014, pp.3–7) offers a different perspective to Hughes, acknowledging that while aid has been tied by Japan to security in some cases – especially in Afghanistan and Iraq - that the constraints of civil society have precluded more active use of ODA in support of security objectives under the notion of Japan as a “civilian power”. This idea goes some way to reconciling the continuity of Japanese aid vis-à-vis sectoral and regional distribution with its politicisation by the *Kantei*. Yasutomo's (2014, p.156) view on the matter is best encapsulated in his analysis of Koizumi's Middle East policy, that Koizumi did, undoubtedly, influence Japan's diplomacy in the Middle East, but as his policy priorities shifted, so too did the ODA decision-making process shift back to more normal policy processes and actors, such as the civil service, and that by the time of the first Abe administration, the topic of Iraq barely featured in *Kantei*-level discussions. Nonetheless, as with Koizumi, Abe did undoubtedly seek to influence the targeting of ODA in certain circumstances as a tool of diplomacy. As with Koizumi, this has been linked to security and a political desire to see Japan being a more active champion of the rules-based liberal order within Asia, to diverse countries including Vietnam and

the Philippines, as counters to what Tokyo sees as an increasingly powerful Beijing (Auslin, 2016, pp.132–133). Again mirroring Koizumi, this neatly fits Yasutomo's (2014, pp.6–7) model of Japan as a civilian power – Abe's *Kantei* sought to use targeted “politicised” ODA for the collective and multilateral management of a perceived security threat, using primarily non-military means while using traditional security instruments in a restrained manner. However, as discussed above, there has been little change in the “big picture” of Japan’s ODA; it is used in pursuit of specific diplomatic and economic policies while being broadly non-politicised. This leaves several open questions; what has been the relative degree of *Kantei* and non-civil service influence on general aid policy in specific countries and regions, and to what degree did internal political bargaining processes shape or influence policy outcomes in these countries? In particular, how did these traditionally defined political bargaining processes impact on North Korea policy, either positively or negatively?

## 2.2-V: Other Forms of Institutionalism in the Japanese Context

This thesis is primarily oriented around Japanese diplomatic policy, and consequently the major institutionalist influences are derived from the Japanese studies literature and how theories of institutionalism have been applied to Japan specifically. Nonetheless, in the broader field, there are numerous other relevant influences. Old and new institutionalism share fundamental assumptions in that institutional actors are acting under rational choice and that institutions change over time in response to external factors (Rutherford, 1995, p.443). Indeed, in the Japanese context, it is straightforward to conceptualise such change in how institutional actors have evolved, such as through *Kantei* power centralisation (Zakowski, 2021) or through the reduction in MITI/METI influence over the passage of time (Green, 2001, p.61). However, numerous subfields of neo-institutionalism also bear relevance to this thesis, even if only tangentially. This section discusses the relevance of discursive institutionalism, actor-centred institutionalism, and historical institutionalism to the arguments made within this thesis.

Discursive institutionalism distinguishes itself with the notion that “ideas matter” (Carstensen and Schmidt, 2016, p.1). Schmidt (2008, p.304) lays out the four key tenets of discursive institutionalism as giving serious consideration to the role of

ideas and discourse, placing these in institutional contexts, placing them in a so-called “meaning context”, and taking a view of discourse and ideas as agents of change. Essentially, discursive institutionalists argue that ideas and discourse force change within institutions, which they argue is a response to the tendency of other forms of institutionalism to prioritise continuity over evolution (Carstensen and Schmidt, 2016, pp.1–2). In the Japanese political and international relations context, this has been applied to analyses of securitisation in relation to its approach to China (Schulze, 2018). While a considerable portion of the analysis on Japan-North Korea relations predates Schmidt's (2008) original paper on discursive institutionalism or do not utilise it directly, some similar ideas can also be seen in works such as those by Lynn (2006), Hagström and Hanssen (2015) and Hughes (2009), all of which argue that discursive factors were critical in policy formation. This thesis heavily utilises public opinion data and examines the interaction between public opinion and discourse and how more traditionally defined institutions formulated policy; in this sense, discursive institutionalism is a useful analytical tool.

In the Japanese context, securitisation is one of the areas where discursive institutionalist ideas, even if not openly labelled as being so, can be observed most easily. In one example, Lynn (2006) argues that public opinion in Japan on North Korea was formulated through media coverage of the abductions issue and other abuses or threats by North Korea, and that the manner in which North Korea was framed directly influenced government policy. In other words, Lynn (2006) argues that media institutions shaped the “meaning context” of North Korea for the Japanese public, which then directly acted as an agent of change on the traditionally-defined policymaking institutions, largely following the tenets laid out by Schmidt (2008).

Hughes (2009) likewise argues that the ideational understanding (the meaning context) of North Korea as a security threat has created change in that it has created a policy preference for a more hard-line approach – again, that a discourse has impacted on the decisions of policymaking institutions. Hagström and Hanssen (2015) likewise argue that the changing self-perception of Japan (the meaning context) has changed in a manner which has led to policy securitisation. While some of these conclusions are challenged in the later sections of this thesis, they

prove the relevance of the discursive institutionalism in understanding the impact of public discourses on policy formation. Nonetheless, discursive institutionalism is heavily critiqued by Bell (2011, p.906), who argues that its emphasis on ideas is susceptible to the danger of reducing the focus on “situated agents” within institutions and ignoring structural factors, stating that “agents cannot simply ‘make up’ their realities”. This is prescient in the Japanese case; public opinion on North Korea turned negative in response to very real security issues (structural factors), and the situated agents (Japanese policymakers in traditionally-defined institutions) were responding to these structural factors just as much as they were responding to public anger; indeed, the public anger itself did not simply appear out of nowhere and was in direct response to both the abductions issue and wider issues in the security environment. The discursive institutionalist approach is therefore limited in that it overplays the ideational at the cost of the empirical.

Actor-centred institutionalism contrasts to discursive institutionalism in its emphasis on individual agents and their power within institutional frameworks to enact change. Associated primarily with Renate Mayntz and Fritz Scharpf, it attempts to balance the agency of individuals with the structures of the institutions they inhabited (Crouch, 2003, pp.71–72). It contends that individual actors, including also collective and corporate actors, within institutions are capable of overcoming path dependence (Crouch, 2003, p.72), and it further contends that even if the structures surrounding an institution remain fundamentally unchanged that policy change can occur if the actors within it change in outlook or orientation (Scharpf, 2000, pp.770–771). Institutions are essentially means rather than ends – as stated by Jackson (2009, p.9) institutions are seen as “contexts for action” wherein interactions are carried out between “constellations of actors”. The danger of actor-centred institutionalism is that it can place excessive emphasis on the role of the individual within these “constellations” – even advocates of actor-centred institutionalism concede that this form of institutional analysis, while useful, cannot fully explain policy outcomes on its own (Jackson, 2009, p.10). Consequently, this thesis seeks to understand both the roles individuals have played and the role of the institutions which guided them.

In the Japanese context, actor-centred institutionalism is particularly relevant to discussion of individual political leaders such as Prime Ministers Koizumi and Abe;

in both cases, they were considered to have been unusually influential and powerful (Zakowski, 2021, pp.3–4). Both led the same institution in the *Kantei*, but they each exercised considerable agency in both reforming it through the further centralisation of power which had begun in the Hashimoto period (Mulgan, 2022, pp.64–66). Koizumi in particular was perceived as powerful enough to overcome the entrenched interests in the old iron triangle (Mulgan, 2022, pp.64–66), arguably overcoming the traditional institutional structure of Japanese politics. This thesis extensively argues that Koizumi and Abe did exercise considerable influence in their respective periods in office, and so incorporates some of the tenets of actor-centred institutionalism, but it is also cautious to centre them within the wider institutional constraints faced by Japanese policymakers. As with actor-centred institutionalism, this thesis therefore acknowledges the role of individual agency, but it attempts to guard against excessive emphasis on it by placing the actors within the relevant political-institutional contexts.

Finally, historical institutionalism defines itself according to three tenets. These are a focus on major issues and questions with broad public interest, an importance placed on timeframes, and an importance placed on context and how institutions are configured (Pierson and Skocpol, 2003, pp.695–696). Timing and sequence are of acute importance, and historical institutionalists assume that that outcomes are unpredictable, may be inefficient compared to alternative pathways, are subject to chance events, and become entrenched with the passage of time (Fioretos, 2011, p.371). In particular, historical institutionalists emphasise the concept of path dependence – the idea that the structure which follows a critical moment shapes outcomes in a manner which makes them difficult to overturn, even when the outcome is counter to the assumptions of rational choice (Fioretos, 2011, p.376). Historical institutionalists argue that the strength of the approach is in understanding how institutions act and are configured over long periods, which they contrast to rational choice approaches focusing on shorter timeframes (Thelen, 2002, pp.103–104). Conversely, critics argue that it is weak in explaining change and that it underplays the importance of agency in explaining phenomena (James, 2016, pp.89–90, 94–95).

Of the three approaches discussed in this section, historical institutionalism bears perhaps the most obvious relevance to the case studies utilised in this thesis. North

Korea and the issues pertaining to it, especially on the nuclear issue, have been cited by numerous authors as major examples of path dependence (Lee and Baek, 2011; Park, 2014; Lim, 2016). Japan's long policy fossilisation over North Korea, laid out in detail in Chapter 8 of this thesis, provides perhaps another strong example of path dependence. Methodologically, this thesis focuses on what it conceives as major historical turning points (the collapse of the Soviet Union and the 2002 Pyongyang Summit), and it emphasises timing and temporal context, in line with the historical institutionalist approach. Nonetheless, historical institutionalism is the opposite to actor-centred institutionalism in that it does not sufficiently acknowledge agency-led factors. Again, this thesis strongly argues that individuals within each institution exercised considerable agency in their approaches, and that in particular Koizumi and Abe provided strong leadership which greatly impacted on policy outcomes. It further argues that North Korea's leadership itself exercised agency in making provocations; while historical factors are relevant to North Korea's foreign policy approach, they alone do not explain why individual leaders chose to make provocations at particular junctures, even when seemingly going against their own rational interests such as during the KEDO period. Nonetheless, this thesis draws to a large degree on the methodological and theoretical traditions of historical institutionalism, as is laid out in Chapter 3.

### 2.3: Japanese Diplomacy, National-Institutional Interests and Development Assistance

Much of the existing literature on Japanese diplomatic history takes a rational choice-institutionalist position, arguing that Japan's actions, outwardly altruistic or not, were fundamentally interest-driven. This is especially evident in the literature surrounding official development assistance, the goals of which are characterised by Rix (1993, p.43) as export promotion, economic growth, resource acquisition, and reputational aggrandisement. Japanese ODA – long a core component of its engagement with authoritarian states in East and Southeast Asia - has furnished the region with such major economic infrastructure or infrastructure-beneficial projects as South Korea's Pohang Steelworks and loan aid to construct the Seoul subway (Hahn, 1980, p.1091), Myanmar's Balu Chaung No.2 Power Station, the Da Nhim dam in Vietnam, and the Supung Dam in South Korea (Moore, 2020, p.14), and the King Mongkut Institute of Technology in Thailand to promote technical,

engineering and science education (Makishima and Yokoyama, 2008, pp.186–187). These projects each heavily leveraged Japan’s powerful business sector, directly or indirectly benefited Japanese firms and, by extension, Japan’s national economy. Projects such as these are representative of Japan’s broad efforts – from the direct, short-term construction of transport and power generation infrastructure to long-term efforts which have developed national-level industries and expertise. These are considered to be to the benefit of each of the Japanese institutional actors involved. Arase (1994, pp.173–176) considers this in historical perspective, observing that the civil service and government (more specifically, the Liberal Democratic Party) used aid in the post-war period to achieve political goals vis-à-vis the normalisation of relations with other countries and securing overall economic growth and materials access, while the private sector enjoyed public financing and was able to expand overseas both in terms of markets and procurements. This is a rational choice-institutionalist and interest-based analysis which is typical of the existing discourse. This triangular pattern – the *civil service*, the *government*, and the *private sector* – is referred to in the literature as the iron triangle, with Arase (2005, p.11) noting that this term has sometimes been used derisively by non-academic media who believe that it is indicative of malpractice in Japan’s aid-giving. However, what this strain of analysis does indicate is that national and institutional interests were in a state of concordance. The iron triangle construct will be discussed in more detail later, but this analysis is indicative of the long-running public-private coordination in Japanese ODA.

Historically-speaking, this has been viewed negatively within both public and academic discourses. Jain (2016, p.100) and Furuoka et al. (2010) both note that Japan’s ODA has sometimes been described as mercantilist or otherwise economically self-serving, tying into wider discursive criticism from OECD-DAC countries who added to these criticisms that Japanese aid was of low quality, lacking a guiding philosophy and overly Asia-focused (Jain, 2016b, p.100). In other words, the critique was that Japanese ODA was national interest-focused and built around the aims of Japanese institutional actors, rather than Japan’s aid recipients. However, these criticisms are considerably more grounded in the historical discourse on Japanese ODA and have accordingly reduced over time, with the 2014 OECD Peer Cooperation Review (OECD, 2014b, p.60) noting that 71 per cent of Japanese ODA was untied in 2012, although it also noted that this was below the

OECD average of 79 per cent and had declined since its highest level of 84 per cent in 2008. Moreover, Japan did not agree to extend coverage of OECD recommendations on tied aid to Heavily-Indebted Poor Countries (HIPC), reserving the right to use it, and does not report on the status of tying on technical cooperation, with a recent shift to further engagement of the business sector (OECD, 2014b, pp.60–61).

Further analysis by Hall (2011, p.658) indicates that, due to advocacy from the *Keidanren*, the private sector, and the MITI, Japan also continued to oppose restrictions on tied aid in international spheres until 1991 despite MoFA opposition to the concept and its attempts to improve Japan's image, with Japanese ODA programmes criticised in the United States as "a transparent extension of Japan, Inc." (Hall, 2011, p.658). These analyses again show the influence of institutional actors and their respective interests in policymaking. These findings indicate that Japan continued to value public-private coordination and maintaining "aid in the national interest" both before and after criticisms from overseas had ceased, even though public-private coordination is now considerably more widely accepted and is endorsed by major multilateral organisations such as the World Bank and the OECD (World Bank, 2023f; OECD, 2023). Indeed, despite discursive changes to Japan's Development Assistance charter, which are covered in the next section, the business sector's interests have continued to play a vital role in ODA provision. ODA is only a single component of diplomatic policy, but its heavy use as an inducement to diplomatic interlocutors of Japan, particularly ones with authoritarian governance systems, and its long history as an exemplar of how institutional ties have shaped its form and, with it, wider diplomatic policy make it the most appropriate unit of analysis for this literature review.

### 2.3-I: Institutional Alignment in Diplomatic Policy: The Case of Official Development Assistance

This section focuses on Japan's responses to the pressures it faced for reform from other OECD-DAC countries, with a focus on the assorted ODA charters published and their discursive and practical implications. Japan's original Development Cooperation Charter – intended to assuage the aforementioned criticisms of Japanese ODA – was published in 1992 in response to these criticisms and has since been revised three times – in 2003, again in 2015 (Jain, 2016b, p.98), and most

recently in 2023 (Kaizuka, 2023b). These responses are emblematic of the means by which a policy process which is central to Japanese diplomacy was influenced in various ways by institutional factors.

Jain's (2016, pp.108–109) analysis lays out a narrative of Japanese aid's transformation in light of criticisms from its peers, noting Japan's current policy path which directly acknowledges the use of aid for strategic and geopolitical interests vis-à-vis the increasing influence of China, while mentioning that recent discourse on Japanese ODA from former critics has been more favourable and that the Japanese aid model is largely accepted within Asia by emerging donors. Jain (2016, pp.108–109) further argues that Japan has been definitive in its return to the open discussion of assorted national and institutional interests, be they soft power, geostrategy or commercial interests, albeit in a diversified set of aid practices which also include humanitarian and environmentalist concerns. The author recently argued that the 2023 Charter deepens some of the trends in the 2015 Charter, although from a values-based perspective rather than from a rational choice-based one (Kaizuka, 2023b). Sasada (2019, 1051-1055), argues that Japan might be moving back to what is referred to as its "traditional" model of ODA, which he defines as a focus on infrastructure, loans, and Asia, while pointing out the government's desire for heavy business sector inclusion. Indeed, these are indicative of the continued relevance institutional analysis and particularly the iron triangle framework in Japanese ODA – the inclusion of institutional interests beyond the policymaking core in the 2015 Charter appears to be plain, stating that "Japan will proactively adopt proposals from various actors in the private and other sectors" in a section which describes Japan's national strengths, while describing how ODA promotes Japan's various interests such as the creation of a stable international environment and peace and security (Development Cooperation Charter, 2015, pp.3 & 10). However, the incorporation of language very close to that used by the Abe administration vis-à-vis the Abe *Kantei's* promotion of "proactive pacifism" is also indicative of the continued role of core policymakers, specifically the *Kantei*, and their influence (Jain, 2016b, p.98). This, as previously noted, has arguably strengthened under the Koizumi and Abe governments due to a growing centralisation of power (Mishima, 2019, p.105; Pugliese and Patalano, 2020, pp.620–621; Shinoda, 2023, p.75)

Jain (2016, pp.101–103) acknowledges that Japan’s ODA charters always heavily featured national interest while trying to balance and be responsive to the pressures of the international community, describing the existence of a “contest” between the two poles. In the wider discourse, this is sometimes discussed in relation to tied aid. Historically, Japanese aid was frequently tied to Japanese goods and services, and this practice of tied aid is something for which Japan was criticised (Hook and Zhang, 1998, p.1054). However, it seemed to move away from this through the 1980s and with the original ODA Charter, with Katada (2002, p.329) noting that by 1996 Japan’s ratio of untied aid had reached 98.9%. This seems to indicate that Japanese civil servants did take significant steps to accord with international criticism of its supposedly “selfish” ODA. Nonetheless, Japanese diplomatic initiatives and aid projects are often located geographically in areas which are of shared interest to the Japanese private sector and policymakers. Söderburg (1996) gives the example of the Yantian Port project, wherein some 22% of all procured equipment was from Japanese firms, a disproportionately large share compared to 33% for the rest of the OECD nations combined (Söderburg, 1996, pp.230–231). After Kone Corporation, a Finnish firm, the second highest value of procurements was given to Japan’s Tomen Corporation and the third largest to Sumitomo Corporation, with Marubeni Corporation also receiving large procurement contracts, and this is despite the ultimate conclusion in the case study that the Japanese firms in question did not actually receive special treatment (Söderburg, 1996, pp.243–244). At the same time, the Japanese government was pursuing an engagement policy with China (Takamine, 2006). This is a clear example of how mutually held interests led to a policy outcome in the provision of large-scale infrastructure-based loan aid.

The critique of the political bargaining processes in the existing literature consequently paints a mixed picture. Certainly, existing critiques incorporate all of the main protagonists in political bargaining processes which would be expected – the LDP (or at the very least its leadership), the civil service, and the private sector – and their respective interests. However, there are two identifiable limitations here. The first is that such works are fundamentally process-focused and not outcomes-focused; the analysis of the *process* of aid-giving as a tool of Japanese diplomacy is certainly relevant, but there is a lack of discussion of the *outcomes* of such processes. The second issue is that these critiques rarely navigate beyond the

aforementioned “protagonists” of policymaking; to the degree that issues such as public opinion and overseas pressure are mentioned, they are largely sublimated into rational choice-institutionalist analyses of their role. Examination in the literature of the changes in the 2002 Charter does, for example, acknowledge of the negative turn of public opinion which was suffered during that period (Katada, 2002, p.339), but the analysis does not consider public opinion or pressure to be of institutional importance in its own right. The only major exception to this is in relation to Japan’s ODA to China (Söderburg, 2002, p.13; Drifte, 2006, pp.112–113; Hoshiro, 2022, p.304), but the role of public opinion remains underexplored for the most part. Of course, ODA policy is only a small component of diplomatic policy, but it is one which has been voluminously utilised by Japan, and because of this it is a useful representative example for the exploration of the discussion of wider diplomatic policy. The literature gap remains; how do the institutional interests embodied by the ODA policymaking process play out in practice in the context of *wider* diplomatic strategy, and how do *wider* political bargaining processes including also nontraditional institutional actors impact the success or failure of overall policy? Specifically, how did the interplay between the traditional and non-traditional impact policy in relation to North Korea?

## 2.4: Political Bargaining in Japanese Diplomacy: Non-Traditional Institutions and Shared Interests

The previous section explored some of the institutional interests involved in diplomatic policymaking and explored the role of perceived national interest in the literature. This section expands on the role of the non-state institutions and how they intertwine with interests within the state apparatus. Again, much of the classical literature on this matter has focused on the so-called iron triangle model - Pitzen's (2016, p.12) description of the iron triangle – a “system whereby the LDP, the bureaucratic apparatus and Japan’s notorious *keiretsu* business conglomerates exchange mutual favours” – usefully encapsulates this phenomenon and is carried out under the rubric of ODA analysis. Pitzen (2016, p.12) notes the historical linkages between the three, and that this itself is sometimes referred to as the “ODA iron triangle” with even the panels devising the 1992 ODA Charter containing members of the *Keidanren* and cabinet advisors as noted previously. Like Jain (2016, p.108), Pitzen (2016, pp.45–46) concludes that the role of the private sector,

while diminished in current ODA provision, is still significant while also noting the growth of the civil sector in the form of NGOs like JANIC<sup>18</sup>. This links to the literature analysed in the previous section which concluded that, while somewhat “toned down” compared to historical Japanese diplomacy and ODA, the public-private coordination discussed in legacy works such as those of Arase (1994, pp.198–199), Orr (1991, p.148) and Rix (1993, pp.109–110) is still relevant to current analysis, despite Japanese diplomacy and ODA having grown to incorporate more human security and humanitarian elements and despite Japan’s ostensible, if only partially-realised in practice, commitments on tied aid which previously made elements of the business sector lose some interest (Sunaga, 2004, pp.6–7). Indeed, there has been growing criticism of excessive focus on humanitarian aid without a true development component, not only from across the Japanese policymaking space but also from Japan’s development partners, particularly in Africa, with each becoming more forthright in expressing a preference for public-private coordination and with the result that this type of aid has grown in prominence (Yamada, 2015, p.44). As Yamada (2015, p.44) puts it, there has been a “pendulum swing” in this regard.

However, the interests of each point on the iron triangle go beyond the embedded *prima facie* interests such as profitability or electoral popularity which could be expected of these groups in almost any context. This makes *gaiatsu* a useful point of analysis. *Gaiatsu* is felt by all points on the iron triangle but in different ways which are indicative of the power dynamics and deeper-level policymaking interests of each institutional actor, and because of this it is a useful indicator when examining aid policy formation. It is also emblematic of the issues with the traditional institutionalist literature; *gaiatsu* can be both formal and perceived. While the United States-Japan Alliance is undoubtedly an institution in the formal sense, the exercise of power through it formally is quite different to the *perceived* threat of it. Consequently, unable to engage in “political bargaining” in the more literal sense, the *informal* pressure of *gaiatsu* and how it is felt is not a typical feature of institutionalist analysis. With the geopolitics of the Korean Peninsula being complex and volatile, analysis of *gaiatsu* and on other similar common tropes of diplomatic policymaking on Japan’s North Korea policy is essential.

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<sup>18</sup> Japan NGO Center for International Cooperation.

## 2.4-I: *Gaiatsu* as an “Institution” in Japanese Diplomatic Policymaking

*Gaiatsu* has been a prominent feature of Japanese diplomatic policymaking through the entire post-war period. With ODA policy specifically, it is one of the most-heavily discussed concepts, and the literature showcases how it is felt differently within each point of the iron triangle. There are several interesting examples of how *gaiatsu* might be felt by different institutions within the literature, such as the post-Tiananmen aid suspension (Hirata, 1998b) and the suspension of ODA to Vietnam after the invasion of Cambodia (Pressello, 2018). The discussion also features heavily in the discussion of Japan’s North Korea policy, particularly around the Koizumi-era summits (Funabashi, 2007; Zakowski et al., 2018).

The international criticisms mentioned earlier by Jain (2016, pp.108–109) vis-à-vis Japan’s ODA and the Japanese responses to them are a primary example of *gaiatsu* generating reactions within Japan’s political institutions over diplomatic policy. The fact that the business sector retained a role despite criticisms of Japanese ODA being viewed as “a transparent extension of Japan, Inc.” (Hall, 2011, p.658) is indicative of how policy shifts with the balance of interests within the iron triangle, with Japanese ODA changing incorporating more humanitarian and human security elements and weakening the private sector’s role but allowing it to retain a stake. In this sense, the key institutions can be weakened or strengthened by *gaiatsu*, but they cannot be eliminated. The discourse around *gaiatsu* posits that Japan follows, in general, US policies abroad because it is in Japan’s own national interest to maintain good relations with the US to maintain market access for the private sector (Tuman and Strand, 2006, p.64). Indeed, the post-Tiananmen aid suspension to China as mentioned above is indicative of how international pressure can lead to negative consequences for the business sector, but ones to which it is willing to acquiesce to some degree to maintain long-term profitability and US market access. This evidences how, even where *gaiatsu* is felt, it can be felt or tolerated to different degrees – the private sector’s tolerance for and susceptibility to *gaiatsu* seem to be lower than the civil service, per the narrative in the literature.

Beyond ODA, *gaiatsu* is a prominent feature in discussion of Japan’s North Korea policy. The best example of *gaiatsu* in relation to North Korea is Zakowski et al. (2018, p.81), noting that in the build-up to and the aftermath of the 2002 Japan-

North Korea summit, there was significant rivalry within both the cabinet and within the MoFA bureaux, with different individuals reacting to perceived *gaiatsu* in different ways. This narrative is also prominent in *The Peninsula Question*, which conveys the experiences of MoFA personnel at the time and explores some of the internal political difficulties faced by Tanaka Hitoshi, the lead negotiator (Funabashi, 2007). Within the cabinet, pro-détente politicians such as Chief Cabinet Secretary Fukuda Yasuo contended with more hard-line politicians like then-Deputy Chief Cabinet Secretary Abe Shinzō, with Prime Minister Koizumi favouring a détente but having to balance the two factions, while in the Ministry of Foreign Affairs, the Asian and Oceanian Affairs Bureau clashed with the North American Affairs and International Legal Affairs Bureaus (Zakowski et al., 2018, p.81) - the latter two responding to *gaiatsu* over the American hard-line stance towards North Korea.

This is a clear case of how *gaiatsu* impacts the balance of interests within the iron triangle and among Japan's aid planning bodies. Prime Minister Koizumi did not change his policy toward North Korea in relation to *gaiatsu*, rather *gaiatsu* impacted the stance civil servants who were concerned about the impact of détente with North Korea on the US-Japan relationship, and these civil servants were in turn side-lined by Prime Minister Koizumi, who had negotiations carried out in secret and maintained an inner-circle of pro-détente cabinet members and civil servants (Zakowski et al., 2018, pp.82–83). This is in line with Orr's (1990, p.15) writing – he notes that the ministries have always attempted to weaponise *gaiatsu* – especially US *gaiatsu* – to gain leverage in internal policymaking processes, and so the idea that this would continue in *Kantei*-Ministry relations or be used by individual cabinet members for political ends is unsurprising, even if such attempts are not always successful. Of course, the existing literature has also closely followed shifts in the relative power of *gaiatsu* as time has progressed. As noted by Hiraiwa (2020, p.14), the second Abe administration significantly softened its stance on dialogue with North Korea in line with the Trump administration, with Prime Minister Abe reversing his previous policy and openly advocating for a summit meeting with no preconditions with Kim Jong-un. This policy is discussed in significant detail in Chapter 8, and evidently, the US stance still influences Japan to some degree, but Koizumi's North Korea case is evidence that a strong *Kantei* can overcome resistance elsewhere.

Koizumi's seeming immunity to *gaiatsu* on the North Korea issue came despite having been widely regarded as personally close to the Bush administration (Green, 2006, p.101), and having seemingly acceded to *gaiatsu* on other issues such as troop deployments to Iraq (Frattolollo, 2012, pp.27–28). This demonstrates how *gaiatsu* is perceived within the Japanese bureaucracy even if it is not always directly applied – a kind of “assumed” *gaiatsu*. This evidences the literature gap in the wider institutionalist literature; clearly, no formal institution placed pressure on anyone involved, but pressure was felt through pervading sense of *gaiatsu* which manifested among certain civil servants and politicians. It was institutionally present, despite not being a formal institution. It is also indicative of the power of individual will – Koizumi's seemingly forceful approach to the matter ultimately allowed for the circumvention of the pressure of *gaiatsu* and led to the 2002 Pyongyang Summit. *Gaiatsu*, having been felt more by some within the civil service and less by the *Kantei*, shifted policymaking in both – and constitutes clear evidence of how the different points on the iron triangle can possess different and sometimes competing views and perceptions. There is a literature gap for incorporation of some of these issues into a neo-institutionalist analysis; while the existing institutionalist literature and the existing *gaiatsu* literature have undoubtedly influenced each other, integrating them together with a more comprehensive appraisal of the roles of non-traditional institutions and individual actors which transcends the formal institutionalist literature allows for a more thorough understanding of the events and policies analysed in the thesis.

#### 2.4-II: Japanese Proactivism and Reactivism in Relation to *Gaiatsu* and State Competition

The previous section focused on the traditional definition of *gaiatsu* – that which is within the context of the US-Japan Alliance – but this is not the only kind of pressure from overseas influencing Japan's diplomatic policy. State competition is a useful example of another literature gap; examination of Japanese proactivism, state agency, and individual agency in diplomacy, particularly in the historically-focused literature, has tended to focus on the precise opposite; Japan's apparent lack of foreign policy and diplomatic dynamism. Calder's (1988) highly influential reactive state theory has been the crux of this line of analysis. However, the characterisation of Japan as a country which does not undertake independent

initiatives but is “pragmatically flexible” (Calder, 1988, p.537) is of questionable relevance today, especially in relation to post-Koizumi diplomatic policy but even prior to that. Koizumi’s attempts to seek normalisation with North Korea were highly proactive, as was the shifting language in the Development Cooperation charters which, as Jain (2016, p.98) notes, suggests a greater degree of confidence in using ODA in coordination with the wider political goals of the Abe administration and the “proactive pacifism” agenda. These are indicative of proactivity within Japan’s diplomatic policy, even if Japan has at times in softer forms (such as untying aid and issuing the original ODA charter) responded reactively to *gaiatsu*. Calder (2003, p.616) himself, in reassessing the idea of the reactive state, speculates on how Japan’s policy could be pushed in a more proactive direction either through one of Japan’s “flashpoints” – including Korea – or by the failure of the United States to serve Japan’s security interests by proxy.

Japan is generally considered to be one of the major stakeholders in North Korea – along with South Korea, the United States, China, and Russia, who collectively comprise the members of the former Six-Party Talks framework. As these parties will almost certainly be involved in North Korea for some time, it is likely that Japan will seek to push diplomatically as a means to maintain its own influence in the region so that its interests are not side-lined and so that Japan is not left as a periphery actor on the Korean Peninsula in terms of state competition. Indeed, the use of ODA as a political tool by Japan for influence is well-documented in other instances in addition to what was already discussed in relation to the *Kantei*. For example, Reilly (2013, p.154) argues that Japan has used aid as a tool of influence in Myanmar both historically and that it might use it to counter Chinese influence in the present, while Dippel (2015, pp.25–26) argues that Japan has used aid to reward countries who vote with it in international organisations, citing the specific example of the International Whaling Commission. These are policy decisions marked by the influence of state competition and Japan’s proactivity to maintain or increase influence. O (2016, pp.60–64) discusses some of Japan’s geopolitical interests in North Korea – including the rising influence of China and the possibility of being drawn into a wider US-China divide over the country in the future, again in line with the state competition dynamic.

Calder (2003) ultimately concluded that Japan was still reactive, but these points about Korea (considering the growing military and nuclear capabilities of the Kim regime), and the US security umbrella (considering previous rhetoric from President Trump suggesting that the United States considered the security alliance to be “unfair”, or even that it might be weaponised against Tokyo in matters of trade (Smith and McClean, 2017, p.10) seem acutely prescient today and must be accounted for in any new analysis of Japanese diplomacy with North Korea. Indeed, the wider literature on Japan-DPRK relations suggests that this is likely to be directly applicable in the North Korean context. For example, Fouse (2004, p.102) argues directly that Japan’s North Korea policy has been one of enhancing its influence against competitors in China and Russia within the framework of the US-Japan Alliance, while Lankov (2015, pp.216–217) notes the presence of Chinese firms in present-day North Korea in the resource and transport sectors. Considering these factors, if Japan is to maximise its own interests vis-à-vis state competition on business opportunities, political influence or anything else if it would have to be proactive. In fact, Japan’s approach to North Korea already showcases the proactivity of its policy, and again ODA is emblematic of this; Japan has already “politicised” ODA to North Korea by publicly withholding it over the nuclear, missile and abductee issues (Reuters, 2008) while also weighing economic aid as leverage in future negotiations (Jibiki and Onichi, 2018). All of these are evidentiary of a Japan which takes a proactive North Korea policy where Japanese state agency is important in decision-making.

Ultimately, Calder's (1988) reactive state theory is controversial in today’s literature, but it was influential for decades and clouded numerous studies which tried to pronounce one way or another whether Japan was acting “reactively” or “proactively” to certain events. This is especially true of analysis of Japan’s engagements with North Korea, China and Vietnam; studies focusing on this include Hirata, (1998), Miyashita (1999), Katada (2001) with regard to China and Vietnam and Hagström and Söderberg (2006) and Hughes (1996) with regard to North Korea. Most reached conclusions with nuanced positions; that Japanese policy had elements of both proactivism and reactivism. However, the framing of these studies around this debate is in itself a fundamental limitation of the existing literature which exposes key ontological biases in the study of Japanese diplomacy. Fundamentally, this focus on proactivity or reactivity, while an important question

in itself, sometimes bypassed the agency of individuals and institutions, their individual roles, and their different policy perspectives and interests in favour of a unified analysis of the Japanese state. This thesis addresses this issue through the analysis of key institutions and individuals who formed policy; the neo-institutionalist approach allows for a higher degree of examination of institutional and individual agency than existing studies, even studies guided by formal institutional analysis.

## 2.5: Japanese Diplomacy with North Korea: Heroes, Villains, and Personality-Driven Discourses

In examination of Japan's diplomatic engagements with North Korea, much of the discourse has naturally focused on the Koizumi administration's efforts in the early 2000s, and since the failure of the Six-Party Talks almost all academic efforts have focused on the abductions issue. This, naturally, has focused on the "big names" – Prime Minister Koizumi, DCCS/CCS and later Prime Minister Abe Shinzō, and major figures in diplomacy such as Tanaka Hitoshi and Yabunaka Mitoji. These figures clearly played clear roles and are important points of analysis, but this approach has contrasted with the considerably more traditionally-institutionally focused approach to that seen in exploration of Japan's diplomacy with other countries. Rather than an integrated neo-institutionalist approach which would clearly integrate the roles of individuals with their wider institutional affiliations (the *Kantei*, the civil service, etc.), the literature has tended to focus on the headline issues or tie policy discussions into wider debates on the shifting nature of Japan's security discourse. Much of this is likely due to the inherent secrecy of discussions at the time – only Funabashi's *The Peninsula Question* (Funabashi, 2007) can be considered comprehensive in its use of high-level insider access and primary source documentation when analysing the issues of the Koizumi era through to the early parts of the Six-Party Talks. In a sense, policy analysis of Japan's interactions with North Korea has the opposite problem to that described in the previous section in that much of the existing analysis is personality-driven, particularly in relation to the latter years of the bilateral relationship under Prime Minister Abe, with a tendency to focus the bilateral relationship around domestic political agendas rather than analysis of the bilateral relationship in itself. In this, there is an overarching gap in the existing discourse to question why diplomatic actions have

failed to achieve their desired results; a significant problem which has led to the discourse becoming as fossilised as the policy which it examines. This section identifies the two themes which have come to dominate the existing discourse – the abductions issue and the issue of so-called contemporary Japanese nationalism – and examines why they alone fail to provide adequate explanations for the long-standing stall in Japan-DPRK relations.

### 2.5-I: The Abductions Issue, Public Opinion, and Domestic Politics

There can be no denying that the abductions issue is of vital relevance and importance to Japan-DPRK relations, and this is heavily backed by public opinion surveys which showcase the longstanding strength of Japanese public feeling on the matter (Cabinet Office Public Relations Office, 2016, p.19). Nonetheless, this alone is unconvincing in explaining the longstanding fossilisation of policy and the subsequent and severe “takeover” of the discourse. Japan has pursued diplomatic relations and economic exchanges with other authoritarian states with outstanding bilateral issues – Vietnam is an example of this during the period of the occupation of Cambodia, a topic explored most extensively by Pressello (Pressello, 2014b; Pressello, 2014a; Pressello, 2018) who points out Japan’s proactive engagement in attempting to resolve outstanding issues.

A significant strand of the existing literature explores what is perceived as a domestic-political motive in maintaining the abductions issue as a key element of public discourse by Japanese politicians. Analyses by Lynn (2006), Hagström and Söderberg (2006), Hagström and Hanssen (2015), and Isozaki (2022) are representative of this. Each of these argue that a primary factor in the perpetuation of the abductions issue was the use of it by politicians or the media (with a particular focus on Abe Shinzō across the entire timeframe) to advance their careers or individual interests. Lynn’s (2006, pp.507–508) analysis concludes that Japanese policymakers and members of the public, led by televised news media and stirred further by lobby groups such as the *Sukūkai*, allowed themselves to be drawn into a vicious and self-perpetuating outrage cycle over the abductions issue. (Hagström and Söderberg (2006, p.381) go so far as to characterise Japan as being in a state of “abduction frenzy”. In more recent works, Hagström and Hanssen (2015, pp.86–87) have argued that the abductions issue has become a key means to propel the redevelopment of Japan’s national identity from one of a post-colonial

aggressor to one of a peaceful victim of an external aggressor, while Isozaki argues that Abe's popularity skyrocketed on the back of the abductions issue (Isozaki, 2022). All of these articles mention Abe as the key hard-liner on North Korea, with most implying if not outright stating that the abductions issue was pushed hard by Abe for the sake of political expediency and career advancement (Lynn, 2006, p.501; Hagström and Hanssen, 2015, pp.79–80; Isozaki, 2022). This is a key issue of the existing analysis; much is tied to specifically the politics of the individual; Abe in particular acts as a sort of lightning rod for assumptions about the domestic political implications of the abductions issue, an issue which is tied heavily to the next section discussing the perceived rise of nationalist sentiment in Japan. It also follows a similar strand of analysis which alleges that Prime Minister Koizumi's overtures in the lead to the 2002 Summit were fundamentally self-serving and aimed at improving opinion poll ratings or otherwise at improving his own domestic political standing in light of other threats (McCormack, 2002b, pp.21–22; Fouse, 2004, p.10). The data gathered for this thesis did not accord with these points, as is discussed in later chapters.

There are two issues with this strand of analysis. First, it disregards the analysis of actual bilateral policy to a large extent, and second, it disregards the roles of non-politicians and the civil service, and in particular it deprioritises discussion of the business sector in relation to North Korea. This is despite the business sector's influence on much of Japan's diplomatic policy elsewhere as outlined in previous sections and as discussed in more detail in Section 2.5. In essence, the abductions issue and diplomacy with North Korea more broadly have become intertwined in this strand of literature with the careers of individual politicians. While this analysis is useful in pointing out the lack of policy space for politicians to pursue new initiatives with regard to North Korea (Lynn, 2006, p.506) and for establishing contextual background in how public opinion has informed the options available for specifically elected political leaders, it is fundamentally too narrow. It does not question why the abductions issue is a *uniquely* difficult bilateral policy issue, and it does not explore the roles of stakeholders outside the electoral system despite the voluminous input of civil servants, allies from the United States, and the business sector in other areas of diplomacy, tending towards a focus on individual personalities and, to a lesser degree, party politics. While the *Sukūkai* and *Kazokukai*, as civil society actors, are discussed, the discussion is sublimated into

how they have benefited or imperilled individual politicians. With the notable exceptions of Funabashi (2007) and Zakowski et al. (2018), little interest has been paid to wider institutional dynamics; this presents a large literature gap and stands in significant contrast to analysis of Japan's diplomacy with other countries.

Particularly absent is discussion of the role and influence of the business sector. The 2002 Declaration included a specific pledge of "economic cooperation" (Ministry of Foreign Affairs, 2002a), but this has not been seized on in the existing literature – indeed, it seems to have become something of a taboo in light of the abductions issue, with scarce mentions post-2002. For instance, Hughes (2006, pp.477–478) downplays the business sector's influence in relation to North Korea policy, stating that businesses have not been especially active in policy formulation since the early 1990s. Yet, historically, as established in previous sections, "economic cooperation" and business sector engagement have been key pillars of Japanese diplomacy; the promise of large-scale investment and infrastructure provision have been key weapons in the Japanese diplomatic arsenal. This has left the exploration of what, if any, planning or consultation had been done on this in advance of the 2002 Declaration or the Six-Party Talks as another significant literature gap. Indeed, the question of whether an apparent lack of substantiation on the offer of economic cooperation hindered Japan's diplomatic efforts is a significant theme in the later parts of this thesis, addressing this literature gap. These issues also tie heavily to the discourses on Japanese nationalism, which are the focus of the next section.

## 2.5-II: Structure and Agency: Personality-Driven Analysis of Japan-DPRK Relations

A prevailing trend in the literature has been the characterisation of Japan's North Korea policy as a vector for policies associated with nationalist groups who favour Japan's "re-militarisation" or "normalisation" of the Self-Defense Forces. The Hagström and Hanssen (2015) article mentioned in the previous section is one example of this trend, but it has become something of a recurring trope in criticisms of Japan's North Korea policy. Nonetheless, the narrow focus on this topic as an avenue of criticism has led to the neglect of analysis of other shortcomings in Japan's dealings with North Korea.

The most prominent voice in analysis of North Korea policy in relation to these topics is Hughes, who has written numerous articles and books on the subject. Hughes (2009) argues that Japanese policymakers have “super-sized” the threat of North Korea to pursue an agenda of military normalisation even if the actual threat level is low. Again, across several of his works, including some not directly related to North Korea, Abe is presented as the arch-hawk (Hughes, 2006, p.474; Hughes, 2009b, p.294; Hughes, 2016, p.114) or a nationalist. This strand of analysis is backed by other critics of Abe, such as Wada (2022), McCormack (2012) (who levels the same charge against Koizumi in several other works (McCormack, 2004; McCormack, 2005a)), Williams and Mobrand, (2010), and Sasada (2006). This narrative has, consequently, been a dominant one in the discourse. However, it is again narrowly focused, largely not seeking to answer the question of why the actual policy did not succeed, instead focusing solely on domestic political implications and making assumptions which are often based on personality rather than on the institutional structure. Again, personality undoubtedly plays a role, but the role ascribed to the Abe *Kantei* in particular is somewhat excessive. Indeed, there has been some pushback against this discourse - Jia (2023) characterises Abe as a “pragmatic nationalist” who, while maintaining firm advocacy for the abductions issue, was flexible where necessary and who adapted his administration’s North Korea policy around shifting geopolitical circumstances. Nakato (2013), similar to Jia (2023) essentially argues from a structuralist perspective, arguing that Japan has practiced “responsive engagement” with North Korea both in light of the constraints of the Security Alliance and the Abe-era policy of proactive pacifism.

Regardless, with much of the existing analysis focusing on personalities and the question of structure versus individual agency, there is considerable opening for analysis based around institutions, especially where the two approaches can be combined. North Korea is a unique case; structural constraints, as Nakato (2013) and Jia (2023) point out, have been central to policy formation, but it is also true that certain individuals, including Abe and Koizumi, acted as powerful agenda setters. This thesis combines the use of structure and agency-driven arguments by utilising neo-institutionalist analysis; through this, the thesis offers fresh insight into the causes of fossilisation in Japan’s North Korea policy. It examines the specific interplay between various Japanese institutions and individuals, using a

loose definition of institutions to emphasise that structural constraints themselves can be institutionally binding factors. In doing so, it attempts to blend the personalistic analysis seen in the existing North Korea policy literature into a more comprehensive analysis analysing the roles of individuals in their interactions with institutions.

## 2.6: The Japanese Private Sector, Diplomacy, and ODA Policy: Vietnam versus North Korea

The final point considered in this literature review is the role of the Japanese private sector, specifically as it relates to North Korea but also incorporating a brief foundational comparison of the Japanese private sector's role in Vietnam; Vietnam is the point of comparison in this thesis, and the role of the Japanese business sector there is a powerful one in policy development. The Vietnam case study makes clear the pressing need for a more detailed examination of the role of the Japanese private sector, or lack thereof, in North Korea policy.

The private sector's role is ubiquitous in examination of Japan's ODA policy, but as noted in the previous sections there is an absence of examination in the existing literature over the Japanese private sector's level of interest in North Korea policy. The most comprehensive existing work on the "business case" for North Korea is Lau and Yoon's (2001) edited book *North Korea in Transition*, which offers an insightful overview of why investors may be interested in North Korea, which is divided into five parts plus the introduction covering, respectively, political economy, development potential under reform, a comparison to other developing economies, social infrastructure, and industrial location. While rather idealised and somewhat outdated, the book is useful in that it is indicative of many of the features of North Korea (under reform) which may be attractive to private investors, as well as the macroeconomic effects of any "opening and reform", setting out a useful "optimistic case" for the private sector. For example, Noland (2001, pp.82–85) argues that any kind of opening at all would see major impacts on the North Korean economy, with light industry, mining, construction and services expanding dramatically – by a factor of 40 in the case of light industry – while capital goods and military production would likely decline, with a likely move of some 2.85m workers and former soldiers into light industry and an

average 3x wage increase. However, it is also ultimately concluded that such an optimistic outlook would be difficult to achieve without foreign capital, expertise and investment, with improved relations with Japan specifically cited as a way to guarantee investment (Noland, 2001, pp.85–87), presumably through both ODA and FDI, although without any specific detail about any plans which may have existed within Japan. This perspective is also discussed by Choe et al., (2005, pp.54–56), who note the potential for economic growth with reference to the mining and natural resources industries. These are areas which Japanese firms and policymakers have had a long history of interest in, even in states with otherwise poor reputations or where subject to *gaiatsu*, as outlined above.

More broadly, Sasada's (2019, p.1058) analysis finds that in recent years, the *Keidanren* has openly advocated for more overseas Japanese infrastructure projects and for the inclusion of Japanese firms in these projects, and that development consulting firms actively lobby host governments and survey for new infrastructure projects, forging strong collaborative links between Japanese aid agencies, NGOs, and corporations (Sasada, 2019, p.1068). This is again in accord with the views of Pitzen (2016) and Jain (2016), representing an evolution of the older and more critical discourse of the role of the Japanese private sector in ODA delivery. However, while evidentiary of both business interest in diplomacy and overseas development and the institutional strength of the linkages between the traditional institutional actors, the question is still open as to whether this would apply in the North Korean context, considering its poor international standing (in relation to the *gaiatsu* problem) and the general business environment.

It goes without saying that North Korea is a considerably more complicated case than most when it comes to the potential for business sector involvement. For example, it was noted in the previous sections how in the aftermath of the Tiananmen Square incident discussed by Katada (2001, pp.44–46), Japan both attempted to mitigate the level of sanctions from other donors and resumed aid after one year – a “soft” stance which was pushed for by Japan’s business sector, at face value appearing to be a clear example of private sector influence in diplomatic policy formation. However, Japanese firms had already invested significantly in China by this time, where no such investments have ever existed in North Korea – the pressure from the private sector came from an essentially defensive position

rather than one of desire for new investment, complicating the validity of this comparison. This section seeks to assess the scenario laid out above in relation to literature on similar scenarios elsewhere in Japanese diplomacy, with specific reference to Vietnam, a country ostensibly sharing similarities to North Korea insofar as it is politically communist-derived and authoritarian, and was internationally isolated at the end of the Cold War. The question is essentially one of whether the business sector, as a collective institutional actor, would seek or not to push for ODA to North Korea for its own benefit or whether it would be likely to follow the lead of other institutional actors.

## 2.6-I: Japanese Private Sector Engagement in Vietnam versus North Korea

Japan has long been a major contributor to Vietnamese development; in 2017 Japan was the largest aid donor and was the 2<sup>nd</sup>-largest source of foreign direct investment in Vietnam (Developmentaid.org, 2018, pp.5 & 14), and the sectors outlined by Noland (2001, pp.82–85) as likely to expand in North Korea – light industry, mining, construction, and services – have all been heavily targeted for investment in Vietnam historically by Japanese firms. It is perhaps because of this that it is one of the most heavily discussed locations in the Japanese aid literature, particularly as it pertains to present-day ODA practices. It forms an interesting basis for comparison to North Korea for this reason.

Even five years after the formal resumption of development assistance, at the point that Sumitomo began selling lots in the Thang Long Industrial Park in 1997, one of the earliest large-scale investments in the country by a Japanese MNE (Kuchiki, 2008, p.18), Vietnam was by numerous metrics in a worse position than North Korea. GDP per capita was \$348 (World Bank, 2020b) compared to \$1700 for the DPRK in 2015 (CIA World Factbook, 2020), and it had a lower literacy rate of 90.27 per cent compared to North Korea's 99.998 per cent<sup>19</sup> (World Bank, 2020c). Its transport infrastructure was also in a comparably poor state, with roads, ports, railways and canals considered to have been in severe disrepair by the early 1990s (Van de Walle, 1996, p.18) , as is commonly said of North Korea (Snyder, 2000, pp.528–529; Jung and Rich, 2016, p.4; Aoki, 2017, p.9). Thus, while the DPRK faces

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<sup>19</sup> Statistics are for Vietnam in 1999 and North Korea in 2008, which were the closest available years for data.

challenges which Vietnam had made more progress on by that time (such as a much lower electrification rate at just 43.81 per cent in 2017 compared to Vietnam's 78.4 per cent in 1997 (World Bank, 2020a)) on an economic level there are significant similarities between the two. Moreover, Freeman (2002, p.22) notes that even by 2002 Vietnam (along with Laos and Cambodia) still suffered from excessive regulation, corruption, and inadequate legal and intellectual property protections among a range of other issues. This is a consensus view backed by numerous authors writing within a similar timeframe (Trankiem et al., 2000, p.11; Meyer and Nguyen, 2005), and this indicates that opening to foreign investment in principle did not make FDI an easy endeavour in practice even years later. The same is likely to be true of North Korea even in a best-case scenario with normalisation with Japan and with ongoing reform efforts.

In Vietnam, the literature indicates that the light industry, mining, construction and services have been areas of focus for private investors, which indicates convergence between Noland's (2001) view on likely sectoral expansions in North Korea with Japanese business interests. In one case in 2012, a Japanese consortium of banks, including Tokyo-Mitsubishi UFJ, Mizuho, and Sumitomo-Mitsui Trust Bank, backed by the MoF, invested \$300m in bauxite mining in two Vietnamese provinces in a deal with Citi Vietnam and Vietnamese mining giant Vinacomin (Fong-Sam, 2014, 26.3). Another significant investment was made in the same year by Dong Pao Rare Earth Development Co., another Japanese firm, for rare-earth minerals in Dong Pao, one of the largest mines in Vietnam (Fong-Sam, 2014, 26.4). In terms of construction, the largest proportion of Japanese ODA to Vietnam – some 47 per cent, or \$6.64bn between 2007-2016 - went on transport infrastructure (Developmentaid.org, 2018, p.5). One example is the Ho Chi Minh metro, which is 88 per cent funded via Japanese development assistance and which Japanese firms<sup>20</sup> have been largely contracted to build (Smith, 2012; Briginshaw, 2014; Sato, 2015). This is in addition to other projects such as the Nghi Son Oil

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<sup>20</sup> Shimizu-Maeda Joint Operation and a joint venture between Sumitomo and Vietnamese firm Cienco 6 are each contracted to construct different sections of the first subway line. Shimizu-Maeda is constructing a 2km underground section with one station and Sumitomo and Cienco 6 are constructing a 17km elevated section with eleven stations. This comprises all but 700m of the 19.7km line. Additionally, the trains operating on the line will be built by Hitachi.

Refinery<sup>21</sup> (Idemitsu Kosan, 2018; Chiyoda Corporation, 2020) and Lach Huyen Port, funded as a public-private partnership but with Nippon Koei providing construction consultancy services (Do and Dinh, 2018; Japan International Cooperation Agency, 2018; Meinhardt Group, 2020). In services, Japanese firms have invested heavily in food and retail, with retailer AEON planning to expand from four shopping malls in 2019 to 20 by 2025 (Inside Retail Asia, 2019). Moreover, in services outsourcing, companies such as Itochu Group and KDDI have both made significant investments<sup>22</sup>, with the sector expected to grow further (Tomiyama, 2016).

The literature especially emphasises the role of light industry as the largest area of interest for Japanese firms, especially in manufacturing and processing, with most of the \$43.05bn in Japanese private sector investment going into these sectors, a view held by authors such as Do and Dinh (2018) and Takechi (2011, p.33). These are again in accord with what Noland (2001) predicted would expand in North Korea. This is also in line with Akamatsu's (1962, pp.3–4) assumptions under his theory on the stages of development, which might consider Vietnam to be an economy in the third or fourth stage of its development as defined by the creation of industries by overseas capital to produce primary goods, provisions and infrastructure, followed by the further development of “modern” industries by overseas capital. One example of this in the Vietnamese context is visible in the work of Kuchiki, who focuses on the Nomura Haiphong Industrial Zone and Thang Long Industrial Park (Kuchiki, 2007; Kuchiki, 2008). In addition to having both been funded and established by Japanese firms (Nomura Securities in the prior case and Sumitomo in the latter) (Kuchiki, 2007, p.119), both have been centres of Japanese manufacturing activity, with leaseholders including Canon, Honda, and Panasonic (Kuchiki, 2008, p.14). These investments were again supported by diplomatic policy in the form of ODA, with Haiphong Port and Vietnam National Highway 5 (linking the two) having both benefited from Japanese ODA loans (Kuchiki, 2008, pp.14–15). In this sense, Kuchiki's choices of case study exemplify

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<sup>21</sup> Designed and constructed by a consortium of five companies, including two Japanese – JGC Group and Chiyoda Corporation. Operated jointly by Idemitsu Kosan, Mitsui Chemicals, Kuwait Petroleum International and Vietnam Oil and Gas Group.

<sup>22</sup> Itochu Group's subsidiary Bellsystem24 acquired a 49% stake in Hoa Sao Group, a Vietnamese outsourcing company. KDDI established a centre to provide advisory services related to network management across South East Asia.

within themselves many of the institutional features of Japanese ODA and the symbiotic nature of public-private cooperation, offering further evidence of the continued relevance of the traditional institutionalist model and the works of Orr, Arase and Rix in the discourse of Japanese diplomatic policy. They are also in line with Noland's (2001) "optimistic scenario" for North Korea and Akamatsu's model of a country in the third or fourth stage of its development – but critically not one which had reached the point of wide-scale use of domestic capital (Akamatsu, 1962, p.3). Kuchiki (2008, pp.18–19) also cites the example of Canon's entry into Vietnam for manufacturing – arguing that the presence of Canon stimulated further investment by other firms to act as suppliers for its factories, including Japanese firms such as Sumitomo Coil. It is another clear example of how Japan's core policymaking institutions and business sector give mutual support, lending credence to the traditional institutionalist model.

Finally, countries such as Vietnam have long offered "low-hanging fruit" for Japanese construction firms which have benefited from ODA-related funding as a byproduct of diplomatic policy. It was noted earlier how Vietnam had a relatively low electrification rate in 1997, and how this is even lower in North Korea (World Bank, 2020a). The literature discusses projects which address this issue and issues like it in significant detail. Japan has rural electrification projects in several countries, including Vietnam which it has supported in this field since 1996 (Gencer, Meier, Spencer and Van, 2011, p.6), and if anything, this only provides further economic opportunities to a private sector with a long experience of constructing ODA-related energy infrastructure. There are currently six ongoing natural resource and energy projects in Vietnam alone, including the construction of a new coal power plant at Nghi Son in Thanh Hoa province by Marubeni Corporation (Nippon Export and Investment Insurance, 2019; Japan International Cooperation Agency, 2020), which is in line with Sasada's (2019) view that Japan has begun to return to a focus on major infrastructure in its ODA practices. North Korea offers many of these same low-hanging fruit. North Korea's poor electrification rate and provision compared to Vietnam and the construction of basic infrastructure may in itself create opportunities to incorporate the business sector in construction projects, even if it might be relatively more difficult for the manufacturing sector to invest in the short-term. This is again indicative of public-private mutuality and benefit in Japan's ODA delivery as a consequence of

diplomatic policy; the Japanese government funding of the Vietnamese energy sector not only creates direct construction-related opportunities for Japanese firms, but it also facilitates further investment in manufacturing by permitting a stable supply of energy to industrial regions. In the context of North Korea, these comparative examples offer useful evidence of private sector interest in developing countries in the areas outlined by Noland (2001, 82-85), and further validate his perspective. Indeed, the literature is unanimous in noting Japan's interests in the development of power generation infrastructure, and it is a widely discussed export. With North Korea widely identified in the literature as sharing this problem, the construction of basic generation infrastructure is likely to yield opportunities for business sector participation. Much of this discussion is linked to the request-based aid system, which some authors allege has either permitted the continuation of tied aid, is otherwise intended at self-enrichment rather than the genuine needs of the recipient country, or is simply inherently beneficial to the Japanese business sector (Arase, 1994, p.178; Hirata, 1998b, p.326; Sasada, 2019, p.1060; Insebayeva, 2024, p.50). Regardless of whether this is the case today, it offers further evidence of how the public sector and private sector can work in tandem on the development of a key component of diplomatic policy.

Collectively, these trends in Vietnam are indicative of the strength of the business sector and its interests among Japanese policymaking institutions, and validate the idea that the business sector's relative interest or disinterest will be crucial in determining the course of Japanese diplomacy to North Korea. A significant literature gap exists in examining what, if any, the role of the Japanese business sector actually *was* in the development of North Korea policy. While the previous works on Japanese business interest in North Korea are largely speculative, this thesis examines in more detail the actual role of the private sector in Japan's diplomatic engagements with the DPRK than has previously been considered by incorporating new interview and other primary data.

## 2.7: Conclusion

This literature review has provided an overview of existing paradigms in Japanese diplomatic policymaking, using ODA as a lens through which to examine political bargaining procedures in the Japanese system. It has contextualised this under the rubric of rational choice institutionalism and has used *gaiatsu* as a means to

elucidate on this. This was followed by a critique of the personalistic nature of how Japan-DPRK relations have been covered, focusing on what the author perceives as an excessive focus on the role of individuals at the cost of institutional and structural analysis. The literature review concluded with an exploration of the role of Japan's private sector, focusing on Vietnam as a means to critique the relative lack of coverage of North Korea.

This literature review has identified literature gaps in relation to each of these. There is a considerable lack of analysis on how the traditional model of political bargaining in Japanese diplomatic policymaking – specifically in relation to the Ministry and *Kantei* structure – has applied in the North Korean context, again with the notable exceptions of Funabashi (2007) and Zakowski et al. (2018). Even in this literature, there is a lack of incorporation of non-traditional institutions, which risks overlooking potentially important factors such as public opinion in political bargaining processes. The subsequent section examined the *gaiatsu* and national interest literature in relation to this and made a case for the incorporation of these non-traditional institutions into the thesis' analysis. In relation to existing Japanese diplomatic engagements with North Korea, the literature review identified a tendency to focus on domestic political agendas and individuals, in a way the opposite problem of the sometimes rigidly traditional institutional analysis seen in relation to other Japanese diplomatic policy analyses. Finally, the lack of significant discussion on Japanese private sector interest in North Korea was made plain by the comparison to Vietnam, despite factors suggesting such an analysis would be beneficial. The following chapter outlines the methodology used in the thesis to overcome these issues and build on the existing literature to reappraise why Japanese diplomatic policy towards North Korea has for so long fossilised while failing to achieve its desired objectives.

## Chapter 3: Methodology

### 3.0: Introduction

As noted in the previous chapter, this thesis, in seeking to better understand the long malaise in Japanese diplomatic policy towards North Korea, employs comparative analysis to the Japanese experience in Vietnam backed by primary data from elite-level interviews. The comparison between Vietnam and North Korea is a unique and novel contribution to the existing literature; while the two countries are extremely different today, their geopolitical environments and levels of relative international integration in the early 1990s were very similar, with both being internationally isolated at the end of the Cold War and with both taking tentative steps to reform and open their respective economies. They share further similarities in their theoretical comparative advantages and disadvantages from an economic perspective, with similar demographics, levels of education, natural resource endowment, and levels of economic development in the early 1990s. Of course, today, North Korea remains internationally isolated – perhaps to the greatest degree of any country in the world – while Vietnam is experiencing rapid growth, regional integration, and unprecedented levels of prosperity. In this sense, the thesis’ approach to comparative analysis is simultaneously a most-different and most-similar systems design; it explores the divergence of the experience of Japanese diplomatic policy towards North Korea and Vietnam, examining how one approach failed where the other succeeded despite similar starting points. This chapter explores the comparative basis for North Korea and Vietnam in more detail, and examines the difficulties faced during the data-gathering portion of the project.

### 3.1: Research Questions

When this research project began, the central research question asked what the political imperatives were of Japanese diplomacy with North Korea. Answering this relied on adequately examining and exploring the continued institutional relationships features within the Japanese diplomatic and ODA delivery systems, the perceived challenges and opportunities of developing a diplomatic relationship with North Korea in the long-term, and the strength of interest of the private sector, which has traditionally been a major player in Japanese policymaking. The

literature covers some of these topics – for example, the institutional features and tendencies of ODA – a fundamental component of Japanese diplomacy towards Vietnam in particular - are extensively explored in legacy works such as those of Rix, Orr and Arase, and in more recent works such as Kato and Feasel (Orr, 1991; Rix, 1993; Arase, 1994; Feasel, 2015; Kato, 2016), as explored in the literature review. The challenge for this project is in specifically testing these institutional features, relationships and tendencies in relation to North Korea and how they have impacted diplomatic policymaking since the end of the Cold War, examining Japanese diplomatic actions and why they have failed to achieve foreign policy objectives for Japan such as the prevention of missile and nuclear testing, the release of the remaining 12 abductees, and normalisation of ties. This is achieved by contrast to Vietnam, where Japanese diplomats have been largely successful in achieving Japan’s foreign policy goals in the country. The existing literature naturally places the blame on North Korea’s own actions, but there is a significant literature gap in examining what factors precluded Japan’s success within its own institutions; this thesis addresses this literature gap with a strong focus on the Japanese institutions themselves and how the relationships between them formulated responses in Japanese diplomatic policy. The thesis finally seeks to understand the lasting impacts of the respective diplomatic policies; why has one *continued* to fail while the other has *continued* to succeed?

Considering these factors, the literature review generated the following core research questions:

1. Why were Japanese diplomatic efforts largely unable to achieve Japan’s foreign policy objectives in North Korea despite a similar starting point to Vietnam in the post-Cold War context, and what factors have applied in Vietnam which have made Japanese diplomatic policy there more successful?
2. Within the Japanese political system, what factors led to the generation of diplomatic policy in relation to both North Korea and Vietnam and how were they different?
3. Why do the respective vicious and virtuous cycles of diplomatic policy in Japanese-North Korean and Japanese-Vietnamese relations continue to perpetuate, and what lessons can be learned from these cycles?

The first question relates to the point that in the early 1990s North Korea and Vietnam were in similar positions internationally. Both states were internationally

isolated (Kesavan, 1985, p.88; Hughes, 1998, p.392; Miyashita, 1999, p.696), with prominent political issues overshadowing the respective bilateral relationships. In Vietnam's case this was the ongoing occupation of Cambodia (Pressello, 2014a) and in North Korea's case it was security issues in addition to other problems such as visitation rights for Japanese spouses<sup>23</sup> and, to a lesser degree, the abductions issue (Hughes, 1998, pp.390–399). In both cases, there was a degree of optimism over reform efforts, with Vietnam's *Doi Moi* reforms signalling changes which would open the country to foreign investments from 1986 and introduce market-economic principles (Schellhorn, 1992, pp.231–232) and North Korea creating a series of Special Economic Zones and laws to facilitate foreign investments from the early 1990s (Suh, 1993, p.99). The end of the Cold War created similar factor conditions in both, with both losing much of the significant financial support which they had received as client states of the USSR (Fahey, 1997, p.473; Goodkind and West, 2001, pp.220–221). Both were keen to attract foreign investment, with specifically Japanese aid and investment being sought out by North Korea, and Japan was the largest aid donor in the world at this time (Suh, 1993, p.99; McGrath, 1994, p.2119; Ministry of Foreign Affairs, 1994a). In essence, both were in similar economic and geopolitical positions as the Cold War ended – isolated, but taking steps to remove this isolation, and with major, looming issues obstructing their relationships with Japan. The similar starting point makes the question of divergence an interesting and unique one; where Japan “reconnected” with Vietnam in 1992 as ODA resumed, efforts to normalise with North Korea proved repeatedly fruitless. The research question asks why this was the case.

The second question is intended to fill the literature gap relating to Japan's own domestic institutions on the diplomatic issues surrounding Vietnam and North Korea. While some analysis exists of specific points of diplomacy, such as Funabashi Yoichi's *The Peninsula Question* which closely examines the 2002 Summit through to the Six-Party Talks (Funabashi, 2007), does exist, with this particular source being a keystone text in analysis of Japanese diplomacy with North Korea, a comprehensive comparative analysis between North Korea and Vietnam examining internal processes within Japan is absent. This is despite voluminous literature examining institutions within Japan more broadly. The

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<sup>23</sup> Japanese spouses who had relocated to North Korea with their families as part of a Red Cross-organised relocation programme in the 1950s (Hagström and Söderberg, 2006b, p.378).

aforementioned works of Arase (1994), Orr (1991), and Rix (1993) in particular are seminal works in understanding Japanese ODA practice. ODA was key element of Japanese engagement with Vietnam, and it remains a key inducement for North Korea, yet institutional analysis is largely confined to specific problems and is rarely applied comparatively. This research question provides the opportunity to resolve this literature gap; any Japanese “vision” for North Korea, such as it may be, is likely to be multifaceted and complex, comprising political and security issues as well as purely economic ones which will vary heavily depending on the specific institution. On one hand, politico-security issues are high priorities for the Japanese public, with polling by the Cabinet Office confirming that 81.4, 66.7 and 59.9% of people are interested in the abductee, the nuclear, and missile issues respectively while just 13% are interested in economic exchanges (Cabinet Office Public Relations Office, 2018, 19). On the other hand, the response to this is likely to vary among different governmental and non-governmental institutions which each have different interests and policy priorities, such as re-election for Diet politicians or other bilateral relationships for MoFA civil servants. The interplay between these different interests and the results on generated overall policy are thus of particular interest in a comparative study where it can be determined if internal political acrimony or accord particularly helped or hindered the resulting overall policy.

The third question seeks to understand why Japanese policymakers have failed to achieve significant results in North Korea since the return of the five abductees in 2002 compared to Vietnam where the bilateral relationship has only gone from strength to strength. It is little exaggeration to say that Vietnam is the jewel in the crown of Japanese achievements in the sphere of development assistance. Japan is the largest overall aid donor to Vietnam as well as Vietnam’s second-largest investor and fourth-largest trading partner (Sang, 2021, p.3) and it has been at the forefront of providing large-scale capital financing for the construction of economic infrastructure via loan aid (T.V.H. Nguyen, 2022, p.382). In part as a result of Japan’s efforts, Vietnam’s transformation since 1992 has been nothing short of extraordinary; an inspirational story of a country which had suffered decades of conflict and international isolation only to unlock, with international assistance, its full potential and in the process enormously improve the prospects and standard of living for its citizens. Such transformation has been markedly absent in North

Korea despite significant and high-profile engagement and normalisation attempts by Japan in 1990 under Kanemaru Shin and in 2002 under Prime Minister Koizumi. Japan and North Korea have never established formal relations and aside from food aid the only significant example of economic aid to North Korea in any form was Japan's participation in the KEDO (Korean Peninsula Energy Development Organization) framework in the 1990s and early 2000s, and even this was done through a multilateral intermediary process and with reluctance in the Japanese government (Kartman et al., 2012, pp.13, 68). The abductions issue would come to dominate Japanese North Korea policy thereafter, and this deadlock has never been broken. One bilateral relationship entered a powerful and sustained virtuous cycle, and the other entered a powerful and sustained vicious cycle. The third question seeks to understand and compare the perpetuation of these cycles, examining why policy to one country has achieved almost all of Japan's major policy objectives while policy to the other has stagnated. These research questions therefore position the project well in finding an answer to the fundamental question upon which the research is based – what are the political imperatives of Japanese diplomacy to North Korea?

### 3.2: Theoretical Grounding: Neo-Institutionalism and Policymaking Institutions

Institutional analysis is key to much of the existing literature on Japanese diplomacy and development assistance. The “iron triangle” model and the *Yonshochō* framework which feature so heavily in legacy works such as those by Arase and Calder (Calder, 1988; Arase, 1994) are themselves examples of this, with the institutions in question framed as the primary units of analysis and largely excluding the roles of individuals. Nonetheless, traditional institutional analysis has significant constraints, with a focus on formal rules and organisations, and a tendency towards normativity with a focus on “good governance” (Lowndes, 2018, pp.55–56). Indeed, these are significant issues of the iron triangle and *Yonshochō* analytical frameworks. Because of these limitations, this thesis adopts a neo-institutionalist approach to analysing Japanese diplomatic and ODA policy, incorporating not only traditionally-defined institutions, but also more loosely-defined institutions such as public opinion, since neo-institutionalism focuses on the informal as well as the formal (Lowndes, 2018, p.61). It draws heavily from, but

does not strictly adhere to, the historical institutionalist branch of neo-institutionalism, with a focus on temporal context, historical turning points, and structural constraints (Fioretos, 2011, p.371). It also incorporates elements of actor-centred institutionalism in the analysis of Prime Ministers Koizumi and Abe, attempting to strike a balance by neither being too structure-led nor too agency-led.

The grounding in neo-institutionalism was formulated as a result of the findings in the literature review regarding the iron triangle analytical model. The iron triangle as a political concept is applied to a wide variety of policy areas in the existing literature, including energy and environmental policy (Sakaguchi et al., 2021; Watanabe, 2021), agricultural policy (Shimizu and Maclachlan, 2021, pp.415–416), industrial relations (Altura et al., 2021, p.16) and postal reform (Maclachlan, 2004) among numerous other fields, with minor variations of the key interest groups in each and little revision otherwise. The construct has endured largely as it was originally conceived, despite decades of evolution in the Japanese political system and despite the vastly different circumstances in which policies can take place. The term is used generally in a pejorative sense. Echoing the words of Prime Minister Koizumi, several authors talk of “breaking” the iron triangle construct in the Japanese political system, which is conceived as a means to improve the efficiency of public expenditure and to reduce the possibility of corruption (Rakhmanko, 2015, p.2), to increase fairness and equity of distribution of government resources (McCormack, 2002a, p.21) and to increase transparency and representation in the policymaking process (Sakakibara, 2003, p.56). However, these existing analyses have two significant limitations; they take a normative approach in that they frequently examine what they believe Japan’s political system *should* be rather than what it *is*, and they ignore important external factors, particularly foreign pressure and public opinion, outside of the LDP-private sector-civil service construction seen in the traditional embodiment (Colignon and Usui, 2001, p.869) of the model.

Outside of North Korea-related works, public opinion in particular has long been ignored as a factor in research on Japan’s diplomacy, despite voluminous evidence to suggest that it has been impactful in various spheres. In the case of diplomacy with North Korea, the literature review made clear that public opinion was of paramount importance, particularly over the abductions issue, with polling

indicating the strength of public feeling acting as a constraining force on policymakers and indicating that some 77.7% of the public believe the abductions issue to be a point of major concern (Ministry of Internal Affairs, 2023). The inability to consider this under the rubric of the traditional institutionalist “iron triangle” analysis led to the decision to utilise a neo-institutionalist framework in viewing public opinion as an institution and the general public as agents of policy influence in their own right, which is a key point of distinction from the older literature which considers only the role of the LDP, the private sector and the civil service. In this sense, the thesis also draws on the discursive institutionalist literature by elevating the importance of the discursive contexts in which policies were formulated (Schmidt, 2008). This follows the approach of other academics on North Korea-related studies, such as the works of Lynn, Hagstrom and Hanssen, and Yamamoto which have incorporated public opinion as primary areas of analysis (Lynn, 2006; Yamamoto, 2009; Hagström and Hanssen, 2015). This is intended as a means to fill the existing literature gap and explore the role of public opinion more deeply in shaping diplomatic policy, not only with regard to North Korea but in a more generalisable sense with regard to Vietnam as well.

More broadly, both traditional and neo-institutionalist analyses have been dominated primarily by political realist and rational choice-based thought. Again, the existing iron triangle construct, which fundamentally assumes an interest-driven (and rather cold) cost-benefit transactional process in political bargaining processes in Japan, is a powerful embodiment of this. This omission ignores the agency and the personal convictions of the individuals involved, and their level of influence on impressing these on the institutions in which they worked. In particular, with regard to Prime Ministers Koizumi and Abe, the most significant strand in the existing literature attempts to ascribe their policy decisions to either electoral gain or ascribes their decisions to a narrow nationalist agenda under larger institutions, such as Nippon Kaigi or the *Sukūkai*. Examples of this include Hughes (2009, p.294) who argues that Japanese conservatives have collectively exaggerated the threat of North Korea to pursue a military normalisation agenda, and McCormack (2005, p.7), who argues that the Koizumi administration simply followed the United States on North Korea policy in order to more easily pursue a nationalist image in Japan. In these readings of events, core policymakers lack agency or ideals of their own; they are simply subservient products of traditionally

defined conservative institutions in Japan or the United States and their policies are results of political bargaining processes to achieve other outcomes.

This was not borne out by the data collected for this thesis. Interviewees provided evidence which demonstrates the powerful agency and influence of individuals on the policymaking process, guided by their own ideals and morals. This thesis acknowledges the importance of political bargaining, but it also seeks to acknowledge the agency of the individuals *within* institutions, overcoming a common criticism of both traditional and neo-institutionalism which, while initially formulated with such analyses in mind, has steadily evolved to exclude individuality (Suddaby et al., 2013, p.106). In a sense, this thesis therefore seeks to return to the roots of neo-institutionalism and combine analysis of traditional and nontraditional institutions with the role of key individuals within those institutions, drawing on elements of the actor-centred institutionalist tradition by examining how actors shaped and were shaped by their respective institutional contexts (Jackson, 2009, p.9) in relation to North Korea and Vietnam.

Considering these factors, a neo-institutionalist approach was considered suited to overcoming the common pitfalls and tropes seen in analysis of policymaking in Japanese diplomacy. By broadening the definition of institutions to include public opinion and by incorporating deeper analysis of the roles of individual policymakers within each institution, a theoretical framework derived from the iron triangle model was formulated, a diagram of which can be seen in Figure 1.

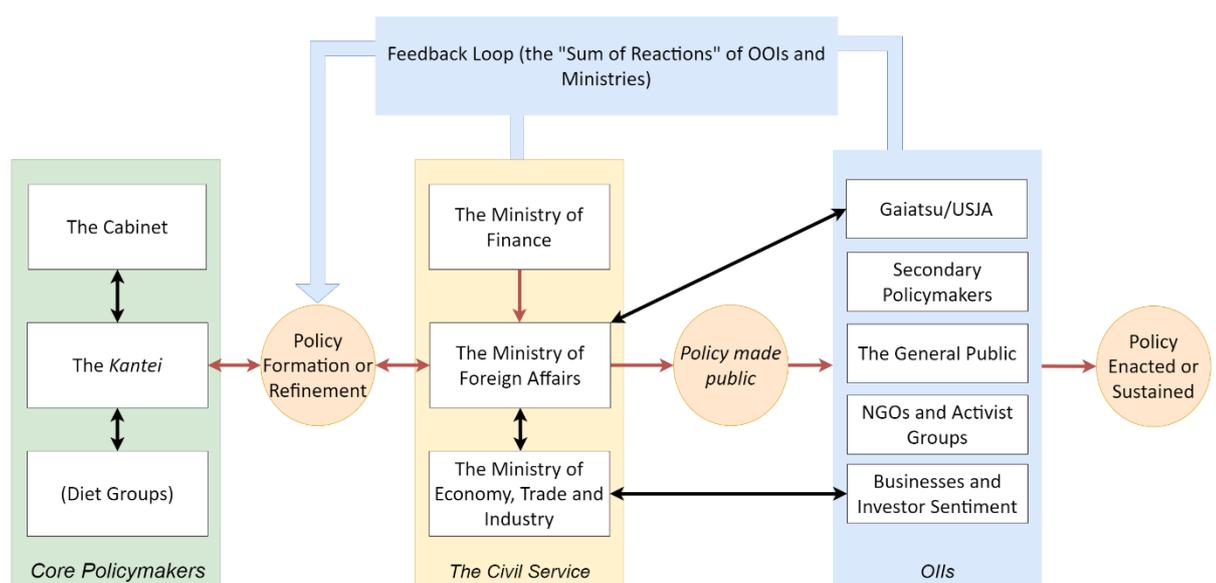


Figure 1: The theoretical framework of institutions examined in this thesis.

Broadly, the diagram is split into three components. These are core policymakers, the civil service, and OIIs (other interested institutions). Depending on the specific circumstances of the analysis, alterations can be made. For instance, Diet Groups have occasionally been at the forefront of policymaking. Core policymakers or civil servants are positioned as creating and refining policy, with a progression to the policy being made public. The reaction from OIIs then refines the policy in question. OIIs are formulated as being unable to initiate policy, but they are envisioned as able to block or alter policy. Like the iron triangle, it envisions core policymakers and civil servants as the drivers of policy, but while it still acknowledges the business sector as a key component, it does not necessarily prioritise it above other OIIs. Business interest can be a powerful force in Japanese policymaking, but it cannot necessarily overcome the combined weight of *gaiatsu* or public opinion. It can, however, play a deeper role in policymaking than other OII actors, which is indicated by the arrow between it and the Ministry of Economy, Trade and Industry, following from the work of Arase (1994, p.172) which argued that the private sector is structurally included in ODA policy formation and that this is a key distinguishing feature of the Japanese system.

Chapters 4 and 5 establish the model at different historical points in Japan-North Korea and Japan-Vietnam relations, following an approach broadly in line with historical institutionalism by focusing on specific historical turning points and junctures (Fioretos, 2011, p.371). The model in graphical form is used to demonstrate political bargaining processes and is accompanied by detailed analysis of the roles of the major institutions. Chapters 6, 7, 8 and 9 continue the analysis of the relevant institutions, and showcase how policies were created or perpetuated over time over both North Korea and Vietnam using the model at their respective historical “turning points” – the 2002 Summit in North Korea and the 1992 resumption of ODA in Vietnam, again broadly in line with the historical institutionalist approach. Ultimately this thesis contributes to the neo-institutionalist literature the concept of *institutional accord*. This is the concept that in the Japanese political system, the need for consensus leads to extreme outcomes, having created a powerful vicious cycle in North Korea and a powerful virtuous cycle in Vietnam, but that if institutional accord is achieved, the policy outcome is likely to be strong and sustainable in the long term. In doing so, this thesis contributes to the broader historical institutionalist and actor-centred

institutionalist literatures by applying their theoretical assumptions to the context of Japan-North Korea and Japan-Vietnam relations, being careful to balance between structure and agency factors in drawing its conclusions.

### 3.2-I: Defining Trust in Democratic-Autocratic Engagement

A final point relates to the issue of democratic-autocratic engagement and the role of trust. While a secondary objective compared to the examination of the specifics of Japan-North Korea and Japan-Vietnam relations, this thesis seeks to create a generalisable framework for analysis of democratic-autocratic diplomatic engagements, and in doing so it is important to define what trust is assumed to be. It expands on older analysis under the De Tocquevillian assumption that democratic states would be disadvantaged against autocratic states in international relations because in the separation of powers they would lack the requisite unity to uphold policy long-term or negotiate finer details (Garrett, 1972, pp.482–483).

This thesis tests some of these ideas in relation to the institutional accord model and expands on them by providing both evidence strongly in support of this concept in the North Korea case study, and strongly against it in the Vietnam case study. Ultimately, the Vietnam case study demonstrates the strength of democratic institutions when they are in a state of relative unity in deepening policy sustainability, while the North Korea case study highlights the consequences of democratic division.

In contrast to the definitions provided in the literature review, Hoffman's (2002, pp.394–395) construction of the concept of trust provides perhaps the most useful foundational basis for the purposes of this thesis. Trust is defined by Hoffman as “an actor’s willingness to place its interests under the control of others based on the belief that those actors will honour their obligation to avoid using their discretion in a harmful manner” (Hoffman, 2002, p.394). This thesis slightly revises this definition by incorporating an element of Larson’s conception of what is necessary to build trust in the form of a consistent policy (Larson, 1997, p.704), and by incorporating neo-idealist and liberalist assumptions on regime type and regime behaviour (Kydd, 2007, pp.20–21; Tallis, 2022, pp.115–116). Trust is therefore defined in this thesis as *an actor’s willingness to place its interests under the control of others based on the belief that the other party will follow through on advancing those interests.*

There are three reasons for defining trust in this manner. These are the fundamentally unbalanced natures of both Japan-North Korea and Japan-Vietnam relations, the general lack of presence of security issues in Japan-Vietnam relations, and the somewhat exceptional nature of North Korea as a state with a long history of breaking international agreements. On the first point, Japan is obviously in a far stronger position than either North Korea or Vietnam in terms of economic power, and considering the presence of the US-Japan Alliance it is also arguably in a stronger position in hard power terms as well. This was a complicating factor in North Korea, but in Vietnam Japanese policymakers exercised considerable independence from the policy preferences of the United States. It is important to acknowledge that Japan could have exercised this leverage had it so wished; for the other party, it is reasonable to assume that this would have been a factor in any calculation on trustworthiness. This is why the Hoffman definition forms a useful basis for this thesis; one of Hoffman's criteria for measuring trust is the presence of discretion-granting policies, or policies which "transfer the capacity to determine political outcomes to others" (Hoffman, 2002, p.385). In essence, this would mean Japan forgoing some of its bargaining power, which it did in Vietnam through non-coercive and ownership-based policymaking.

The second reason is specific to Vietnam; security concerns were at most a minor issue in the pre-1992 era, and only became prescient in the 2010s and later. Even then, to the degree that security concerns were a factor, they were shared rather than adversarial in nature because both were responding to threats from China (Nguyen, 2016). This is why it became important to construct a definition outside solely realist-derived assumptions on international anarchy and the security dilemma, which are prominent in much of the trust literature (Hoffman, 2002, p.394; Kydd, 2007; Keating and Ruzicka, 2014, p.754). Instead, it is more useful to define trust more broadly as the belief that the trustee party will follow through on the interests of the trusting party. This is especially relevant to the Ishikawa Project and the Vietnam-Japan Joint Initiative covered in Chapter 7.

The final reason is specific to North Korea. North Korea, even before the 2002 Summit, had a long-established reputation for renegeing on international agreements and for acts of provocation and bad faith. Several major trust-breaking incidents discussed in Chapter 6 (Foley, 2002, p.179; J.H. Ahn, 2017), as well as the

Taepodong test (Solingen, 2010, p.3) created an inherent background of mistrust, and Japanese policymakers would have likely held significant fears of the kind of “cheating” mentioned in much of the trust literature (Larson, 1997, p.705; Jervis, 1999, p.49; Hoffman, 2002, p.389). Indeed, this thesis argues that this is a key driving factor in the vicious cycle today, and Japan’s requirements for mitigating against this kind of cheating are a key focus of Chapter 8. The fundamental dilemma is that with mistrust so high, Japan’s verification requirements would make it extraordinarily costly for it to successfully induce North Korea. Under these circumstances, it is beneficial to define trust in a manner suited to trust in individual agreements rather than generalised state to state trust.

### 3.3: Primary Data Collection

The project collected much of its original data through 13 in-depth elite interviews, with a focus on former government officials, Japanese civil servants from the *Yonshochō*-related ministries described in the literature review, and the Japan International Cooperation Agency (JICA). Academics and journalists with related knowledge or past experience relating to the events discussed in the thesis were also interviewed. Quality was prioritised over quantity; all but one of those interviewed were in high-ranking positions with direct experience of working in diplomacy, industry, or development assistance. In line with the neo-institutionalist grounding for the thesis, it was considered that directly interviewing those who were heavily involved in the relevant institutions and had experience of the events discussed in the thesis to the greatest degree possible would yield the most insight in relation to the research questions, with a small overall sample size meaning that even a small pool of interviewees would reach a point of saturation. In total, 64 invitations were extended, with 13 responses.

In addition to these, and owing to the practicalities of conducting a research project on Japan during its long period of border closure during the pandemic, significant supplemental primary source data was gathered from official documents, with approximately 40 from Japanese ministries, agencies, or parts of the government, around 30 from JICA, and around 10 from Vietnamese ministries<sup>24</sup>, taking the form of studies, reports, surveys, white papers, and policy documents. A

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<sup>24</sup> Numbers may not be precise due to cross-publication. Not all documents were utilised in the final version of the thesis.

smaller selection was also gathered from other sources, such as the *Keidanren* and various industry groups such as the World Steel Association, again considering the neo-institutionalist grounding and considering these to be representatives of business sector interests. Additional quantitative data was gathered from the Observatory of Economic Complexity, the World Bank, and the OECD. Primary documents were examined in a mixture of English and Japanese, with machine translation sometimes used to search for key terms but then with manual verification carried out to ensure accuracy. Finally, additional data was gathered from the existing testimonies of public figures gathered elsewhere, in the forms of press interviews, television interviews, or book quotations.

Interviews were largely conducted in-field with interviews carried out in person in Japan. One was also conducted by email and two by Zoom calls, and one was a joint interview per the preference of those involved. Ritchie, et al. note that data samples for qualitative research projects such as this are typically small and below fifty in size, a criterion which this sample size accords with (Ritchie et al., 2014, pp.117–118). Similar recommendations on sample size are given by Mason (2010, 12-13) who notes that some 85% of PhD projects meet Ritchie, et al.'s size criteria, with the most common sample size being 20-30 (Mason, 2010, pp.12–13), leaving this project slightly below the average in the literature. However, this is justified by the nature of the topic; the quality-over-quantity approach, in finding interviewees who were most deeply involved with and had extensive experience of their respective area, meant that even within this small group robust triangulation was possible. This design, using individuals who were poised to offer information based on direct experience was in line with the approach to design described by Rubin and Rubin, who suggest that informants should be knowledgeable, experienced, and come from a variety of different perspectives (Rubin and Rubin, 2005, pp.64–67) – criteria certainly met by the sample pool. More broadly, this method is also in line with the data collection methods used by other authors in the fields of Japanese diplomacy and development assistance, including Arase, Miyashita, and Söderburg, although none of these list specifics in terms of sample size, personnel interviewed, rank, or specific position (Arase, 1994; Söderburg, 2002; Miyashita, 2003). The main ethical risks were perceived as reputational and economic harm, with a small but non-negligible risk of physical harm also being present owing to the sensitive nature of North Korea-related issues in Japan.

### 3.3-I: Interview Questions, Modes, and Methods

Interviews were semi-structured, with questions individually tailored to the expertise and experience of the interviewee at hand. Previous studies have found that policy elites tend to prefer open-ended questions that allow them to formulate answers within their own frameworks, and that they dislike close-ended questions (Aberbach and Rockman, 2002, p.674). As with selection, a quality-over-quantity approach was used in interview protocol design, with probing questions being used extensively to follow up on key points in each interview, as “fewer questions, better probes” (Delaney, 2007, p.210) is an established principle of success in qualitative interviews with policymaking elites. While questions were individually tailored, they nonetheless followed the same key themes and were guided by the same key research questions; what did the interviewees believe to be the causes of the main points of success and failure in diplomatic policy in their area of expertise, what institutional factors were involved (in line with the neo-institutionalist framework), and what did they believe to be responsible for the continued success or failure of diplomatic policy? This also allowed for interview protocols to be designed responsively – if one interviewee made a particular assertion, it could then be tested against another interviewee, which led to several fruitful avenues of enquiry while guarding in certain instances against positions which were not widely held. These are discussed in Section 3.3-V. As previously mentioned, interviews were largely face-to-face and took place between October 2022 and January 2023 (with one additional interview in October 2021), with one email interview and two Zoom interviews supplementing these. The oral interviews varied in length; the shortest was around 45 minutes and the longest was around 90 minutes. Interviews were conducted in a mixture of Japanese and English, with the researcher’s wife (a Japanese national and native speaker) having interpreted for the Japanese language interviews and with interviewees having been able to select in advance which language they preferred. The researcher followed the advice laid out by Hartley (2017, pp.119–128) who discusses strategies for conducting interviews with Japanese elites, and although the advice is tailored toward conducting these interviews in third-party countries, it was expected that many of the same institutional and cultural traits related to this group would be similar. For initial contact, Hartley suggested the use of business councils, chambers of commerce, and alumni associations for gathering contact

details, followed by the sending of physical letters and business cards which were hand-signed and available in both Japanese and English (Hartley, 2017, pp.120–121). These techniques were all employed during recruitment.

Hartley also warns against the tendency of Japanese interviewees to use prepared scripts in the initial stages of interviews, advising that the interviewer should use this time for rapport-building instead where possible, and that there can be a tendency to speak in a manner which abrogates the individual responsibility of the interviewee by answering based on publicly available information or pre-existing documents (Hartley, 2017, pp.125–126). This did occur on two occasions out of the 13 interviews but nonetheless progressed to fruitful conversations. These issues are also raised in Harvey (2011), discussing the interviewing of elites more widely, broadly concurring with Hartley (2017), on the importance of immediate rapport-building and the need to challenge for further information when necessary by having conducted extensive research prior to the interview (Harvey, 2011, p.434). This advice was utilised extensively in the interview process; first, the backgrounds of interview targets were researched as comprehensively as possible, which was intended to establish a relationship with the interviewee as a knowledgeable partner rather than as a newcomer to the topics being discussed. Second, the interview was responsive and asked for more detail where necessary if the answers given were felt to be lacking in detail or in any way “rehearsed”. Third, as previously mentioned, some answers were checked against other interviewee testimony to ensure triangulation. These formed effective safeguards and ultimately all interviews conducted provided useful data or points of triangulation.

Face-to-face interviewing was considered the ideal method for a number of reasons, although the long period of Japan’s border closure due to COVID-19 meant that face-to-face interviews were delayed until a late stage of the project. The question of whether other modes of interview can attract the same level of data quality as face-to-face interviews is controversial within the literature. While some, such as Sturges and Hanrahan (2004, pp.113–116), argue that there is little difference between telephone and face-to-face interviews where the research is not ethnographic in nature or does not otherwise require personal interaction, others warn against their use. Rubin and Rubin (2005, pp.125–126) caution that while telephone interviews can be useful when resources are limited or when interview

targets are widely geographically dispersed (which was not applicable to this project, as most were within travelable distance of the interviewer's base university in Japan), they also present additional challenges in rapport and trust-building and the ability of the interviewer to respond to non-verbal cues, a point which the researcher found useful when assessing interview data. More broadly, Mason (1996, p.46) emphasises the importance of reflexivity and non-verbal communication – indirectly advocating face-to-face interviews where these complexities are considerably easier to deal with over such modes as telephone, letter or email interviews. This is further emphasised by Harvey (2011, pp.434–436), suggesting that the interviewer must use visual cues to adjust how they present themselves for different interviewees, who may feel more or less comfortable depending on this, while also acknowledging that it is preferable to have a limited interview, such as a telephone interview, than no interview at all. For these reasons, a pragmatic and flexible approach was taken. Interviewees were offered a choice of interview methods, with most opting for in-person interviews, two opting for Zoom interviews, and one opting for an email interview. However, data collection paused for a significant period of time during Japan's border closure, and the researcher had few responses before conducting in-person fieldwork in Tokyo. Recruitment garnered significantly greater success after the border reopened and face-to-face interviews became possible.

VoIP software (such as Zoom and Skype) was considered the next-best option after face-to-face interviewing. VoIP software, while useful in ensuring wide participation, can have similar limitations to telephone interviewing in that it limits the ability of the researcher to see non-verbal cues (Iacono et al., 2016), although this was still more possible than with hypothetical telephone interviews. Email shared some issues with VoIP interviews. Again, the ability to pick up on nonverbal cues was lost, and other disadvantages included the reduced ability of the researcher to be responsive or the risk of an interviewee losing interest or otherwise omitting answers which they may have given in a verbal interview (Meho, 2006, p.1292; Opdenakker, 2006, pp.9–10). However, the use of email in one case had the advantage of permitting the possibility of an interview with someone who could not have otherwise participated; these disadvantages were considered acceptable to gain access to an additional interviewee.

### 3.3-II: Ethical Issues and Risk Mitigation

While a low-risk project, there were nonetheless risks which were accounted for in the research design. The main risk through the conducting of interviews as part of this project was of causing reputational or economic harm to interview subjects owing to the sensitivity of the topic of North Korea in Japan, with Japanese public opinion on North Korea being extremely negative (Silver, 2017). These issues were particularly acute considering the recent history between the two countries and, indirectly, the strained state of relations between Japan and South Korea during the data collection period, with some groups in Japan, especially online nationalists (*netto uyoku*) not distinguishing between North Koreans, South Koreans, and Japanese-resident *Zainichi* Koreans in their discourses (Sakamoto, 2011). This was further problematised by a trend of racial and nationalistic discourse in Japanese print media – some works of which even reach best-seller status (Kawai, 2018, p.290).

Reputational harm was perceived as the highest risk to participants. Japanese public discourse on North Korea is tied heavily to the abductions issue, with the discourse having painted those who were perceived as obstructing a resolution to the abductions issue (in the sense of neglecting the abductees in favour of normalisation) or being overly soft on North Korea having typically been described in such terms as “traitors” – the nationalistic former Governor of Tokyo Ishihara Shintaro even publicly spoke of how certain Ministry of Foreign Affairs civil servants involved in North Korea issues “deserved to die” (Hagström and Hanssen, 2015, pp.77–78), and the researcher was aware of these comments when designing the project. While such comments were considered unlikely to lead to direct physical violence, the condemnation from senior public figures would have undoubtedly caused reputational harm to the individuals in question. Hagström and Hanssen (2015, p.78) note the example of reputational harm to Hirasawa Katsuei – an LDP politician who was himself a noted critic of North Korea, but who opened secret diplomatic negotiations with the DPRK – deviating from the view that sanctions alone would resolve the issue, and being forced to step down from his positions as Vice Minister for Internal Affairs and Communications and as Secretary-General of the *Rachi Giren* group. This is a clear example of the reputational harm which can ensue from being perceived as being in any way “soft”

on North Korea in Japan. This issue was perceived to have been a particular risk among civil service and government interviewees, with Japan having low levels of public trust in its national government, the Diet and political parties<sup>25</sup> (Genron NPO, 2019). With already low levels of public trust in these institutions, the risk of reputational harm was considered all the more sensitive.

This was related to the issue of economic harm. In the event that individuals were linked to policies perceived as “pro-North Korea”, then they may have suffered economic harm in the form of job losses or loss of custom depending on the circumstances of the individual interviewee. While it was expected that, due to the scale of the institutions being targeted for sampling, any economic impacts would be small, the risk nonetheless was present and if economic harm to an individual was felt on any level, it may have jeopardised opportunities for future researchers. It is also notable that, in the past, *netto uyoku* groups have specifically targeted institutions linked to Korea with phone attacks or targeted attacks on social networking services (Sakamoto, 2011), which presented a risk of both reputational and economic harm if carried out as a result of the research.

There was also considered to be a risk of physical harm, albeit small, as has been experienced in the past by Japanese officials involved in relations with North Korea. These risks are demonstrable in Tanaka Hitoshi, a former Ministry of Foreign Affairs diplomat who led secret negotiations with the DPRK, endured negative publicity in the media as a “traitorous villain”, and later had a bomb planted at his residence by members of an extremist right-wing group (McCurry, 2003; Lynn, 2006, p.493). Extreme-right nationalism is not representative of mainstream Japanese public discourse, but anti-Korean groups such as the *Zaitokukai* nonetheless engage in racist attacks and harassment, and they also launch public attacks on those deemed “sympathetic” to Koreans in Japan (Ito, 2014, p.438). Such groups also employ language to provoke physical violence (Ito, 2014, p.439), making this risk impossible to rule out. Likewise, the subculture of *netto uyoku* who, while generally limited to online interactions, also use violent language when talking about Koreans (Sakamoto, 2011), also presented a non-

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<sup>25</sup> 36.4%, 22.4% and 29.4%, express positive views (“A great deal of trust” and “Quite a lot of trust”) in the national government, the Diet, and political parties, respectively, while 54%, 67.6% and 60.4% express negative views in these same groups (“Not very much trust” and “None at all”) (Genron NPO, 2019).

negligible risk in this sense, especially considering the possibility of incendiary comments such as those by Ishihara Shintaro discussed above. This could have been said of the participants themselves, the organisations which they are representing, or even the researcher himself if any identifiable data were to be leaked. Again, it should be stressed that this project was low risk, but it was paramount that all risks were minimised by maintaining anonymity among interview subjects and protecting their data adequately in line with the requirements of the University of Leeds and wider ethical norms for qualitative research.

To protect against these risks, all participants were assigned pseudonyms and denoted only by profession. To allow for the right of withdrawal, a document was created and saved on the researcher's University of Leeds OneDrive account with a participant key. In the main body of the thesis, these pseudonyms take the form of Academic A, Ministry of Foreign Affairs Official A, or similar. The most specific is labelled as Cabinet Member A, but this was agreed to by the participant and was considered unavoidable. All recorded data was saved to OneDrive where participants had consented, and physical notes were stored securely. Participants were given a right of withdrawal until the thesis' submission date, and two specifically requested to review how their testimony had been used before agreeing to participate. Only the researcher and supervisory team had access to the data, although because of the need for translation some interviewees were known to the interpreter (which had been agreed in advance by participants). Upon publication, all remaining data will be deleted; owing to the highly specific nature of the topic and the specificity of expertise of each participant, if the interview data were to be made accessible in full, then individuals would become too highly identifiable. All participants were fully informed with a participant information sheet in both English and Japanese and all gave signed consent before any interviews took place.

### 3.3-III: Interview Sampling

Interview subjects were primarily sampled via the identification of recurring, key individuals in the literature and via snowball and convenience sampling thereafter, while also bearing in mind the neo-institutionalist framework of the thesis. In addition, a small number of personal contacts known to the author's family with

relevant experience were interviewed. These sampling methods were intended to allow for both the interviewing of individuals with relevant experience and practical knowledge of Japanese diplomatic policy toward North Korea while also ensuring a sample representative of diverse groups, including former or present government officials, representatives of different Japanese ministries and agencies, (including JICA), and people with extensive direct field experience in either North Korea or Vietnam. A roughly equal split of interviewees with a Vietnam focus and a North Korea focus was utilised at the invitation stage; in total, of those who formed the final sample eight had a North Korea focus and five had a Vietnam focus, with some having a small degree of crossover experience – this was the result of 64 individualised invitation letters sent by physical mail where possible and email where not possible, aside from a small number of outliers who were invited via personal contacts. Civil servants and former politicians, the groups most critical to the project's success, presented particular access challenges. Initial access was the greatest challenge when dealing with these groups. For this reason, personal contacts were leveraged to gain contact with civil servants. Sampling was purposive; specific civil servants and politicians, based on the neo-institutionalist framework and the wider literature, were sought out and invited, and although only one politician ultimately agreed to participate, their information as a very senior politician who had formerly been a member of the cabinet was extremely valuable.

Individuals with publicly available contact details were prioritised. In addition to civil servants, there was an emphasis on academics and university staff who were thought likely to be able to combine practical experience with broader knowledge Japanese diplomacy, ODA, public-private linkages and the national and international politico-economic environments on these issues, and in the final sample five were current or former civil servants and four were academics. The project envisioned as an ideal that the expertise of those in multiple groups would be drawn upon for a broad and diverse range of experiences and views on the research questions listed above. This was intended to increase the overall validity of the findings by offering a safeguard against institutional biases. Ultimately, this constituted a hybridised approach combining several forms of non-probability sampling. Initial sampling was quota-based, seeking roughly equal numbers of participants with North Korea and Vietnam-related expertise. Within this

framework, purposive sampling was used to target interview subjects of suitable experience and knowledge, with several deliberately targeted as they were featured heavily in the literature. Convenience sampling was also carried out by targeting accessible public figures, with a particular emphasis on those who held academic positions or who operated private businesses or had press contact information. Finally, after initial interviews were conducted, snowball sampling was utilised, although this yielded fewer results than the individualised letters. Ultimately, quality prevailed over quantity. With the time for fieldwork limited to only two months, the researcher chose to focus recruitment efforts on those who were considered most likely to be able to offer valuable data, and almost all participants held senior positions in their respective fields. Due to this, despite the relatively small sample size, the researcher felt able to reach a point of data saturation, with questioning designed to triangulate specific ideas in a responsive manner as the fieldwork progressed.

### 3.3-IV: Supplementary Primary Source Data

The main interview data was backed by rigorous analysis of additional primary data sources in the form of white papers, policy documents, feasibility studies, and reports, in addition to the use of public data sets such as those offered by the Observatory of Economic Complexity, the OECD, and the World Bank. This essentially allowed for a mixed methods approach incorporating both qualitative and quantitative primary data; this approach was selected because of the increased ability to triangulate data from numerous sources (Bowen, 2009, p.28), and because it was applicable to the neo-institutionalist framework in that it allowed data to be categorised into three groupings corresponding to the three core pillars in Figure 1. As with interviewees, there was also an element of convenience sampling; with the COVID-related closure of Japan to overseas researchers, archive access was impossible, and so only online documents and sources were utilised. Additionally, most diplomatic documents are still classified, particularly pertaining to the North Korea side of the project, because Japan, like many countries, seals diplomatic records for 30 years (United States Office of the Historian, 2023), meaning the most recent records were from between 1989 and 1993 considering the start date of the research. The timeframe on which the research focuses largely takes place between 1990 (the Kanemaru Shin visit to North Korea) and the

present day, with only a small component of analysis of the relationship between Japan and Vietnam in the late 1970s and 1980s, meaning that there was little crossover between the publicly available diplomatic archives and the project's major areas of focus.

For the first grouping, the core policymakers, documents were gathered from the *Kantei*, the Cabinet Office, and to a lesser degree from political party documents and political histories and biographies, particularly *Koizumi Diplomacy* (Shinoda, 2007), *The Peninsula Question* (Funabashi, 2007), and *Japanese Relations with Vietnam 1951-1987* (Shiraishi, 1990). These latter three books in particular are detailed sources, in all cases written by authors with high degrees of access, and were invaluable in drawing the conclusions made in the thesis. *The Peninsula Question* in particular is a seminal work in the field, containing data from interviews with diplomats from all six countries involved in the Six-Party Talks and with an exhaustive account of both the 2002 and 2004 Japan-DPRK Summits (Funabashi, 2007, pp.xi–xii). This was a vital historical record particularly in analysing the perspectives of Prime Ministers Koizumi and Abe. A small number of speech excerpts were also utilised, as were secondary-source interviews with some of the figures in question. As this was the most difficult area to gather direct interview data, with only one participant agreeing to be interviewed, these sources played a particularly important role in the core policymaker group. Analysis of government documents was intended to identify key issues and the impact of institutional relationships in diplomatic policy, such as, how core policymakers and civil servants interacted and how they incorporated the needs of the private sector and public opinion into their policymaking. These sources were also intended to gain a better understanding of the roles of certain individual politicians in policymaking processes. This is especially true of the roles of Koizumi and Abe, although it featured as a point of analysis more heavily on the North Korea side of the research than the Vietnamese side.

For the second grouping, the civil service, numerous online documents were gathered; these comprised policy documents, reports and studies directly from ministries and agencies such as JICA, and a limited number of interviews with relevant figures such as *Behind the Curtain*, a documentary interview with figures involved in the 2002 Summit such as Tanaka Hitoshi produced by NHK (Anon,

2022). A very limited number of documents were also accessed from archives and the National Diet Library, although again the 30-year rule precluded access to most of these. However, the availability of online documents proved a particularly fruitful avenue for the Vietnam side of the thesis, allowing for detailed analysis of specific projects such as the North-South Express Railway and the Ishikawa Project, which are discussed heavily in chapters 9 and 7, respectively. Ministry sources were also useful in determining the significance of historical events and changes in institutional thinking over time; this approach to primary document analysis has long been a feature of the study of Japanese development assistance, such as the works by Purnendra Jain (Jain, 2014; Jain, 2016b; Jain, 2016a) which have analysed changes in Japan's ODA charters in relation to domestic political-economic issues. These documents were less "personal" than in the core policymaker group where individuals were a much greater focus of analysis. It was therefore necessary to triangulate documents to ensure their veracity and to link concepts to key individuals involved in each process, which was again helped by the use of political histories.

Finally, for the third grouping, the OIIs, a mixture of approaches was taken, but public opinion, activist groups, and the private sector were prioritised for analysis. For public opinion, quantitative data on public opinion from credible sources such as Japan's Ministry of Internal Affairs and Genron NPO (a Japanese independent think-tank and polling organisation) (Genron NPO, 2023) was utilised. Due to cost and geographical constraints, conducting an original public opinion survey was not considered a feasible data collection technique, and in particular the Ministry of Internal Affairs' annual public opinion surveys on diplomacy formed a useful proxy for assessing public attitudes towards North Korea in numerical terms allowing for long-term tracking of trends since 2000, which was compiled into an Excel document. Qualitative data was also used; discourse analysis of print media from major Japanese national newspapers (archived online) provided robust evidence, although considerably less data existed for Vietnam than it did for North Korea. While this was limited in that it did not allow for specific questions to be asked, the annual Ministry of Internal Affairs survey allowed the tracking of key topics among the public, particularly on normalisation, the abductions issue, and security-related issues pertaining to North Korea. Excerpts from the key activist groups were straightforward to obtain. These groups maintain active websites for publicity

purposes and in conjunction with their identified importance in the literature this allowed for analysis of their positions and relative impact. Finally, for the private sector, numerous documents from industry groups, such as the World Steel Association, and individual private company websites in relation to their business activities were used. Again, analysis of print media from major Japanese and Vietnamese newspapers was also useful in establishing key events and case studies, particularly in Vietnam.

As with the interview data, the core themes examined in each were tied to the research questions and focused on institutional linkages, perceived successes and failures in diplomatic policy, and the factors in the continued success or failure of such policies. These documents were in a mixture of Japanese and English with a small number of Vietnamese-language documents also used. Where in Japanese or Vietnamese, machine translation was used to identify key terms before manual verification was carried out by the researcher. While this was limiting in the sense that information may have been missed if the correct search term was not applied, it nonetheless allowed for access to Japanese-language sources which may otherwise have been inaccessible. To the greatest extent possible, the data gathered from primary documents was also triangulated against quantitative data from numerous publicly available data sources, in particular the Observatory of Economic Complexity, the World Bank, and OECD Stat, which each permitted deeper analysis of both the reasoning behind policy decisions and also their outcomes.

### 3.3-V: Limitations

The primary limitations of this study have already been alluded to; the short fieldwork period, the inability to access data which remained classified or in physical format only, and the natural limitations created by the coronavirus pandemic. The fieldwork period, lasting between October 26<sup>th</sup>, 2022, and January 10<sup>th</sup>, 2023, was limited primarily by cost; the researcher's budget only allowed for this period of time, and considering year-end holidays in Japan this allowed for an effective fieldwork period of around two months. Had more time been allocated for fieldwork, it might have been possible to further increase the sample size further or conduct more archive-based research, but considering the time allowed the quality-over-quantity approach to interview sampling was deemed the most

strategically viable course of action. Nonetheless, considering the position of the interviewees approached, a point of adequate saturation, backed by extensive use of other primary sources, has been reached.

The coronavirus pandemic and the Japanese government's late point of reopening, with no firm commitments to reopening dates through the pandemic, effectively resulted in a lengthy delay to fieldwork. Indeed, the fieldwork period began only 15 days after Japan reinstated the visa waiver programme for British nationals (Ministry of Foreign Affairs, 2023). This presented two significant problems. First, it was impossible to access physical materials held in archives, and in-person interviews were almost all held near the end of the writing period of the thesis. The researcher acknowledges the limitation that the lack of physical archive access has had; it may have been possible to gather further data particularly on the pre-1992 period of Japan-Vietnam relations by accessing the Ministry of Foreign Affairs Diplomatic Archive, a period most heavily discussed in Chapter 5, but the researcher felt unable to collate adequate data on this period from alternative sources, particularly from *Japanese Relations with Vietnam 1951-1987* (Shiraishi, 1990) and existing secondary sources about the period. Considering the 30-year rule previously mentioned (United States Office of the Historian, 2023), however, it is unlikely that any important publicly accessible archive documents pertaining to time periods post-1993 were missed since they remain sealed. Likewise, the brief discussion on Kanemaru Shin's visit to North Korea in Chapter 4 was triangulated with interviewees who experienced the 2002 Summit and with secondary source documents since the visit was held on a party-to-party basis and was relatively well-publicised.

The second and larger issue came from the lateness of the interview data and the difficulty of incorporating it into the research which had already been completed. To guard against the possibility of confirmation bias, interview questions were designed with triangulation and fact-checking in mind as a core objective in addition to simple fact-finding. The researcher used the interviews to check major hypotheses which had already been written about based on secondary sources; in several instances this led to major reworks of existing sections as narratives in the literature were challenged by interviewees with more direct experience. Nonetheless, the researcher acknowledges that this was a danger of the lateness of

the interview data; while the researcher was careful to guard against such confirmation bias, this limitation, insofar as it could have resulted from unconscious bias in the writing process, should nonetheless be acknowledged.

Three major changes resulted from the lateness of the interviews to the arguments made in the thesis. These were a significant downplaying of the importance of the role of DCCS Abe Shinzō through the Koizumi period and his first term as Prime Minister, a reduction of the importance ascribed to Japan's relative economic decline compared to China, and an increase in the importance of the roles of the Ishikawa Project and the Vietnam-Japan Joint Initiative in Japan's engagements with Vietnam. Based on early reading on the role of DCCS Abe, the thesis originally hypothesised and argued that Abe's known stance as a North Korea hawk may have been a defining factor in the Koizumi-era secrecy over negotiations. It also argued that Abe's stance as a hawk was a significant factor in the decision to employ sanctions on North Korea from 2006, with both of these arguments having been given considerable coverage based on the secondary source literature. In essence, it was argued that Abe presented a major obstacle to achieving institutional accord and that the decision to sidestep him was deliberate. When tested against interviewees, however, this argument was not borne out. Interviewees were near-unanimous in arguing that the decision to employ secrecy had been a purely pragmatic one, and that in any case Abe was very loyal to Koizumi (Ministry of Foreign Affairs Official A, 2022; Ministry of Foreign Affairs Official B, 2022; Journalist B, 2022; Cabinet Member A, 2023). Across all the interviewees who had dealt with North Korea issues, including some who had known Abe personally, only one had thought that Abe might have carried any resentment over his exclusion from the process leading to the 2002 Summit (Ministry of Foreign Affairs Official A, 2022; Ministry of Foreign Affairs Official B, 2022; Journalist B, 2022; Cabinet Member A, 2023). This had originally been a leading argument in Chapter 4, and while it is still acknowledged in Section 4.2-II, it was significantly reframed and reworked; ultimately, the author concluded that whether Abe had actually been a hawk did not actually matter, only that North Korea would have *perceived* him as one.

The second major change, which relates to Chapter 8, was over the importance of Japan's relative decline economically against China. The thesis originally

hypothesised that Japan's relative leverage and inducement power over North Korea declined significantly with the passage of time as China overtook it as the largest Asian economy. This hypothesis was not reworked to the same degree that the argument on Abe was, but interviewees ascribed to it considerably less prominence than it had originally been given. Two interviewees also made the point that since Japan's economic inducement would have been reparations-based that it would have come without strings attached (Ministry of Foreign Affairs Official A, 2022; Ministry of Foreign Affairs Official B, 2022). As a consequence, while this argument is still incorporated into Chapter 8, it was downplayed compared to its original incarnation; the argument is incorporated into Sections 8.1-I and 8.1-II, which deal with the decreased relevance of the Pyongyang Declaration and the ineffectiveness of sanctions, respectively. Rather than being presented as a major factor in Japan's inefficacy in achieving its policy objectives in North Korea in itself, the argument was ultimately utilised to contextualise Japan's current position and establish that North Korea's options have expanded since 2002.

The final change arising from interview data was a significant increase in the prominence and importance of the Ishikawa Project and the Vietnam-Japan Joint Initiative in the thesis text. These were mentioned in the draft chapters which had been completed to the point of the interviews, but it became clear upon interviewing those with experience of them that they had initially been severely undervalued. In pre-interview drafts of Chapters 7 and 9, these were referenced only within the context of general technical assistance. The references from Hatakeyama and Amatsu (Hatakeyama, 2008; Amatsu, 2022) are among the few English-language sources which discuss them in detail, but interviewees even without prompting stressed the importance and criticality of these efforts for Japan's development assistance efforts in Vietnam. In the final version of the thesis, a significant line of argument is that the scale of the Ishikawa Project in particular was something which could not have happened without institutional accord owing to the scale of the resources necessary to implement it and its unique and largely unprecedented nature. This line of argument was a direct result of interview data which stressed the scale and importance of the Ishikawa Project; it became a key area of focus as a result and was significantly expanded on in the final text. As a result of this, the broader role of technical and intellectual assistance gained much

greater prominence than earlier drafts which had prioritised only loan and grant aid.

### 3.4: Comparative Analysis Between North Korea and Vietnam

As noted at the beginning of this chapter, North Korea and Vietnam represent what is simultaneously a most-similar and most-different systems design. Analysis is fundamentally based around a comparative small-N model using two case studies, which is in line with methodological norms (Ryan, 2018, pp.272–273). The comparative basis was alluded to in the literature and in the research questions section of this chapter, but fundamentally, North Korea and Vietnam both began as isolated, authoritarian states with communist-derived political ideologies at the end of the Cold War and both were making tentative steps to open to foreign investment; one country failed to successfully “reform and open” while the other is a prosperous and rapidly growing economy. From fulfilling the criteria of most-similar systems analysis at the divergence point, the two countries now essentially fill the criteria of most-different systems analysis. The question this thesis seeks to answer is why Japanese diplomacy was successful in working with and guiding one while failing to do the same in the other, meaning that they can be considered a most-different systems design in terms of Japanese diplomatic outcomes. As noted by Halperin and Heath (2017, pp.212–213), comparative analysis is an inevitable part of political research, and it is useful in testing the extent to which different theories apply. In the context of this project, the comparative analysis is intended to allow for analysis of diplomatic policy outcomes – what did Japanese diplomats do successfully in the Vietnamese case that they failed to do in the North Korean case, what institutional factors played a role in this, and how have these institutional factors perpetuated success and failure in these two countries for Japanese diplomatic policy?

Vietnam compares closely with North Korea in a number of additional ways which reinforce the validity of this comparison. North Korea has comparative advantages in the potential for economic growth, the availability of a motivated workforce, and a favourable geographical location (Choe et al., 2005, p.53). These points are similar to the perceived comparative advantages enjoyed by Vietnam within the literature. It shares North Korea’s status as having ostensibly communist-derived political and legal systems, and both sit on vast mineral wealth (Nguyen et al.,

2021, p.1; Makowsky et al., 2022). Significant diplomatic resources were utilised in attempting to address their outstanding foreign policy issues towards the end of the Cold War, with Japan taking powerful roles in both the Agreed Framework in Korea via KEDO (Kartman et al., 2012) and in negotiations to end Vietnam's occupation of Cambodia (Hirata, 1998a). Finance was used as both a carrot and a stick towards both North Korea and Vietnam; in North Korea, the prospect of reparations gave way to economic sanctions (Struck, 2002; Japan Times, 2022), while in Vietnam aid was suspended with the prospect of resumption offered if Vietnam withdrew from Cambodia (Hirata, 1998a). Both had or have powerful external guarantors who were or are geopolitical rivals for Japan; for Vietnam the Soviet Union provided powerful backing despite the actions of the prior in a complex and sometimes terse relationship (Stoecker, 1989, pp.v, 13–14), just as China continues to provide assistance to North Korea today in a similarly complex and terse manner (Lankov and Ward, 2020). The history of Japanese diplomatic interaction thus has numerous parallels in terms of what might make Japan interested in them, what difficulties Japan faced, and in how Japan has interacted with them.

Of course, no comparison is perfect. North and then unified Vietnam had already achieved diplomatic normalisation with Japan in the 1970s and received a small amount of ODA from it (Shiraishi, 1990, p.47; Japan International Cooperation Agency, 2013, p.3), where North Korea has never had formal relations with Japan and has only received assistance via food aid and through the Korean Peninsula Energy Development Organization (KEDO) framework, which had the objective of providing North Korea with two light-water nuclear reactors in exchange for halting its nuclear programme (Söderburg, 2006, p.443). This is the main difference when comparing the two. It might also be said that the Vietnamese occupation of Cambodia never reached the same level of interest among the Japanese public as did the abductions issue, but that difference only applies to the post-2002 period. Prior to 2002, while it would be incorrect to say that Japanese public opinion towards North Korea was warm, it certainly did not have the same level of fossilised hostility as the post-2002 period, a point discussed in Chapter 6. Finally, Vietnam never presented the same direct security threat to Japan as does North Korea. Nonetheless, the major bilateral issues in Vietnam, both past and present, have security implications; the balance of relations in Southeast Asia

during Vietnam's occupation of Cambodia was deeply related to a geopolitical landscape from which Japan could not escape (Hirata, 1998a, p.146), and today Vietnam has become a vital part of Japan's overall security strategy from both military and economic perspectives in a bid to hedge against growing influence from China (Sang, 2021). While the security threats may differ in form, security is a powerful motivator for Japanese policymakers in both bilateral relationships.

### 3.4-I: Generalisability and Validity in Comparing North Korea and Vietnam

Generalisability has long been considered to be a key issue with small-N and qualitative research in general when compared to large-N research designs (Coppedge, 1999, p.465; Winter, 2000, p.6) due to the lack of comprehensive empirical data and the application of only a small number of cases. Nonetheless, this research was designed to be generalisable in certain contexts and a key output has been the concept of institutional accord, itself intended to be a lasting framework for analysis of other cases in the Japanese political and diplomatic spheres. The research is most generalisable when framed as analysis of how Japan has engaged diplomatically with autocracies. It has taken the two most extreme examples of what the end results of this can be in order to derive generalisable results for how such difficult diplomatic engagements can be successfully navigated in the future, and the implications of this are discussed in the conclusion chapter. The potential for selection bias remains a limitation, but the potential ramifications of this are justified by both the availability of the data and the accessibility of interviewees. If an older instance of substantive engagement with an autocracy, such as Japan's post-normalisation engagements with China, had been selected, then the availability of interviewees considering the passage of time and the availability of documents considering the pandemic would have severely diminished the ability of the researcher to gather the requisite data. Vietnam, as a country with an ongoing and robust relationship with Japan and easily accessible primary source documentation even from overseas, was considered the best choice for comparison to North Korea in light of these factors.

Comparative analysis using multiple case studies began being employed to increase the robustness of findings without sacrificing the depth of single case studies, while also having advantages for generalisability in some cases (Herriott and

Firestone, 1983, p.14). This was thought to be the best fit for analysis on North Korea. North Korea itself is an outlier in almost every aspect; for the findings to be generalisable at all, an additional test case to increase the external validity of the findings was required. Again, Vietnam, which began in a similar position but saw a completely different outcome, was thought to be the best case for this. The thesis effectively explores a “divergence point”, allowing North Korea and Vietnam to become “what if” scenarios for the other. As the thesis sought to understand a specific set of institutions and their relationships in how they relate to Japan’s diplomacy and their behaviour in specific contexts such as engagements with autocratic states. A comparison between perhaps the greatest failure of Japanese diplomatic engagement with an autocratic state and perhaps the greatest success of diplomatic engagement with an autocratic state was thought appropriate, and this allows for the discussion of a broad range of issues related to the success and failure within each, laying bare why or why not certain factors played out in each case study. These factors are generalisable in numerous diplomatic and development scenarios, and perhaps even in the wider study of policy outcomes in the Japanese political system, although testing this would have been beyond the scope of this thesis. The limitation to just two case studies allowed for the maximum possible depth to be extracted from each. In addition to the relatively high degree of external validity, the internal validity of the project is also high. Despite the small sample size, the quality-over-quantity approach to interviews and the substantial use of primary source documents meant that the research was able to reach a point of saturation with all major points effectively triangulated.

The question of validity also raises the point of why large-N analysis was not employed. Large-N analyses using quantitative datasets are useful for testing generalisations on a wide scale but lack the depth of case studies or small-N analysis and are sometimes criticised as overly reductionist (Coppedge, 1999, p.465), and so were thought not to fit especially well with this specific, qualitative-centred project pertaining to a country which is an extreme deviant case. Large-N analysis involving North Korea was considered unlikely to be practicable in any case considering the dearth of quality data which exists on it. In one example, Eberstadt (2009, pp.18–19) notes that while official statistics do emerge from North Korea from time to time, the DPRK’s ability to suppress hard data has been, “absolutely breath-taking”. This has indeed been the experience of the researcher

while writing this thesis, only made more extreme by the coronavirus pandemic and the tighter-than-ever sealing of North Korea's border to international organisations and potential escapees into China and South Korea (Office of the High Commissioner on Human Rights, 2023). While datasets are used to support the project where relevant, in any study on North Korea they cannot practically form the core basis of any analysis due to their limited availability and their fundamental unreliability. Due to this, a qualitative case study approach is utilised; this was considered the only practical means to research this thesis.

*Part I: Japan and Institutional Accord*

# Chapter 4: Institutional Accord and Japanese Diplomacy with North Korea

## 4.0: Introduction

Since the end of the Cold War, there have been two notable attempts at normalising relations with North Korea by Japan. The first, led by Kanemaru Shin as a powerful and influential but nonetheless unofficial representative of Japan, took place in 1990 and resulted in the Three-Party Declaration, which, while ostensibly positive in its outcome, was received poorly in Japan itself and would go on to problematise the relationship for the next decade. The Three-Party Declaration contained a promise of financial compensation to North Korea, in addition to a number of alleged personal pledges by Kanemaru himself (Hughes, 1998, p.398). The 2002 Pyongyang Summit was attended by Prime Minister Koizumi Junichirō and resulted in the Pyongyang Declaration, in which Japan promised “economic cooperation” to North Korea after normalisation which would be concluded “as early as possible” (Ministry of Foreign Affairs, 2002a; Söderburg, 2006, pp.441 & 444). Of course, neither came to fruition, and the current climate of bilateral relations does not suggest that normalisation, economic cooperation or, indeed, any kind of diplomatic thaw will happen in the immediate term. Nonetheless, the nature of the negotiations, the motivations behind them, and the behind-the-scenes politics which took place internally within and between the relevant institutions offer insight into what the imperatives of a successful Japanese diplomatic policy towards North Korea might eventually be.

As noted previously, this thesis argues that a lack of institutional accord, or the inability to achieve a requisite measure of consensus, has been a significant factor in the failure of Japanese policy towards North Korea. As explained in the introduction chapter, this is an original theoretical concept which has been unexplored in the existing literature. While it goes without saying that North Korea itself is an extremely difficult country to negotiate with, considerably less analysis has been conducted within the existing literature on issues on the Japanese side beyond the issues presented by the abductions issue. This chapter argues that the failure to onboard all major stakeholders – to achieve institutional accord - in

advance of the 1990 and 2002 normalisation attempts was detrimental to the prospect of maintaining momentum and interest through later negotiations because there was little domestic imperative for the Japanese government to invest resources into North Korea policy and in return little concrete incentive for North Korea to resolve outstanding issues.

This chapter examines this through a flowchart model of Japanese policymaking based around the idea of institutional accord, an original and novel contribution to the literature which demonstrates the criticality of non-core actors in the Japanese diplomatic policymaking process and examines them following neo-institutionalist principles. Following an introduction to the institutional accord model and its theoretical grounding, this proceeds in a chronological manner, showcasing how and at which stage various policy actors were engaged with, and the advantages and risks brought by their involvement at each stage. The second chapter utilises the same analytical approach to compare the periods in Japan-DPRK relations under Kanemaru Shin in the early 1990s and the Koizumi *Kantei* between 2001 and 2006 to the period when Japan resumed ODA to Vietnam and rekindled a relationship which had effectively frozen prior to 1992. These two chapters comprise Part 1 of this thesis – *Japan and Institutional Accord*.

#### 4.0-II: The Institutional Accord Model and Japanese Policymaking

The key actors in Japanese politics are often represented as a triangle – the “iron triangle” of the civil service, the government (or LDP), and the business sector (Arase, 2005, p.11; Pitzen, 2016, p.12). However, as argued in the methodology chapter, this model has serious limitations in failing to account for the fractured nature of the politics within each “prong”, the overlaps between them, the sub-actors and more abstract forces which have an impact on each, and the roles of individual policymakers. It is effectively a model constrained by the traditional institutionalist approach in that it fails to consider anything beyond formal power structures and organisations (Lowndes, 2018, p.55). The institutional accord model is formulated to overcome this limitation, broadly adopting the same “three-pronged” approach, but slightly reformulating those included to broaden the ability to incorporate sub-actors and forces which do not conform to the traditional definition of formal, fixed institutions. This is supplemented by rigorous analysis of the actions of individuals within these institutions where relevant. Metaphorically,

it envisions and expresses the path from policy to implementation as being “machine-like”, as expressed in Figure 2, as a series of “components” which are all impacted by each other. This is thoroughly grounded in neo-institutionalism; while it still considers the prime forces within the Japanese policymaking process to be the same as (or at least closely related to) the institutions expressed in the old “iron triangle” model, the model incorporates and recognises the impact of abstract forces such as public opinion and international pressure (*gaiatsu*), and recognises the importance power relationships (particularly vis-à-vis individuals) and informal rules (Lowndes, 2018, pp.58–59) within the policymaking system.

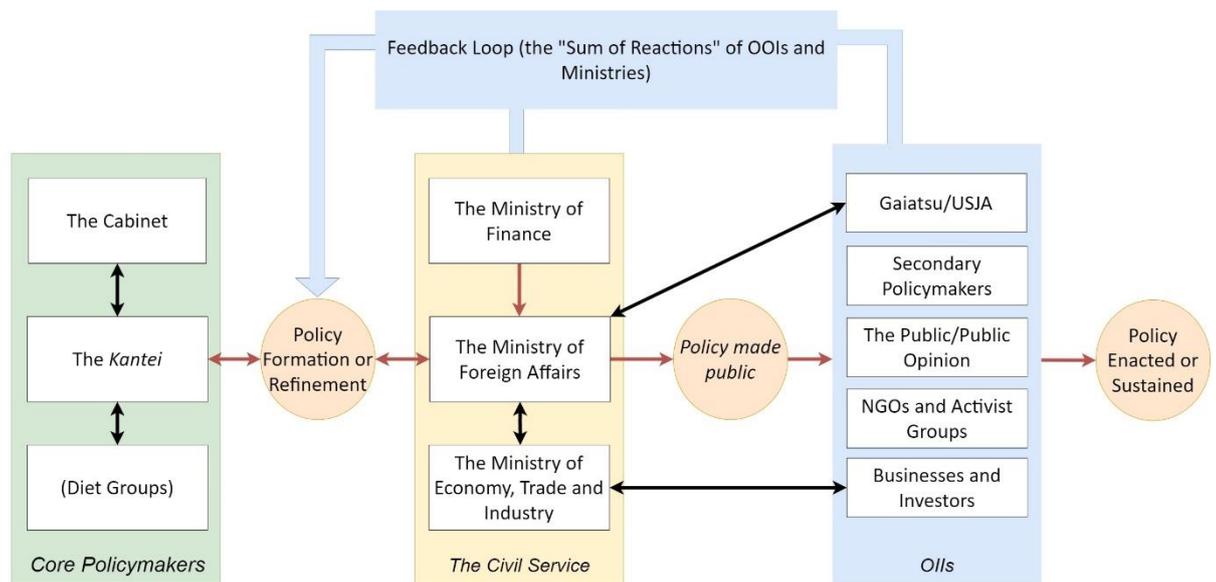


Figure 2: The institutional accord model in a “complete” form.

The model represents the path from policy to implementation as operating in a linear manner with a feedback loop which is labelled as “the sum of reactions”. The three components (represented by the large vertical pillars) which are key to the process are the *core policymakers* (the *Kantei* and the cabinet), the *civil service* (with the “leading” branch in the middle surrounded by other Ministries with expected input, in this case the Ministry of Foreign Affairs surrounded by the Ministry of Finance and METI), and *other interested institutions* (OIs), which are broadly defined and will vary between case studies; if any one of these pillars is removed from the diagram, the “machine” will not work and will fail to reach the implementation stage. For the Kanemaru attempt, since the *Kantei* had scant involvement at the time, the *Kantei* and the bracketed Diet Groups component would exchange places. If the model incorporated *only* these pillars, it would be considered a traditional institutionalist approach, but would be little different in

practice to the old iron triangle model. The components *within* each of these pillars comprise the actual institutions at play; they each have input, but aside from those on the central path, represented by the red arrows, only the Ministry of Finance (which sets the budget and is accorded an additional red arrow) is actually critical to the policy reaching the implementation stage. However, what they *can* do is act as spoilers, blocks, or agents of revision, meaning that if enough components “break” or otherwise do not function smoothly, then the machine will, in metaphorical terms, cease to function. Some of the components are interconnected by black arrows, which are intended to demonstrate those components which have strong relationships and directly influence each other, such as the connection between METI and the business sector. In this particular configuration, dealing with diplomatic policy, MoFA is undoubtedly the leading branch of the Civil Service in foreign policy and is therefore placed in the position of prominence. *Gaiatsu* is represented in both the black arrow connecting MoFA to the US-Japan Alliance, and also by the presence of the Alliance within the other interested institutions, which reflects that it may in some cases enjoy privileged access or be consulted with, but also that the United States has no direct control over Japanese policy. The United States can react, but the Japanese answer to this reaction will depend on variables beyond only the Alliance. The three pillars all running synchronously and having reached a minimum threshold of consensus represents a state of “institutional accord” – it is this which this chapter argues has been a missing factor in the normalisation policy and one which ultimately harmed the chances of normalisation being successfully achieved, as well as precluding Japan’s prospects of success in achieving other objectives in its North Korea policy.

#### 4.1: The Kanemaru Shin Delegation to North Korea

The Kanemaru Shin delegation to North Korea took place in September 1990, taking the form of a cross-party delegation of Liberal Democratic Party and Socialist Party Diet Members on an inter-Party, rather than inter-state, basis, with conflicting accounts on whether anyone from the civil service was present (Fouse, 2004, pp.104–105; Hagström and Söderberg, 2006b, p.377; Ministry of Foreign Affairs Official A, 2022). This is expressed in the institutional accord model by the Diet Groups taking precedence over the *Kantei* in the figures in this section. Kanemaru personally and privately met with Kim Il-sung (Park, 2017, p.53) and

the visit concluded with the so-called Three-Party Declaration (Liberal Democratic Party of Japan et al., 1990), a document which would go on to present numerous issues for Japanese diplomats for the next decade (Matsumoto, 2003).

Kanemaru Shin was a powerful and influential politician known for his backroom style of politics, who had been an associate of several of Japan's Prime Ministers including Tanaka Kakuei and Takeshita Noboru, and who was considered to have been behind the installation of at least four Prime Ministers through the course of his long political career despite never having risen to control the *Kantei* himself (Parry, 1996). His visit to North Korea came at the height of his own personal political power. Kanemaru was widely referred to in the contemporaneous public and academic literature as the "don" (McCarthy, 1992) or "kingpin" (Jameson, 1990a) of Japan's Liberal Democratic Party, with at least one newspaper report referring to him as the "Don of all Dons" due to his political standing, corruption allegations and his alleged links to Yakuza syndicates (Sanger, 1992; Kawata, 2011, p.5). He was also widely regarded as being the "power behind the throne", earning the nickname of "Shadow Shogun" (McCarthy, 1992; Reid, 1992; Blaker, 2021, p.47). This makes his "cowboy diplomacy" unique, and so his normalisation attempt stands out in comparison to prior negotiations on diplomatic normalisation and ODA, even in other cases where Diet members led policy initiatives.

This section argues that Kanemaru, who himself even once professed that "foreign policy was not his cup of tea" (Jameson, 1990b), failed to establish accord and progress his initiative beyond the stage of conception, with a general failure to gain the support of the civil service or win favour among the wider set of interested institutions. Of course, examinations of the 1990 North Korea visit and the Kanemaru delegation naturally come with some limitations. Kanemaru himself died in 1996, and other prominent members of the delegation such as Socialist Party leader Tanabe Makoto, are also deceased (Nihon Keizai Shinbun, 2015; Nihon Keizai Shinbun, 2016). Kanemaru's son, who was at one point an interview target for this thesis since he continued to advocate for links with North Korea, also passed away in 2022 (Asahi Shinbun, 2022). It goes without saying that the state of bilateral relations and the political conditions in both countries, the wider region, and the wider world have shifted dramatically since the early 1990s. However, the

fundamental issue would eventually be the same as for the Koizumi attempt – the fundamental mixture of disinterest, and even outright hostility, from other actors within Japan’s policymaking architecture.

#### 4.1-I: MoFA Acrimony and Kanemaru’s Inexperience

The Kanemaru Shin delegation to North Korea is a standout in the history of Japanese diplomacy and the promise of ODA which would have accompanied it for the reason that it was essentially an attempt by an individual politician to force a change in the status quo, with only limited involvement from Japan’s civil service in the planning and, according to some, with none at all in the delegation’s visit itself (Fouse, 2004, pp.104–105; Hagström and Söderberg, 2006b, p.377) although this latter point was disputed by one interviewee who said that there had been a small MoFA presence in the visit (Ministry of Foreign Affairs Official A, 2022). Regardless, the MoFA input was at most minimal, and in the actual negotiations most of the work was completed without MoFA input owing to the party-to-party nature of the trip. The fallout from the aftermath, with Kanemaru having significantly over-promised on the concessions that Japan would be willing to provide and having brought back an ambiguous Declaration, further curtailed the chances of success because it set North Korean expectations at an unrealistic level and undermined the MoFA and MoF negotiating positions before formal intergovernmental (rather than inter-party) talks even began. MoFA was further irritated by Kanemaru’s failure to consider Japan’s bilateral relationships with South Korea and the United States. Indeed, in the lead-up to the summit, there was little expectation that a significant diplomatic breakthrough would be achieved – the primary objective was to secure the release of the *Fujisanmaru*<sup>26</sup> crewmembers, who had been kidnapped by North Korea several years prior (Hiraiwa, 2020, p.7), and to assess the possibility of establishing liaison offices (Kim, 1991, p.166). By all accounts, the reaction to Kanemaru’s visit within the Japanese Ministries was one of utter shock – they appear to have expected little from the venture, they certainly did not expect the delegation to lead to normalisation talks (Kim, 1991, p.166; Bridges, 1992, p.158), and most importantly they found many of Kanemaru’s concessions and promises to have been “problematic” (Tōgō, 2010, p.185). One interviewee

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<sup>26</sup> North Korea held two crewmembers of the *Fujisanmaru*, a Japanese cargo vessel, between 1983 and 1990 on allegations of spying (Hiraiwa, 2020, p.5).

expressed the opinion that MoFA diplomats did not like the idea of party officials interfering with diplomacy and were an important factor in blocking the initiative (Academic A, 2022). Under such circumstances, it was essentially impossible to achieve a state of institutional accord which would have eventually led to the smooth functioning of the policymaking architecture.

The primary issue for the civil service was that Kanemaru allegedly promised a very large amount of compensation, which North Korea claimed was worth \$10bn, while leaving this ambiguous and unspecified in the Three-Party Declaration itself (Liberal Democratic Party of Japan et al., 1990; Hughes, 1998, p.398). This would have benefited both him personally by ensuring that both he and his faction within the LDP had continued financing through kickbacks (Liberal Democratic Party of Japan et al., 1990; Hughes, 2006, p.470). Nonetheless, the compensation was promised, and for its part MoFA was only willing to consider a figure of approximately \$5bn; it also did not consider the promises made by Kanemaru delegation to be legally binding due to the nongovernmental, party-based nature of the visit (Hughes, 1998, p.398; Matsumoto, 2003, p.35), in direct contrast to the North Korean position which *did* consider the Declaration to be legally binding. The ambiguity present in several parts of the Declaration further complicates the issue - the use of the word *Jūbun* (十分) or *chungbunhi* (충분히) in the text, in one representative example, means “sufficiently”, and this ambiguity placed MoFA in an awkward position from the beginning of the negotiations. Sufficiency is, after all, a poorly defined concept, and what the Japanese negotiators would later deem sufficient would vary greatly from what their North Korean counterparts would consider sufficient after Kanemaru had separately promised such a large amount of money. The ambiguity would have effectively allowed the North Korean side to claim whatever it deemed as “full” reparations and compensation without any prior MoFA input to mollify expectations on what might realistically be offered, an issue which was out of their hands as Kanemaru had already set expectations unrealistically high. This issue would persist even in the negotiations in the Koizumi period - North Korea interpreted the Three Party Declaration as having also included compensation for the period *after* WW2, which was considered problematic by MoFA (Tōgō, 2010, p.81) although again this is ambiguous. The Declaration does express regret and call for an apology for “the losses that the

Korean people have suffered for the 45 years since the war”<sup>27</sup> in addition to the 36 years of colonial rule, but it is unclear if this was intended to link to the issue of *financial* compensation. While the promise of compensation is given in the Three Party Declaration and is contained within the same article (Article 1), it is given in a separate paragraph which only mentions *colonial* rule<sup>28</sup> (Liberal Democratic Party of Japan et al., 1990; Matsumoto, 2003, p.35).

Essentially, Kanemaru, whether through diplomatic inexperience, or because he wanted to maximise the amount of financial inflow to North Korea from Japan, had signed a declaration which MoFA officials neither agreed to in the first place nor could realistically follow through on the conditions of, with imprecise wording which gave the North Korean side additional negotiating leverage going forward and made the MoFA position much weaker. Indeed, the unclear wording and acrimony with North Korea over whether the declaration was legally binding became a thorn in the side of the relationship for the next decade, and was still an issue even after Koizumi’s visit as proven by the 2003 Ministry of Defence White Paper referenced above (Matsumoto, 2003), although, of course, the abductions issue would come to define the relationship post-2002. It is likely that had more experienced MoFA civil servants and diplomats been present they could have prevented such errors from being made, but in any case, it is abundantly clear that MoFA civil servants resented their lack of control and inability to conduct careful planning over the entirety of this process. Again, these mistakes would haunt negotiations with North Korea for years – and they were a direct consequence of the lack of MoFA control over the negotiating process (Zakowski et al., 2018, p.80). The lack of inclusion of MoFA from an early stage – and indeed the way that MoFA was unable to have input on the Three-Party Declaration – was a significant break in policymaking norms, and it came with significant long-term consequences in that it created years of acrimony in the aftermath.

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<sup>27</sup> “三党は、過去に日本が 36 年間朝鮮人民に与えた大きな不幸と災難、戦後 45 年間朝鮮人民が受けた損失について、朝鮮民主主義人民共和国に対し、公式的に謝罪を行い十分に償うべきであると認める。”(Liberal Democratic Party of Japan et al., 1990).

<sup>28</sup> “自由民主党代表団団長である金丸信衆議院議員も朝鮮人民に対する日本の過去の植民地支配に対して深く反省する謝罪の意を表明した。三党は、日本政府が国交関係を樹立すると同時に、かつて朝鮮民主主義人民共和国の人民に被らせた損害に対して十分に償うべきであると認める。”(Liberal Democratic Party of Japan et al., 1990).

#### 4.1-II: The Ministry of Finance and *Gaiatsu*: The Bubble Collapse and the Geopolitical Environment

While secondary factors compared to the acrimony generated with MoFA, the timing and geopolitical environment around the Kanemaru attempt are also worth considering. The talks came at an awkward time for Japan in economic terms - this would have further limited MoFA's room for manoeuvre on North Korea, but the largest potential stumbling block in any political bargaining process would have been the Ministry of Finance. Kanemaru negotiated the Three-Party Declaration in September 1990, but he did so at precisely the time that Japan's economy was stagnating as part of the bubble collapse. A budgetary and fiscal conservatism norm was growing - the Bank of Japan and the MoF (which at the time had more control over the BoJ) were already taking measures against the emergence of a bubble and had warned against the dangers of the rapid rise in asset prices, and in any case by 1992 the collapse of the bubble had caused the Nikkei 225 to fall by more than 60 per cent from its 1989 peak (Okina et al., 2001, pp.399, 422-427, 442). While not directly related, this situation underscores the difficult position that the Ministry of Finance would have been in when approving new financing to a country with which Japan had few existing links, especially one which carried so much risk. While Japan was, at the time of Kanemaru's visit, the world's largest aid donor (Ministry of Foreign Affairs, 2014, p.3), this may have in fact had a countereffect on the likelihood of following through on large-scale ODA provision to North Korea in the short-term. The temporal context - the recent fall of the Berlin Wall and the provision of Japanese ODA to a reforming Eastern Europe alongside generally optimistic viewpoints issued by Prime Minister Kaifu about a newer and more peaceful world order (Kaifu, 1990, p.28; Fisher, 1990) do not appear to have changed the prevalent thinking on North Korea either. Indeed, if anything the provision of aid to Eastern Europe would have already been placing new pressure on Japan's finances and the situation in Europe, where reform was happening quickly, would have likely been a much higher priority and have been much easier to justify in fiscal terms than ODA to a country which was abjectly *not* reforming and had no immediate signs of doing so despite the wider collapse of the communist bloc. In this temporal context, institutional accord would have been difficult to achieve - both MoF and MoFA simply had different priorities, and the timing of Kanemaru's delegation was inconvenient for both.

Presenting additional pressure on the attempt was the impact of *gaiatsu* – in this case not just from within the US-Japan Alliance but also with South Korea. The United States Ambassador, Michael Armacost, expressed concern to Kanemaru that any reparations money might be funnelled into nuclear weapons (Fouse, 2006, p.139). By 1993 North Korea-United States relations had deteriorated significantly, and Japan considered following United States-led sanctions on North Korea at this time (Hughes, 2006, p.461). While this did not go ahead because the United States and North Korea came to their own agreement in the form of the 1994 Agreed Framework (Hughes, 2006, p.461), the incident highlights the constraints placed on Japanese civil servants within the US-Japan Alliance. Of even greater concern was South Korea. Kanemaru was forced to fly to Seoul to personally apologise to the South Korean government, and Japan had to provide reassurances that it would not move too far too quickly on its own, with the outcome that, back in the control of MoFA, policy was synchronised with that of Seoul and Washington through a new set of negotiating principles (Fouse, 2006, pp.139–140). While this thesis does not posit that pressure from Washington and Seoul was a direct cause of failure, certainly the *perceived* pressure impacted civil service policy, especially in MoFA, which away from Kanemaru’s influence took efforts to allay the fears of Japan’s closest partners on North Korean issues.

#### 4.1-III: The Kanemaru Shin Normalisation Attempt and the Lack of Institutional Accord

The combination of Kanemaru’s inexperience and his failure to onboard the civil service in any significant manner prior to the 1990 visit created a huge degree of acrimony – the Ministries were displeased at their position having been undermined, breaking with foreign policy norms, and the situation was made even more difficult by both the stagnating Japanese economy and the already inflated ODA budget which fostered budgetary conservatism within Ministry of Finance, and by perceived pressure from Seoul and Washington. The sheer individualism of Kanemaru’s attempt can be seen in Figure 3, which represents the components involved prior to the visit. Essentially, Kanemaru and his party acted as “lone wolves” – while MoFA support was present for the policy of releasing the *Fujisanmaru* crew members, there was no support at all for the policy of

normalisation, which Kanemaru had been very much alone in formulating and pushing forward.

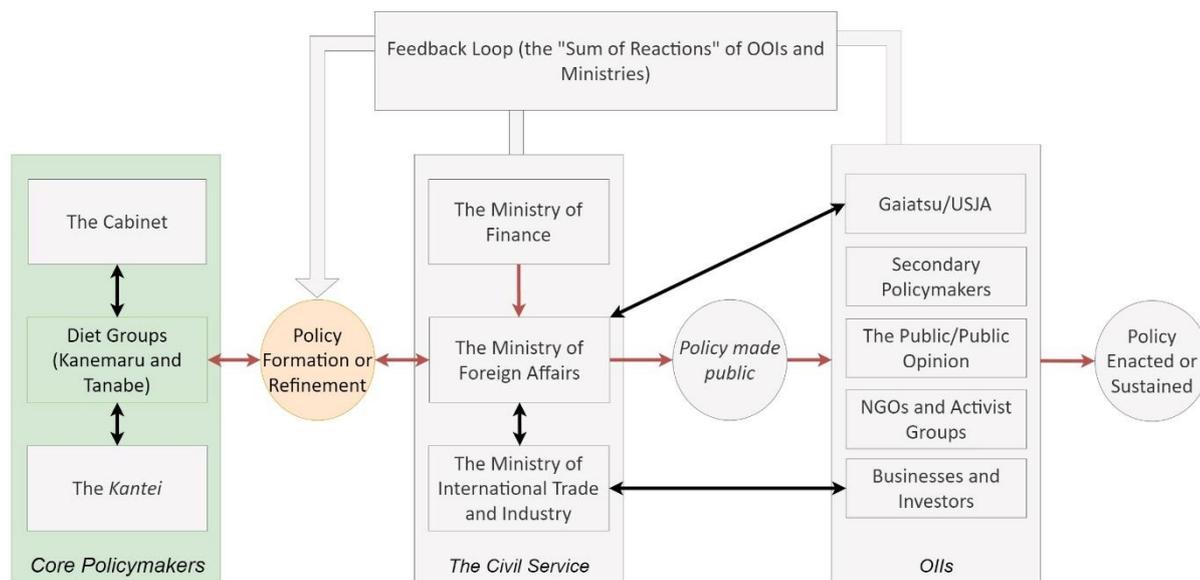
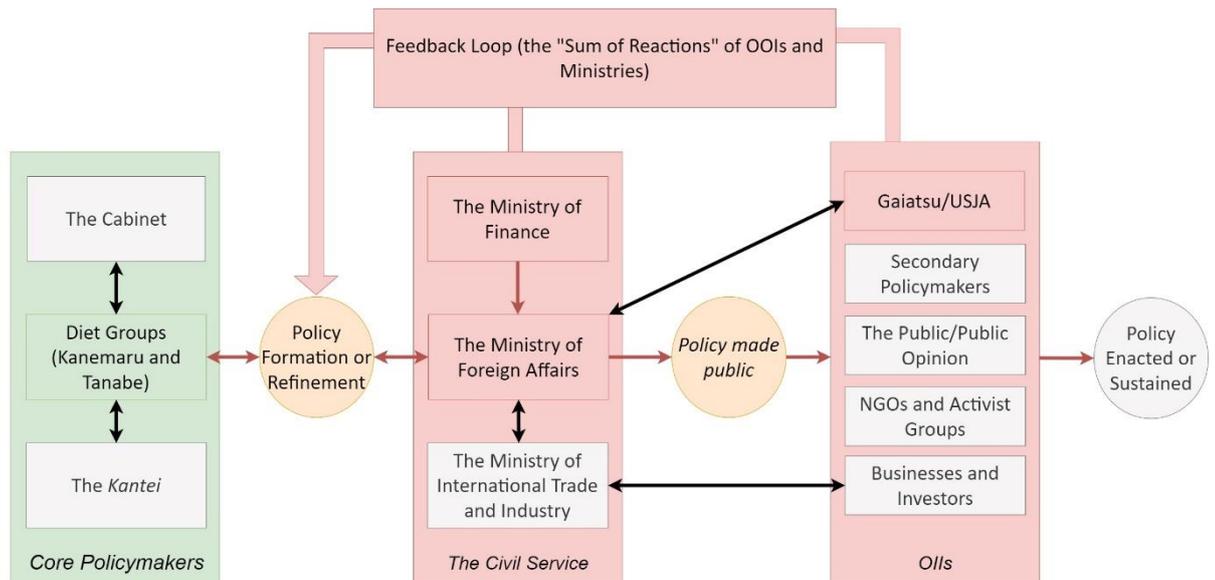


Figure 3: When it came to the policy of normalisation, Kanemaru (and Tanabe) were very much alone in formulating the idea. MoFA and other branches of the civil service had not been consulted at all, to say nothing of other potential stakeholders, who are represented in grey as being inactive.

While there were some *prima facie* favourable conditions for Kanemaru’s “cowboy diplomacy” attempt, such as the wider fall of communism and his ostensibly close relationship to Prime Minister Kaifu (who Kanemaru backed to the Prime Ministership (Kruze, 2015, p.74)) and who had made conciliatory statements regarding North Korea on several occasions (Kaifu, 1990, p.35; Ministry of Foreign Affairs, 1991; Kim, 1992, p.254), these statements in hindsight might be considered little more than lip service. The civil service, and MoFA and MoF in particular, appear to have been broadly unsupportive of the initiative, so momentum in the following rounds of negotiations depleted quickly as MoFA attempted to reintegrate policy with Seoul and Washington. The issues presented by Kanemaru’s ambiguous Three-Party Declaration and whether it was actually legally binding or not caused further acrimony. Had MoFA been involved more deeply from the start these mistakes may have been avoided and MoFA diplomats may have enjoyed a greater chance of success in later negotiations. Japan was caught between a policy constrained by its alliance partners and by Kanemaru’s Three-Party Declaration negotiated with little experience and in haste (Fouse, 2006, pp.139–140). Institutional accord was therefore never reached even among core policymakers and the civil service, leave alone beyond them. The post-summit situation is summarised in Figure 4.



*Figure 4: The institutional accord model here demonstrates the components at play after the normalisation attempt. The Kantei and Cabinet had scant involvement, while the Ministries were generally hostile and attempted to slow down or otherwise undermine Kanemaru's initial policy of achieving full political normalisation. The US-Japan Alliance, also extending to South Korea as an additional key ally in this case, was hostile and further deepened the hostility of MoFA to the attempt. The other interested institutions are made irrelevant by the lack of ability to progress beyond the civil service stage, with the USJA only being relevant due to its direct connection with MoFA. On balance, with no voices pushing back against their opposition due to a lack of consultation and due to inactivity, the civil service and OII columns are in red, blocking further progress to the implementation stage and bringing a strongly negative reaction to the policy formation/refinement stage.*

Applying the institutional accord model to Kanemaru's normalisation attempt nets a clear result. With the civil service hesitant to offer support, the process could not function – the flow would simply never reach the final implementation stage. In this event, the majority of the components on the model in the general public, uninvolved Diet groups, NGOs and activist groups, and the business sector, would simply become irrelevances. Even if the correct conditions for each of these were in place (and they were arguably not considering MoFA's desire to improve relations with South Korea), it would be impossible to reach the implementation stage with what essentially amounted to dysfunction in the core of the policymaking process, even though the policy was publicly known. Indeed, in Kanemaru's case, while it might be argued that some of the additional components were supportive, such as cross-party Diet support considering the support of the JSP and Tanabe Makoto for the visit (Kimura, 2019, p.102), this does not matter since Kanemaru, despite his position of influence within the Diet, could not have carried the policy forward alone without support from the civil service, over which he held no formal power.

With the hostility, acrimony and general climate of reticence that existed, the chances of his success were slim.

## 4.2: The 2002 Pyongyang Summit

Koizumi Junichirō served as Japan's Prime Minister between April 2001 and September 2006, a member of the Liberal Democratic Party but one who has been widely described as a political maverick who refused to operate within the boundaries of the traditional factional system (Weeks, 2006; Yoshida, 2019; Kodaira, 2020), and who famously once stated "I will change the LDP, and if it does not change, I will bring it down" (Koizumi, 2005). Koizumi enjoyed a long tenure in office relative to most of his contemporaries, being the fourth-longest serving Prime Minister since the Second World War (Nippon.com, 2019) and overseeing two general election victories, the second of which was a landslide win and became the first time since 1993 that the LDP were able to command a majority in the House of Representatives without their coalition partner, the Komeito (Christensen, 2006, p.497). He was both preceded and followed by a string of so-called "revolving door" Prime Ministerships with short tenures (Kantei, 2022a; Kantei, 2022b), a phenomenon which did not end until Prime Minister Abe returned to the *Kantei* in 2012. In essence, Koizumi stands out in the history of Japanese political leadership; leading an unusually strong *Kantei*, he wanted Japan to play a more active role in global affairs (Koizumi, 2001) and North Korea normalisation was a key pillar in achieving this goal.

The Koizumi-era attempt at normalisation with North Korea was considerably closer to succeeding than previous attempts, including the Kanemaru attempt. The Koizumi attempt and the Pyongyang Declaration of 2002 saw a promise for the "early realization of the normalisation of diplomatic relations" and even saw specific promises of economic cooperation and support for private sector activities through the provision of JBIC loans, albeit with the amounts of these unspecified and deferred to later negotiations, having largely been negotiated in secret by the head of the Ministry of Foreign Affairs' Asian Affairs Bureau Tanaka Hitoshi in regular consultation with Koizumi (Ministry of Foreign Affairs, 2002a; Funabashi, 2007; Wada, 2012, p.5). Of course, the economic cooperation never came to pass – the history of Japan-DPRK relations has since been consumed by the abductions issue and security issues relating to nuclear and missile testing, with a high degree

of mutual hostility that has proved an insurmountable barrier to date. However, there is a further underlying question here. Japan has had acrimonious relations with other countries in the past, but it has overcome the political issues present with them and provided ODA and private sector investment on a large scale.

This thesis argues that the lack of wider support from relevant interested institutions for relations with North Korea has been a critical issue. It further argues that without the inertia from these providing backing for the Japanese “economic take-off” approach, that there has been little interest post-Koizumi in overcoming the outstanding Japan-DPRK political issues. It argues that the Diet and public opinion represented additional logjams which North Korea was acutely aware of, and this has led to a vicious cycle of disinterest on both the Japanese and North Korean sides due to the lack of a concrete offer by Japan and, more importantly, the inability by Japan to formulate such a concrete offer. It further argues that, as with the Kanemaru attempt, the lack of institutional accord undermined the Japanese negotiating leverage on economic cooperation, and that the promises made in the Pyongyang Declaration and the preceding negotiations were not valued highly by North Korea. Moreover, the acrimony within the Japanese policymaking architecture over the issue ensured that none of Prime Minister Koizumi’s successors were willing to pick up the mantle after he stepped down, deepening the vicious cycle yet further.

In the negotiations leading to the 2002 Pyongyang Summit, a memorable exchange occurred between the lead Japanese negotiator, Tanaka Hitoshi, and his North Korean counterpart, the enigmatic and mysterious “Mr. X”. Mr. X accused Japan of not being able to see the forest for the trees, to which Tanaka responded that the forest was made of trees (Funabashi, 2007, p.16). This was the result of a circular argument between the two that North Korea could not resolve the abductions issue until Japan indicated concretely what kind of “economic cooperation” it would be willing to give, but that this would be impossible for Japan politically without a resolution to the abductions issue in the first place (Funabashi, 2007, p.16). This section explores this issue – whether Japan could, from the North Korean perspective, have plausibly provided economic cooperation, and how valuable the promise given in the Pyongyang Declaration itself would have been in practice.

#### 4.2-I: Preparing for the Summit: Political Risks and the Double-edged Nature of Secrecy

Prime Minister Koizumi's summit was the result of a long and difficult process of negotiation. Internal splits within the government and civil service, in addition to North Korea's inflexibility, made the advance of the summit challenging for the MoFA civil servants who were involved in this phase of diplomacy, especially lead negotiator Tanaka Hitoshi. On the core policymaker and government side, Koizumi himself advocated a flexible approach, but had to balance between members of his cabinet who agreed with this softer approach to North Korea (such as then-Chief Cabinet Secretary Fukuda Yasuo) and those who opposed it and favoured a hard power approach (such as then-Deputy Chief Cabinet Secretary Abe Shinzō) (Zakowski et al., 2018, p.81). Within the Ministry of Foreign Affairs, the Asian and Oceanian Affairs Bureau generally advocated for normalisation with Pyongyang while the Treaties and North American Affairs bureaux generally favoured acting in concert with the perceived harder line that the Bush administration was taking toward the DPRK (Zakowski et al., 2018, p.81). Because of this, considerable effort was expended by Tanaka and his contemporaries to maintain absolute secrecy, on the orders of Prime Minister Koizumi, and only around five people were aware of Tanaka's negotiations with the so-called "Mr. X" until only a short time before the summit with even Foreign Minister Tanaka Makiko excluded from the process (Funabashi, 2007). This secrecy is the object of analysis in this section, which argues that while the secrecy was beneficial in advancing the negotiations to the summit stage in 2002, it ultimately had a detrimental impact on the later negotiations and was something of a no-win scenario for Japanese diplomats. Considering the secrecy, the elements of the policymaking architecture which were active at this stage were few, as represented in Figure 5. Only the *Kantei* and a small element within MoFA were involved; other actors were as yet dormant.

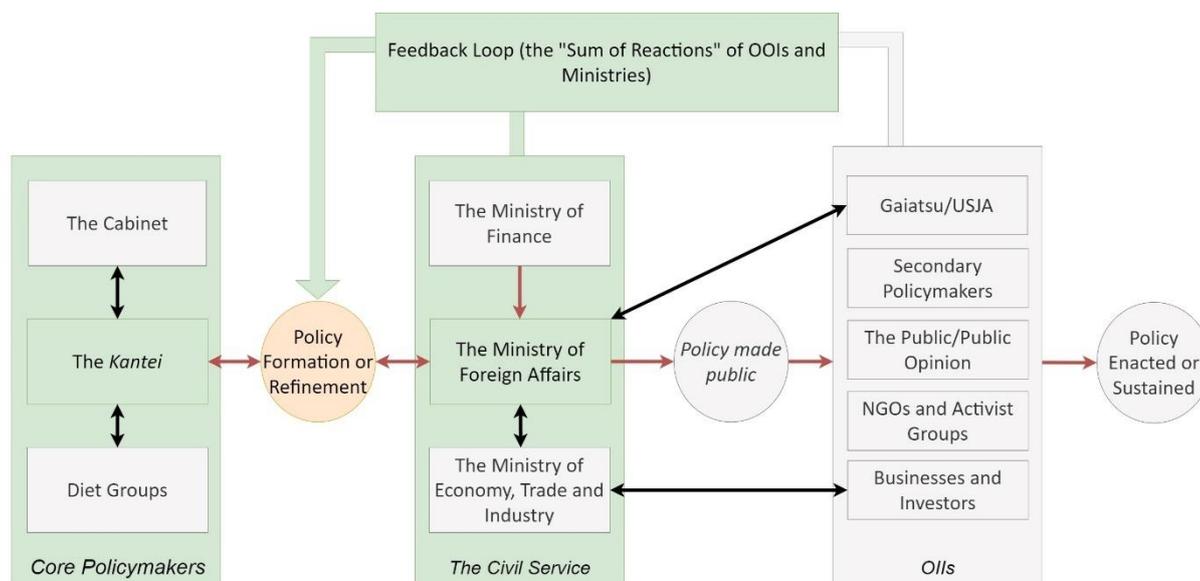


Figure 5: This figure represents the policy process prior to the “reveal” of the negotiations to either the civil service or the public in August 2002. Almost all elements of the model are inactive (marked in grey). Only the Kantei and the Ministry of Foreign Affairs are active, and the model is not yet in a state where the policy which has been formed can reach the stage of enactment or gauge any potential reaction. As Diet Groups were not active in this particular policy at this stage, they are excluded from the list of core policymakers.

North Korean normalisation was a politically risky project which required delicate handling of both internal opponents and Japan’s alliance partners in the United States. The biggest opponents that the *Kantei* faced came from the Ministry of Foreign Affairs’ Treaties and North American Affairs bureaux who backed what they perceived as a hard-line Bush administration approach, backed by various LDP members who favoured a tougher approach to North Korea (Zakowski et al., 2018, p.81). The secrecy, intentionally or not, allowed these problems to be sidestepped; Tanaka Hitoshi reported directly to Koizumi and only four others, who were all broadly supportive of the idea of normalisation, with the negotiations being secret even to other members of Koizumi’s cabinet (Zakowski et al., 2018, pp.82–83). In any case, despite this division MoFA civil servants were unanimous in their view that a single, reliable channel of communication was preferable to the formerly-prevalent individual approach exemplified by the ‘cowboy diplomacy’ of Kanemaru Shin during his attempt in the 1990s (Zakowski et al., 2018, pp.82–83). Nonetheless, Koizumi did have at least a partial base of support in the civil service in the form of the Asian and Oceanian Affairs Bureau (AOAB), which had along with the rest of MoFA been wary of normalisation with North Korea in Kanemaru Shin’s time for fear of antagonising South Korea (Hiraiwa, 2020, p.7). With the fundamentally dovish, pro-engagement Kim Dae-jung administration in the Blue

House, it is likely that this was not considered a major impediment by 2001-2002. With a norm towards engagement and peacebuilding set by the Inter-Korean Summit<sup>29</sup>, both Koizumi and the AOAB, through Tanaka, may have perceived an opportunity for progress to be made. Indeed, one interviewee who had direct experience of negotiating with North Korea opined that the 2002 Summit would not have been possible without the positive environment created by the Kim Dae-jung administration (Ministry of Foreign Affairs Official A, 2022), and in this sense this was a very real attempt to seize the moment, a concept more heavily discussed in subsequent chapters. The secrecy meant that the difficult elements of the internal political situation were bypassed, and that all the substantial preparation was completed by the time opponents were informed. Indeed, having reacted with some degree of fury to the news that not only had Tanaka been acting in secret without consulting them or including them in the process, the main internal opponents, Nishida Tsuneo and Ebihara Shin of the North American Affairs (NAAB) and Tax bureaux, were unable to act against Tanaka's *Kantei*-derived authority prior to the summit (Funabashi, 2007).

Of course, such authority was of little use when dealing with Japan's alliance partners in the United States. The unique status of Japan's alliance partners is represented by the arrow connecting the USJA to MoFA in the models above, considering that consultation was considered necessary, and the US could be informed prior to wider civil society. Tanaka and his contemporaries were wary of how to introduce the issue to the United States knowing that the neo-conservative faction in the White House, led by Donald Rumsfeld and Dick Cheney, would prefer a hard-line approach to the North Korean issue, and these fears were exacerbated by the "Axis of Evil" speech which is generally considered to have angered North Korea and indicated a hard-line approach from Washington more broadly (Victor D. Cha, 2002, pp.209-210; Quinones, 2003, p.211; Howard, 2004, p.811; Ministry of Foreign Affairs Official A, 2022; Journalist B, 2022). Tanaka's approach was to take the issue to those considered more sympathetic to Japan's concerns – Richard Armitage and Colin Powell – and in the end fears of a negative American reaction to the initiative were largely unfounded with President Bush giving backing to Koizumi (Anon, 2022; Ministry of Foreign Affairs Official A, 2022; Journalist B,

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<sup>29</sup> A summit held in 2000 between South Korean President Kim Dae-jung and Kim Jong-il. The summit was considered unprecedented at the time it was held (Shin, 2018).

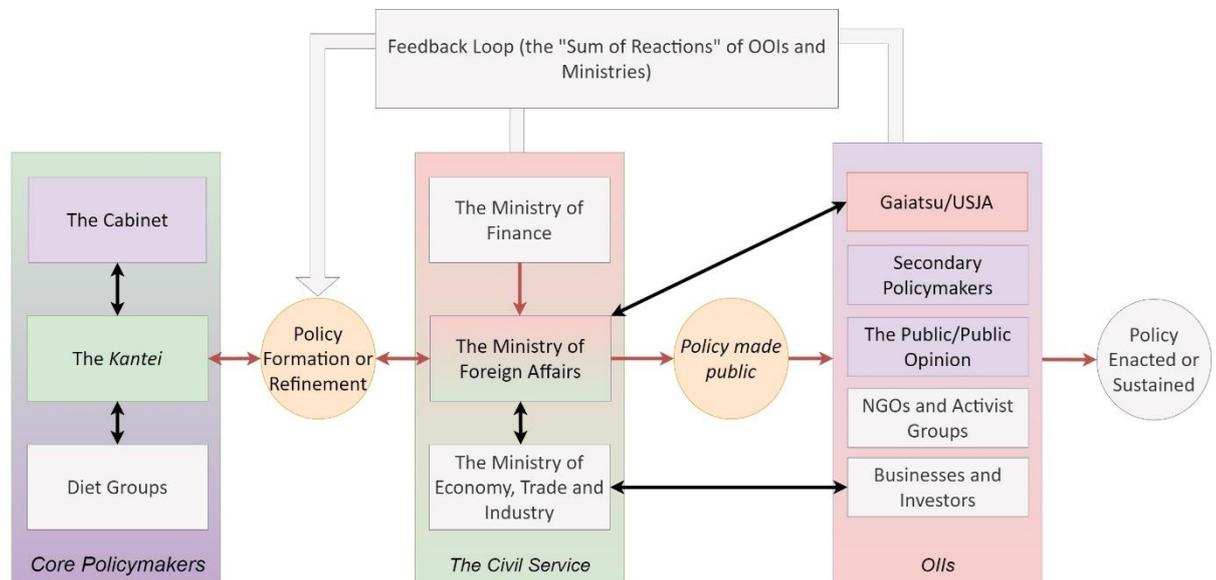
2022). This was done through both a statement expressing the need to engage North Korea on security-related issues, and also via a personal assurance from President Bush at the UN General Assembly a week prior to the summit that the US gave its backing (Gross, 2002, pp.3–4). The proposal was also relayed to the United States by Japan several months in advance of the summit, with information also being exchanged over the presence of North Korea’s highly-enriched uranium programme to avoid Koizumi being taken by surprise on this issue later (Hagström and Söderberg, 2006a, p.79; Anon, 2022). While recollections among interviewees varied on how critical this was to the overall success of recruiting the assistance of the United States (Ministry of Foreign Affairs Official A, 2022; Ministry of Foreign Affairs Official B, 2022; Journalist B, 2022), it is certainly the case that the secrecy allowed Tanaka to negotiate freely without interference from potential opponents until the process leading to the summit was largely complete.

The policy of normalisation was thereby successfully pursued to the stage of the first summit. Roadblocks had been bypassed; potential obstacles sidestepped. However, the secretive nature of the negotiations and the suddenness of the summit announcement would give rise to a more significant issue – the inability to engage the other interested institutions who would have ultimately been necessary for the policy of normalisation to be successfully implemented. The following section explores possible North Korean perceptions of the issues being faced by the Japanese side in relation to the use of secrecy and argues that these issues made Japan’s negotiating position less stable. Section 4.2-III further argues that these issues combined resulted in the main element of Japan’s negotiating leverage – economic inducement – weaker than it could have been.

#### 4.2-II: Abe, Abductees and America: The Uncertainty of Democratic States and Japan’s Foreign Policy Environment

Japan, as a democratic state, is subject to political change and public opinion in a manner very different to authoritarian, autocratic states like North Korea. Indeed, Tanaka was keenly aware of this when he stated in the negotiations “in Japan, there is such a thing as public opinion” (Funabashi, 2007). It was known on all sides that public opinion would eventually have to be won over. However, the situation surrounding the summit, considering the lack of engagement with other stakeholders previously denoted in Figure 5, may have further undermined the

Japanese position prior to 2002 since North Korea would have also been able to see the divides among the Japanese political class, particularly around DCCS Abe and with the situation in the Diet, and within the US-Japan Alliance. Figure 6 identifies the positions of these potential issues within the institutional accord framework.



*Figure 6: This figure identifies potentially problematic elements of the policymaking architecture. Those highlighted in red (elements of the Ministry of Foreign Affairs – or more specifically Ebihara and Nishida - and the US-Japan Alliance) were thought of as definite obstacles to the normalisation policy in the early stages of the negotiations and were sidestepped by the use of secrecy. Those in purple (the Cabinet, or more specifically DCCS Abe, the Diet/Diet groups, and the general public) are “potential” issues which were also sidestepped. None of the core pillars are fully in favour – all contain at least one problematic element, with no real prospect of wide support in the OIIs in the absence of perceived business sector interest. Even if the minimum threshold within the core policymaker and Civil Service pillars were to have been overcome, it would have been difficult to overcome the reticence in the OII pillar.*

The first issue was presented by the presence of DCCS Abe. It may be tempting to consider that the potential for internal divides within the cabinet was a reason that secrecy was employed at all, and this was supported by one interviewee and is supported in some sections of the academic literature which tend to characterise Abe as being extremely hawkish, especially on the abductions issue (Funabashi, 2007, p.24; Williams and Mobrand, 2010, p.517; Journalist B, 2022). Most other interviewees tended to disagree, however. One interviewee involved opined that Koizumi enjoyed and would have been able to demand absolute loyalty from all members of his cabinet, including Abe, stating that Koizumi was “absolutely strong” (Ministry of Foreign Affairs Official A, 2022), and another noted that the decision to pursue secrecy was a simple matter of pragmatism to reduce the possibility of leaks (Cabinet Member A, 2023), aimed primarily at protecting the lives of the abductees since Japan had recently acquired conclusive evidence of at

least some of them having survived (Ministry of Foreign Affairs Official A, 2022). Another interviewee offered a third perspective; that even if there had been an internal political issue that it would not have made much difference to the approach to negotiations (Ministry of Foreign Affairs Official B, 2022). A final perspective offered was that it would have been difficult to advance the negotiations had they been held more openly (Academic A, 2022).

The second issue is the overall political economy of the situation in 2002. The early years of the Koizumi administration were vulnerable to the policy whims of LDP backbenchers within the fractious factional system of legislative politics in the Japanese Diet. It is for this reason that upon his accession to the *Kantei* that Koizumi undertook initiatives such as annual visits to the Yasukuni Shrine, which won him the support of the influential *Izokukai* (War-Bereaved Families Association) and increased his support among LDP parliamentarians, despite having had little interest in the issue before coming to power (Deans, 2007, pp.276–277; Cheung, 2017, pp.88, 94–96). It is for the same reason that Koizumi would also later take steps to increase the number of LDP parliamentarians who were loyal to him (the so-called “Koizumi Children”) and reduce the influence of the LDP’s various faction heads and to press forward with his reform agenda, particularly the privatisation of the postal service after the snap 2005 General Election (Christensen, 2006, pp.501–502; Zakowski, 2019, p.85). Essentially, Koizumi’s political position, despite high approval ratings from the general public, was not particularly secure and he was forced to compromise frequently (Christensen, 2006, pp.502–503). This speaks to the hostile, difficult Diet of the time, seemingly lending credence to the idea that the secrecy bore a political motive. Likewise, with DCCS Abe himself, he had long advocated for the abductee families even before the issue became part of Japan’s political mainstream, and was already known as a North Korea hawk for this reason (Williams and Mobernd, 2010, p.517).

Two alternatives to this were advanced by other interviewees; two were particularly emphatic that the secrecy bore no ulterior motive and was solely aimed at avoiding leaks and protecting the abductees (Ministry of Foreign Affairs Official A, 2022; Cabinet Member A, 2023). Others speculated that the secrecy, while ordered by Koizumi, was actually coordinated by others below him –

specifically Furukawa, Fukuda and Tanaka – who perceived a threat from more stringently pro-US voices and anti-North Korea voices in the government and Civil Service, particularly DCCS Abe, Ebihara Shin, and Nishida Tsuneo (Journalist A, 2022; Journalist B, 2022). These theories are not necessarily mutually exclusive; it is quite feasible that Koizumi was primarily motivated by protecting the abductees but that others within the “inner circle”, anticipating a negative reaction in various circles, attempted to control the flow of information. In particular, the use of secrecy says much about the role of *gaiatsu* – it is not that those involved necessarily feared the impact on the Japanese side, rather they feared a negative reaction from Japan’s alliance partners in the Bush administration and how they may have reacted had they found out about the summit. Much is made in particular of the means and timing of the communication; Tanaka informed the United States only one month prior to the summit, and did so through Bush administration officials he thought would be sympathetic – Richard Armitage and Colin Powell – attempting to avoid the influence of the neo-conservative faction represented by Vice President Cheney and Donald Rumsfeld (Funabashi, 2007; Ministry of Foreign Affairs Official A, 2022).

The potential consequences of a more open approach are visible in the previous figure – significant portions of the policymaking architecture would or could have acted as blockages even in advance of the summit, and this would have potentially hindered progress in negotiations from an early stage, perhaps even in advance of the negotiations reaching the stage of wider public knowledge. The issue here is that North Korea would also have been able to observe the political situation in Japan, and it would have been able to observe the pressures on the Japanese negotiators from both the domestic political situation and from within the US-Japan Alliance, particularly after the “Axis of Evil” speech which strained the DPRK-US relationship (Funabashi, 2007, p.182). The North Korean negotiators, and in particular Mr. X, were regarded as “well-informed” and the Japanese side speculated that they might have been part of a department with high levels of access to intelligence information (Funabashi, 2007, p.12), and one interviewee opined that at least some of the information discussed among Japan and its allies was assumed to have been known by North Korea (Cabinet Member A, 2023). Considering this, North Korean side would have almost certainly been aware of the potential obstacles still to be faced in Japan itself, and without any concrete

incentives being offered as a point of reference, the political situation in Japan would likely have been a point of concern considering the potential for a change in leadership, the domestic constraints on the Japanese negotiators, and the perceived potential for the USJA to act in a spoiler role. Secrecy evaded or mitigated these concerns in the short term and so relatively rapid advances were able to be made leading to the first summit, but likely at the cost of negotiating leverage for the Japanese side which, being based in a country with a democratic system wherein a large contingent of people would have been hostile, would have had much work to do later to win over opponents even if the summit had been an unqualified success. In essence, even if the issues with Abe, the United States, and the abductions issue were only *perceived* rather than necessarily having been well-founded at this stage, whether on the Japanese or North Korean sides, the *perception* of difficulty was arguably more important than the reality in undermining Japan's position.

This is tied to the next issue – the next section argues that the lack of forward planning on the economic cooperation aspect further harmed the chances of the normalisation policy succeeding, both due to an inability by Japanese institutions to conduct any forward planning, and by unintentionally reducing the appeal of Japan's financial "carrot" to North Korea itself.

#### 4.2-III: The Economic Cooperation Clause and the "Grand Vision"

The Pyongyang Declaration includes a specific pledge to extend "economic cooperation" to North Korea (Ministry of Foreign Affairs, 2002a). However, specific details were deliberately left off-the-table at this stage, with the expectation that they would be picked up later (Ministry of Foreign Affairs Official A, 2022). This raises the question of what, in practice, Japanese policymakers actually envisioned for the post-normalisation relationship and the implications of this on the negotiating process. When asked the question directly, one interviewee stated that, beyond the vague expectation that any eventual settlement would be based on the 1965 agreement with South Korea, nothing was ever discussed, even within the civil service itself, on what shape the economic cooperation might have taken (Ministry of Foreign Affairs Official A, 2022). This was unlike the previous attempt, the Kanemaru Shin-era Three Party Declaration, where the lack of specificity in the declaration clashed with the vagaries of the personal pledges Kanemaru had given

and created later issues in negotiations (Hughes, 1998, p.398; Matsumoto, 2003, p.35). It was noted by one interviewee that “we (the Ministry of Foreign Affairs) learned a lot from the Kanemaru visit”, in reference to mistakes that they did not wish to repeat (Ministry of Foreign Affairs Official A, 2022). Then-CCS Fukuda Yasuo expressed the view that the article on economic cooperation was “well-written”, and that he was “surprised” that North Korea agreed to it (Funabashi, 2007, pp.28–29), implying that it was viewed as a diplomatic win by the Japanese government at the time. Indeed, the lack of specificity on the specific amount of money is replaced by specificity elsewhere, on the preconditions that Japan would attach to any economic cooperation being given, and on the fact that for Japan the economic cooperation would not constitute reparations or compensation (Funabashi, 2007, p.29). However, this meant that the inducement being offered by the Japanese side remained highly theoretical. The lack of specificity over the figure was something that might have been used later have been used as enticement for North Korea to resolve the outstanding set of bilateral issues, but for the North Korean side, and in wider Japanese civil society and the private sector, it would have been impossible to begin even speculating on what the post-normalisation future might have been like. This is closely related to the issue discussed in the previous section on the fractious political situation.

When asked directly, it was confirmed that no discussions with the Ministry of Finance or METI took place on the economic cooperation aspect prior to the 2002 Summit (Ministry of Foreign Affairs Official A, 2022), nor was the Economic Affairs Bureau of MoFA consulted since the inner circle was so small (Ministry of Foreign Affairs Official C, 2023). However, by not including the Ministry of Finance or METI in the negotiations from an early stage it would have been difficult to assess the extent of the economic cooperation which might later be given even within the *Kantei* and the Ministry of Foreign Affairs themselves, leave alone by observers. In essence, the earlier side-lining of the obstructive elements of the process, while beneficial for the process to have moved off the ground at all, meant that institutional accord could not be achieved among the major players, and that no “vision” in earnest for the economic side of the agreement could have been formed among the Japanese policymaking elite. In a typical forward-planning scenario for a post-normalisation country within the Japanese ODA system before the 2008 JICA reform which amalgamated more responsibilities into the “New JICA” (Jain,

2016a, p.59), at the bare minimum the so-called *Yonshochō* – the Ministry of Foreign Affairs, the Ministry of Finance and the Ministry of Economy, Trade and Industry would have been involved in policy formation, as well as the Economic Planning Agency (Hirata, 1998b, p.314) prior to its merger into METI in 2001. Each of these played a clearly delineated role with clearly defined interests – MoFA was in charge of the overall policy direction and implementation, as well as grant aid and JICA, the Ministry of Finance was primarily concerned with budget-setting within the context of Japan’s national budget (and consequently had norms of budgetary conservatism and a preference for loan aid which MoFA did not have), and MITI/METI acted as a representative of the private sector (Hirata, 1998b, pp.314–320). As was demonstrated in Figure 5, however, these institutions were notable in their absence.

Section 4.2-I argued that the secretive approach was convenient in the short term, whether or not it was done intentionally, but by stripping out the MoF and METI, there was the unintentional side effect of starving the initiative of any momentum once it ran into problems – as, indeed, it did with the abductions issue. MoFA, albeit in a rather limited way considering the limited number of staff included in the process, was involved via the Asian and Oceanian Affairs Bureau and Tanaka Hitoshi, but the exclusion of MoF would have crippled the ability of the *Kantei* to engage in any budgetary forward planning and the exclusion of METI would have limited the ability both to sound out and to recruit relevant business sector support. In other words, it would have been impossible to formulate a long-term strategy or plan for post-normalisation North Korea, with the unintentional side effect of undermining the Japanese negotiating position by removing the ability to offer concrete economic incentives. In particular, without the MoF’s involvement and with such a small team involved in the preparation, it would have been difficult to assess the scale of the potential impact of any proposed funding on both North Korea itself and on the Japanese national budget – issues which the North Korean side would have also been aware of considering the levels of information they had access to. In the Japanese budget-setting system, the MoF’s Budget Bureau traditionally held a position of significant power, especially when it came to the ODA budget, although it has also been responsive to LDP and government policy needs (Wright, 2002, pp.150–151). The formal budget procedure sees the Cabinet and *Kantei* as setting budgetary *guidelines*, but the Ministry of Finance itself is in

charge of the actual *detail* contained within the budget, and once the budget reaches the parliamentary stage, substantial changes from the Diet to the overall expenditure are considered unusual (D'Amrogio and Parry, 2016, pp.4–5). Absent of this process, MoFA could not take agreement from MoF on the permissible budget for granted and so formulate any detailed policy, reducing the value of the incentive being offered because the North Korean side would have been unable to actively “count on it”.

The exclusion of METI is emblematic again of the absence of forward planning. With METI uninvolved, it would have been unable to fulfil its usual role representing the interests of the private sector (Hirata, 1998b, p.320) who would be critical actors in determining the shape and scope of any of the promised “economic cooperation” which would have followed and fleshing out the fundamental Japanese “offer” to North Korea. In excluding METI, Koizumi also isolated the business sector, which would have been key to implementing any future settlement and could have offered valuable weight to any negotiation by adding a degree of certainty to the economic incentive. With no ability to plan ahead or advocate for itself in forward planning via METI, it can be assumed that no real interest or momentum existed for the extension of economic cooperation to North Korea prior to the 2002 summit. Without the details being fleshed out, neither the Japanese stakeholders who would have eventually had to implement any such agreement – be they in the public or private sector – would have had any means to conduct any forward planning or engage with core policymakers or the civil service. Again, North Korea would have been able to see this – and without anything concrete, the Japanese offer of economic cooperation inadvertently undermined its own value, despite the positive views of those involved on the necessity of holding back more detailed plans. In a sense, it is conceivable that the lesson learned from the Kanemaru era – to not promise too much too soon – was something of an overcorrection, and that the lack of ability to formulate anything more detailed than a vague notion of the economic vision did in fact undermine the ability of the economic cooperation “carrot” to act as inducement. Considering that part of the reason for the breakdown of the Six-Party Talks was North Korea demanding progress on economic issues (Ministry of Foreign Affairs Official C, 2023), it is conceivable that the lack of discussion internally (*vis-à-vis* the lack of visible interest and the as-yet undecided scale) undermined the value of Japan’s

primary negotiating leverage, and that this was a direct consequence of the extreme use of secrecy in the lead to the 2002 Summit.

There were two major caveats to this which were expressed by interviewees. First, two interviewees mentioned more specific ideas on how the economic cooperation aspect would play out. One expressed that it was expected that the Japanese steel industry would have played a role in North Korea, that this was something which was discussed at an intergovernmental level with South Korea. The interviewee also mentioned that they believed and assumed that North Korea would have also known about this (Cabinet Member A, 2023). A second interviewee mentioned that in the latter rounds of the Six-Party Talks, the energy sector and other issues had begun to be discussed in more detail, but it was accepted that Japan would be unable to follow through on such ideas without a resolution to the abduction issue (Ministry of Foreign Affairs Official C, 2023). Nonetheless, these do not necessarily constitute deep forward planning, nor do they mean that such expectations would have been met with accord among Japanese companies who were never consulted on the matter. While North Korea may have thus been induced by the prospects of Japanese companies from both sectors investing to some degree, the level of interest would have again been undermined by both the lack of specificity and the lack of actual, concrete commitment. Indeed, part of the reason for the eventual breakdown of the SPT was North Korea demanding economic concessions (Ministry of Foreign Affairs Official C, 2023). However, the mention of this is certainly of interest; the presence of Japanese steel and energy firms in other countries which have benefited from reparations and ODA has been significant. Vietnam is emblematic of this and is discussed in detail in Chapter 7.

Second, a “vision” was definitely present for North Korea, but it was considerably more focused on the “big picture”, and has been labelled as the “Grand Vision” of Tanaka Hitoshi in the previous literature on the subject (Funabashi, 2007). This vision, as communicated by interviewees, was for nothing less than a comprehensive and lasting peace in East Asia, one which would resolve one of the final issues in Japan’s post-war international relations and would lead to the simultaneous resolution of all issues in Japan-North Korea relations. It would have been accomplished through a Six-Party Forum with the same participants as the eventual Six-Party Talks, intended as a confidence-building measure among all of

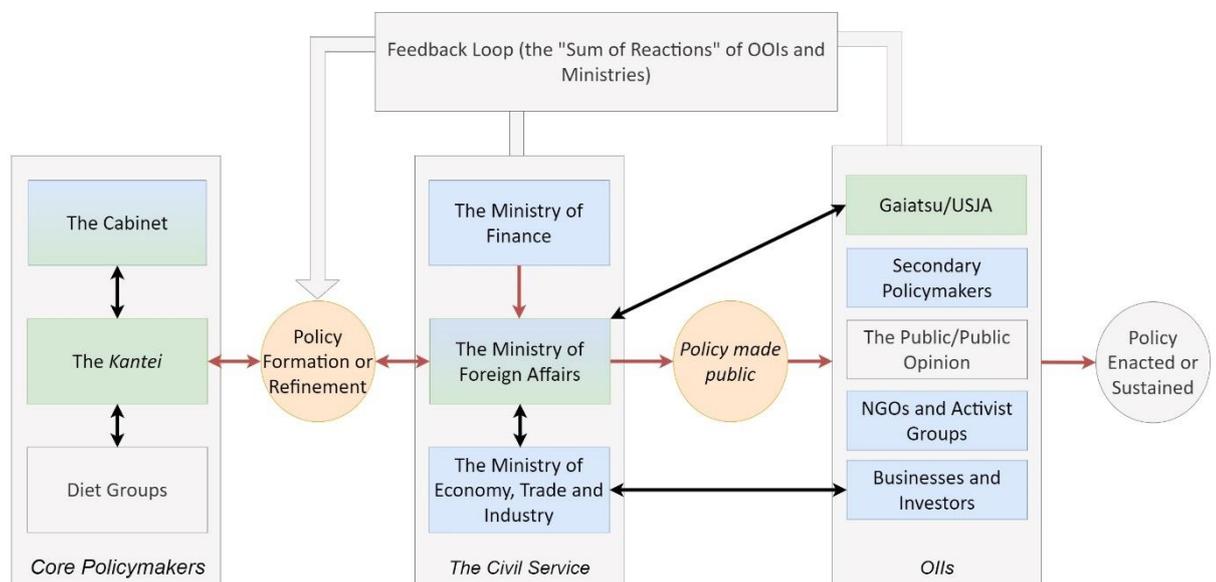
the countries involved (Ministry of Foreign Affairs Official A, 2022). Mr. X may have been at odds with the real problem at hand in that it was not that Japan had “missed the forest for the trees” (Funabashi, 2007, p.16) by focusing on small details over the big picture, rather it had done the opposite, and missed the trees for the forest, so to speak. The “all or nothing” approach, while initially successful in bringing about the 2002 Summit, may have failed to offer significant inducement to North Korea in the short term, again a consequence of the lack of inclusion of wider parts of the Japanese civil service in the earlier stages and an insistence on a comprehensive solution.

North Korea was thus in a position where no concrete economic incentives had been offered and where it was aware of the difficult political situation in Japan and the LDP surrounding the prospect of normalisation. By not offering more concrete measures, which would have only been possible with a state of institutional accord in which all potential stakeholders had been onboarded more quickly, Japan inadvertently undermined the value of the economic cooperation it offered since the North Korean side would have been concerned that a different administration’s view on what should be offered might differ without a concrete figure, especially in a hostile political environment. Consequently, after the Declaration was signed and the abductions issue came to a head, the economic cooperation aspect of it is likely to have held less value or incentive for North Korea than was calculated by the Japanese side.

#### 4.2-IV: Stakeholder Engagement and Japan’s Negotiating Leverage Post-Summit

Japanese diplomats refused to negotiate on economic aspects at all prior to the 2002 summit (Ministry of Foreign Affairs Official A, 2022; Journalist B, 2022). However, while helpful for the early stages of the normalisation attempt, this had significant repercussions on the later, post-summit diplomacy which took place. By all accounts, the *Kantei*’s announcement that Prime Minister Koizumi would visit Pyongyang and that negotiations had been taking place for some time came as something of a total shock. The revelation that secret negotiations had been taking place took place only three weeks prior to the summit (Smith, 2005, p.207), and since the secrecy extended even to cabinet members and senior Civil Service officials (Zakowski et al., 2018, pp.82–83), other stakeholders, such as the business

sector or individual parliamentarians or parliamentary groups with contacts in North Korea, had little opportunity to involve themselves, develop any strategy, or liaise with the government on any policy interests prior to the summit. This had the side-effect of precluding the inclusion of those who would have to eventually be at the forefront of carrying out future policy, especially on the issue of the still unspecified and fluid idea of “economic cooperation” which, as already argued, may have undermined Japan’s key negotiating leverage. The lack of stakeholder engagement further compounds this issue. Figure 7 identifies stakeholders who would have been directly involved in implementing normalisation and policies related to it, such as the economic cooperation, had it come to pass.



*Figure 7: This figure represents stakeholders which would have likely eventually been involved in policy implementation. Those in green (the Kantei, parts of MoFA and the US-Japan Alliance) are the institutions which had prior knowledge, while those in blue are those who would have been involved but did not find out about Tanaka’s negotiations until after the summit had been announced. This figure demonstrates the severe lack of forward planning and stakeholder onboarding which took place prior to the summit, with many potential “blockages” to overcome – of course also known to North Korea itself.*

It is widely argued that the public outcry stemming from the abductions issue was the main factor in the ultimate failure of the negotiations (Smith, 2005, p.208; Lynn, 2006, pp.490–491), and it seems that Koizumi, Tanaka and Fukuda were all aware of the political risks and potential for backfiring involved in attempting to resolve the abductions issue (Funabashi, 2007, pp.37–38). Of course, North Korea is a risky country to deal with whichever approach is taken. As laid out above, had a broad consensus-based approach been utilised from the beginning rather than a secretive one, there is a strong chance that the negotiations would have been

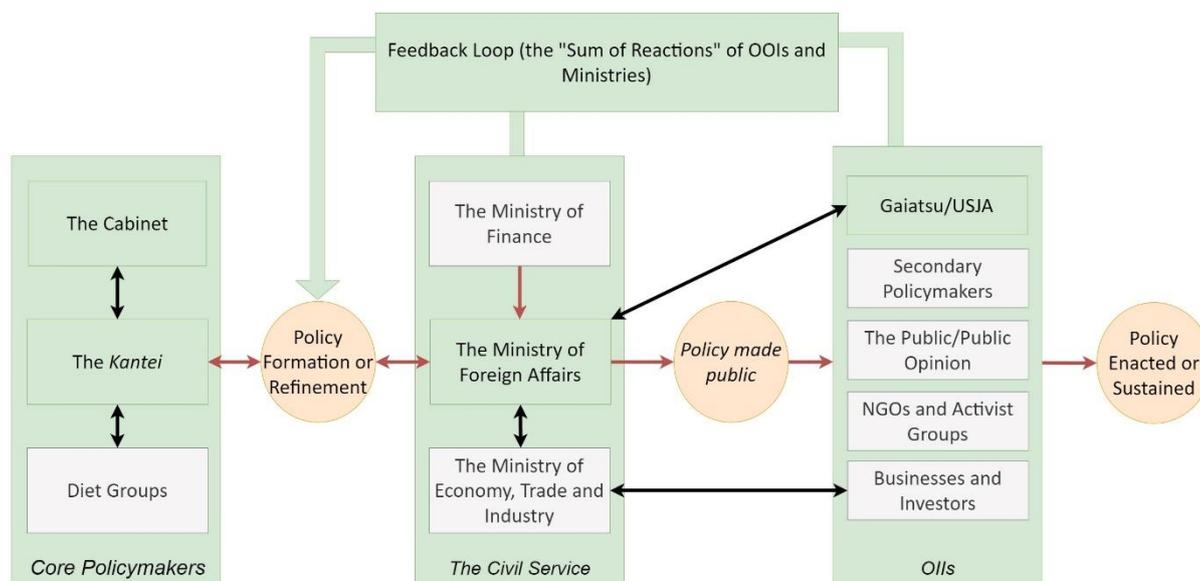
quelled in their infancy, but the failure to achieve initial consensus and develop a long-term vision was itself a path laden with danger, with the possibility of significant backlash when something went awry and with the risk that Japan's negotiating leverage would be viewed as precarious.

The business sector and other interested institutions would have likely been aware that low-level negotiations with North Korea were ongoing. It would have witnessed Japan's participation in the Korean Peninsula Energy Development Organization (KEDO) from the mid to late 1990s, as well as various minor political developments such as the return of Japanese spouses in 1997, the provision of food aid between 1995 and 1997, and perhaps most notably the visit of Watanabe Michio in 1995 to Pyongyang where an agreement was made that there should not be any preconditions to resuming normalisation negotiations (Tōgō, 2010, pp.186–187). It would have also been able to observe some of the unilateral moves North Korea took to attract external investors, such as the creation of the Rason Special Economic Zone in 1991 (Abrahamian, 2012, p.1), or the promulgation of the DPRK Foreign Investment Law in 1992 (Standing Committee of the Supreme People's Assembly, 1992). Indeed, this perhaps demonstrates how little interest there was in North Korea among the business sector, the reasons for which are discussed in more detail in Chapter 6.

Regardless, there would have been no indication for them based on these events that a significant breakthrough in Japan-DPRK relations was due, and by extension no reason for them to devise serious investment or engagement strategies for a post-normalisation North Korea, particularly with other, more troublesome events such as the 1993-1994 Nuclear Crisis or the 1998 Taepodong Missile Test which flew over Japanese airspace (Arms Control Association, 2022) still fresh in memory. Even if there was, the 2002 Pyongyang Declaration – itself being light on the detail of what might be expected and with the amount of “economic cooperation” to be extended being held close to the Japanese government's chest (Funabashi, 2007, p.29) – would have signalled that the potential to conduct business or engage in any form with North Korea would still have been years away at best. With this situation in mind, business sector and civil society momentum for investment in and engagement with North Korea would likely have been non-existent after even the summit. Even setting aside the various reputational or

business risks involved due to the abductee issue or in the actual North Korean business environment, the lack of engagement with the private sector or the rest of civil society in the early stages of the negotiations and the failure to even gauge interest meant that said interest was all but absent. In essence, the argument from the *Kantei* and MoFA for why normalisation was necessary had not only not been won, it had never even been attempted.

For North Korea, this again would have all been clearly visible. With no concrete notions on the “economic cooperation” aspect, North Korea would not have been able to count on *anything* being forthcoming in the short term. Without concrete planning and without prior engagement, the Japanese business sector was little more than a long-term aspiration. It certainly was not an incentive for North Korea to resolve any of the issues faced during the normalisation negotiations quickly. The prospect of “economic cooperation”, while included in the Pyongyang Declaration, may have appeared to the North Korean side to have been an empty promise with little substance. Again, this all comes back to the issue of institutional accord, and what remains is a simple question: without the involvement or consultation of the private sector, what chance was there of achieving accord or consensus among the three pillars? This thesis posits that there was, in fact, very little chance, with a key pillar in the architecture in the other interested institutions missing and taken by surprise. Perhaps, at most, a very weak state of institutional accord did exist very briefly in the weeks prior to the summit – there were no roadblocks, but OII support was largely limited to *gaiatsu*, and even that support had come as a shock to policymakers. This is expressed in Figure 8 – without real and concrete positive pressure to continue the path of normalisation, however, this weak state of institutional accord was swiftly overturned after the revelations around the abductions issue.



*Figure 8: In the weeks leading to the summit, it might be said that a very weak state of institutional accord did exist, with internal opposition largely pacified and with no major opposition anywhere else. This allowed the normalisation policy to progress at least to the summit stage. Nonetheless, the lack of onboarding meant that this was very weak; limited OII support in the USJA could not overcome the sheer weight of public, secondary policymaker and activist group opposition later, especially in the absence of the business sector support which typically underpins Japanese diplomatic policy. As soon as a single element of opposition came into play, the “feedback loop” would suddenly turn, on balance, red, in opposition.*

It goes without saying that in particular the business sector and Japan’s economic interests have historically been a key driver of Japanese diplomatic policy and its relative success, especially where ODA and related initiatives are concerned (Arase, 2005, p.13) – this is the reason why it is represented on the original iron triangle in the first place, and as the success of Japanese ODA is hailed in East and Southeast Asia due to the creation of a virtuous cycle of investment and reinvestment (Araki, 2007, p.26; Kato, 2017, p.96). This virtuous cycle is discussed specifically in relation to Vietnam in detail in Chapters 7 and 9. However, it has been historically difficult to apply this model in other regions, such as Africa, where Japanese business sector interest has historically lagged with significant interest only being a recent phenomenon, and with mutual economic interests having been fewer than in Asia and with aid being generally grant rather than loan-based (Kato, 2017, pp.96–99, 106). An in-depth comparison to the African experience of Japanese aid is beyond the scope of this thesis. However, this brief comparison does draw attention to the main point – without the private sector and at the very least the *consent* of the public, the Japanese “economic cooperation” model does not work.

What is missed in the existing literature is that this works both ways. For both Japan and the country it is negotiating with, the prospect of Japanese business

sector investment is tantalising and is one of the very real strengths Japan can bring into bilateral negotiations, but without the private sector being involved in a concrete manner this strength and the ensuing leverage it brings crumbles. With this being the case, and without the existence of institutional accord, including the full onboarding of as many of the OIIs as possible including the business sector, momentum simply vanishes, and this is precisely what happened after the 2002 Pyongyang Summit since Japan could offer little else in the way of incentive. The business sector is discussed in more detail in Chapter 6, which provides a deeper examination of why it was generally apathetic toward North Korea despite it theoretically sharing similar conditions to many other past recipients of Japanese aid.

#### 4.3-V: Conclusion: Post-2002 and the Logjam of Diplomacy with North Korea

The existing literature largely argues that the post-2002 logjam of Japanese diplomacy with North Korea can be primarily attributed to the abductions issue, with even the missile and nuclear issues not appearing to match the abductions issue in terms of their overall importance. Indeed, Japan's extremely hard line on the issue shows no signs of abating and this position is not necessarily incorrect. The pressure to take this stance stems from both the Diet, including groups such as the *Rachi Giren*<sup>30</sup> which by 2006 had a membership comprising 188 of the 480 lower house Diet seats (Lynn, 2006, p.501), and from public opinion, with the abductions issue ranking as overwhelmingly the highest priority among voters in polling on North Korea-related issues (Cabinet Office Public Relations Office, 2016, p.19). This has been further backed by the efforts of influential civil society groups such as the *Sukūkai* as well as the private efforts of the family members of the abductees themselves, the *Kazokukai*<sup>31</sup> (Lynn, 2006, pp.500–501). With this being the political landscape, normalisation talks would obviously have been more difficult to carry out. However, the question remains open – was the stall *inevitable*,

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<sup>30</sup> The full name is the Diet Member's Alliance for the Early Rescue of Japanese Kidnapped by North Korea, or the *Kita Chousen ni Rachi Sareta Nihonjin wo soki ni Kyuushutsu suru tame no koudou suru Giin Renmei* (Lynn, 2006, p.501)

<sup>31</sup> To give them their full names, the National Association for the Rescue of Japanese Kidnapped by North Korea or the *Kita Chousen ni Rachi Sareta Nihonjin wo Kyuushutsu suru tame no Zenkoku Kyougikai* (*Sukūkai*) and the Association of the Families of Victims Kidnapped by North Korea or the *Kita Chousen ni Yoru Rachi Higaisha Kazoku Renrakukai* (*Kazokukai*) (Lynn, 2006, p.500).

or would a different approach by the Koizumi *Kantei* from the start have resulted in a different outcome? Indeed, why was economic cooperation never considered as a *solution* to the abductions problem, rather than being withheld as an undefined and unsubstantiated carrot?

This chapter has contributed to the literature through a new and thorough analysis of the approach of various Japanese stakeholding institutions to North Korea policy, examining if their positions reached or failed to reach a state of consensus. While the existing literature has focused largely on the abductions issue, and the other high-profile issues presented by the North Korean side, considerably less attention has been paid to the Japanese policymaking apparatus, which this chapter has attempted to address.

Failure to onboard the institutions which would have been necessary to later implement policy is a common factor in both the 1990 and 2002 normalisation attempts. While the abductions issue is perhaps a uniquely emotive issue, it is far from the first major normalisation hurdle Japan has faced with a country to which it would later provide ODA or economic assistance. Chapter 5 examines the experience of relations with Vietnam, where the Vietnamese occupation of Cambodia created a similarly large stumbling block, but one that was not only successfully overcome, but one which Japan was *proactive* in attempting to overcome due to established institutional accord among the actors within the framework – the core policymakers, the civil service, and the other interested institutions – and the various sub-actors with input into Japan's international relations and ODA system. Kanemaru's attempt, due to not only the surprise character of the visit but also his inexperience having undermined the Japanese position in later negotiations, the temporal context, and pressure from within the USJA at no point attained institutional accord, with MoFA feeling aggrieved that it had not been involved and that its position had been compromised and MoF never agreeing to the amount of which Kanemaru had allegedly promised, both compounded further by fierce resistance from within the USJA. The attempt was essentially doomed from the start in the absence of even civil service support, with the Three-Party Declaration and any promises made on a personal basis by Kanemaru being meaningless without any backing from other elements of the

Japanese state. In overestimating his own influence over other parts of the policymaking architecture, he overpromised without the authority to do so.

The Koizumi attempt, while considerably closer to succeeding than the Kanemaru attempt, faced a similar issue in failing to onboard all stakeholders in advance. The secretive approach used in the lead to the negotiations – whatever the reason may have been – precluded the establishment of institutional accord prior to the summit, which meant that the main inducement offered by Japan in economic cooperation was undermined in terms of value. Without concrete incentives being offered, the public opinion issue, the political situation in the Diet, concern over the USJA, and the lack of evidence of private sector support would have made the promise of future economic cooperation hollow at best from the North Korean perspective, especially considering that a future leader might have taken a harder line, which was a very real prospect with the presence of several perceived hard-line politicians in the Cabinet and with Japan's long history of short-term Prime Ministers. The uncertain political situation was a direct consequence of the lack of institutional accord, and would have been clearly visible to North Korea, not only preventing the formulation of concrete plans in the first place by excluding key stakeholders like MoF and MITI/METI but presenting an additional danger that opposition to any plans would not be surmountable in the future. Of course, without the secrecy, there is a chance that even the Summit stage itself may have never been reached, presenting a difficult double bind situation. In the absence of pre-existing institutional accord, no momentum at all existed for the continuation of normalisation talks with North Korea until the abductions issue had been resolved, but without a concrete incentive, Japan could offer little to North Korea as inducement to press for the resolution of the issue. A concrete plan, and concrete incentives to accompany it, may have side-stepped this issue, but the lack of institutional accord made such an approach impossible despite the positive intentions of the Japanese side. The relationship with North Korea began at essentially "zero", but since institutional accord had not been achieved and all relevant stakeholders onboarded in advance, this was a state of "negative zero". This is in stark contrast to Japanese efforts in Vietnam which are discussed in the next chapter.

## Chapter 5: Institutional Accord and Japan's Interests in pre-1992 Vietnam

### 5.0: Introduction

The previous chapter discussed how Japan struggled to maintain momentum in negotiations with North Korea due in part to the lack of institutional accord. Absent of a concrete economic incentive, which was undermined by a divided and, in part, visibly hostile government apparatus, Japan's inducements would have appeared less valuable than their potential might have suggested. In the time leading to the resumption of ODA to Vietnam in 1992, on the other hand, considerable consensus and accord existed within the Japanese state for a closer relationship with Hanoi, as marked by Foreign Minister Nakayama Taro who, two days after the conclusion of the Paris Peace Agreements in October 1991, stated that Japan-Vietnam relations had entered a "new era" and that it was likely that ODA would resume shortly thereafter, which followed in 1992 (Pike, 1992, p.81; Hirata, 1998a, p.150).

This chapter argues that the swift resumption of ODA was only possible due to the pre-existing institutional accord which existed over pre-1992 Vietnam in a manner which it did not over North Korea, with Vietnam being an enthusiastic partner and viewing Japan's inducements for the resolution of the Cambodian issue to that point as highly credible and of high value. It argues institutional accord was a key distinguishing factor; on North Korea isolated voices may have historically sought engagement, normalisation and ODA provision on the basis of the ostensibly similar set of interests to Vietnam for Japan, but in Vietnam the voices calling for such measures were historically united and acting in a state of unanimity. In comparing Vietnam and North Korea, it contributes a new strand of analysis to the existing literature focusing on the lack of development of low-level contacts in the latter and how this lack of pre-existing interests was detrimental to Japan's eventual negotiating position. It utilises the existing historically based analyses present in the literature and examines them in relation to the institutional accord model, providing an additional explanation for Japan's success in pursuing its policy objective in the period of its relations with Vietnam to 1992.

While the interlude seen in the 1980s saw little macro-scale-economic interaction between Japan and Vietnam following the ODA suspension and ensuing direct *gaiatsu* over the issue from the United States (Hirata, 1998a, pp.147–148), this did not preclude significant non-economic interaction and some micro-scale interaction which had a groundwork-laying effect. This was largely achieved via those within MoFA who had actively opposed the suspension of aid in the first place, believing that a softer stance would have allowed for the preservation of channels of communication (Orr, 1990, p.122), and even during the lowest point of bilateral relations in the early 1980s there were several attempts to revive the relationship led by the heads of the Asian Affairs Bureau in conjunction with the pro-Vietnam Diet groups (Shiraishi, 1990, p.96). While MoFA’s “official” stance was always against resuming aid, in contrast to the positions held by MITI and pro-Vietnam groups in the Diet (Orr, 1990, p.37), as Hirata argues, Japanese policy on Vietnam tended to shift along with US policy, and this is because Japanese policymakers across the civil service, government and business sectors all viewed compliance as generally preferable to the risks posed by non-compliance, both in commercial and security terms (Hirata, 1998a, pp.140–141). MoFA’s hesitance to abandon the aid suspension must be seen through this lens as an externally imposed factor placed by *gaiatsu*.

Vietnam plays a critical role for Japan in geopolitical and economic terms. It has historically been seen by bureaucratic actors in this regard as furthering Japan’s interests within Southeast Asia and lessening the relative power of China (and historically, the USSR) (Pressello, 2014b, pp.55–56). To this end, even in the period when Vietnam was internationally isolated, the Japanese civil service made active efforts to maintain open channels of communication and “lay the groundwork” for future “renormalisation” and ODA. This chapter discusses the initiatives of Japanese civil servants and core policymaking Diet groups to maintain a relationship with Vietnam up to 1992 in relation to the bilateral relationship and the perceived interests of each of the actors involved. The Japanese diplomatic reaction to the Vietnamese occupation of Kampuchea (Cambodia) is a key case study in demonstrating the importance of accord among policymakers and is a useful showcase of the long continuity of Japan’s Vietnam policy.

This chapter begins by examining the roles and positions of the various actors on the Institutional accord model in Vietnam across the entire period, arguing that there was no major resistance to the resumption of ODA. This base of evidence is then applied to analysis within the institutional accord framework, positing that the period can be divided into four critical phases. The period 1978 to 1979, when aid continued and Japan signalled that, even with *gaiatsu*, it would continue aid to Vietnam, a position it maintained until the Soviet Union, Vietnam's primary supporter and ally, invaded Afghanistan to international condemnation (Kesavan, 1985, p.1127). This first period is dubbed the Reluctant Disengagement Phase. This was followed by a period of greater strain, in which Japanese policymakers largely followed the *gaiatsu* line and engagement with Vietnam hit a nadir, albeit with continued general reluctance. This second period, lasting between 1979 and 1986, is dubbed the Cold Phase. The third phase, which coincided with *Doi Moi*, saw early support from the business sector, with small-scale investments beginning in Vietnam at this time even as the formal line from policymakers remained largely unchanged, and lasted between 1986 and 1988. This period is dubbed the Nascent Re-engagement Phase. The final phase, covering the period from 1988 to 1992, saw Japan engaging fully and proactively with the Cambodian issue as a means to remove the *gaiatsu* "blockage". This is dubbed the Intensified Re-engagement Phase. These periods are discussed sequentially in the second half of the chapter and compared at each point to the pre-Summit period of Japan-North Korea relations, ultimately arguing that across all phases institutional accord was in place, with *gaiatsu* being the only major hurdle preventing full renormalisation and the resumption of ODA.

For the purposes of this chapter, the policy shared by the institutions in Japan is resumption or continuation of ODA and renormalisation of relations with Vietnam. While Japan never formally broke ties with Vietnam, the strain through the occupation of Cambodia and the international pressure, especially from the United States, effectively forced Japan into a position where it could not pursue "normal" trade and diplomacy with Vietnam in line with its own interests outside the framework of the US-Japan Security Alliance (Hirata, 1998a, p.152), so "renormalisation" is used here in a colloquial sense to refer to the pre-1979 *status quo ante* relationship before aid was suspended.

As with Chapter 4, this chapter seeks to cover both the role of the Japanese government and the role of the civil service in the lead to the resumption of ODA in 1992. As with the previous chapter, the most directly relevant actors here are the major diplomatic and aid-related ministries, in particular the Ministry of Foreign Affairs, which took a leading role in resolving the so-called “Kampuchean issue” on the global stage, the Ministry of International Trade and Industry, which was effective and persistent in advocating for the business sector. Also crucial were core policymaking Diet Groups led by the League for Japan-Vietnam Friendship who provided a voice from within the LDP for resumption of ODA and effective “renormalisation” of the bilateral relationship, with several members eventually becoming the political core of efforts to resume normal relations in 1992 while acting as a bridge through the 1980s. While the *Kantei* was less important in this case, it nonetheless played a supporting role which is also discussed. Finally, the business sector – a key factor difference from the North Korean case – is discussed. Ultimately, this chapter argues that the state of accord over Vietnam fostered “positive zero” – a state where, despite a lack of official ties and despite a *prima facie* difficult relationship, a broad consensus that renormalisation of ties and the resumption of ODA was beneficial for Japan laid the foundations for successful interactions in the future, in direct contrast to the situation in North Korea described in the previous chapter.

## 5.1: The Kampuchean Issue and Institutional Accord

The “Kampuchean Issue” is the contemporaneous term used to describe the geopolitical fallout from the Vietnamese occupation of Cambodia between 1978-89 and until the 1991 Paris Peace Agreements which brought an end to thirteen years of conflict (Yamamoto, 2015, p.386). The Ministry of Foreign Affairs in Japan took a proactive role in attempting to find a resolution to this outstanding conflict, which was one of the first post-war instances of Japan taking a proactive stance and working to resolve a major international issue (Lam, 2012, pp.108–109). While re-establishing the relationship with Vietnam was not the sole motivation for Japan’s proactivity on the Cambodian peace process, Japan had long believed that integration of Vietnam and the wider Indochina region into ASEAN and with capitalist economies would be beneficial and provide significant economic opportunities in terms of reconstruction efforts, natural resources and

manufacturing opportunities while contributing to peace and stability in the region (Hirata, 1998a, p.142). On paper, this is similar to what North Korea might have theoretically offered. The Vietnamese occupation of Cambodia was the main obstacle to this and so it is logical that Japan would seek to address the issue as a matter of priority with this mixture of economic and geopolitical motivations.

Institutional accord was not necessarily a given. The Ministries within the civil service are sometimes represented in the literature as having a monolithic and single-minded purpose, with Orr (1990, p.3) referring to the “parochial interests” of the ministries and how they bargain with each other, but this belies the internal interests on a departmental and bureau level within each ministry. Among other examples, this is demonstrated by the division between the Asian and Oceanian, American, and Treaties bureaux within MoFA in the Koizumi era leading to the 2002 Pyongyang summit (Zakowski et al., 2018, pp.81–82), as discussed in the previous chapter. While at first appearing problematic, this section argues that these ostensibly contradictory positions helped strengthen Japan’s overall position and credibility with multiple constituencies in a manner which did not happen in North Korea. Effectively, in North Korea, a small number of institutions – the *Kantei* and MoFA’s Asian and Oceanian Affairs Bureau – were swimming against a tide of disinterest in which the primary blockages were likely to be internal to Japan. In Vietnam, the situation was reversed, with majority consensus already achieved among the relevant institutions with only two – MoFA (and even then, only on paper) and *gaiatsu* via the US-Japan Alliance - in opposition. Nonetheless, there are several parallels in the forms of a divided civil service structure, the fear and perception of *gaiatsu*, and, crucially, the proactivity in attempting to resolve a festering political issue in Japan’s interest. Indeed, Foreign Minister Nakayama Taro discussed both in conjunction at the 1990 UN General Assembly, drawing the parallel between the two as regional conflicts to be resolved in pursuance of regional peace and stability (Nakayama, 1990). In one, these difficulties were successfully surmounted, in the other, they were not. These issues are discussed in turn in the following sections in relation to MoFA leadership in the responses to each.

### 5.1-I: MoFA's Balancing Acts in Vietnam and North Korea

Japanese aid to Vietnam was formally suspended in December 1979 (Kesavan, 1985, p.1127), roughly one year after Vietnam invaded and occupied Cambodia. Nonetheless, Japan, via MoFA and via Foreign Minister Sonoda Sunao, made earnest attempts to leave open lines of communication in Hanoi and pledged to continue offering, in Sonoda's words, "well-meant advice" to Vietnam (Shiraishi, 1990, p.81). This situation is reflective of the wider Cold War geopolitical context in which Japan was forced to balance relationships with the United States, China, ASEAN, and the USSR (with which it was also negotiating a treaty) as well as Vietnam itself. This was further complicated by the Khmer Rouge regime in Cambodia having had the backing of China, with which Japan normalised relations in 1978 (Shiraishi, 1990, pp.76–79). Japan attempted to maintain a neutral position in the growing tension between China and Vietnam, even offering to act as a mediator after the Chinese invasion of Vietnam, but ultimately this move caused a temporary souring of relations with the latter (Shiraishi, 1990, pp.81–83). The wider Cold War context and climate went even further in complicating Japan's relations with Vietnam - the general stance of western and US-allied countries was support for the deposed Khmer Rouge government, taking a strong stance against Vietnam, and this was complicated even further by the Soviet invasion of Afghanistan, an action which Japan joined the western bloc in criticising while still attempting to maintain dialogue with Soviet-aligned Hanoi, insisting that the bilateral relationship and the question of aid was unlinked (Pressello, 2014a, p.5). However, the main issue in Tokyo was *gaiatsu* from the United States, which leaned heavily on Japan to cut off aid despite protests that financial engagement with Vietnam meant that Japan would be able to continue to offer influence and a stable channel of communication (Hirata, 1998a, p.148). After this, MoFA formally took the position that aid would not be resumed until Vietnam withdrew from Cambodian territory (Orr, 1990, pp.37 & 122). The geopolitical "messiness" of this situation and the awkward position it placed Japan in cannot be overstated.

However, there was never a *fundamental* disagreement within MoFA that Japan should one day renormalise with Vietnam, only a disagreement on whether the policy should or should not be carried out in coordination with other countries, especially the United States, and the suspension of aid was done reluctantly

because Tokyo policymakers prioritised the preservation of the Security Alliance (Hirata, 1998a, p.148). As a result of this paradoxical situation, even with *gaiatsu* in place, the Asian Affairs Bureau in MoFA continued to offer a core of pro-engagement civil servants, even after the suspension of aid was enacted (Pressello, 2014b, p.38), despite the official stance on withdrawal (Orr, 1990, pp.37 & 122). These stances appear contradictory, but they in fact worked to Japan's advantage in this case. Pressello (2014, pp.55–56) argues that the Asia Bureau's goal was to uphold the Fukuda Doctrine in service of Japan's geopolitical interests, with an ultimate goal of integrating Vietnam into ASEAN and furthering Japan's influence on regional affairs while lessening the influence of China and the USSR. This appears to have been a "grand strategy" approach which focused on the long-term, and it allowed Japan to maintain a relationship with Vietnam while still, on the surface, supporting the *gaiatsu*-imposed US stance – in effect a continuation of the policy of the 1970s. This strategy did not always work flawlessly – Hirata (1998, p.149) points out the United States Senate's Kasten Resolution of 1987<sup>32</sup> and the era of "Japan-bashing" in the United States, which proved that Japan's government and business sector were not totally shielded from criticism on Vietnam, but these rhetorical attacks never led to serious or lasting consequences as far as Vietnam was concerned. Due to this, the Asian Affairs Bureau can be seen as having been generally successful in maintaining a base level of engagement with Vietnam by adopting an approach to the issue which largely appeased the US while allowing for subtle but nonetheless direct engagement with Hanoi, absent of wide-scale business sector investment or an ODA programme. In essence, *gaiatsu* acted in a manner akin to a floodgate – while it prevented the flow of water, the strength of the current itself did not weaken.

As with North Korea, a complex geopolitical situation led to a difficult path for MoFA diplomats and policymakers, but in this case the situation was navigated successfully. This recalls the concerns of Japanese negotiators in the lead to the 2002 Pyongyang Summit that the United States would oppose the initiative (Funabashi, 2007; Ministry of Foreign Affairs Official A, 2022). In both scenarios, the Asia Bureau continued to pursue a policy line which was felt to be in opposition to the interest of maintaining the Security Alliance (even if this eventually proved

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<sup>32</sup> A United States Senate resolution which urged the Japanese government to persuade Japanese firms investing in Vietnam and condemned those firms for doing so (Hirata, 1998a, pp.24–25).

to be untrue in the North Korean case with the White House having been ultimately supportive (Anon, 2022; Ministry of Foreign Affairs Official A, 2022; Journalist B, 2022)). The key point of difference is that while the *gaiatsu* over Vietnam largely did play out as expected, a base level of support for stronger Japan-Vietnam relations existed in the Ministry of Foreign Affairs through the ODA suspension period which was much stronger than that over North Korea seen in the lead to the Pyongyang Summit. Where ODA to Vietnam was suspended with reluctance across MoFA and the wider Japanese government (Hirata, 1998a, p.148), consensus was never built in the first place on whether normalisation with North Korea was even desirable under *gaiatsu*, as can be seen in the reaction of the Tax and Treaty bureaux heads, Ebihara and Nishida (Funabashi, 2007). This would manifest in the late 1980s as strong proactivity in resolving the root cause of the *gaiatsu* – the Cambodian conflict and the Vietnamese occupation of Cambodia. The MoFA position was reflected in the political situation of the period, which is discussed in the next section.

### 5.1-II: Parliamentary and *Kantei* Relations with Vietnam

Japanese politicians, reflecting the situation in MoFA, broadly fell into two groups; those who were overtly pro-Vietnam and never stopped advocating for a stronger relationship with it, and those who took a more cautious approach in line with *gaiatsu*. The prior group took a leading role in maintaining dialogue with Vietnam through the 1980s and kept the relationship alive even during the coldest years of the formal state of bilateral relations, with several senior politicians taking active roles. The League for Japan-Vietnam Friendship, founded in 1974, featured broad support across the Japanese political spectrum and was headed by LDP Secretary General Sakurauchi Yoshio, despite the LDP's ostensible anti-communist stance on foreign policy, and accordingly ODA was provided in 1975, 1976 and 1979<sup>33</sup> alongside a growing trade relationship (Hirata, 1998a, pp.143–144). This is consistent with the approach Japan took to ODA in that era in being relatively apolitical, broadly economic in nature, and Southeast Asia-focused, and it is on these grounds that Sakurauchi himself was one of the leading voices criticising the suspension of ODA to Vietnam after 1979 (Hirata, 1998a, pp.147–148). Conversely,

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<sup>33</sup> Aid was not provided in 1977 or 1978 due to a dispute over unpaid debts by South Vietnam, but this was resolved in late 1978 and aid resumed for 1979 (Hirata, 1998a, p.144).

the *Kantei* and cabinet maintained a position where, while favouring a deeper relationship with Vietnam in the long term and wishing for a restoration of full relations, they were outwardly supportive of the efforts of allies and other partners to isolate Vietnam in order to pressure it into withdrawing from Cambodia. This allowed Japan to maintain credibility with both sides to some degree, presenting multiple and even conflicting positions simultaneously.

Hirata (2000) argues that Japan maintained “dual linkages” with Asia and the United States, and that the degree of *gaiatsu* being applied at any given time impacts on the level of proactivity by Japan. This is reflected in the positions of the *Kantei* under Prime Ministers Ohira, Nakasone, Takeshita, Uno, Kaifu and Miyazawa, which remained largely unchanged and supportive of the *gaiatsu*-imposed stance on Vietnam. Nonetheless, there is evidence that all *Kantei* of this period were relatively reluctant in their support for the *gaiatsu* line. Ohira, as late as December 1979, was insisting that Japan had an independent policy on Vietnam and would provide the aid that it had pledged; this stance only changed after the Soviet Union, which backed Vietnam, invaded Afghanistan at the end of that month (Kesavan, 1985, p.1127). Nakasone envisioned that Vietnam would one day take a leading position in Southeast Asia and that it was therefore important to maintain and build ties with Hanoi, and he noted in the Diet that he had discussed the resumption of economic aid and civic exchanges as part of bilateral talks (Nakasone, 1983; Pressello, 2018). Takeshita’s International Cooperation Initiative, as discussed above, was continued by Uno and Kaifu (Akaha, 1991, p.328; Takeda, 1998, p.554), again indicating a strong degree of policy continuity in the use of aid as a carrot and attaching importance to resolving the issue and attempting to forge a more independent foreign policy, in line with the MoFA stance. In this time period, only Suzuki appears to have been an outlier on Vietnam, having taken steps to assuage concerns among ASEAN countries about Japan’s intentions, but even he was reported to have once planned to pledge in a speech the restoration of economic aid to Vietnam upon the restoration of “peace in the region” although this was in the final speech changed to a full denunciation of the invasion of Cambodia (Sudo, 1988b, p.518). Moreover, despite strong pressure to do so, the Japanese government never took steps to prevent private business activity in Vietnam (Hirata, 2001, p.89) despite the investment of firms such as Mitsui and Nissho Iwai attracting criticism from overseas (Sudo, 1988a, p.137; Hirata, 1998a, p.149).

The League for Japan-Vietnam Friendship offered a further avenue for pro-Vietnam advocacy which survived through the aid suspension period and continued to push for the resumption of aid through the entire period. In 1979, Sakurauchi led a cross-party delegation to Vietnam, and on the return of this delegation his LDP colleague Kimura Takeo released a statement sympathising with the Vietnamese position and urging the Japanese government to continue aid (Hirata, 2000, p.1). Sakurauchi proposed another delegation in 1985 which would have visited both Hanoi and Phnom Penh, but this was rebuffed by Foreign Minister Abe Shintaro who was acting under *gaiatsu* from the United States and ASEAN which were concerned that their positions were undermined (Kesavan, 1985, pp.1132–1133). Some members of this group went on to Cabinet roles. For example, one member of this group who went to Hanoi in 1991 to discuss the resumption of ODA was Watanabe Michio, who later that year became Foreign Minister and would have been the politician most directly responsible for the resumption of ODA in 1992 (Furuta, 1992, pp.174–175; Pressello, 2014b, p.50). Both the *Kantei* and the Diet demonstrate that the nascent undercurrent of interest in Vietnam from within Japan was still present and considering the speed and enthusiasm with which Japan resumed ODA following the resolution of the Cambodian issue, it appears that this enthusiasm went largely undamaged through the suspension period and provided an avenue for the incubation of pro-Vietnam Diet members who would accede to more senior positions.

Across this entire period, Japanese core policymakers were thus able to maintain both a hard and a soft line simultaneously. Japan took a hard line in the sense that the official position went out of its way to assuage ASEAN and United States concerns, but the line was soft in the sense that it continued engagement with Vietnam, both in high and low-level exchanges, and so it was eventually able to credibly and effectively use the prospect of aid as a carrot in the later stages of the Cambodian Peace Process. Through maintenance of this contradictory set of positions, Japanese core policymakers, whether in intentional or accidental collusion, further signalled to Vietnam that broad institutional accord existed in Japan, and again this eventually allowed for the Japanese incentive of aid to work as effective leverage in resolving the Cambodian issue and, by extension, the *gaiatsu* blockage which created an “abnormal” state of bilateral relations. Unlike in North Korea, where the argument “still had to be won”, and numerous opponents

remained to normalisation and the provision of economic cooperation, the argument on Vietnam had in effect “been won”. The only question on the minds of policymakers was precisely *when* the renormalisation and resumption of aid would occur, and the consistent Japanese incentive of aid provision from the *Kantei* and powerful presence of influential politicians in the backbenches who continued low-level engagement with Vietnam would have made the promise considerably more valuable and credible. While political considerations created an extended period in which interaction was limited, the root of this issue in being largely external and reluctantly carried out meant that resumption was swift and relatively easy once these considerations were resolved. This describes the state of “positive zero” which existed prior to the 1992 resumption. The next section explores the final main force in pursuing “renormalisation” with Vietnam – MITI, with the strong backing of the private sector.

### 5.1-III: Business Sector Lobbying and MITI: Substantiating Japan’s “Offer”

A key point of divergence in the North Korean and Vietnamese cases is the presence of clear, strong private sector support for the latter. Indeed, as early as 1989, three years before the resumption of ODA, the Institute for Energy Economics, an affiliate of MITI, began creating plans for developing Vietnam’s electrical grid, and by 1988 Japanese firms comprised one third of FDI into Vietnam with an upward growth trajectory going into 1989 and 1990 (Lincoln, 1992, p.34). The aforementioned Mitsui and Nissho Iwai investments are specific examples of this (Sudo, 1988a, p.137; Hirata, 1998a, p.149). Business interest was evident long in advance of the resumption of ODA, although one interviewee noted that most of the investment at this stage was still small in scale and that the general business environment was still difficult (Academic B and Academic C, 2022) despite the beginning of *Doi Moi* in 1986 and its acceleration in 1988 (Irvin, 1995, pp.729–730). It might be surmised that this comprised a period of “testing the waters” for Japanese firms – however, the business sector interest through the entire period is undeniable and would have undoubtedly also driven MITI advocacy for the aid to Vietnam through the suspension period. This section examines the case of one such company’s lobbying – that of Sony and its influential chairman Morita Akio – and how the business interest of the company might have been

transposed into specific political lobbying. Morita was a proponent of ODA, and, considering Sony's prior entry to and interest in the Vietnamese market in 1973 before their venture was nationalised (Vind, 2009, pp.228–229) and the speed at which they re-entered the market after ODA resumed (Marukawa, 2006, p.300), it is likely that he and others in similar positions lobbied for the full renormalisation of relations. Sony at the time was creating new, highly integrated production networks across Southeast Asia, building on the back of Japan's wider aid policies and in particular the 1987 New Asian Industrial Development Plan, which was aimed at the development of export-oriented industries and the promotion of trade liberalization (Lubrano, 1993, pp.533–534). Sony's production competitiveness was undoubtedly assisted by these integration efforts.

Morita's co-authored book with then-Transport Minister Ishihara Shintaro in 1989 publicly advocated for Japan to provide further development assistance funding (Ishihara and Morita, 1990, p.45). Morita had been vice-chairman of the *Keidanren* and was under consideration to become chairman in the early 1990s until he suffered a cerebral haemorrhage in 1993 (Holley, 1993). He was especially influential even beyond the *Keidanren* connections and the chairmanship of a large corporation because he had personal ties to several Prime Ministers and senior members of the core policymaking elite. A supporter of the LDP, he founded the *Jiyū Shakai Kenkyūkai* (the Free Society Study Association) in 1977, as a means to "bring the LDP together", and this group produced seven Prime Ministers - Takeshita, Kaifu, Hata, Hashimoto, Obuchi, Mori and Miyazawa - and several other senior politicians such as Abe Shintaro (Akio Morita Library, 2021). With such pieces in place, it should come, then, as no surprise that Sony was one of the earliest Japanese investors in Vietnam after the resumption of ODA, entering the television market on an outsourcing basis in 1992 having followed the example of JVC in 1985 (Marukawa, 2006, p.300) and then becoming the first Japanese appliance manufacturer in the country in 1994 (Asia Pacific Journal of Marketing and Logistics, 1996). If he did, indeed, advocate for the resumption of ODA to Vietnam, he would have been able to freely exercise his opinion within the *Jiyū Shakai Kenkyūkai* to senior, powerful politicians like Takeshita and Kaifu, who were in power during the Cambodian Peace Process and who oversaw the International Cooperation Initiative, backed by further influence from the *Keidanren* and his chairmanship of Sony. Certainly, the Cambodian Peace Process and resumption of

ODA in 1992 would have been to Sony's benefit if it had pre-planned its investment in Vietnam, which happened within the same year. Morita would not have been the only prominent businessman in such a position – he would have been one of many in an era of particular bullishness among the Japanese business sector. He, and those like him, through both organisations like the *Keidanren* and their own private *Kenkyūkai*, were in a position to have their voices heard, and the chorus of business voices was clearly in favour of the resumption of ODA to Vietnam.

For its part, MITI has always acted as a pipeline for the private sector to voice its stance on ODA policy, both in terms of representing the private sector at-large (as represented by groups like the *Keidanren*) and the interests of individual firms via *Kenkyūkai* (Arase, 1994, pp.187–188). The situation in 1980s Vietnam was in line with expected MITI institutional behaviour in this regard, with it maintaining a position which consistently mirrored that of the business sector in advocating for Vietnam as an investment destination from an early stage. MITI sent delegations to Hanoi quickly after Vietnamese reunification – it was first part of the MoFA-led Arita mission in 1975, alongside other ODA-related ministries such as the Ministry of Finance, the Ministry of Transport and the Ministry of Agriculture and Forestry, and the Economic Planning Agency, and it followed in March 1976, by being part of a petroleum delegation also including MoFA officials and the private sector (Shiraishi, 1990, p.61). In line with its wider policy towards communist countries of prioritising commercial relationships over politics, MITI's Vietnam policy post-reunification was to continue as before (Orr, 1990, p.37), and officials within MITI advocated for aid to continue even after the invasion of Cambodia, even though *gaiatsu* meant these calls were unheeded in the short term (Orr, 1990, p.122). Strong private sector support for commercial relations (and by extension ODA) with Vietnam would have been the driving force behind MITI's policy toward the country and like with MoFA this consistent advocacy and soft support for existing commercial enterprises in Vietnam was ultimately rewarded with the resumption of aid in 1992.

Existent private sector support is a key difference from the North Korea case, adding impetus for the Japanese government while adding further weight and credibility to Japan's "offer" towards the end of the ODA suspension period. For foreign investors, Vietnam was regarded as an untapped "last frontier" (Nguyen,

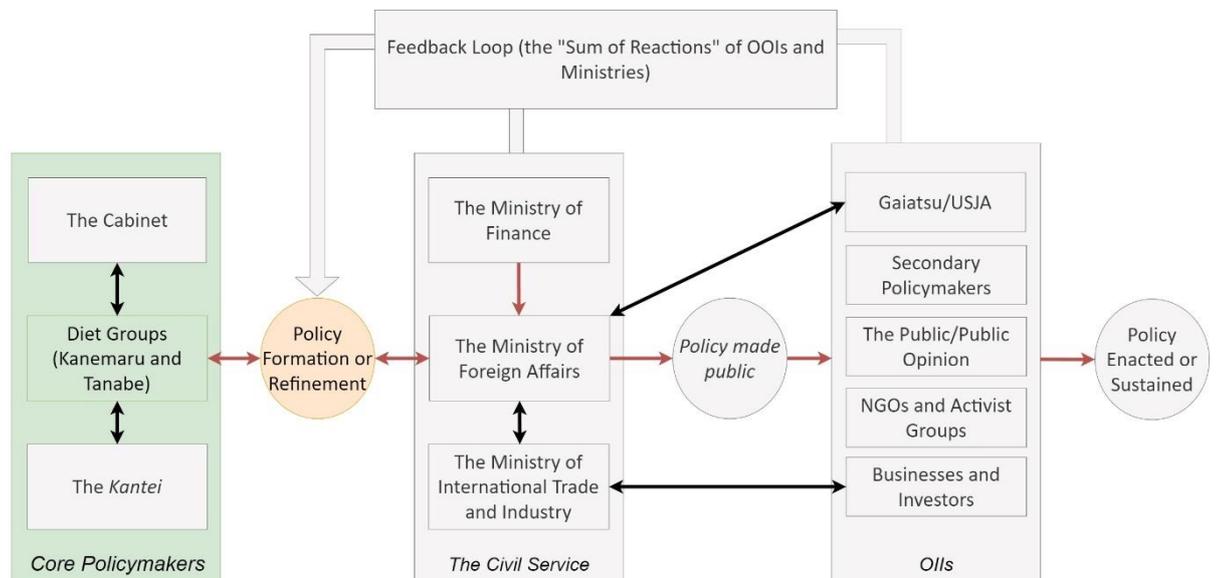
1992, p.250), and across all governments of the period the future importance of Vietnam was recognised, as indicated by Nakasone (Pressello, 2018) even at the coldest point in the bilateral relationship. In the North Korean case, with the business sector unconsulted and MITI/METI uninformed, there was no guarantee, even with the promise of economic cooperation, that private sector investment would have been forthcoming, undermining the primary Japanese “carrot” being used as leverage. In Vietnam, the small-scale investments of companies through the late 1980s and the concrete ability of core policymakers to demonstrate the appetite for investment opportunities offered a credible alternative at an opportune moment when aid from the Soviet Union began to dry up – the *substantiated* offer of economic cooperation was of even greater value in these circumstances. The groundwork-laying effect of these investments and the continued advocacy and political recruitment of *Kenkyūkai* along with Diet groups further solidified the Japanese position – a position which was effective due to the undeniable and obvious presence of institutional accord. The following sections examine the bedrock of institutional support established thus far in relation to the institutional accord model across different phases of Japan-Vietnam relations, which permits examination of the overall state of affairs across the entire period.

## 5.2: The Four Phases of Japan-Vietnam Relations During the Suspension Period

Broadly speaking, the relationship of Japan with Vietnam between the invasion in 1978 and the resumption of ODA in 1992 can be categorised into four periods. The period is 1978 to 1979, when aid continued and Japan signalled that, even with *gaiatsu*, it would continue aid to Vietnam, a position it maintained until the Soviet Union, Vietnam’s primary supporter and ally, invaded Afghanistan to international condemnation (Kesavan, 1985, p.1127). This first period is dubbed the Reluctant Disengagement Phase. This was followed by a period of greater strain, in which Japanese policymakers largely followed the *gaiatsu* line and engagement with Vietnam hit a nadir, albeit with continued general reluctance. This second period, lasting between 1979 and 1986, is dubbed the Cold Phase. The third phase, which coincided with *Doi Moi*, saw early support from the business sector, with small-scale investments beginning in Vietnam at this time even as the formal line from policymakers remained largely unchanged, and lasted between 1986 and 1988.

This period is dubbed the Nascent Re-engagement Phase. The final phase, covering the period from 1988 to 1992, saw Japan engaging fully and proactively with the Cambodian issue as a means to remove the *gaiatsu* “blockage”. This is dubbed the Intensified Re-engagement Phase. These periods are discussed sequentially and compared at each point to the pre-Summit period of Japan-North Korea relations, ultimately arguing that across all phases institutional accord was in place, with *gaiatsu* being the only major hurdle preventing full renormalisation and the resumption of ODA through the entire suspension period.

Figures 9 and 10 represent the states of the policymaking architecture immediately prior to the 1990 and 2002 summits, respectively. These are used for comparative purposes through the remainder of this chapter and are the same as Figures 3 and 8 from Chapter 4.



*Figure 9: This figure represents the state of accord in Japan prior to Kanemaru’s visit. Kanemaru did not consult with or onboard any other institutions, which were taken entirely by surprise. This highly personalistic style of politics essentially meant that other actors were inactive.*

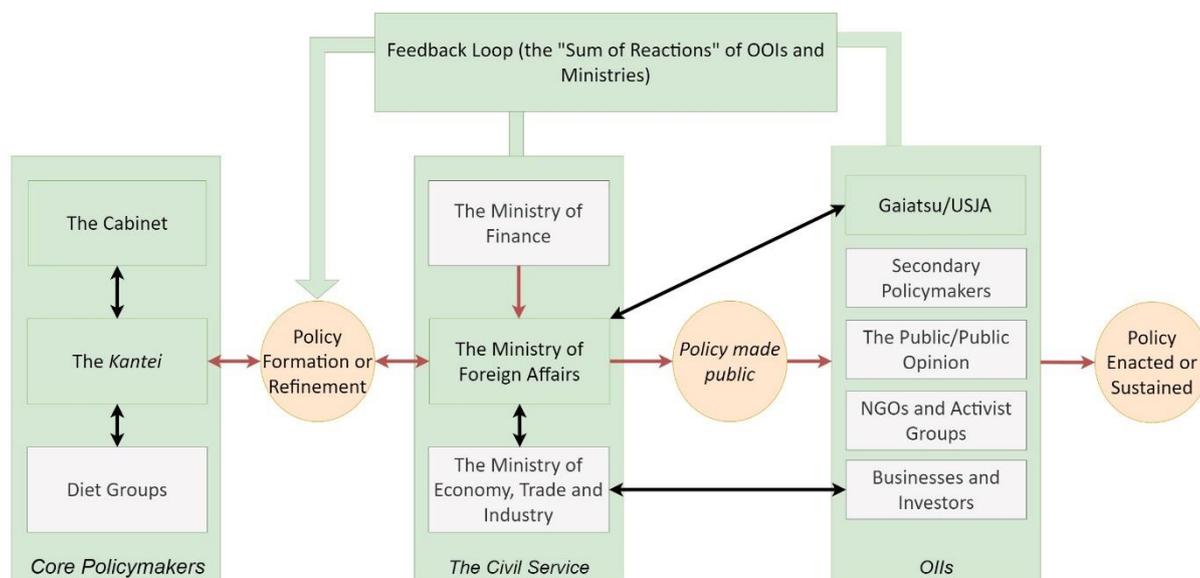


Figure 10: This figure represents the state of major actors in the weeks between the announcement of the Pyongyang Summit and the Summit taking place. As discussed in Chapter 4, this arguably represents a very weak state of institutional accord, but at this point the reaction of OIs was still largely neutral. There was no major opposition, but also no real support among OIs for pursuing the summit except for gaiatsu. In any case, it was not enough to overcome the difficulties posed by the abductions issue.

Figure 9 is clearly demonstrative of Kanemaru’s failure to achieve accord on the policy of normalisation prior to his visit. The majority of the model is not filled in – this is the result of the “shock” nature of the normalisation policy being advanced so quickly. Likewise, even among MoFA and the *Kantei*, which had each provided soft support, they had not expected normalisation to be advanced so quickly, with considerably more modest objectives aimed at the rescue of the *Fujisanmaru* crewmen and the assessment of the feasibility of opening liaison offices (Kim, 1991, p.166; Hiraiwa, 2020, p.7), meaning that they cannot be considered supporters of Kanemaru’s normalisation attempt. The announcement would eventually come as a surprise – almost all institutions are represented in grey because they were simply inactive prior to the visit taking place.

Figure 10 captures the state of institutions across the policymaking architecture in the weeks between the announcement of the 2002 Pyongyang Summit and the summit actually taking place one month later. Support existed for the normalisation policy within the *Kantei* and MoFA, specifically the Asia Bureau, and the Bush White House was also supportive of the attempt with President Bush giving personal support to Koizumi and even his personal blessing at the UN General Assembly (Gross, 2002, pp.3–4; Anon, 2022; Ministry of Foreign Affairs Official A, 2022; Journalist B, 2022). In the previous chapter, this was characterised

as a weak state of institutional accord, but even here, there are significant caveats. The Ministry structure outside the Asia Bureau of MoFA, as the key policymakers in this instance, had a mixed reaction and met the news with some hostility, as evidenced by the reactions of Ebihara and Nishida (Funabashi, 2007), even if they had been forcibly onboarded. The Cabinet also had a mix of personalities who, while all loyal to Koizumi (Ministry of Foreign Affairs Official A, 2022), had a mixture of personal views on the policy, as is best evidenced by the presences of CCS Fukuda and DCCS Abe (Zakowski et al., 2018, p.81). In the public sphere, the months preceding the summit had seen a re-emergence of public interest in the abductions issue, and a Diet group had been formed to apply pressure on the issue (Hughes, 2002, p.75), although Koizumi's approval ratings improved in the immediate lead to the Summit (Japan Times, 2002), which is indicative of a mixed response. In summary, the picture was generally mixed – while there was no outright hostility to the initiative at this stage among other interested institutions, the extent of support was nonetheless lukewarm at best, and key stakeholders such as the Ministries of Finance and Economy, Trade and Industry as well as the private sector had not been consulted leaving the key Japanese negotiating leverage of economic cooperation uncoded and undetermined, weakening its ability to induce North Korea. The “argument”, while not yet “lost”, had also not been “won”, leaving the process vulnerable and undermining the leverage of the Japanese negotiators due to the expected difficulties discussed in the previous chapter.

### 5.2-I: Phase 1: The Reluctant Disengagement Phase (1978-1979)

The almost one-year delay in actually suspending ODA to Vietnam by the Ohira administration, and even then, the suspension only having been done for wider geopolitical reasons, is telling of how reluctant the *Kantei* was to bow to *gaiatsu* at this time. At this point in time, Japan's ODA programmes were rapidly expanding and ODA more broadly was being pushed for heavily across different areas of the Japanese government, with, in particular, MITI arguing from 1971 that economic cooperation was an “unavoidable requirement” for Japan's own economy (Zhou, 1991, p.348). Trade grew with Vietnam across the post-reunification period, from a total trade value of \$69,670,000 in 1975 which had reached \$267,668,000 in 1978, before declining again in 1979 to \$165,962,000, after the invasion but before the major ODA suspension at the end of that year (Shiraishi, 1990, p.64). The

investment appetite was so high that Japanese banks provided commercial loans even during the debt dispute of 1977-78 (Shiraishi, 1990, p.64). Manufacturing firms like Sony were already entering the Vietnamese market, even pre-*Doi Moi* (Marukawa, 2006, p.300). Despite the risk of international criticism or US backlash, Japan had been quick to normalise with the post-unification government in 1975, provide ODA, and send delegations including both public and business sector representatives, with MITI in particular arguing for a continuation of the relationship which had previously existed with the defunct South Vietnam (Shiraishi, 1990, p.61; Orr, 1990, p.37). The evidence is overwhelming that across all spheres of Japan's politics and economy that trade with Vietnam was viewed as desirable. This is demonstrated in Figure 11.

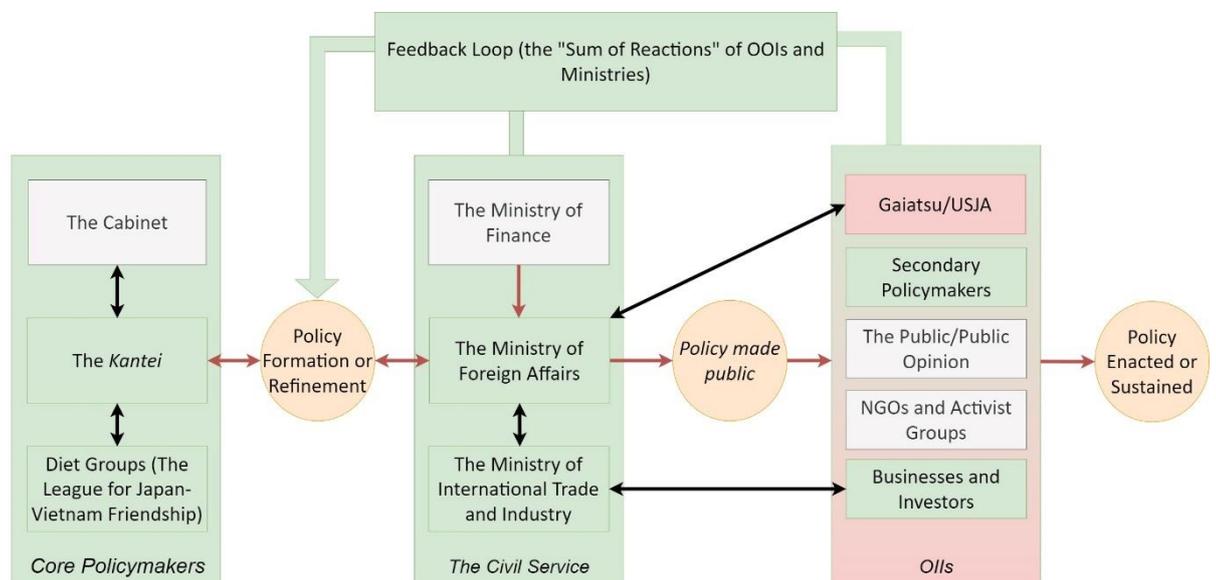


Figure 11: This figure demonstrates the clear and overwhelming support of institutions in Japan for maintenance of the ODA programme to Vietnam between 1978-1979, until the Soviet Invasion of Afghanistan. Institutions marked in green, all Japanese institutions, were resistive to *gaiatsu* imposed via the US-Japan Alliance in the immediate aftermath of the invasion of Cambodia, with the balance in the "Sum of Reactions" being in favour of continuation of ODA and the wider political relationship. The Diet/Diet Groups appears twice to distinguish Sakurachi's League for Japan-Vietnam Friendship from other Diet members and groups and to reflect Sakurachi's level of influence within the LDP.

Figure 11 clearly demonstrates the attitudes of key stakeholders toward the continuation of the ODA policy and the continuation of relations more broadly. Consensus within Japan itself had been achieved, and only consternation over the invasion of Cambodia in 1978, in the form of pressure from within the alliance, presented any kind of blockage. However, before the Soviet Invasion of Afghanistan (Kesavan, 1985, p.1127), it was not strong enough to overcome the rest of the "machine". In this instance, the extent of support across the ministries and the

business sector overcame the nascent concern of the United States, which is expressed by the status of the loop being in green and feeding back into the overall “machine” as positive support for continuation. By 1978, but even in 1975, the “argument” was effectively “won”, with major constituencies having already been recruited and acting in positive support of the existent policy of ODA provision. Japan even proposed a peace plan as early as 1979, although this was not taken forward at the time (Hoong, 1989, p.323). This is in stark contrast to the situation prior to the 1990 and 2002 Pyongyang Summits regarding the normalisation policy, as can be seen in Figures 9 and 10.

Compared to the Kanemaru and Koizumi summits with North Korea, far more of the policymaking architecture was in broad consensus over the idea of ODA to Vietnam (at this time a policy of continuation rather than resumption). Some relevant to the North Korea case, such as the Cabinet and the public (insofar as there was no major public outcry), were not especially relevant in the case of Vietnam at this time, and the Ministry of Finance had already approved the ODA budget to Vietnam in 1979, so it also ceased to have a major impact. Where Kanemaru had failed to recruit multiple constituencies who would later be necessary, these same constituencies were supportive of the policy in Vietnam to sustain ODA, likely helped by their pre-existing contacts and business interests. Chapter 7 discusses in more detail about how low-level contacts helped to foster positive relations, and this is certainly the case here. Koizumi’s delegation was far more successful in engaging with key stakeholders in the latter stages of the negotiations leading to the 2002 Summit, even despite the initial secrecy policy, but nonetheless broad consensus had not yet been achieved, and so the “sum of reactions” was an extremely fragile one.

## 5.2-II: Phase 2: The Cold Phase (1979-1986)

With aid having been formally suspended at the very end of 1979 (Kesavan, 1985, p.1127), relations entered their coldest phase. However, even here, the relationship was not in a state of complete breakdown, and the coldness of the bilateral relationship largely only existed due to external pressure. This is showcased in Figure 12.

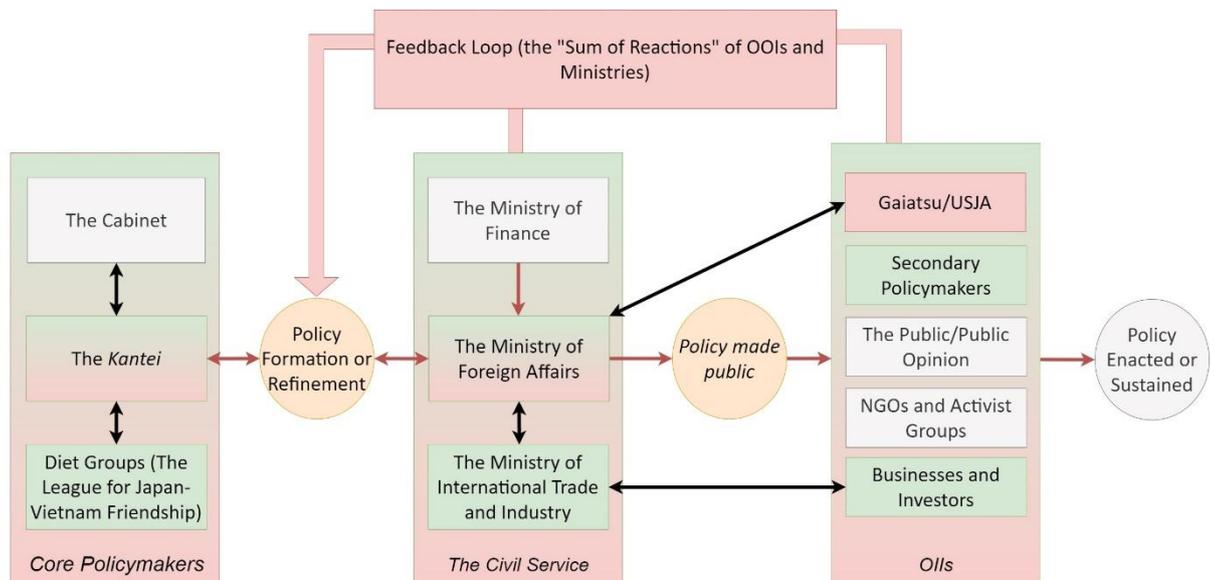


Figure 12: This figure demonstrates the remaining undercurrent of support in the Japanese political system for ODA to Vietnam. The Kantei and MoFA are mixed, a reflection of how their stances were adopted under pressure. Those in green continued to advocate for ODA resumption, and those in grey played little role at this stage. However, the strength of gaiatsu was such that, on balance, even with the support of secondary policymakers, Diet Groups, and the business sector, the overall “feedback loop” (in red) was still against engagement.

As with the previous phase, businesses, MITI and the League for Japan-Vietnam Friendship continued to advocate for resumption. While investor sentiment declined, it did not cease entirely, and even at the lowest point in the entire ODA suspension period Japanese trade with Vietnam was still valued at 80.87% of the value it had been in 1976, as can be seen in Figure 13 (Shiraishi, 1990, p.64).

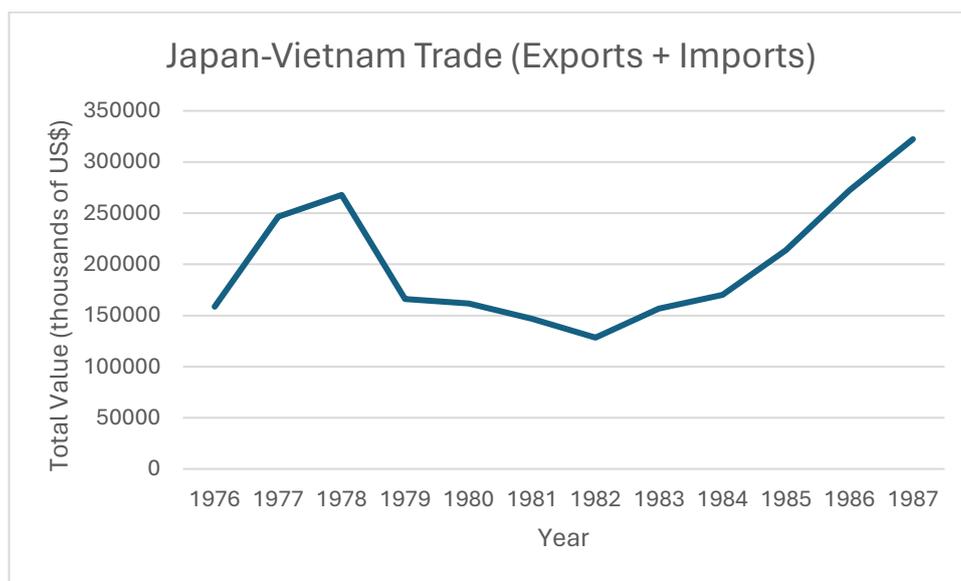


Figure 13: The total value of trade between Japan and Vietnam between 1976 and 1987, counting both exports and imports. Phase 1 saw a large spike which flatlined through Phase 2 before increasing again substantially after 1985, increasing rapidly through 1987 (Shiraishi, 1990, p.64). Data from *Japanese Relations with Vietnam: 1951-1987*, by Masaya Shiraishi. Copyright © 1990 by Cornell Southeast Asia Program. Used by permission of the publisher, Cornell University Press.

The major change is in the strength of *gaiatsu* being felt through the USJA, which had increased significantly, as represented by the shift in the balance of the feedback loop to now appear as red, or “against”. As pressure increased after the Soviet Invasion of Afghanistan, the Diet began to turn against Vietnam as well due to Vietnam’s status as a key Soviet client state, alongside the ramping up of pressure from overseas, as represented by the USJA (Shiraishi, 1990, p.94). Conversely, the League for Vietnam-Japan Friendship still maintained that the ODA suspension was a mistake, and Sakurauchi attempted to lead a delegation to Hanoi in 1985 (Kesavan, 1985, pp.1132–1133; Hirata, 1998a, pp.147–148). Regardless of the suspension, the fact that ODA continued to be used as a potential inducement at all times through this period, and that both the *Kantei*, such as through Nakasone’s comments (Nakasone, 1983), and MoFA at various times expressed the view that Vietnam would become a vital force in Southeast Asia in the future, demonstrate that the hard line being taken was not necessarily one of choice but one of risk mitigation (Hirata, 1998a, pp.140–141). This can be seen further with the Suzuki *Kantei*’s last-minute change from the pledge of ODA as an inducement to full denunciation (Sudo, 1988b, p.518).

Compared again to both North Korea attempts, the undercurrent of support, even in this coldest of periods, never went away. Critically, business sector and MITI support (perhaps even in a position of leadership), as well as Diet advocacy, continued. More to the point, it continued in a manner backed by extensive (if reduced) investment and trade, even pre-*Doi Moi*, which was simply never present in either the Kanemaru or Koizumi attempts with North Korea. The main blockage was *gaiatsu*, an externally imposed problem. There was no opposition within Japan itself to the idea of ODA and renormalisation with Vietnam which was not tied to this, and as a result Japan worked to resolve the conflict from an early stage. In 1979 it proposed a “neutral” government for Cambodia and an international conference (Hoong, 1989, p.323), a conference was held in Tokyo in 1980 to attempt to persuade Vietnam to withdraw, and from 1984 Japan consistently attempted to use the prospect of aid as a carrot to induce the various stakeholding factions in the conflict into peace and withdrawal (Lam, 2012, pp.110–11). Again, this same institutional accord did not exist for North Korea, with overtures being top-down and elite-led. In Vietnam, the lower-level support seen in the first phase directly transposed itself into a broad undercurrent of support in the second phase,

despite the *prima facie* cold bilateral relationship. This undercurrent would go on to form the basis of the nascent re-engagement phase, which began in 1986 with the passage of the first set of *Doi Moi* reforms.

### 5.2-III: Phase 3: The Nascent Re-engagement Phase (1986-1988)

Vietnam's *Doi Moi* reforms of 1986 re-opened the doors for foreign investment in the country. As previously noted, while Japan-Vietnam trade had never stopped entirely, it did reduce somewhat between 1979-1985 with a nadir in 1982. After this point, it began to recover, with a large spike in 1985 after years of flatlining and further rapid growth in 1986 and 1987, as was demonstrated in Figure 13 (Shiraishi, 1990, p.64). With business interest ramping up again, the balance of interests changed again, with an overall softening observable in this period even as the *gaiatsu* problem remained as strong as ever. This is represented in Figure 14.

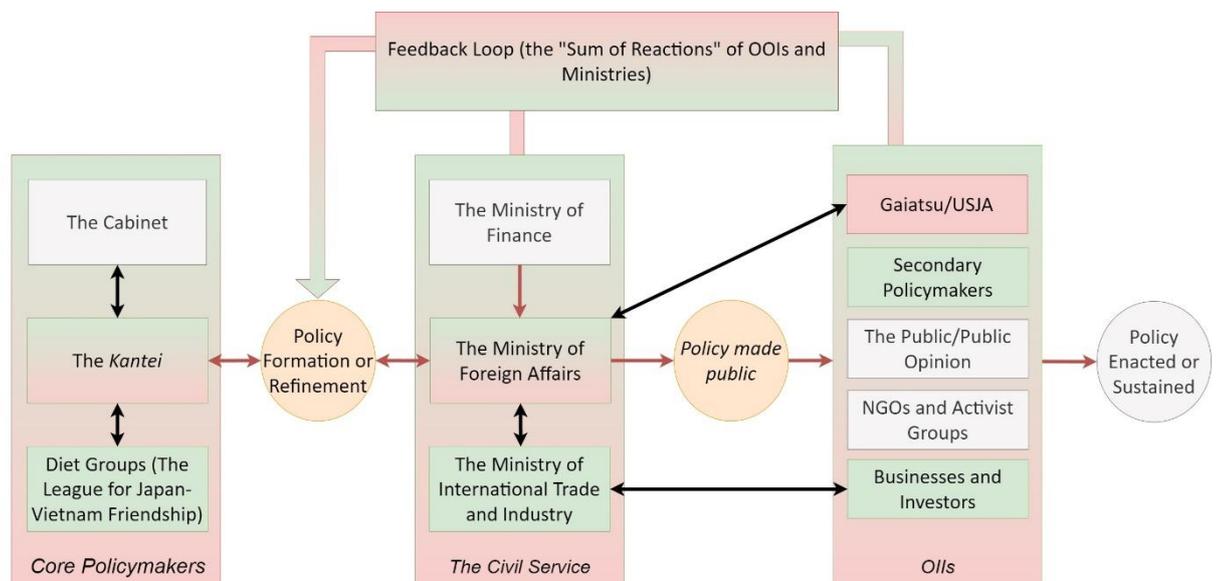


Figure 14: While little had changed in other areas since the previous phase, business and investor sentiment was growing rapidly again. This changes the balance of the feedback loop from one of overall hostility towards the ODA/renormalisation policy to a mixed one, as represented by the mixed colouration of the feedback loop.

This was the time period in which major Japanese firms began setting up “shadow companies” (such as Mitsui’s Shinwa Corporation) in Vietnam to be able to trade while avoiding the issues caused by *gaiatsu* (Hirata, 1998a, p.149), alongside companies which operated more openly, such as Nissho Iwai and JVC (Sudo, 1988a, p.137; Marukawa, 2006, p.300; Sojitz Corporation, 2023), all of whom invested between 1985-1988. As previously noted, this culminated in the 1987 Kasten Resolution, which the Japanese government took no action of note on (Hirata,

1998a, p.149). Rather, officials were content to allow Japanese firms to continue to invest in Vietnam even as they maintained the official line that ODA would not be resumed until the end of the Cambodia conflict (Orr, 1990, p.37; Pressello, 2018). Fundamentally, little else changed beyond this – *gaiatsu* was just as strong, and it was still felt in MoFA and the *Kantei* even as Diet groups, MITI and the business sector continued to demonstrate growing interest in Vietnam. Nonetheless, this pressure would eventually feed into the next phase, where MoFA and the *Kantei* attempted to take a more proactive approach on opening the *gaiatsu* “floodgate”. Again, this undercurrent never existed in North Korea – lower-level support from the business sector was consistently present in Vietnam, where it was not in North Korea’s case, again undermining the Japanese side’s eventual leverage in the latter case.

#### 5.2-IV: Phase 4: The Intensified Re-engagement Phase (1988-1992)

With Cambodia still being the main roadblock and having effectively frozen the political relationship with Vietnam for a decade by this point, MoFA, with the backing of the *Kantei*, took the initiative and attempted to take an active role in resolving the problem. By this point, there had been a significant degree of policy continuity despite changes in political and *Kantei* leadership with the period between 1979-1988 covering Prime Ministers Ohira, Suzuki, Nakasone, and Takeshita. The aid proposals given through the suspension period included consistent and specific pledges of technical and economic cooperation in addition to expected humanitarian assistance (Lam, 2012, p.111). The only change had been in the level of business sector support – the business sector’s presence made policymakers reluctant to sever ties until a year after the invasion of Cambodia (Kesavan, 1985, p.1127), then business sector interest waned after the ODA suspension, before recovering with the onset of *Doi Moi*, as seen in Figure 13. *Gaiatsu* remained, as evidenced by the Kasten Resolution of 1987 (Hirata, 1998a, p.149), but by 1988, the Japanese government had become interested in achieving a full resolution to the conflict and removing the *gaiatsu* blockage. This is demonstrated in Figure 15.

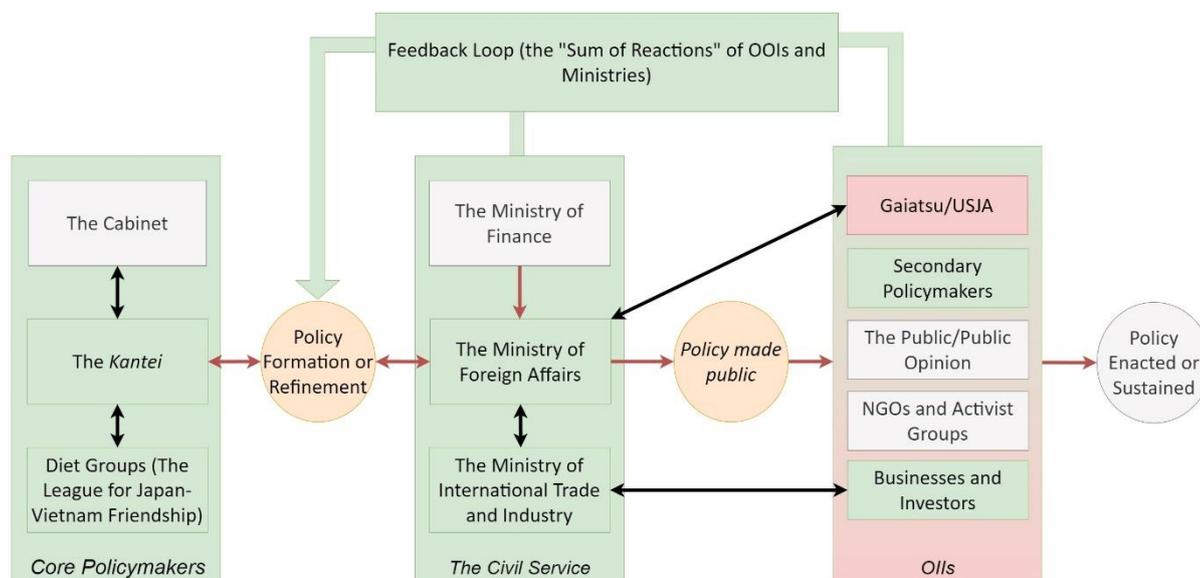


Figure 15: By this stage, core policymakers and civil servants were keen for Japan to play a role in resolving the outstanding issues in Southeast Asia. The makeup of the model is identical to that of Figure 11 (Phase 1), the early phase when Japan was reluctant to disengage despite gaiatsu.

In this phase, Japan went to great, and for it, unprecedented, lengths to achieve a resolution to the Cambodian conflict. Japan's approach was to engage in dialogue with the moderate Sihanoukist FUNCINPEC faction<sup>34</sup> in Cambodia and support their negotiations with the Vietnamese-backed administration, at the same time unofficially backing away from what was formally considered to be the "legitimate" Khmer Rouge government, under the assumption that international support for Pol Pot would fade over time (Pressello, 2014a, pp.5–6). By 1990, MoFA had even sent a team directly to Phnom Penh which concluded that the Vietnamese-backed regime would have to play a role in the peace process, a position which caused concern among ASEAN partners and the United States which feared that their own positions may have been undermined (Lam, 2012, pp.111–112).

In effect, the MoFA policy was to keep as many dialogue channels open as possible throughout, and it eventually came to focus on the Sihanouk faction and the Vietnamese-backed Hun Sen/Heng Semrin administration as the key targets for brokering a peace. This represented the taking on of an activist role in attempting to resolve the "Kampuchean issue" which made not only a significant break from a longstanding preference for low-profile diplomacy and from the official support for

<sup>34</sup> A royalist faction in the Cambodian conflict led by Norodom Sihanouk which officially collaborated with the Khmer Rouge as part of a government-in-exile through the 1980s but with which it had a strained relationship. It was considered relatively moderate in its approach (Hoong, 1989, pp.324 & 328; Lam, 2012, p.109; Pressello, 2014a, p.9; United Nations, 2023).

the Khmer Rouge, but also from key allies applying *gaiatsu*. The support for the Khmer Rouge was a product of Cold War-derived *gaiatsu* and was not supported with enthusiasm by a Japanese state which, even while officially supporting the Pol Pot regime, enjoyed small-scale trade with the unrecognised Vietnamese-backed Cambodian government, and by 1988 was openly stating that Cambodia's future government should avoid "domination" by them (Hoong, 1989, pp.324 & 328; Lam, 2012, p.109; Pressello, 2014a, p.9). Likewise, despite mutual distrust, low-level linkages with Vietnam itself continued, with both governments agreeing that dialogue and cultural and social exchanges should continue (Hoong, 1989, p.327). In essence, Japan was a reluctant ally of the Khmer Rouge and a reluctant adversary of Vietnam, positions it was forced into by the geopolitical climate and which it attempted to resolve through active diplomacy underpinned by a promise of extensive financing. This was the culmination of ten years of reluctance to disengage with Vietnam, and the recalcitrance of both the business sector and Diet groups like the League for Japan-Vietnam friendship were in part a cause of MoFA's interest in proactive Southeast Asian diplomacy.

The *Kantei*, while less directly active than in negotiations with North Korea, was also supportive of MoFA's initiatives on Cambodia (as separate from its initiatives on Vietnam itself), albeit within the constraints imposed by *gaiatsu*. The Takeshita administration in 1988 further enlarged Japan's engagement in Cambodian peace with the International Cooperation Initiative (Takeda, 1998, p.554). Pressello (2014a, p.21) states that the main objective for interested politicians and MoFA was to increase Japan's international prestige. However, the reintegration of Vietnam into the regional economy was always a long-term goal for Japan as well, with the motivating factors described in the previous sections largely unchanged over this timeframe and especially due to private sector lobbying at this time. The approach was essentially proactive; MoFA, with subtle *Kantei* support, took a stance it perceived to be in Japan's own interests (*vis-à-vis* international prestige and the restoration of full relations with Vietnam), and it applied significant resources to achieve its goals, backed by a strong undercurrent of available business interest and finance which could add weight to Japan's proposals. The whole policymaking "machine" was in unison by this stage, as seen in Figure 15, with only *gaiatsu* remaining problematic in attaining full institutional accord. This

is a state of “positive zero” – consensus had been achieved, and only a single, externally-imposed blockage remained.

As with North Korea, aid was used as an inducement to Vietnam by Japan, and like in North Korea the offer of aid alone was initially not enough to overcome the perceived issue of security, in this case due to the presence of an external beneficiary in the USSR (Lam, 2012, p.111). In both cases, wider regional peace and stability was a motivating factor and was deemed for Japan a vital security interest (Hoong, 1989, p.320; Funabashi, 2007, p.22). Nonetheless, in the Vietnamese case, once the main factor impeding the full renormalisation of the relationship had been removed (in the form of *gaiatsu* stemming from international condemnation of the occupation of Cambodia) aid resumed, and it resumed at pace. Japan’s pledges of reconstruction aid to Vietnam after the Cambodian conflict was concluded and the use of it as a diplomatic tool (Yasutomo, 1989, pp.498–500) eventually paid off, and Japan swiftly made good on these promises in 1992. Institutional accord, or the broad consensus in place in MoFA, the *Kantei*, and MITI is what permitted this offer to eventually be credible, as unlike in the North Korean case, the Vietnamese government would have been able to see that pledges of aid and reconstruction would have been forthcoming. In short, the aid pledge underpinned Japan’s activist approach, as led by MoFA, through this entire period, and the existence of institutional accord through the entire period of frozen relations gave it a higher degree of leverage than it possessed in negotiations with North Korea by giving demonstrable and undeniable evidence to all parties involved, including Vietnam, that ODA and FDI would be forthcoming.

### 5.3: Conclusion: North Korea as “Negative Zero”

This chapter has examined Japan’s pre-1992 engagements with Vietnam and utilised the institutional accord model to contribute an additional explanation to the literature of Japan’s successes in pursuing its policies in Vietnam during this timeframe, contrasting this to the failure of policy in North Korea. Clearly, Japan’s various political actors went to great lengths to maintain some kind of relationship with Vietnam and there was broad agreement that in the long-term a stable relationship would be necessary. However, despite the on-paper similarities, North Korea has never enjoyed this level of accord, with consensus never achieved prior to either the Kanemaru or Koizumi attempts. In essence, while the relationship was

theoretically “at zero” (or at least near-zero) before 1992, various actors within Japan, and especially the business sector, MoFA and the pro-Vietnam Diet groups, made very active and effective efforts at investing, resolving outstanding issues, and advocating for better relations at home so that Vietnam could be fully integrated into Japan’s wider strategy for Southeast Asia and given ODA.

This contrasts heavily to the situation in North Korea where, as discussed in the previous chapter, at no stage was institutional accord achieved. Kanemaru Shin’s lone-wolf diplomacy lacked significant backing from the Ministries or the business sector, and Koizumi’s attempt, in the absence of concrete economic incentives which could not be offered without institutional accord, lacked momentum at home and undervalued Japan’s key leverage over North Korea. In Vietnam, at least a bare minimum of accord was present even through the suspension period, with powerful interest groups in constant states of advocacy. This included significant efforts to maintain a base level of engagement in Vietnam even through the hardest years of the bilateral relationship. This base level of engagement was best manifested by the business sector, which continued trade even in the coldest period of bilateral relations, and by proactive and concerted efforts by MoFA to resolve the issue holding back the relationship in the so-called “Kampuchean Issue”. This in turn was the chief cause of the externally imposed *gaiatsu* which directed the ODA suspension policy.

The Vietnamese and North Korean cases contrast powerfully in the level of institutional accord achieved prior to the renormalisation of relations and restoration of ODA to Vietnam in 1992 and the Kanemaru and Koizumi North Korea normalisation attempts. In the Vietnamese case, numerous actors, from the MoFA Asia Bureau to the business sector, were active in maintaining an undercurrent of advocacy and interest, and they were active in keeping open low-level ties with Hanoi. There was enough interest in political spheres, such as Sakurachi and the League for Japan-Vietnam Friendship, and in the business sector, as evidenced by the Mitsui and Sony cases, to enable an eventual shift in policy – policy which was “ready to go” in 1992 when the “floodgate” was opened. Metaphorically speaking, all of the necessary pieces were aligned – MoFA was ready for the resumption of ODA having both contributed to the removal of said barriers and also having maintained the network of low-level contacts, the

government was ready having figures within it who were interested in the issue and who had also maintained ties, and the business sector was clearly ready to enter Vietnam as demonstrated by both the fact that some firms did not wait for the resumption of aid and by the fact that those which did invested so quickly and in such volume. The relationship with Vietnam thus existed in a state of “positive zero”. If *gaiatsu* acted as a floodgate, then the water behind the gate had a powerful current.

This contrasts to the situation in North Korea. The Kanemaru Shin delegation only had limited backing from MoFA, which expected the limited negotiation of the release of fishermen captured by North Korea and the beginning of negotiations to deal with historical issues (Fouse, 2004, p.105). When Kanemaru went further and promised significant aid, normalisation and investment, MoFA, concerned with the potential consequences for relations with South Korea and the US, did not provide strong support and diplomatically aligned Japan with the tougher negotiating stances used by these two countries, including forcing North Korea to accept IAEA inspections and laying out a specific negotiating principle that normalisation of relations with North Korea should not damage relations with the US or South Korea (Fouse, 2004, p.106). Since MoFA was concerned with both Seoul and Washington at this point in time, it is likely that Kanemaru faced opposition from a relatively united Ministry of Foreign Affairs – the Asia Bureau, North America Bureau, and Treaties Bureau would have all been in alignment against Kanemaru’s attempts because at that point in time, they all viewed North Korean normalisation as a lower priority than having good relations with other countries in their respective political domains. Kanemaru represented the only point on the entire policymaking machine (Figure 9) with significant interest, and per Hughes (2006, p.470), this seems to have been opportunism based on personal gain. MoFA, across all bureaux, provided only tenuous support before moving to a hard-line approach, and more influential components of the business sector appear to have not been involved at all.

Koizumi’s normalisation attempt achieved a higher degree of consensus than Kanemaru’s, but the weak level of institutional accord lacked the robustness to overcome later problems. It is true that normalisation had support at the top levels of the government – up to and including the *Kantei* itself – and it had the support of

the Asia Bureau (although not the North American or Treaties bureaux) of the Ministry of Foreign Affairs similar to the situation in Vietnam (Zakowski et al., 2018, pp.81–82), unlike the Kanemaru Shin attempt where even the Asia Bureau was unsupportive. However, what the Koizumi and Kanemaru attempts both lacked were private sector advocacy and support – this is the “missing ingredient” in the North Korean situation compared to the aid suspension period in Vietnam, where a steady undercurrent of business sector interest existed and added pressure in both Japan itself and added weight to Japan’s key negotiating leverage. While having promised to develop “economic cooperation”, including loan aid and grant aid, in the 2002 Pyongyang Declaration (Ministry of Foreign Affairs, 2002a), Japan had no firm commitments or specific private sector backing when developing the statement, taking the negotiating strategy of refusing to even discuss a figure (Ministry of Foreign Affairs Official A, 2022). In Vietnam, concrete plans and a concrete offer were already on the table and used to help resolve the outstanding Cambodian issue, backed by low-level ties, but in North Korea, any offer of economic cooperation was only theoretical since the whole policy had only been discussed at the highest levels. Without pre-existing institutional accord and the involvement of lower-level institutions, Japan-North Korea relations were in a state of “negative zero”. If the floodgate in Vietnam nonetheless had a strong current behind it, the floodgate in North Korea ran dry. The subsequent chapters showcase the immediate aftermath of the events and explain the “sum of reactions” to each of them to explain why institutional accord or lack thereof led to the reactions among interested institutions.

*Part II: Apathy to Antipathy, Trickle to Flood*

# Chapter 6: From Apathy to Antipathy in North Korea

## 6.0: Introduction

The previous chapters established that significant consensus - institutional accord - was built for the resumption of ODA to Vietnam and the full renormalisation of the relationship in advance of 1992. Conversely, in North Korea, they established that the top-down approach and lack of consultation with those outside the civil service and *Kantei*, while perhaps inevitable, harmed Japan's negotiating leverage and starved the normalisation initiative of momentum when problems were encountered. They further established the business sector as the key "missing ingredient". This chapter considers the path from general disinterest in North Korea among the additional interested institutions, particularly the public and the business sector, to the one of active antipathy. This is situated in the timeframes surrounding in particular the 2002 Summit, with discussion of the backlash over the abductee issue and continued North Korean recalcitrance on the nuclear issue as key factors in this as Japanese civil servants and core policymakers pushed through the Six Party Talks period with active hostility from the general public. This chapter contributes to the literature a wholistic analysis of the causes of the lack of institutional accord, combining strands of the existing analysis in the literature across the business sector, the Japanese aid system, and diplomatic efforts such as KEDO.

Business engagement has historically been a precursor to political engagement, such as in China, with business-government relations providing a degree of reassurance in countries deemed high-risk (Hughes, 1997, pp.439-440). The chapter begins with an examination of why the business sector was disinterested in North Korea prior to the 2002 Summit, arguing that the 1990s, and especially Japanese participation in KEDO and in the Sunshine Policy period, were a missed opportunity to develop low-level contacts through business participation. It further argues that a lack of support from the Japanese state apparatus meant that there was little room for this to occur in practice, especially in the context of Japan's wider ODA programme at the time where tied aid was in decline and Japanese

firms were less interested in ODA projects even in “easy” countries, as is discussed in Section 6.1-II.

This chapter argues that this disinterest turned into active antipathy afterward, and that with no existent “stake” in North Korea, unlike South Korean businesses which had begun to invest during the Sunshine Era from 1998 (Lee and Moon, 2017, pp.230–231), Japanese firms followed the rest of the public in their stance on the DPRK and turned to active antipathy. Ultimately, this chapter questions why the policymaking discourse in Japan after the summit was one of “normalisation cannot happen until the abductee issue is resolved” rather than the “normalisation will lead to the resolution of the abductee issue”. It argues that the lack of existing support from OII stakeholders for the Koizumi-era normalisation policy allowed this discourse to take hold and the lack of engagement with these OIIs meant that no “shield” was available for the continuation of the policy of improved relations. Together, Chapters 6 and 7 comprise Part 2 of this thesis - *Apathy to Antipathy, Trickle to Flood*.

## 6.1: Opportunities for Engagement with North Korea pre-2002

While the lack of business interest in North Korea may seem self-explanatory, it would not have been unique as an investment destination in its difficulty. For example, in one metric on the rate of economic transformation to an open market, North Korea ranks as the 133<sup>rd</sup> of 137 countries, but Venezuela (130<sup>th</sup>), Turkmenistan (128<sup>th</sup>) and Myanmar (118<sup>th</sup>) rank similarly poorly and each have or have had at least billions of dollars of invested Japanese FDI (Bodzin and Sato, 2009; Economist Intelligence Unit, 2015; Obe, 2021; Bertelsmann Stiftung Transformation Index, 2022). North Korea’s inherent issues of structural corruption, underdeveloped infrastructure, weak property rights and weak concept of rule of law to name but a few, are well-known and have been discussed at length by innumerable authors. Vietnam, too, was the subject of wide condemnation in the international community, frequently described in the academic literature from the late 1970s and early 1990s as a “pariah state” (Osborne, 1979; Van der Kroef, 1989, p.1; Cung, 1991, p.187), and with large risks attached as evidenced by incidents like the Kasten Resolution (Hirata, 1998a,

p.149). Likewise, while no comparable index data exists for the pre-1992 period, contemporary authors described the difficulties of operating in Vietnam, even with *Doi Moi*, in similar terms to North Korea, describing issues of rampant corruption, widespread bureaucratic inefficiency, intra-government factionalism, poor infrastructure and the prevalence of inefficient and unsustainable state-owned enterprises with high degrees of state control (Cotton, 1989, pp.257–258; Nguyen, 1992, pp.254–256; Gainsborough, 2002, p.361). One interviewee further noted the harsh business environment in the 1980s, citing issues such as movement restrictions for foreign residents (Academic B and Academic C, 2022). Considering these factors, the lack of business interest being solely the fault of the poor investment environment is an inadequate explanation on its own.

The 1990s, especially in the latter half, should have been a timeframe with a positive environment for engagement with North Korea (Hughes, 2006, p.461). Indeed, the *Keidanren* and the wider Japanese business sector had “gone through the motions” on the topic of investment in North Korea several times in the 1990s. In 1992, representatives from Japanese trading firms visited the Rajin-Seonbong Economic Zone, but were clear in expressing their lack of interest (Hughes, 1997, pp.349–350). Representatives of several major private companies, such as Marubeni and Nissho Iwai also participated in the 1992 Northeast Asian Economic Forum annual conference (this being the second to have taken place) in Pyongyang in the same year, which focused on the development of the Tumen River Basin around the Rajin-Seonbong area (Northeast Asia Economic Forum, 1992a; Northeast Asia Economic Forum, 1992b). In 1995, *Keidanren* representatives visited North Korea and advocated for the promotion of people-to-people and economic exchanges between Japan and the DPRK, having heard North Korean officials express hopes that Japan would provide trade insurance services, give preferential tariffs, and reduce restrictions on Japan-DPRK trade, and hopes that Japanese firms would invest in the Rajin-Seonbong Economic Zone (Tsunoda, 1995; Hughes, 1997, p.350). The zone was promoted as having been designed with preferential regulatory and tax environments to attract such firms, and these messages were swiftly relayed widely upon the return to Japan (Tsunoda, 1995; Hughes, 1997, p.350). While these small-scale exchanges indicate some degree of nascent interest in this period, nothing ever came of this – in the end, no major Japanese firms invested and the only investment was by pro-DPRK Koreans living

in Japan, and was seen to have been politically motivated<sup>35</sup>, despite a 1996 conference having been held which was attended by some of the major trading firms (Hughes, 1997, p.350; Clément, 2020, p.41).

Before 2002, with these small exceptions, the only major Japanese investment involving the private sector in any form was KEDO (the Korean Peninsula Energy Development Organization), with even the Sunshine Policy, which had sparked a wave of interest among South Korean firms but little among Japanese firms, failing to induce the Japanese business sector. This section explores the history of Japanese investment interest in North Korea during the period leading to the 2002 Summit, arguing that the lack of institutional accord meant that no mitigations were in place against a poor business environment and bad faith on the North Korean side. It further argues that at this point in time, with few exceptions such as Vietnam and China, Japanese aid was becoming more difficult for the business sector to participate in, and that as a result interest across all countries, not just North Korea, was reduced, meaning that a key window of opportunity for the development of low-level contacts was missed where it was in place in Vietnam.

### 6.1-I: KEDO and the Sunshine Period: Opportunities or Negative Experiences?

This section discusses two case studies: Japanese participation in KEDO and the level of interest in Japan over the Sunshine Policy. On the first, the negative Japanese experience may have acted as a deterrent to further participation in North Korea-related initiatives – Japan pledged financing for the purchase of reactors (Wit, 1999, p.60), but the initiative was ultimately unsuccessful and the period in which KEDO was active saw numerous provocations which would have only underscored the risks for the Japanese business sector. The second, on the Sunshine Policy, examines how the Japanese private sector received the initiatives taking place under the Kim Dae-jung administration in South Korea and explores what, if any, interest stemmed from that. Ultimately, this section argues that these cases are emblematic of why the business sector – despite the “on-paper” opportunities which may have existed – never expressed interest in North Korea

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<sup>35</sup> This was due to the facilitation of trade via *Chosen Soren* (also known as *Chongryon*), which is a pro-DPRK association of Korean permanent residents living in Japan and has direct political ties to Pyongyang (Congressional Research Service, 2003, p.14; Chanlett-Avery, 2003, p.3).

despite many of the same difficulties having existed elsewhere, due to negative existing experience and a business climate which, even beyond the problems in North Korea itself, was hostile.

KEDO is perhaps the sole example of Japan giving economic assistance or extending economic cooperation, in any form (in this case through a multilateral organisation) to North Korea, having by 2001 provided US\$292,603,930 in financing through JBIC towards the purchase and construction of two light-water nuclear reactors, making it the third-largest contributor to the project after South Korea and the United States (Korean Peninsula Energy Development Organization, 2001, p.14; Korean Peninsula Energy Development Organization, 2023). Japanese KEDO participation was not formally considered an aid programme or related to aid, but the JBIC involvement, in addition to the fact that it assumed that Japanese loan financing would be repaid by taking the amount from any future normalisation and reparations agreement (Kartman et al., 2012, p.68), demonstrate that it was being thought of in a manner similar to loan aid, with Japan pledging \$1bn in total funding for the project had it been continued (Anon, 1998). Similar terminology was also used, for instance by referring to the tying status of the loan and noting that it was untied (JBIC, 2013, p.63). As part of the construction works, which had between 1995 and 2002 only reached the stage of foundation-laying and preparatory work (Korean Peninsula Energy Development Organization, 2023), items were procured from firms in Japan as well as South Korea (Carlin, 2021). While KEDO was ultimately unsuccessful, North Korea would eventually, upon the theoretical completion of the light-water reactors agreed under the KEDO framework, have repaid the financiers of the project on an interest-free basis (Aoki, 2017, p.5), and interest would be paid off by the Japanese government along with loans taken from the Bank of Tokyo-Mitsubishi to cover temporary shortfalls (Kartman et al., 2012, pp.68–69). This arrangement is reminiscent of multilateral ODA energy projects in other countries, falling under the rubric of economic cooperation if not ODA directly. Indeed, JBIC assumed that its track record on KEDO by the time of the 2002 Summit was being referred to in the economic cooperation clause of the Pyongyang Declaration (Japan Bank for International Cooperation, 2013, p.64).

With \$1bn pledged by Japan, and with orders coming in for Japanese factories as well as South Korean ones (Carlin, 2021), the business opportunities relating to KEDO seem obvious. Indeed, this would have been a larger-scale pledge, even only considering the Japanese component of the project, than most present-day energy projects financed by JBIC, and this is before even considering inflation which would value the Japanese investment at closer to \$1.8bn in 2023<sup>36</sup>. For example, the JBIC portion of the loan agreement for the Vung Ang 2 Thermal Power Station in Vietnam, which was signed in 2020 and was also co-financed by South Korea, was valued at \$636m (JBIC, 2020), and a similar thermal plant with a loan agreement signed in 1995 in China, the Sanhe Thermal Power Plant Project, saw a loan of \$238m<sup>37</sup> (Japan International Cooperation Agency, 2003, p.2). However, KEDO was also rocked by continuous instability and slow progress – in this sense, it would have been more of a showcase for how dangerous, even in optimal conditions with large-scale multilateral financing, the Sunshine Policy in place, and an extremely large “carrot” being given to North Korea for cooperation with the Agreed Framework, especially since the DPRK wanted it to act as a vehicle for eventual diplomatic normalisation (Martin, 2002, p.63; Kartman et al., 2012, p.12), the rationalist assumption would have been that the situation on the Korean Peninsula would have stabilised.

Of course, the situation did not stabilise. Despite the factors mentioned above, KEDO was fraught with difficulty. Notwithstanding the logistical and legal difficulties of building a nuclear reactor in North Korea, the DPRK continued acts of provocation including among others the highly-publicised Gangneung Submarine Infiltration Incident in 1996<sup>38</sup> (Koh, 1997, pp.6–7; Kartman et al., 2012, pp.46–47), the Sokcho and Mukho Submarine Incidents<sup>39</sup> in 1998 (Foley, 2002, p.179), and the

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<sup>36</sup> Calculated as cumulative inflation from 1998-2023. The specific value would be \$1,835,398,773.01.

<sup>37</sup> Using the Dec. 31<sup>st</sup>, 1995 exchange rate. The original Japanese yen figure was 24,600,000,000 (Japan International Cooperation Agency, 2003).

<sup>38</sup> In 1996 North Korea dispatched a reconnaissance submarine and commando team which landed in Gangneung, South Korea. The submarine eventually ran aground and the commando team attempted to destroy equipment inside it. Across the course of the incident, which sparked a 49 day-long manhunt, numerous South Korean civilians and soldiers were killed (J.H. Ahn, 2017; J.H. Ahn, 2017).

<sup>39</sup> North Korean spy submarines were captured in 1998 off the coast of Sokcho and Mukho three weeks apart from each other (Foley, 2002, p.179).

Taepodong Missile Test<sup>40</sup> in the same year had impact of once again showcasing the fundamental unreliability of dealing with the DPRK (Solingen, 2010, p.3). After the latter incident, Japanese political leaders of all colours and wider civil society began pushing for better missile defence systems and a suspension of engagement, even as Japan continued financing KEDO (Solingen, 2010, p.3). KEDO, rather than highlighting the business opportunities which could have sprung from engagement with North Korea, had culminated with the opposite impact of highlighting the risks of engagement with North Korea. KEDO, which could have been a showcase for ODA-related investment opportunities in North Korea, had become a showcase for precisely why such investments were fraught with risks.

The Sunshine Policy *should* have represented a chance to change this negative environment, and following the events of the Inter-Korean Summit in 2000, the *Keidanren* did cautiously welcome events and launched an initiative to promote Japanese business in the DPRK and the formulation of a Japan-Korea Free Trade Agreement (Solingen, 2010, p.4). However, these efforts were never given substantive backing and there is no evidence to suggest that any individual firms – least of all major ones – ever took interest in this initiative, even as South Korean firms such as Hyundai expressed interests in joint projects like the Kaesong Industrial Complex from 1998 (Manyin, 2012, p.5) and the Mt. Geumgang Resort (Foster-Carter, 2003, p.5), and the general number of cross-DMZ investments increased (Kim, 2002, p.105). Where South Korean firms led, however, Japanese firms did not follow; trade continued to be stagnant, with little meaningful increase or decrease prior to the Inter-Korean Summit, and between the beginning of the Sunshine Policy in 1998 and the 2002 Pyongyang Summit trade never recovered to its already low peak 1996 value<sup>41</sup> (Observatory of Economic Complexity, 2023) as can be seen in Figure 16. The absolute amount is also very low, which likely substantiates the idea that most trade was carried out by DPRK-affiliated Koreans in Japan rather than mainstream Japanese businesses.

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<sup>40</sup> North Korea test-fired a Taepodong-I ICBM on August 31<sup>st</sup> 1998, directly overflying the airspace of northeastern Japan (Kamiya, 2003).

<sup>41</sup> The figure for 2001 excludes Japanese food aid, which is counted in trade data with a total value of \$924m. 1995 is the earliest data available (Observatory of Economic Complexity, 2023).

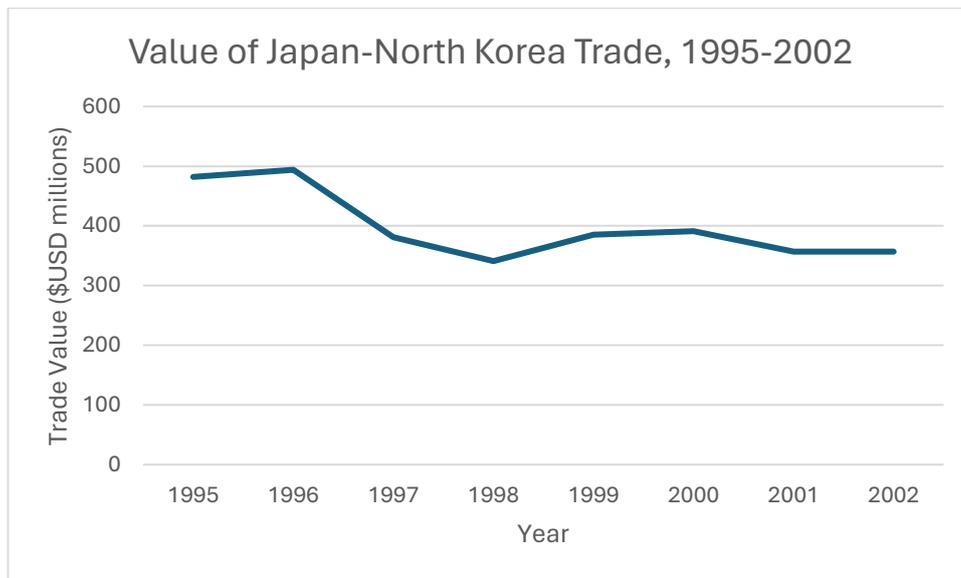


Figure 16: The total trade value between North Korea and Japan (imports and exports) between 1995 and 2002 (Observatory of Economic Complexity, 2023).

The key difference here is one of government-level support for businesses. While North Korea’s trade representatives, via the *Keidanren*, may have *requested* that such support be made available for Japanese investors interested in North Korea, by 2002 these requests had not come to fruition (Tsunoda, 1995; Keidanren, 2002a). Even if the *Keidanren* and the business sector did have some nascent interest in this period, the chance to build low level ties through trade and investment was not taken advantage of by the Japanese government. In the South Korean case, the support *was* in place, and it allowed for the exploration of projects like Kaesong and Mt. Geumgang through, initially, the North-South Cooperation Fund<sup>42</sup> and eventually via specific investment guarantees and dispute settlement mechanisms (Moon and Kim, 2001, p.213), in addition to the rhetorical reassurance offered through the Sunshine Policy itself. This was offered despite continuous acts of bad faith and provocations by North Korea such as the submarine incidents and the Taepodong Test described above.

This was not possible in Japan due to the lack of existing institutional accord. Even with a nascent interest from the business sector, the government and Diet, on a cross-party consensus basis, seemed to move in the opposite direction. Consensus existed among politicians for pushing for better missile defence capabilities for Japan, with shared concern primarily over North Korea’s nuclear programme, and

<sup>42</sup> A fund created by the Kim Dae-jung administration in the aftermath of the Inter-Korean Summit to promote economic cooperation projects between North and South Korea (Moon and Kim, 2001, p.213)

DCCS Harukawa Tejiro even broached the idea of bilateral financial sanctions such as the banning of remittances, the freezing of assets, and the suspension of trade and visits, while also pushing for multilateral UN sanctions (Solingen, 2010, p.3). Under these circumstances, it is unlikely that positive economic engagement measures would have been even discussed by the Japanese government when the consensus was rapidly moving away from engagement. Indeed, given the position of the *Keidanren* itself to lobby for such engagement measures, the consensus moving away from them is telling of the *Keidanren's* lukewarm support for them and its lack of genuine interest in economic interaction with North Korea beyond lip-service. The end result was that by the 2002 Summit, no real interest existed in Japan for economic engagement with North Korea among the business sector, and without specific guarantees this was unlikely to change. This was made even worse by a reticence on the part of Japanese core policymakers to engage the general public on KEDO, fearing a public opinion backlash and preferring to give it a low profile (Nakatsuji, 1999, p.38). The short window of opportunity created by KEDO and the Sunshine Period for Japan to develop low-level contacts and experience in North Korea had been missed, and the negative experiences of these years would fossilise disinterest into acrimony in the aftermath of the 2002 Summit.

### 6.1-II: The Context of Japanese ODA in the Summit Timeframe: Tied Aid and Loan Aid

With private business unlikely to be supported and with the bilateral relationship extraordinarily unstable, ODA or economic cooperation projects might have presented another avenue for the development of low-level contacts. However, KEDO notwithstanding, the general reduction in private sector interest in ODA during this timeframe, coinciding with the reduction in tied aid which occurred through the 1990s, made this an unlikely avenue. Japan's business sector, prior to the 2002 Summit, would not have been expecting a situation in which it could have enjoyed the same level of ability to participate in ODA or economic cooperation projects in the past, and consequently interest would have been more muted even in the event that KEDO had been a successful showcase for the opportunities presented by North Korea and had Japan decided to promote further multilateral economic cooperation projects as a means to induce the DPRK. North Korea, on paper, offers many opportunities to potential investors in sectors which are ODA-

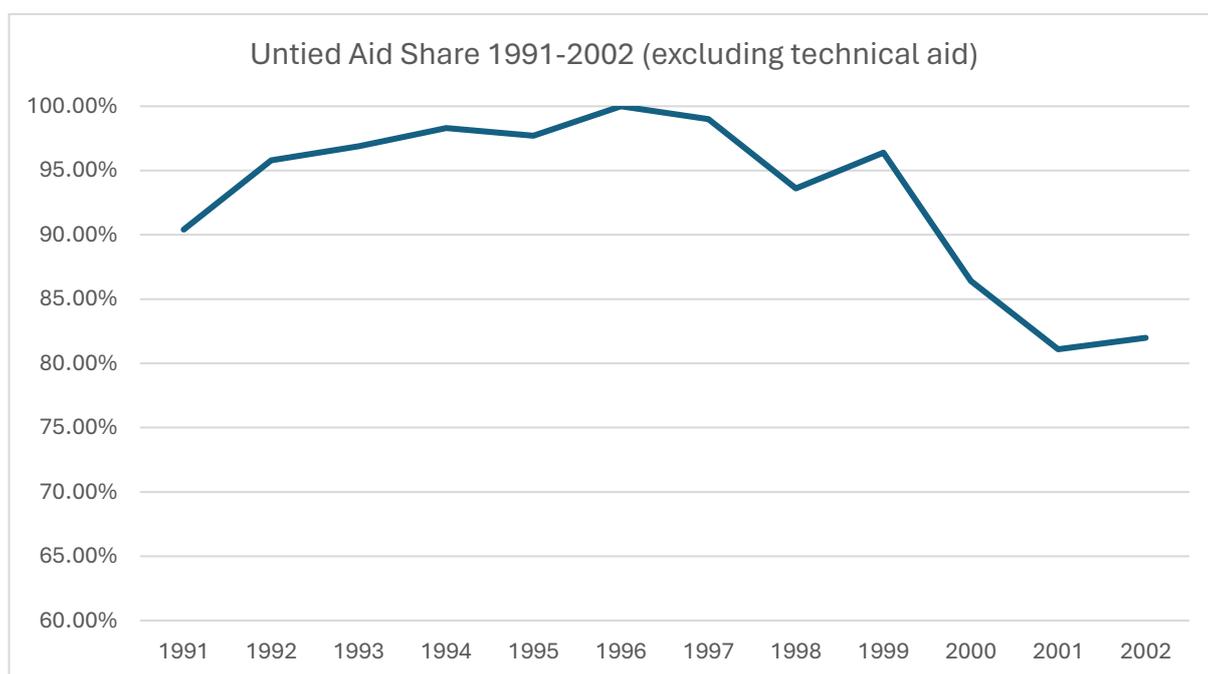
adjacent and have been linked to economic cooperation projects in other countries, either by motive or practice, in the past. It is rich in natural resources, especially in copper, iron, magnesite, and rare earths, many of which are untapped due to the limited infrastructure in the country and limited investment by the North Korean state, which still largely controls these resources (Chung, 2019, 14.1-14.2). The country's lack of developed infrastructure – with only around 26 per cent of the population having electricity access even by 2019, only 6.7 per cent of roads being paved, and railways being a state where they are vastly underutilised and in need of upgrades (Kwon et al., 2017, pp.41–42; Jang, 2021), among other issues, should in theory have represented a series of low-hanging fruit, just as they once did in Vietnam, China, and numerous others, with an extremely high nominal value. As previously noted, while North Korea's fundamental investment environment is obviously extremely poor, this has not historically precluded Japanese private sector or state investment in itself with numerous examples of successful ODA programmes and FDI in other countries, and it did not preclude Japanese participation in KEDO. The difference is again one of state support and the ability of the business sector to take advantage of ODA and economic cooperation-related projects, which was an ability which had not only declined in general but had also become a practical impossibility in the North Korean context in the late 1990s.

The fundamental makeup of Japanese “economic cooperation” and ODA has shifted with the times, and this is important in the analysis of how it may have applied in North Korea at various points. Especially critical are the makeup of loan aid and tied aid in the overall aid system since it is through these mechanisms that the business sector can most effectively extract value. However, by the late 1990s, both tied aid usage and loan aid more broadly had hit a nadir. Figure 17 expresses the share of untied aid in overall Japanese ODA between 1991 and 2002 (excluding technical aid because Japan does not report this data to the OECD), and this clearly demonstrates the overall move away from tied aid between the early 1990s and early 2000s<sup>43</sup> (the brief resurgence of tied aid in 2000, 2001 and 2002 notwithstanding since this represents the impact of the New Miyazawa Initiative which was time-limited and considered an exception to the rule, in any case only covering countries hit by the Asian Financial Crisis, still exceeding 80% at all times

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<sup>43</sup> China would remain a major exception to this, and so would Vietnam, as is discussed in Chapter 7.

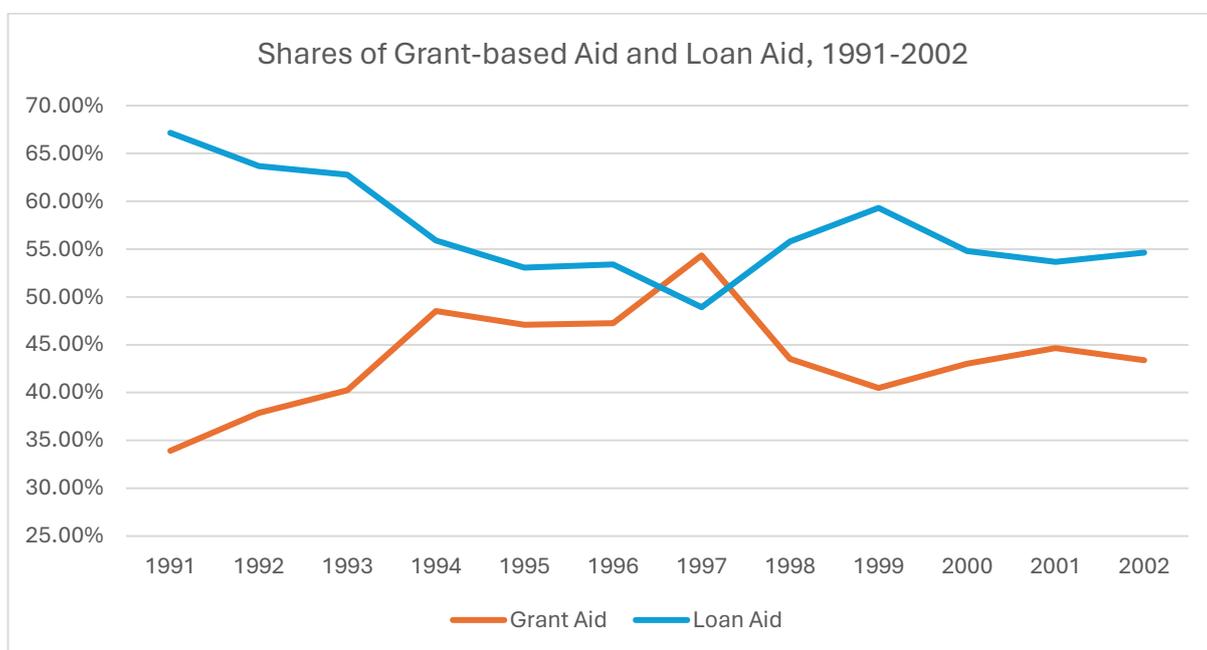
(Nishigaki, 2000, p.60; Katada, 2002, pp.329–330)). This gave Japan an exceptionally high untied aid ratio which exceeded 90% for all but three years between 1991 and 2011 despite criticism from within industrial circles (Nishigaki, 2000; OECD Stat, 2022). As the graph demonstrates, aside from the New Miyazawa Initiative the business sector’s calls prior to the 2002 Summit for greater inclusion in ODA (Keidanren, 1999) went unheeded. Indeed, KEDO loans had also been untied (Japan Bank for International Cooperation, 2013, p.63) in an emblematic demonstration of this policy shift.



*Figure 17: Japan’s tied aid share remained extremely low through the 1990s, at one point even being 100% untied when excluding technical aid. This only changed with the New Miyazawa Initiative, which saw a brief resurgence of tied aid, but was in any case only targeted at specific countries impacted by the Asian Financial Crisis (Ministry of Foreign Affairs, 1994b; Ministry of Foreign Affairs, 1995; Ministry of Foreign Affairs, 1996; Ministry of Foreign Affairs, 1998; Ministry of Foreign Affairs, 2001; Katada, 2002, pp.329–330; OECD, 2002; OECD, 2004; OECD, 2005; OECD, 2007; OECD, 2009; OECD, 2011; OECD, 2012; OECD, 2013; OECD, 2014b; OECD, 2014a; OECD, 2015; OECD, 2016; OECD, 2018; OECD, 2020; OECD Stat, 2022). Technical aid is excluded because tied technical aid is not reported by Japan to the OECD.*

As shown in Figure 18, in 1997, grant aid exceeded loan aid for the first time, having seen consistent growth as a share of ODA through the 1990s. The period of grant aid being dominant would have also likely continued after 1997 if not for the New Miyazawa Initiative, which was delivered entirely in the form of yen loans and as previously noted was specifically targeted at countries hit by the Asian Financial Crisis (Nishigaki, 2000, p.60; Katada, 2002, pp.329–330). Grant aid did eventually overtake loan aid again in 2003, after the New Miyazawa Initiative ended. One

interviewee attributed this shift to the push by Ogata Sadako for increased humanitarian aid, especially to Africa (JICA Employee A, 2022), and it is again in contrast to Vietnam, which bucked the wider trend. While this is not to say that loan aid, tied aid or business opportunities related to aid ever *stopped per se* (certainly they did not cease in Vietnam, as is discussed in the subsequent chapter, nor in China), the business opportunities related to loan aid were clearly reduced at the time prior to the summit and during the KEDO period. The New Miyazawa Initiative notwithstanding, the trajectory of general aid policy in Japan between the mid-1990s and the 2002 Summit was not one from which the Japanese business sector could have easily benefited, further compounded by discussion of cuts in the ODA budget from 1997 and financial reforms which made loans more difficult to obtain (Katada, 2020). Consequently, the timeframe between the 1998 Sunshine Policy and the 2002 Summit was unripe for general business interest in the ODA sector, further explaining its lack of interest in North Korea as well because, even if an aid programme had been offered, the business sector would not have had confidence that it would have been able to profit from the ODA system as it had in the past.



*Figure 18: Grant aid climbed as a share of ODA every year between 1991-1997, where it overtook loan aid for the first time – it is likely that this would have continued if not for the New Miyazawa Initiative which, in any case, was specifically targeted at countries impacted by the Asian Financial Crisis (OECD Stat, 2022). Technical aid is excluded because it only comprises a small share of spending and because this allows direct comparison with the tied aid statistics.*

### 6.1-III: The Context of Japanese ODA in the Summit Timeframe: Disbursement to Low Income Countries

The headwinds were already in place in terms of the private sector's ability to derive value from the ODA system, but compounding this issue even further, North Korea's economy was not one likely to have received large-scale loan aid anyway, because it fell comfortably into the low-income bracket with negligible growth prospects. One interviewee noted the difficulty in giving loan aid to some countries in Africa where JICA's activities were largely limited to grant aid implementation (JICA Employee B, 2022). It is likely that North Korea would also fall into this bracket in any immediate post-normalisation scenario notwithstanding money to be provided in lieu of reparations. Indeed, by 2002, the country was extremely poor by any measure, with a GDP/capita of just \$468 which was below the average of \$488 for countries considered low-income by the World Bank in that year (World Bank, 2022c; UNData, 2022b). This also partially explains the limited interest described in the previous section. North Korean GDP growth remained sluggish and was largely behind the average of low-income countries, as can be seen in Figure 19. Even when growth was registered, it was very low on average and frequently dipped below 0%. At 15 points between 1985 and 2020, eight of which were in the 1990s prior to the summit, North Korea's GDP size receded, compared to just two such occasions for the average of low income countries, both of which were in the 2010s (UNData, 2022a; World Bank, 2022c; World Bank, 2022c; World Bank, 2022a; World Bank, 2022d). North Korea was not only in an even poorer economic state than most countries, it also had little prospect of stable and sustained growth, which distinguishes it from other low-income countries which recorded consistent growth<sup>4445</sup>.

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<sup>44</sup> NB. The countries which the World Bank defines as low income are liable to change over time. At the time of writing, the countries in this group comprised North Korea in addition to Afghanistan, Burkina Faso, Burundi, the Central African Republic, Chad, The Democratic Republic of Congo, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, South Sudan, Sudan, the Syrian Arab Republic, Tōgō, Uganda, the Republic of Yemen, and Zambia (World Bank, 2022c).

<sup>45</sup> North Korea's national GDP is based on a simple function of multiplying the World Bank data on North Korea's population size (World Bank, 2022d) with the UNData figures on North Korea's GDP per capita (UNData, 2022b). These figures should be read cautiously due to the contested data concerning the death toll of the Arduous March and the difficulty of independent data-gathering within North Korea itself.

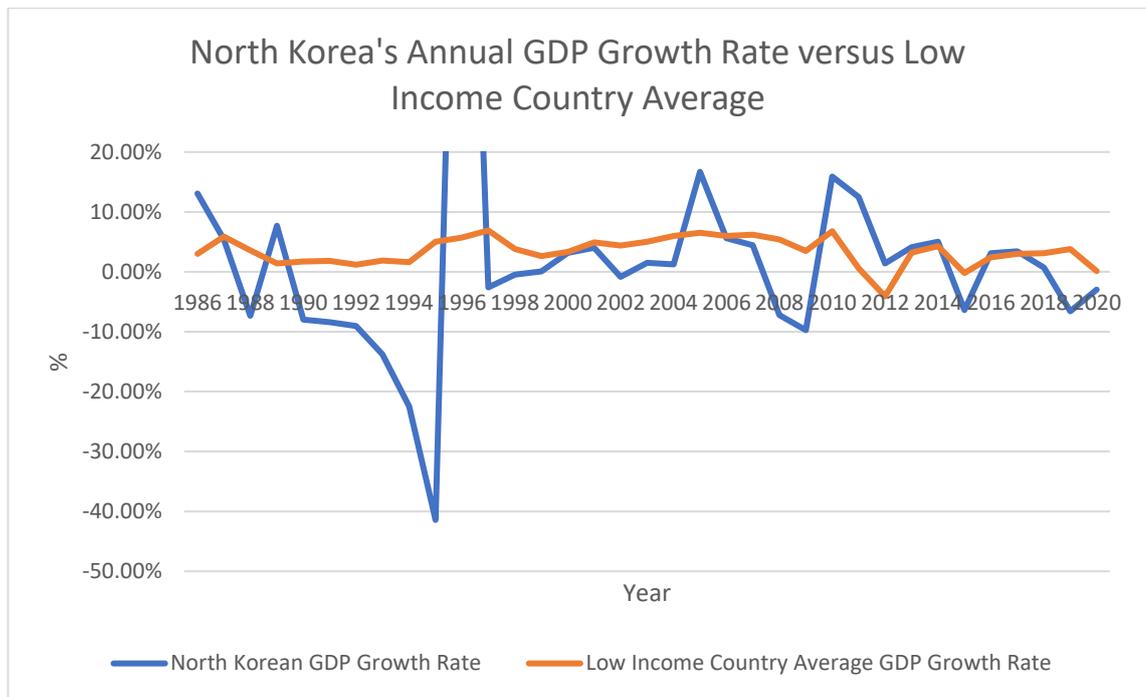


Figure 19: North Korea’s annual GDP growth has been considerably less stable than the low-income country average, with more frequent dips into recession and generally sluggish growth otherwise. The extremities of the 1990s are explained by the Arduous March famine and subsequent recovery. It showcases the extraordinary instability of North Korea’s economy – receding in 15 instances since 1985 compared to just two instances when averaged across all low income countries (UNData, 2022a; World Bank, 2022c; World Bank, 2022c; World Bank, 2022a; World Bank, 2022d).

Japan typically focuses on grant aid in low-income countries, with loan aid reserved for lower middle-income or middle-income beneficiaries. While direct comparison is not possible due to Japan favouring distributing loan aid to neighbouring countries, it remains the case that more than 99% of Japanese ODA to the World Bank-listed low income countries since 1985 has taken the form of grant aid, and in 18 of the 27 it has been at or exceeded 100%<sup>46</sup> (OECD Stat, 2022). In Vietnam, by 1997 loan aid had exceeded grant aid, even though in 1992 Vietnam also had an extremely low level of GDP per capita at just \$139.2 (World Bank, 2020b), it also had a stable growth trajectory, only once falling below 5% annual GDP growth since 1990 and even then only to 4.8%, and never having contracted (World Bank, 2022b). This would have been predictable for both the business sector and policymakers due to the combination of factors resulting from pre-established Japanese business ventures (however minor), proactive engagement among parliamentarians, and the stated intentions of the Vietnamese government with *Doi Moi*, due to both the previous success of similar reforms in China and the

<sup>46</sup> The ODA total is sometimes lower than the grant total due to loan repayments.

general desire among the Vietnamese government to take proactive growth measures. Later, the active participation of Japanese experts in Vietnam's reform process through initiatives such as the Ishikawa Project also allowed policy support to be relayed successfully and with sufficient oversight along with private sector inclusion from the drafting stage in some cases (Ohno, 2009, p.20; Amatsu, 2022). As will be discussed in later chapters, the importance of the Ishikawa Project in developing the business and economic growth environment in Vietnam cannot be understated, and its results were unanimously spoken highly of among interviewees in this regard (Academic B and Academic C, 2022; JICA Employee A, 2022; JICA Employee B, 2022). By 2002, North Korean leaders never demonstrated a similar willingness or enthusiasm, being considerably more conservative than their Vietnamese counterparts who were more open to economic reforms as North Korea did little more than create poorly-conceived laws or economic zones which attracted little interest, such as the Rajin-Seonbong and the Joint Venture Law of 1984 (Koh, 2002, pp.96–99).

All of these factors would have had the effect of increasing not only business but also policymaker confidence – an important factor in the provision of loans which must, by definition, be repaid. These topics in relation to Vietnam are explored in more detail in later chapters, but in North Korea even at the stage of the pre-summit negotiations where diplomatic normalisation seemed possible, such discussions on policy support were conspicuously absent, fed into by continuous bad faith on North Korea's part, poor experience through KEDO, a lack of existent investor interest and by extension lobbying, and a lack of desire to take a “leap of faith” as the Kim Dae-jung administration had on the Sunshine Policy. As previously noted, across all interviewees, none had heard that conversations – even informal ones – had ever happened regarding economic cooperation policy to a post-normalisation North Korea, and some even stated in emphatic terms that such conversations had never happened at all (Academic B and Academic C, 2022; JICA Employee A, 2022; Ministry of Foreign Affairs Official A, 2022; JICA Employee B, 2022). Considering these factors, it is likely that even if the “economic cooperation” had been provided, the Japanese government's direction would have been to focus on grant aid projects with less financial and political risk attached. However, these projects would have limited the opportunities for business sector participation and thus limited potential interest, fed further by a general decline in interest in

economic cooperation projects more broadly. While this is not to say that grant-focused aid cannot be of interest to the business sector (especially if tied) the lower volume of finance and capital when compared to loan aid would have limited the ability of the business sector to participate via the broadest arm of finance in loan aid.

#### 6.1-IV: Apathy to Acrimony

To say that investor and secondary policymaker interest in economic cooperation with North Korea at the stage of the 2002 Summit was poor would be a considerable understatement. Economic cooperation in the wider context was an area which the business sector was already losing interest in, as were the general public who had expressed increasing hostility towards ODA through the 1990s, with opposition overtaking support in 2000 (Hoshiro, 2022, p.304). North Korea had made some attempts to attract foreign investors such as in Rajin (Tsunoda, 1995; Hughes, 1997, p.350), and KEDO had presented a major opportunity for private sector inclusion in a major economic project with North Korea. However, these ultimately did little more than demonstrate the fundamental risk of investing in North Korea, and so interest peaked in a state of, at best, lukewarmness, with only lip service ever paid to the prospect. With tepid business sector interest, there was little incentive for policymakers to enable any supportive measures, such as those requested by the *Keidanren* as relayed from North Korea or those taken under the Sunshine Policy under South Korea's Kim administration – and without this “leap of faith” any opportunity for the development of low-level contacts in North Korea was lost.

With little existent “stake” in North Korea, the various institutions in Japan would be able to join in the widespread fossilisation of public opinion towards a more hard-line policy which occurred in the aftermath of the 2002 Summit. Compared to Vietnam, where interest was clearly present and low-level contacts were clearly developed, Japan's relationship with North Korea existed in a state of “negative zero”. This was a state of base negativity, disinterest, and mistrust which formed a poor foundation for the diplomatic initiative of the 2002 Summit, leaving anything negotiated in a fragile state which was prone to breakage without voices on both sides advocating for stability. The lack of institutional accord – both a symptom and a cause of the poor state of bilateral relations and the lack of interest from the

business sector – meant that any agreement with North Korea, such as the Pyongyang Declaration, would be difficult to maintain in the long term. The next section analyses how this state of “negative zero” fossilised into more vociferous acrimony towards North Korea among different institutions in the aftermath of the 2002 Summit.

## 6.2: The Divergence of Policymaker and Public Opinion and the Start of the Vicious Cycle

While it would be incorrect to say that Japanese public opinion on North Korea was positive prior to the 2002 Summit – it was not, particularly after the Taepodong Test (Foster-Carter, 2001, p.13) – opinion in Japan did not fully fossilise until after the 2002 Summit and especially after the 2005 Yokota Megumi remains incident<sup>47</sup> (Ministry of Foreign Affairs Official B, 2022; Cabinet Member A, 2023). The trends of Japanese public opinion on North Korea are displayed in Figure 20, with data collated from Japanese government public opinion surveys on diplomacy (Ministry of Internal Affairs, 2023). Figure

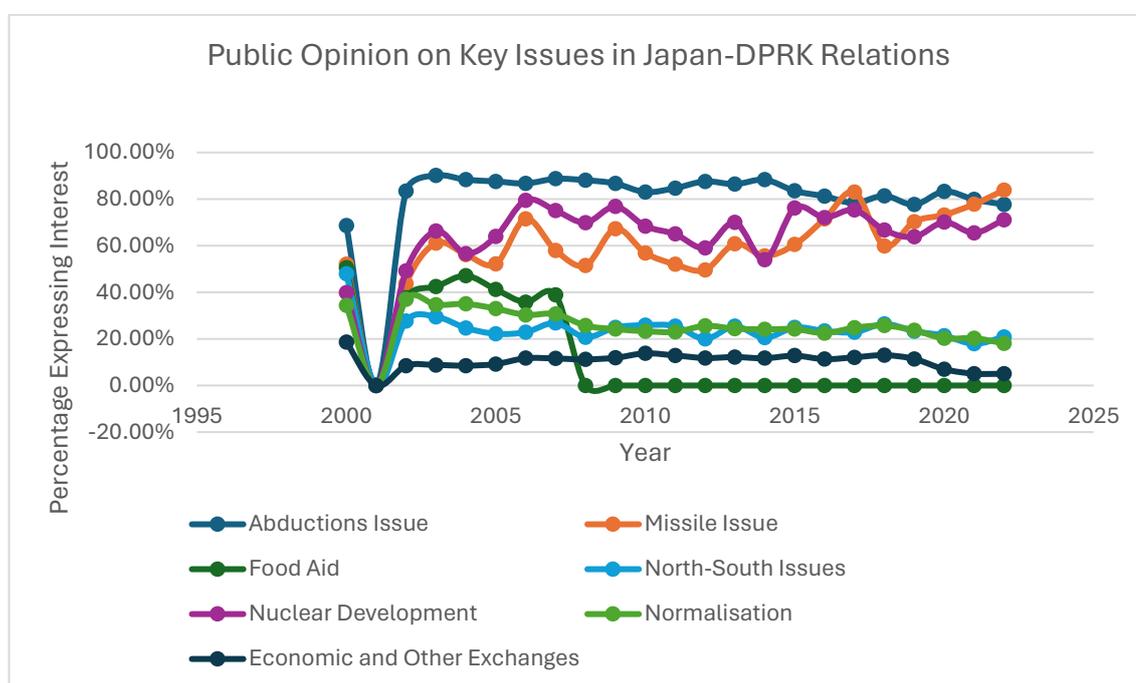


Figure 20: This figure tracks a selection of seven key issues in Japanese public opinion towards North Korea based on annual public opinion surveys (non-exhaustive). Data was not collected on the topic prior to 2000, or in 2001. Several categories were removed or merged – food aid ceased to be tracked

<sup>47</sup> In 2004, North Korea handed what it claimed to be the cremated remains of Yokota Megumi, who had been an abduction victim, to Japan. DNA testing conducted within Japan found that the remains did not belong to her, although the scientist who conducted the test later stated that the remains could have been contaminated (Akaha, 2007, p.304; BBC News, 2021).

*in 2008, and in the same year economic exchanges were merged with other sports and cultural exchanges. The data is also somewhat limited by the wording – the term used is 感心がある or “has interest” which makes it difficult to ascertain whether a view is positive or negative in some categories, such as food aid (Ministry of Internal Affairs, 2023).*

While the lack of data prior to 2000 (since North Korea was not included in the annual public opinion surveys at the time) makes it difficult to conduct a direct public opinion comparison with the 1990s, the overall picture of public opinion largely follows as expected – the abductions issue has been at the forefront of public opinion on North Korea every year since 2002 except 2017 and 2022, when missile testing became the most prevalent issue due to missile launches over Japanese airspace in those years (Johnson and Takahara, 2022). Support for economic exchanges fell by around 10% between 2000 and 2002, and remained between 8-14% until 2020 when it fell sharply to 7% and has since declined to 5%. Food aid continued to be an issue of significant interest until it was removed from the survey in 2008, while nuclear and missile testing have largely followed issues in the news cycle. Interest in North-South issues has remained essentially unchanged, even with shifts in the North-South Korea relationship, and interest in normalisation has seen a steady erosion, essentially having halved since the 2002 summit. Of course, none of this is new information, and hostility towards North Korea is a long-established part of the academic discourse on Japan-DPRK relations and analysis on the constraints on policymakers. However, this thesis offers several new insights onto how specifically policymakers interpreted public opinion on the abductions issue, and how this factored into policy decisions on North Korea. This section argues that the fossilisation of public opinion occurred in the years following 2002, with a discourse of hopelessness and inevitability taking over as efforts continued to be met with failure, with a particular focus on the post-summit period until the end of the Six-Party Talks. However, contrary to the findings of previous studies, it further argues that there was a considerable divide between the public discourse and the policymaker discourse on Japan-North Korea relations.

### 6.2-I: The OIIs Post-2002 and Koizumi’s “Glittering Sword”

Prime Minister Koizumi once referred to the prospect of sanctions on North Korea as a “Glittering Sword”, warning that while they may be effective, they may also make Japan essentially path-dependent on them and be difficult to “re-sheathe”

(Hughes, 2006, p.469). Policymaker opinion contrasted with opinion in the OIIs, where firm scepticism of North Korea's intentions had nonetheless been partnered with some positive attempts at engagement (albeit under *gaiatsu* as in KEDO's case) and might be characterised as open-minded scepticism. General public opinion prior to 2002 on North Korea has been relatively little-discussed in the literature, however, the 2000 polling by the Ministry of Internal Affairs did showcase both a significant difference between that timeframe and the post-Summit 2002 polling on the importance of economic exchanges (a fall from 18.6% interest to just 8.5%) and on the abductions issue (a rise from 68.6% to 83.4%) (Ministry of Internal Affairs, 2023). Existing research by Lynn (2006) on television and Arrington (2018) on newspaper coverage has explored the links between this public opinion polling and media framings of North Korea, and these confirm the relative solidification of public hostility, and indeed the 2000 poll results (Ministry of Internal Affairs, 2023) and the unwillingness of core policymakers to engage the public on KEDO (Nakatsuji, 1999) imply that public mistrust, while short of outright hostility, had existed for some time.

Nonetheless, as previous research has confirmed, both coverage in the press and public towards North Korea skyrocketed in the timeframe following the 2002 Summit, and this coverage gave significant weight to abductee family support groups resulting in something of a self-perpetuating cycle, reinforcing what was already a base state of negativity even further (Lynn, 2006, pp.506–508; Arrington, 2018, pp.479, 492–493). Two interviewees cited specifically the Yokota Megumi remains issue as a major turning point in solidifying public opinion (Ministry of Foreign Affairs Official B, 2022; Cabinet Member A, 2023), and one speculated that without this the likelihood of improving relations with North Korea might have increased, expressing regret while also stressing that this was not the only issue (Cabinet Member A, 2023). The public, thus enflamed, and the advocacy groups for the abductee families, thus empowered, thereby formed a significant block on any further attempts at policies led by engagement. Rather, the public would eventually help Prime Minister Abe accede to the *Kantei* due to support for his preference for pressure on North Korea, including sanctions (Williams and Mobernd, 2010, p.518). Koizumi's "Glittering Sword" (Hughes, 2006, p.469) was thus unsheathed, and to date he has been proven correct about the difficulty of Japan moving away from this path.

Following the reaction of the general public and pressure groups, business sector opinion also moved in the direction of pressure. Direct statements from the *Keidanren* post-2002 showcase how North Korea policy among the business sector essentially fell in line with wider public opinion. Prior to 2002, the *Keidanren* had at the very least gone through the motions on North Korea (Tsunoda, 1995; Keidanren, 2002a; Solingen, 2010, p.4), but statements by it became more vociferous in support of the pressure approach as time progressed. While initial comments after the summits in 2002 and 2004 expressed a degree of support and optimism that further diplomatic efforts could resolve outstanding issues (Keidanren, 2002b; Keidanren, 2004), by 2006, shortly after North Korea's nuclear test, Keidanren Chairman Mitarai Fujio called the test "an unforgivable act of barbarity" and expressed support for stronger Japanese and UN sanctions (Keidanren, 2006). The stance of supporting sanctions and pressure was maintained by subsequent Keidanren chairmen Yonekura Hiromasa (Keidanren, 2013) and Sakakibara Sadayuki (Zaikei Shinbun, 2018), covering the period through 2018 although, as in the past, Chairman Sakakibara expressed sentiments of support for an improved relationship at the time of the Moon-Kim and Trump-Kim summits while still underscoring the primacy of the CVID (complete, verifiable, irreversible disarmament) policy (Keidanren, 2018). In essence, these discursive shifts within the private sector mirrored wider public opinion, reinforcing voices calling for pressure and deepening the loop of support for sanctions.

Finally, secondary policymakers were able to make great political capital of "being tough on North Korea" during this timeframe. The previous Diet Member's Union for Japan-North Korea Friendship faced extreme criticism and essentially ceased to exist after the first summit due to the high levels of criticism it received (Lynn, 2006, p.500; Hagström and Hanssen, 2015, p.79), and at the same time membership of the *Rachi Giren* Diet group rose significantly, with members playing a further active role in reinforcing public opinion through media appearances (Lynn, 2006, p.501). By 2009 more than 82% of Diet members supported further economic pressure on the DPRK (Yamamoto, 2009, p.37). Secondary policymaker influence on actual policy was a matter of disagreement among interviewees; when referring specifically to the Six-Party Talks period, one argued that their impact was very limited, and that the negotiations were largely the purview of MoFA and

the *Kantei* (Ministry of Foreign Affairs Official B, 2022). Conversely, another argued that the Diet groups exercised significant influence, and that efforts were taken during the later rounds of the Six-Party Talks to take into account the input of these groups and to engage directly with them (Ministry of Foreign Affairs Official C, 2023). Regardless, in both cases, they represented another source of pressure and yet another potential constraint on core policymakers and civil servants. This only accelerated further after the Yokota Megumi remains controversy caused public opinion to harden even further (Ministry of Foreign Affairs Official B, 2022; Cabinet Member A, 2023).

Among the OIIs, it is clear that there was no voice pushing back and arguing in favour of engagement as a means to resolve Japan's outstanding issues with North Korea. Among the public, the justified anger over the abductions issue simply overtook all other concerns, especially where positive engagement such as normalisation and economic cooperation was concerned but even when considering other "negative" issues such as the nuclear and missile issues (Ministry of Internal Affairs, 2023). This was reinforced by a powerful media and by highly effective advocacy groups which fossilised the anger of the public over North Korea (Lynn, 2006, pp.506–508; Arrington, 2018, pp.479, 492–493), turning base yet transient negative sentiments into deeper feelings of resentment and abhorrence. For the business sector, as seen through the Keidanren, these sentiments were mirrored, and even as the Keidanren took a firm line on North Korea itself it also came under pressure from advocacy groups such as the *Sukūkai* over links to China, which was cited as a supporter of North Korea (Sukūkai, 2010). Even with this indirect criticism, it is likely that the Keidanren and wider business sector position was one wherein it felt that it had nothing to lose by following public sentiment on North Korea and nothing to gain but much to lose by pushing back against it. Secondary policymakers became more overtly critical of North Korea, and they engaged with the media to further harden public opinion as pro-engagement voices dissolved away in a sea of criticism (Lynn, 2006, pp.500–501; Hagström and Hanssen, 2015, p.79). In a sense, a different kind of institutional accord had been achieved – for a policy opposite of the one being pursued in 2002.

## 6.2-II: Core Policymakers and the Civil Service post-2002

Most interviewees essentially implied that the role of public opinion – while weighing on the minds of policymakers at the time – was not viewed as the absolute roadblock that it has been represented as. Nonetheless, the policy of engagement very much fell by the wayside. Interviewees acknowledged the practical implications of public opinion; those involved in the later Six-Party Talks mentioned that it was viewed not just among Japanese diplomats but among diplomats of other participating states that while Japanese finance would be a key inducement for North Korea in any eventual settlement, it could not be effectively unlocked without satisfying public opinion over the abductee issue (Ministry of Foreign Affairs Official B, 2022; Ministry of Foreign Affairs Official C, 2023). While Koizumi, in a formal sense, continued to pursue normalisation and had hoped to achieve it by the end of his term in office (Hughes, 2006, p.469), the abductions issue in practice thus created double bind situation. Nonetheless, there remained some degree of hope in place among core policymakers and civil servants that the period immediately after, including the Six Party Talks, would produce results.

Contrary to expectations, and contrary to prior works on the subject, interviewees unanimously argued that the accession of Prime Minister Abe during his first term, despite him being well-known as an advocate for abductee families who favoured a harder line on North Korea (Hughes and Krauss, 2007, p.166; Hagström and Hanssen, 2015, pp.79–80), did not have a large impact on Japan's fundamental negotiating stance or broader North Korea policy (Ministry of Foreign Affairs Official B, 2022; Journalist B, 2022; Cabinet Member A, 2023; Ministry of Foreign Affairs Official C, 2023). While it is true that the Abe *Kantei* was responsible for the unilateral 2006 sanctions on North Korea (MacAskill and Watts, 2006), and that this did mark an apparent break with the Koizumi *Kantei*'s previous reluctance to use them (Hughes, 2006, p.469), the implication is that these were considered a natural and fundamentally uncontroversial response to the nuclear test. Indeed, when asked about whether the Abe *Kantei* marked a significant break from the Koizumi *Kantei*, one interviewee directly stated that on North Korean policy, all Japanese policymakers would have acted the same way (Cabinet Member A, 2023). The Fukuda *Kantei* also took a fundamentally similar approach, and continued to pursue dialogue with North Korea even after formal communications through the

SPT had broken down (Ministry of Foreign Affairs Official C, 2023). As acrimonious as the bilateral relationship had become by this point, there was still a belief among Japanese core policymakers that Kim Jong-il was being sincere at this time in wishing for improved relations with Japan, and it was believed that the issue was not one of fundamental intransigence on North Korea's part, but that Kim Jong-il's position as leader was weakened as he was hospitalised that ultimately caused the SPT to halt (Cabinet Member A, 2023).

Even as late as 2007, long after wider public and civil society opinion had solidified, sincere and dedicated efforts were being made to comprehensively resolve Japan's issues with North Korea by core policymakers and civil servants in Japan. While there was pressure to resolve the abductions issue, and it did certainly act as a constraint, policymakers in both the core and in the civil service tended to view it in largely practical and pragmatic terms even as they expressed personal sadness and sympathy for the abductees and their families (Ministry of Foreign Affairs Official A, 2022; Ministry of Foreign Affairs Official B, 2022; Cabinet Member A, 2023; Ministry of Foreign Affairs Official C, 2023). This tied into the larger, multilateral picture of Japan's role in resolving issues on the Korean Peninsula, with core policymakers and civil servants largely following the view shared by allied states that the nuclear issue was the main priority (Ministry of Foreign Affairs Official B, 2022; Ministry of Foreign Affairs Official C, 2023). This was the main divide between policymakers and civil society; policymakers acknowledged that Japan would need to play an economic role to resolve the nuclear issue, but that this role could not be played without the resolution of the abductions issue (Ministry of Foreign Affairs Official B, 2022; Cabinet Member A, 2023; Ministry of Foreign Affairs Official C, 2023). This was accepted by the other parties in the SPT with a similar spirit of sympathy mixed with pragmatism, with the Fukuda *Kantei* even securing a mention of the abductions issue in the Joint Declaration at the 2008 Toyako G8 Summit (Ministry of Foreign Affairs Official B, 2022; Cabinet Member A, 2023; Ministry of Foreign Affairs Official C, 2023). The acknowledgement of the economic role even appears to have been progressed to somewhat advanced stages by the latter half of the SPT – energy cooperation (Ministry of Foreign Affairs Official C, 2023) and the steel industry (Cabinet Member A, 2023) were both discussed, albeit with the acknowledgement that it would have been a practical impossibility for Japan to follow through without a

resolution to the abductions issue which would have been to the satisfaction of civil society.

These findings are somewhat contrary to existing works where it has been argued that the abductions issue became all-consuming for Japanese policymakers. Previous authors have argued that the constitutional “normalisation” debate was in part fuelled by the abductions issue and that some politicians made statements in favour of constitutional revision specifically referencing it (Hagström and Hanssen, 2015, pp.83–84), and others have argued that North Korea’s threat has been “super-sized” or otherwise instrumentalised by policymakers to justify other security and military policies (Hughes, 2009b, pp.303–305; Morris-Suzuki, 2009, p.6). However, those interviewed for this thesis did not appear to be motivated by such issues and appeared genuine and sincere in their collective desire to resolve Japan’s outstanding historical issues (Ministry of Foreign Affairs Official A, 2022; Cabinet Member A, 2023) and ensure Japan’s security vis-à-vis a resolution to the nuclear issue (Ministry of Foreign Affairs Official B, 2022; Ministry of Foreign Affairs Official C, 2023). Even Prime Minister Abe, who is specifically cited as one of the politicians who is alleged to have engaged in exploitation of the North Korean issue (Hughes, 2009b, p.294; Hagström and Hanssen, 2015, p.83), did not fundamentally change Japan’s North Korea policy in a way which would have been considered abnormal, which indicates the fundamental level of consensus across the civil service and core policymakers on both the key issue at play – the nuclear issues - and at the approach being taken to resolve it. To the extent that a divide existed on these matters among core policymakers and civil servants, it appears to have only been a rhetorical one with little policy substance. The practical divide at play was one of prioritisation of the nuclear issue over the abductions issue; this is where core policymakers and civil servants truly differed from civil society and the OIIs, with pragmatism to gain progress on the nuclear issue informing the steps of core policymakers and civil servants to a greater degree than anything else. There was no fundamental opposition to engagement, and indeed Japanese economic support was discussed in the steel and energy sectors (Cabinet Member A, 2023; Ministry of Foreign Affairs Official C, 2023), and it appears as though all actors involved were highly motivated to resolve outstanding issues by any means possible. Nonetheless a practical acknowledgement of the strength of feeling over the abductions issue was always present. For policymakers, this fossilisation of

public opinion would only feed back into the policymaking process as a stronger and stronger constraint the longer North Korea displayed intransigence over it – ultimately diminishing the possibility of finding a solution involving positive engagement by Japan.

With this divide, and with increasing frustration by the public over the lack of progress on the abductions issue, pressure beget pressure. The awkward position which negotiators found themselves in, wherein they found themselves faced with the practical reality of public anger over the abductions issue alongside their diplomatic allies from partner countries (Ministry of Foreign Affairs Official A, 2022; Ministry of Foreign Affairs Official B, 2022; Cabinet Member A, 2023; Ministry of Foreign Affairs Official C, 2023), constrained policy options to ones of pressure. Unsurprisingly, North Korea reacted extremely negatively to this, publicly exclaiming that the abductions issue was resolved before changing position in 2008 (Yang, 2007; Ministry of Foreign Affairs, 2021), proclaiming that it was in fact Japan which had reneged on its obligations by not returning the five abductees who went home on a “temporary basis” (Funabashi, 2007, p.41), and continuing military provocations after 2006 with both the nuclear test of that year and further missile testing (Broad, 2006; BBC News, 2006).

MoFA diplomats had also been in the unfortunate position that by 2002 public confidence in them was already poor, with criticisms being framed around a lack of compassion and a perceived lack of interest in the abductions issue prior to this timeframe (Funabashi, 2007, p.40), further constraining engagement options. This was made even worse by a general lack of faith in civil service institutions by the Japanese public, which had reached something of a nadir – Japan ranked 27<sup>th</sup> out of 31 countries in 2000 for trust in the civil service, with only 32% expressing a positive view (Van de Walle et al., 2008, p.58), which did not rise by 2005 or 2010 when the next comparable surveys were carried out (Ingelhart et al., 2014; Ingelhart et al., 2020). Short of absolute and startling success in resolving the issue, it is not likely that the response would have been a positive one from the general public, making the potential for public engagement on the issues raised after the 2002 summit more difficult considering the sensitive and complex nature of the problems at hand. Nonetheless, the lack of *prior* public or business sector engagement meant that the civil service was left without a voice of advocacy or

“benefit of the doubt” over its approach to North Korea. Moreover, as outlined above, North Korea’s continued lack of good faith had already undermined previous engagement efforts, deepening the problem further and even further removing the chance of achieving institutional accord and public consent.

### 6.3: Conclusion: The Start of the Vicious Cycle and the Double Bind of Democratic Consent

Two issues combined to create the start of the vicious cycle over North Korea. First, by the time of the 2002 summit and even before the abductions issue began to overtake the public discourse, the public and the business sector had only had negative experiences with the DPRK. They had been victims of missile tests, a significant portion of society was already enflamed over the abductions issue, and they had witnessed the continuous provocations of North Korea even when Japan was providing vast sums of capital and assistance via KEDO. This was the base state of opinion moving into the 2002 summit, which ties into the second issue that nothing had ever been done to convince any of the OII constituencies that a rapid move towards normalisation and a comprehensive peace agreement as described in Chapter 4 were timely or desirable with the negotiations having been carried out in secret. This was made worse by already low public trust in the civil service and by declining interest in ODA, with the private sector likely calculating that there would have been little opportunity for them in North Korea in any case even had an economic cooperation programme moved forward. Unlike South Korea, which undertook the Sunshine Policy despite these same provocations and structural factors, Japanese core policymakers and civil servants were not in a position to provide a similar “leap of faith” policy to overcome the problems perceived by the business sector and civil society. There was simply never any attempt to do so, or to convince other stakeholders that such an initiative might be worthwhile. Indeed, a key element missing in the prior literature has been discussion of business sector interest in North Korea. It did, in fact, exist, however fleetingly, as proven by the involvement of Japanese firms in the Northeast Asia Economic Forum and by *Keidanren* statements of support as late as 1995, but this was never seized on by core policymakers or civil servants. In the end, opportunities for business sector engagement with North Korea, both in terms of North Korea’s own lack of appeal and in terms of the wider environment of being able to derive value from the aid

system, went into terminal decline even before 2002. This chapter has examined these issues in tandem, analysing how they precluded any chance of achieving institutional accord on the Japanese side in advance of the Koizumi summit and thus providing an additional explanation for why Japan's diplomatic policy failed to overcome the difficulties presented to it at that time. Japanese policymakers, unable to develop public consent or build business sector support in periods of greater openness (such as through KEDO and the Sunshine Period), found themselves with no support for anything but pressure-based approaches, with an inability to reach a state of institutional accord.

The approach taken by core policymakers and civil servants, while undoubtedly well-intentioned, sincere, and carried out in close collaboration with partner countries, was ultimately a top-down one carried out without input from institutions outside the policymaking core. While not abnormal in the Japanese system *per se*, this was a particularly closed-off policy issue, with even the business sector largely left in the cold. This was true of both the pre-summit and post-summit periods; it was argued in Chapter 4 that core policymakers and civil servants, in addition to the North Korean negotiators themselves, likely underestimated the level of public anger which would arise from the abductions issue, and that Koizumi likely believed that the public could be won over, winning democratic consent *post facto*. After the summit, and particularly after the Kelly visit<sup>48</sup> which revealed North Korea's duplicity over the nuclear issue, core policymakers and civil servants on one side, and the OIIs on the other, took divergent paths, with core policymakers and civil servants prioritising the nuclear issue and the OIIs focusing on the abductions issue. This is not to say that the core policymakers and civil servants ignored the abductions issue – it was still a high priority and was viewed as one of the keys to resolving the nuclear and missile issues. Nonetheless, the inherent difficulty of that issue, combined with the continued intransigence of North Korea on other issues, created a situation where Japan's policymakers were effectively backed into a corner. With no democratic consent for engagement-based policy, that path was effectively closed off and as a

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<sup>48</sup> In October 2002, James Kelly, the US Assistant Secretary of State, visited Pyongyang and accused North Korea of having had a secret highly enriched uranium programme based on evidence of North Korea having purchased the equipment to operate one from Pakistan. This would ultimately lead to the collapse of the 1994 Agreed Framework and North Korea's withdrawal from the NPT in 2003 (Funabashi, 2007).

result policy options were limited. With this being the case, acrimony settled in and only deepened.

To be clear, this is primarily the fault of North Korea's continuous provocations and acts of bad faith. Without these, the general public and the business sector would have likely not had the same level of mistrust and later acrimony over any of the issues discussed in this thesis. However, the civil service and core policymakers were also aware of this. In failing to engage with the public or business sector, either in terms of winning public support or in providing the business sector assurances that investment would be worthwhile or even providing guarantees in the periods of greater openness, on why normalisation was in Japan's interests, how it could lead to the resolution of outstanding issues, and the principles on which the "grand vision" described in Chapter 4 was based, they failed to construct any shield of pre-existing consent among the OIIs. In other words, there was never an active attempt to *construct* institutional accord over North Korea policy. This would go on to eliminate the room for manoeuvre in negotiations, making it harder to resolve the outstanding issues which only deepened public anger and investor disinterest further and as a result even more deeply limited the policy space in which negotiators could act. This is a classic double-bind situation; the need for democratic consent, and the lack of it, meant that resolving the abductions issue had to come first, but with an inability to make use of inducements, it was extremely difficult to resolve the abductions issue at all. The vicious cycle had set in; apathy turned to antipathy.

# Chapter 7: Japan and Vietnam: From Trickle to Flood

## 7.0: Introduction:

Where the lack of a pre-existing consensus over North Korea allowed a discursive shift towards pressure and sanctions, with a functional abandonment of the policy of engagement after 2006, in Vietnam the pre-existing state of institutional accord permitted what was already a solid and well-laid foundation to transform into an ever-deepening and innately sustainable virtuous cycle. This was possible due to the existing presence of investors who had provided justification for further investment and support by both state actors and other private sector actors. Vietnam would go on to defy the political gravity in the “bigger picture” of Japanese overseas aid, receiving both voluminous large-scale loan aid and intellectual support through the Ishikawa Project, seizing the opportunity to take an existing foundation and build on it. Risks taken in the late 1980s and early 1990s would go on to pay off; Japan’s “leap of faith” on Vietnam has produced today a robust, sustainable, and friendly relationship to the inarguable benefit of both countries. Where relations with North Korea turned from apathy to antipathy, relations with Vietnam very much turned from trickle to flood. This is despite the fact that, in the words of the CEO of VinaCapital, the largest asset management firm in Vietnam, the business and legal environment meant that “those who came to Vietnam in the early 1990s actually didn’t make money until the rules and everything were cleared up. Only the second wave of investors, those coming in ... 10 years later, they actually made money” (Kate and Kubota, 2012).

This chapter examines the primary means by which the opportunity was seized and through which the Japan-Vietnam relationship deepened in the 1990s and early 2000s. The first part examines Japan’s intellectual support to Vietnam through the Ishikawa Project, which is spoken of in near-reverential terms by those involved in the relationship today, followed by an examination of other means of support given by the Japanese state which allowed investors to mitigate risk. The second half of this chapter examines how individual firms such as the *Sōgō Shōsha* Marubeni were able to take advantage of market conditions and institutional

features of Japanese ODA, and how this contributed to the deepening of investment. This chapter concludes that in essence, Japanese policymakers and investors acted in broad accord and had a shared and sustained political will to “seize the moment” and engage in a deep and comprehensive manner with Vietnam. It argues that, in doing so, it formulated the beginning of a virtuous cycle of aid and investment, in stark contrast to North Korea, despite initial market difficulties. It contributes to the existing literature both this concept of *seizing the moment* and with a detailed analysis of why Japan not only achieved its policy objectives in Vietnam but *continued* to achieve them in the aftermath of renormalisation despite initial hardships, providing insight on this in contrast to the issues faced in North Korea.

## 7.1: Seizing the Moment: The Ishikawa Project and the Vietnam-Japan Joint Initiative

Interviewees were unanimous in speaking highly of the Ishikawa Project, which was a policy support project founded after the Vietnamese leadership was impressed by the work of Ishikawa Shigeru, who had previous experience in and extensive knowledge of China’s economic development (Amatsu, 2022, pp.290–292). The project itself, and its successes and limitations, have been covered extensively by numerous other authors, who have argued that it represents an example of Japan attempting to pursue intellectual leadership on a global level (Hatakeyama, 2008), and that it has encouraged the re-evaluation of ideas among existing multilateral donors (Zappa, 2020). It has also been examined in relation to specific economic sectors, such as steel (Kawabata, 2016). Interviewees highlighted the frustrations of the Vietnamese government with multilateral institutions such as the IMF and World Bank, noting that the support and expertise provided through the Ishikawa Project provided an additional option for policymakers (Academic B and Academic C, 2022). The Ishikawa Project was unique in scale and no project of a similar magnitude has been taken elsewhere (JICA Employee B, 2022). However, across all sources, there is one constant, which is the enthusiasm of the Vietnamese government itself in pushing forward with the project.

The Vietnam-Japan Joint Initiative (VJJI) succeeded the Ishikawa Project in 2003, and is primarily a means of policy dialogue to improve the business environment, and consequently it received some initial criticism for being too focused on the needs of the Japanese private sector (Hatakeyama, 2008, pp.354, 360–361). Nonetheless, it has since been widely assessed as having been successful in its aim of improving the business environment, with the close collaboration between Vietnamese government and Japanese private sector achieving a project completion rate of around 80-90% in the first two phases lasting between 2003-2007 (Ohno and Ohno, 2011, p.31). It was also highly regarded by participants, who noted that it is a successful ongoing example of public-private cooperation (Academic B and Academic C, 2022; JICA Employee A, 2022; JICA Employee B, 2022).

This section argues that in both cases, Japanese officials were able to effectively take advantage of openings presented by the Vietnamese government and use them to effectively support the Japanese private sector. This is in line with the principle of “economic take-off” and it argues that the foundations for this effective and impactful policy support were laid in part by the continued engagement of the 1980s. The willingness of Vietnamese elites – particularly Do Muoi, the Secretary-General of the Communist Party of Vietnam – to work in partnership with Japanese experts and listen to them was critically important to success in this field (Ohno, 2013, p.161), but the readiness and willingness of Japanese institutions to engage deeply in the process was also vital, and this readiness is an area of key contrast to the situation in North Korea. Japanese institutions were ready, willing, and able to seize the moment and made effective use of existing resources within the OIIs to do so, particularly in the business sector.

### 7.1-I: The Ishikawa Project and the Vietnam-Japan Joint Initiative: Trust-based Cooperation

Ishikawa Shigeru was a development economist with experience in the Chinese experience of economic development (Amatsu, 2022, pp.290–292) – experience which fit well with the economic planning of the Vietnamese government in the post-*Doi Moi* context. The *Doi Moi* reforms were in some regards similar, although not identical, to the Chinese reforms undertaken by the Deng Xiaoping government (Irvin, 1995, pp.727–728), and the Vietnamese government was keen to promote

reform and economic growth for the sake of performance legitimacy from the late 1980s as its communist bloc support ebbed away (Hiep, 2012, pp.146–147). Japanese expertise via technical assistance and capacity development, in becoming available post-normalisation in 1992, could not have come at a more ideal time for Vietnam, and the readiness and political will to grasp this opportunity is a major factor in the creation of a sustainable virtuous cycle in Japan-Vietnam relations. Where the previous chapter noted that there was a reticence on the part of Japanese policymakers to take a “leap of faith” on North Korea even at the times when conditions were most favourable, such as when North Korea was actively attempting to court businesses, when Japan was investing in KEDO, or when South Korea launched its Sunshine Policy, in Vietnam, the Ishikawa Project represented just such a “leap of faith”. This is evident by the scale of the project, which has not been replicated elsewhere (JICA Employee B, 2022), and the “trial” nature of it – nowhere else was undergoing a similar programme in 1995, and at the time it began it had only been the second such intellectual support programme after the Okita Report in Argentina between 1985-1987<sup>49</sup> (International Development Center of Japan, 2002; Ohno, 2018, p.65).

In line with the request-based aid system which Japan practices, the request for intellectual support came directly from Do Muoi after he was impressed with Ishikawa’s earlier report from 1994 (Amatsu, 2022, pp.290–292). Japan accepted this request, and provided policy support for Vietnam’s 6<sup>th</sup> Five-Year Plan, followed by deeper analysis of Vietnam’s economic environment in the second phase, with a follow-up followed by a full third phase lasting until 2001 (Amatsu, 2022, pp.290–292). Existing work on the project (International Development Center of Japan, 2002, p.12; Ohno, 2018, p.64; Amatsu, 2022, p.306) emphasises the success of the joint research approach which allowed the Vietnamese side a high degree of ownership, with Japanese participants accepting Vietnamese decisions even when they did not fully support them, alleviating issues which may have arisen due to the unbalanced power relationship (Shimomura, 2018, p.57; Amatsu, 2022, p.306). This is central to the “leap of faith” which Japan was taking on Vietnam – while it may seem natural that a country can maintain policy sovereignty and an outside aid donor should not interfere, Japan *was* in a position where it could have

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<sup>49</sup> There was also a follow-up programme between 1994-1996.

effectively leveraged its aid programme or balance of trade to force through issues if it had wished to. Indeed, the existing literature notes the contrast between the World Bank and IMF approach, which attached conditionalities to the consternation of the Vietnamese officials (Amatsu, 2022, p.291). Ishikawa noticed this discord and made trust, friendship and ownership key pillars of his own project, which is widely assessed as a key part of the project's ultimate success (Katsurai and Kobayashi, 2005, p.195; Ohno, 2018, p.64). However, the Japanese approach of making mutual trust a key mechanism in achieving long-term change, rather than forcing change via structural adjustment programmes or other conditionalities, was only possible because a bedrock level of such trust existed in the first place through development in the 1980s by OIIs.

The VJJI was formulated on similar grounds. However, where the Ishikawa Project was essentially JICA-led, the VJJI featured (and continues to feature) the business sector much more heavily. It was aimed at improving Vietnam's general business environment by highlighting impediments to business (Ohno, 2009, p.21), and was initially criticised both within Vietnam and by other donors for being too focused on the needs of the Japanese private sector and economy after FDI inflows began to slow over the poor business environment and the Asian Financial Crisis (Hatakeyama, 2008, pp.359–361). Nonetheless, in the long-term it began to be viewed favourably, and all participants who raised it viewed it positively even while noting the initial concern of some within JICA (Academic B and Academic C, 2022; JICA Employee A, 2022; JICA Employee B, 2022). The VJJI takes the form of a policy forum where Japanese investors are able to directly discuss legal and regulatory policies with Vietnamese officials in relevant ministries and agencies (Ministry of Planning and Investment of Vietnam, 2023). Again, this is fundamentally a trust-based approach – the success of initiatives within the VJJI is not tied to ODA (notwithstanding a brief initial use of the leverage offered by ODA to convince Vietnamese policymakers to agree to the Joint Initiative in the conception stage (Hatakeyama, 2008, p.360)), and the initiative gives participants no formal power beyond suggestion (JICA Employee A, 2022). Indeed, this shortcoming led to frustration among Japanese firms in some circumstances, such as the suspension of production on Honda's motorcycle venture due to a dispute over the locally-sourced component ratio (JICA Employee A, 2022). It is a forum for the exchange of ideas and information, which may or may not be taken forward and converted into

legal or regulatory changes, which like the Ishikawa Project again allows a high degree of ownership on the recipient side.

This again showcases the bedrock level of trust which was held in Vietnam. Despite the initial concerns of all involved, all parties were ultimately willing to move ahead with the format, and the initial success allowed for the development of a trust-based institution which has persisted to the present day. Had that trust not been developed through both the Ishikawa Project and the period which preceded it, it is unlikely that either the Japanese business sector or the Vietnamese officials would have agreed to the format in the first place. In both cases, the approach of directly attempting to improve the legal and business environment was only possible because mutual trust was prevalent across all actors involved. The business sector trusted the Vietnamese government to move in a beneficial direction and it trusted the Japanese ODA architecture to provide it the necessary support, the Vietnamese government largely trusted that working with the Japanese government's advice would mean that private investment would be forthcoming, and the Japanese government largely trusted in the Vietnamese government to improve the business environment and the business sector to take advantage of the opportunities being offered. If even one of the three elements had lost trust and mutual good faith, then all the others would have also failed. This is why Japanese investors were able to move into Vietnam in the early 1990s despite the lack of initial profitability; there was a high degree of trust that "weathering the storm" would be worth it in the long term.

### 7.1-II: The Value of Trust and Mutual Reinforcement...

Through both the Ishikawa Project and the VJJI, Japanese policymakers and investors were willing to trust Vietnam to develop in a manner which would eventually benefit all parties. Japanese staff offered guidance and tutelage in the Ishikawa Project and investors offered regulatory and legal advice through the numerous completed phases of the VJJI, but they then maintained faith that the Vietnamese officials themselves would take on board their advice and use it to improve the business environment, even if imperfectly. However, such a relationship could not have come to exist were it not for the steady bedrock constructed in the 1980s by the OIIs and by their seizure of opportunities relating to the post-1986 *Doi Moi* reforms. One interviewee described the reality on the

ground of the Vietnamese business environment at the time as very poor, even including movement restrictions on foreign residents (Academic B and Academic C, 2022). Nonetheless, Japanese firms took what opportunities they could, and while the first steps were small and in only limited fields such as coal by Mitsui (Academic B and Academic C, 2022), they had a foundation-laying effect by signalling to both policymakers and to other companies that investment in Vietnam was worthwhile. This was further backed by secondary policymakers in the League for Japan-Vietnam Friendship.

Cycles of capital work best when mutually reinforcing economies are present. For example, a materials sector company may perceive a business opportunity and invest – this is precisely what Mitsui did in the coal sector in the 1980s in Vietnam, albeit on a small scale (Academic B and Academic C, 2022). This would have created perceived business opportunities in related sectors, such as steel, and indeed Japanese steel companies did follow in the 1990s, beginning with Kyoei Steel in 1994 as part of a joint venture with Mitsui, Itochu, and Vietnam Steel Company (Kyoei Steel, 2023b; SteelOrbis, 2023) (indeed, Kyoei had been interested in the South Vietnamese market pre-unification (Academic D, 2022)). Kyoei focused on steel bars and wire rods (Kyoei Steel, 2023a), which are used widely in the construction sector which also started to see investment from Japanese firms around the same time through firms such as Shimizu in 1994 (Shimizu Corporation, 2023). In the early years of Japanese investment in Vietnam, materials, manufacturing, and construction firms were thus closely aligned and gave each other opportunities and mutual confidence to invest. Essentially, companies in these sectors naturally generated opportunities for each other, and the presence of investment from the others naturally generated justification for further investment. Each of these businesses, which are only a small sample of early FDI into Vietnam, took the chance that the business environment would improve, and they were confident in doing so because of the presence of other Japanese firms with established relationships in the country. One interviewee noted the Japanese preference for “quality” and for existing partnerships and how this made Japanese firms more likely to interact with each other than with foreign firms, while also noting that the companies were thorough in assessing risk and that they would work with foreign firms if circumstances made interaction with other Japanese firms difficult (Academic D, 2022).

In this manner, mutual reinforcement pushes firms to make investment decisions by generating mutually beneficial investment opportunities and showcasing perceived investment safety, even if it is not the sole factor in investment decisions. Nonetheless, the initial leap of faith taken by investing companies in the 1980s and early 1990s signalled to other Japanese firms and to policymakers that interest existed in Vietnam, and that it was worth persevering through initial difficulties to gain later advantages. After all, even if a *high* level of trust did not yet exist with Vietnamese officials, the Japanese firms already present at least represented some form of known quantity, even if small in scale. There was, from the perspective of firms interested in but not necessarily committed to Vietnam yet both increasing comfort that Vietnam was moving in the right direction for them and that, if nothing else, there was at least *someone* they might be able to trust and do business with. Again, meeting a minimal threshold of trust that an investment would be worthwhile required this bedrock of institutional accord.

While not as vital as the business sector presence, the League for Japan-Vietnam Friendship, as secondary policymakers, also created a pool of experience and knowledge about Vietnam and how Japan might benefit from a relationship with it. It is notable that, for example, Watanabe Michio, who was Deputy Prime Minister at the time of the resumption of ODA and was therefore able to convey the voices of secondary policymakers within the Cabinet, was a member of this group (Pressello, 2014b, p.50). The League's activities included visits to Vietnam and meetings with senior members of the Vietnamese government even during the years in which aid was suspended, such as a visit in 1985 where the group met Vietnamese Premier Pham Van Dong (Shiraishi, 1990, p.96). Watanabe also worked closely with Mitsubishi Oil executives in 1991 to discuss the possibility of oil extraction in Vietnam, and he would later intercede with Vietnamese authorities to acquire exploitation rights on behalf of Mitsubishi (Zappa, 2017, pp.81–82), which he would have likely been unable to do if not for a degree of existent connection with Vietnamese politicians. Again, it is likely that the pre-existing network of contacts developed prior to the resumption of ODA allowed decisions to be taken more easily because Japanese politicians, some of whom had even reached influential and senior positions, could communicate directly with stakeholders in both Japan and in Vietnam to coordinate between them. For interested institutions in Japan, this would have represented an additional guarantee of safety, and for Hanoi, it

would have guaranteed that Japan would have been able to follow through on commitments. For both, the incentive to work for mutual benefit would have been raised by the ability of Japanese politicians to act as intermediaries, allowing a level of trust and mutual faith to develop before ODA had actually resumed and large-scale investment began. Having a powerful advocacy voice in the cabinet and Diet would have again increased the base level of trust in the Japanese government apparatus to push Vietnam in a positive direction vis-à-vis the business environment, and in being able to see this private investors would have had greater confidence to take the risk on investment.

### 7.2-III: ...And a Safety Net Just in Case

In the Vietnamese case, Japan was comprehensive in applying its usual apparatus of safety mechanisms to allow investment to flow more easily. Risk mitigation mechanisms provided by the Japanese government were available to investors in Vietnam from an early stage – by 1996, 32 commitments valuing ¥31bn in loans and equity through the EXIM Bank had already been provided, and discussions were underway for a full investment protection agreement although this was not concluded ultimately until 2003 (Dahm, 1999, pp.68–69; UN Investment Policy Hub, 2023). While it is beyond the scope of this thesis to perform an in-depth examination of all the mechanisms which comprise this safety net, including also shared ownership or shared risk via JBIC loans, specific diplomatic interventions, and the provision of bilateral investment treaties which include investment protection and dispute settlement mechanisms, these also form a vital part of Japan's risk mitigation system for overseas investors. This section focuses specifically on investment insurance via NEXI and its METI-led predecessors – this is because it was specifically cited by North Korean officials in 1995 as being one of the pieces of Japan's extended economic apparatus which North Korea wished to benefit from the extension of to attract Japanese investors (Tsunoda, 1995).

NEXI's investment insurance products, in being widely available for companies investing overseas, are seen as critical by the Japanese private sector as a last resort option and it has been widely relied on by large Japanese multinationals, who have historically been hesitant to commit to overseas projects without NEXI support in conjunction with JBIC and commercial loans and finance (Papanastasiou, 2021, pp.164–165). Overseas investments, in incorporating

effective alliances of firms, are only able to satisfy all parties with insurance against political risks in place – this makes NEXI a vital component of the “economic take-off” philosophy because without it, Japanese investments in developing countries would be likely to be far fewer. Indeed, claims against NEXI insurance products are widely utilised to mitigate and protect against political risks, with some 161,515,000,000 yen in disbursements between the 2016 and 2020 fiscal years and of which 89.2% was disbursed for political risk (as opposed to commercial risk) specifically (Nippon Export and Investment Insurance, 2020, p.21). In the pre-NEXI era, through the 1980s and 1990s, Japan’s export insurance system was criticised for being a kind of subsidy-in-disguise, on the basis that the amount of claims was very high being almost three times higher than incomes from premiums, used as a means to circumvent WTO rules against export subsidies (Mah and Milner, 2005, p.240). Whether this was the case or not does not particularly matter – what does matter is that Japan’s state apparatus has a long, vigorous, and successful history of providing export credits and insurance to back the business sector and mitigate against perceived risks. After all, without insurance the business sector – both investing companies themselves as well as their commercial lenders - would have still been required to bear a significant burden of risk. This risk significantly lowers the real value of any investment – without insurance providing additional supportive value to the investment, the true nominal value of the item being invested in can never be reached in practice. In a country like Vietnam, which even with the *Doi Moi* reforms was still considered a tough business environment due to its political and regulatory systems even for those with privileged access to policymakers, including the Japanese Business Association (Doanh, 2002, p.11; Vu-Thanh, 2017, p.171), political risk insurance was and remains a vital safety net even in a country where all signs pointed towards the situation improving.

However, it would not be possible to provide such coverage without a base level of trust being present on the intergovernmental level and again, this trust was in place in Vietnam. Not only had relationships with senior officials in the Vietnamese government been formulated by the time ODA resumed because of the efforts of groups such as the League for Japan-Vietnam Friendship and pioneering businesses, but the *Doi Moi* reforms, even if imperfect, did offer a sign that improvement was coming. As noted in Chapter 5, across all areas of the Japanese

government – core policymakers, secondary policymakers, and civil servants alike – a robust consensus had long existed that Vietnam would be a lynchpin in Japan’s broader economic and geopolitical strategy, and so these *early* efforts to build trust and push Vietnam in a direction conducive to Japan’s interests paid off.

In essence, NEXI insurance, and the other parts of the state apparatus which provide a safety net, are only possible to provide if robust enough institutional accord exists. Institutional accord existed over Vietnam because those involved on the Japanese side were confident that Vietnam *would* make moves favourable to Japanese interests and was actively interested in doing so. Again, by providing trade and investment insurance at an early stage, alongside the other parts of the safety net apparatus, Japanese policymakers seized the initiative and helped Vietnam maintain momentum in its reforms by providing an incentive by assisting business sector investment, and this was only possible due to the trust in the relationship which *already* existed.

#### 7.1-IV: North Korea and the Failure to Seize the Moment

Of course, none of the above happened in North Korea. With North Korea, NEXI underwriting has never been attempted in any category – most categories of insurance product have been fully suspended since at least 2009, with some as far back as 2001 when NEXI was founded (Nippon Export and Investment Insurance, 2022). Theoretically, Overseas Untied Loan Insurance and Overseas Investment Insurance are not suspended and fall under the status of “*missettei*” (not set)<sup>50</sup> requiring a NEXI country situation survey, and the fact that this has not happened means that no business has ever attempted to purchase them for North Korea (Nippon Export and Investment Insurance, 2022). It is likely that nobody wishes to be the first to try, and even with a survey, there is no guarantee that NEXI underwriting would actually happen even in the categories of insurance which are not theoretically suspended.

This is something of a chicken-and-egg situation. NEXI has no incentive to change its position without backing from both the state apparatus above it or from its private sector clients, and yet the private sector clients are unlikely to be willing to take on such a huge risk as investment in North Korea without significant

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<sup>50</sup> 未設定

guarantees against political risks. If even Vietnam, with which a much more favourable relationship existed and which appeared to be moving in a favourable direction, required a safety net to attract investment, then the scale of the safety net required for North Korea would have been tremendously large. This makes the nominal value of any potential investment in North Korea irrelevant since the actual value would be extremely low without state backing and risk mitigation to give additional supportive value. The business sector is unlikely to take the initiative and move forward with these risks without such support, creating a vicious cycle of mutual disinterest. With no pre-existing base of established trust, neither the Japanese government and the institutions therein, nor the Japanese business sector, were or are willing to take a leap of faith on a complete unknown with political will invested in improving the overall situation.

Such opportunities as did exist in the period between the Kanemaru and Koizumi Summits were not able to be capitalised on because of this lack of trust. Of course, North Korea's provocations and acts of bad faith, as described in the previous chapter with incidents such as the Taepodong test and the Gangneung Submarine incident, cannot be ignored and are clearly a major push factor. Nonetheless, there were points at which openings were presented for Japanese businesses to involve themselves in North Korea and which might have been possible to exploit had the political will been present to support them. The chief example of this is KEDO; KEDO did progress to the stage where Japanese firms were selected for procurements, and the funding for it was on a comparable scale to or greater than that of other large-scale energy cooperation projects, as described in the previous chapter. Likewise, North Korea's attempts to attract investment in 1995 which were relayed and even softly supported by the *Keidanren* at the time (Tsunoda, 1995) and the opening of the Rajin-Sonbeong Economic Zone represented rare openings for private investment into a notoriously closed country. Even Kanemaru was allegedly interested in the potential purchase and development of construction gravel by the Japanese construction industry in North Korea as he developed a favourable relationship with Kim Il-sung (Hughes, 1998, p.404; Hughes, 2006, p.470), which may have presented a further opening. However, with no pre-existing base of trust and no widespread backing in the policymaking architecture, with even KEDO funding being essentially a product of *gaiatsu* and little else, it was effectively impossible to seize on these opportunities. Without the state apparatus

acting as a safety net, with no pre-existing trust, and with no real signs that North Korea would move in a favourable direction, the private sector investor who decided to take the first leap of faith on North Korea would have been brave indeed.

Had these opportunities been taken – even had they been taken but failed – they would have allowed valuable experience to have been gained and perhaps even a base level of trust to have been developed. The lack of faith and the lack of state support, however, meant that these opportunities were not seized, even if on-paper opportunities were present. This is in stark contrast to Vietnam where Japanese firms were able to count on an improved business environment and the presence of informal and then later formal support mechanisms, as well as being able to count on each other. Because of this, by the time of the 1990 and 2002 Summits, there was no bedrock of existent support in Japan for an economic relationship with North Korea – there was no trust, there were no mutually-reinforcing economic and business relationships even at a planning level, and there was no prospect of quick improvement. In short, at no point in this period was Japan actually prepared for or able to “seize the moment” on opportunities – limited as they may have been – to engage with North Korea in the way it did with Vietnam. This is a consequence in part of the lack of institutional accord which saw only limited business sector onboarding and acrimony within core policymaker, civil service and secondary policymaker circles and the general public.

## 7.2: Building on the Foundation: Japanese Business Interest in Vietnam Post-1992

Thus far, this chapter has discussed how the Ishikawa Project, state support mechanisms and mutually reinforcing business ventures effectively allowed Japanese policymakers and businesses to seize the initiative in Vietnam and turn general interest into sustained investment. Chapter 5 also highlighted the early presence of Japanese businesses in post-unification Vietnam and the role they played in perpetuating a low-level relationship even at the worst points in formal intergovernmental relations. Early examples included Sony and JVC in the consumer electronics category (Marukawa, 2006, p.300; Vind, 2009, pp.228–229) and Mitsui and Nissho Iwai in the general trading category (Sudo, 1988a, p.137;

Hirata, 1998a, p.149). This initial round of investment would swiftly be supplemented by companies in various other sectors, such as the food sector and later additional general trading firms such as Marubeni (Kobayashi, 2016, pp.73–74; Acecook Vietnam, 2021). This section focuses on the experience of sectors which have traditionally been at the forefront of being able to take advantage Japan's ODA programmes – energy, materials, and construction – and examines the reasons why they were able to take advantage of opportunities presented in Vietnam but not in North Korea. The section uses a particular case study of Marubeni, a Japanese *Sōgō Shōsha*, operative across multiple sectors, which embodies and has made use of many of the institutional features of the Japanese ODA and FDI systems to its own advantage.

By December of 1992, all of Japan's ten largest firms had established a presence in Vietnam, alongside South Korean competitors who set up businesses in the steel, consumer electronics, oil, automotive and hotel industries (Nguyen, 1992, p.249). Even before ODA was formally given to Vietnam, Japanese firms were exploring lower profile deals and contracts over loans for the purchase of finished products (Tan, 1991, p.319), and although they did generally respect the US-led trade embargo (Tan, 1991, p.315) Japan was the second-largest trading partner of Vietnam after only the USSR in 1990 (Tan, 1991, p.319). Between the rapid turnaround from the resumption of ODA to the implementation of business activities, the swift interest of competitor companies, and the early stated interest in Vietnam as an investment destination the state of Positive Zero that existed within the business sector seems obvious – Japanese firms were interested, and they were quick to turn their interest into investment. Shiraishi (1990, pp.70–72) notes that Japanese firms had been thinking about Vietnam since the beginning of Vietnam War peace talks in 1968, and that this only accelerated after 1973 and the Paris Peace Accords, spurred on and made confident by other successful examples of business sector collaboration with the ODA system and with the backing of a government keen on preventing Vietnam from becoming too connected with either Moscow or Beijing or becoming a communist state of the more repressive and closed model. The section begins with a brief introduction to Marubeni, a representative case study, and its links to the Vietnamese and Japanese governments, and follows with analysis of its investments in the energy, steel, and construction sectors.

## 7.2-I: Marubeni and the Request-Based System

Marubeni is an exemplar of how Japanese private companies, particularly ones which operate in multiple business sectors, are able to derive value from the Japanese ODA system. Where the previous chapter discussed the example of Sony Chairman Morita Akio and the *Jiyū Shakai Kenkyūkai*, and how businesses would have been able to lobby for the resumption of ODA to Vietnam for their own benefit, this chapter discusses how the request-based system forms the other side of that coin. The request-based system is the means by which the Japanese business sector is able to “seed” ideas into the recipient country’s policymaking process. Marubeni was one of the earliest Japanese firms in Vietnam, establishing offices in the 1990s in both Ho Chi Minh and Hanoi, initially in the instant noodles business through subsidiary Vina Acecook in 1993 (Kobayashi, 2016, pp.73–74; Acecook Vietnam, 2021) following purchasing agreements for crude oil dating back to the 1980s (Dahm, 1999, p.113). Like Sony, it also had business interests in Vietnam as far as the 1970s, including in the energy sector, having been involved in 11 thermal plant projects since that date (Marubeni Corporation, 2022). As a typical *Sōgō Shōsha*, it has many diverse businesses in the country, including in apparel, logistics, packaging, food, heavy equipment, and construction services (Marubeni Corporation, 2021b). The firm is currently one of the largest Japanese investors in Vietnam, and senior figures from the company have held high-level meetings with figures in the Vietnamese government including the Deputy Prime Minister in which they have pledged further expansion (H. Minh, 2019). In a different meeting between the CEO of Marubeni and the Vietnamese Deputy Prime Minister, Marubeni was specifically asked to boost ties with Vietnamese firms (Vna, 2019). On linkages to Japan’s ODA system, Marubeni has three board members who are former career civil servants in ODA-linked ministries, including the vice chairman who worked in MITI/METI and was part of METI’s Agency for Natural Resources and Energy (Marubeni Corporation, 2021a). Moreover, several current Marubeni projects in Vietnam have backing within the ODA system, including the JBIC loan which financed the Nghi Son 2 thermal power plant (JBIC, 2018), a project discussed in more detail later. In short, Marubeni exemplifies many of the features reminiscent of firms engaged in request-based ODA. It was an early and enthusiastic investor in Vietnam, it is a diverse and wealthy firm able to weather short-term difficulties, and it has strong political connections to both the

Vietnamese and Japanese sides. Considering these factors, Marubeni strongly fits the expected profile of a private company able to profit from connections to the ODA system able to benefit from expansion into a country with poor existing energy infrastructure.

However, these links – both to the Japanese and Vietnamese sides – would mean nothing if not for institutional accord. Marubeni’s ability to derive value from the ODA system and the Vietnamese market more broadly would not exist if it could not count on the other actors involved in the ODA system and other Japanese businesses providing mutually reinforcing economies. Marubeni was able to trust that any investments would eventually pay off because of the strong intellectual support from the Japanese government and the willingness of the Vietnamese government to listen to it. It has also been consistently able to derive value from aid money in the form of loan aid for energy projects such as the aforementioned Nghi Son thermal plant project, with Japanese loan aid having been responsible for around 14 per cent of installed energy capacity in Vietnam by 2013 and with further support offered by the provision of capacity development in the energy sector across this time period (Japan International Cooperation Agency et al., 2013, p.7), and from the aforementioned insurance provision against political risks (JBIC, 2018). Moreover, it was able to benefit from mutually-reinforcing businesses in related sectors and by the use of cross-shareholdings, such as its presence in the steel sector through a joint investment with Kyoei Steel (Kyoei Steel Vietnam, 2023) allowing it to procure steel reliably and cheaply from an affiliate. Vietnam’s coal sector was underdeveloped, and on the resumption of ODA suffered from outdated capital and underproductivity, but supply remained in excess of demand (England and Kammen, 1993, pp.147–149), and ODA was widely used at this point to allow the development of coal-related infrastructure (Suganuma, 1998, p.135) which would have been beneficial in energy market development. The first post-1992 loan aid projects in thermal power came almost immediately, with agreements to construct the Phu My and Pha Lai thermal power plants being concluded in 1993 (Japan International Cooperation Agency, 2013, p.3), and while Marubeni itself was not directly involved in these, the swift move to establish large-scale loan aid in a sector Marubeni was interested it would have augured well for the future. Marubeni has also long been a beneficiary of NEXI investment insurance products – again, the Nghi Son 2 thermal power plant is a recent example (Nippon

Export and Investment Insurance, 2019), and before this similar arrangements existed for Nghi Son 1 (Koyama, 2013).

In short, Marubeni is emblematic of how large firms can make use of features of the ODA system and how the state apparatus can provide additional value for investing businesses. Marubeni progressed from a state of limited, small-scale investment in Vietnam, and as trust was built it further expanded its business portfolio in the country. This was possible for it to do because of mutual trust and because support and value-adding mechanisms, including loan aid, were in place at all stages. Its investments very much progressed from trickle to flood in Vietnam, and this was able to happen because trust existed among all relevant actors and was backed by immediate and meaningful investment and support. Marubeni was able to seize on opportunities offered by the diplomatic renormalisation, particularly in the context of ODA to Vietnam at the time. Marubeni, due to these institutional features of the Japanese ODA and FDI systems as well as its early investments, was therefore well-positioned to “seize the moment”. In doing so, it was positioned, as a general trading firm, to give confidence to other investors as well. This is discussed further in the following sections.

## 7.2-II: The Energy Sector and Vietnamese Electrification

When ODA resumed in 1992, there was swift and voluminous interest in Vietnam’s energy sector, and this has been maintained to the present day. This is true of both thermal power, such as the Nghi Son 2 and Van Tinh projects by Marubeni and Mitsubishi (JBIC, 2018; Nikkei, 2021), and in other energy programmes, including an agreed contract for the construction of a \$1.93bn LNG power plant in Quang Ninh by Tokyo Gas and Marubeni (Yaku and Kawaguchi, 2020). More recently, there has been interest in the renewables sector by firms such as Renova<sup>51</sup>, which took a 40 per cent stake in three existing projects in Quang Tri in conjunction with a Vietnamese joint stock company (NNA Business News, 2020). In terms of ODA support, by 2012 some 10 per cent of Vietnam’s total energy capacity came from Japanese ODA-supported power plants (Japan International Cooperation Agency et al., 2013, p.7), with numerous power plants completed using Japanese loan aid

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<sup>51</sup> This is not to be confused with the US-based firm Renova Energy, which installs solar photovoltaic (PV) panels. Despite both being in the renewable energy sector, they are unrelated.

(Japan International Cooperation Agency, 2010; Japan International Cooperation Agency, 2013). Moreover, Vietnam's energy capacity shortage was apparent at a very early stage, with an electrification plan having been formulated in advance of the resumption of ODA by the Institute of Energy Economics, linked to MITI (Lincoln, 1992, p.34). Vietnam's energy demand is projected to continue to spiral (Tran, 2019, pp.215–219), with fossil fuel-based energy demand more than doubling and renewable energy demand almost tripling by 2050. In essence, the demand for energy has been consistently acknowledged as pressing, and Japanese firms have been well-placed to engage in the energy sector – and especially so if their projects are backed by loan aid. This was a very practical application of how Japanese actors in diplomatic and ODA processes “seized the moment” and helped to create a virtuous cycle of capital in Vietnam.

In the literature review chapter, it was noted that Vietnam's electrification rate experienced significant growth – rising from 78.4 per cent to more than 99 per cent between 1997-2011 (World Bank, 2021). Indeed, it is difficult to overstate the scale of expansion and improvement in Vietnam's energy sector. In 1994, two years after the resumption of ODA, Vietnam's rural electrification rate was just 14 per cent, but this had risen to 61 per cent by 1998 and to 96 per cent by 2009 (Gencer, Meier, Spencer and Hung, 2011, p.xiii). Installed energy capacity grew from 5000mw in 2000 to around 45000mw by 2018 (Lee and Gerner, 2020, p.17). These electrification programmes have been supported by the Japanese government, along with other international donors, since 1996 (Gencer, Meier, Spencer and Hung, 2011, p.15), and have evidently achieved significant results. Of course, Vietnam is hardly alone in having been the recipient of Japanese expertise in developing electrical infrastructure, and Japanese ODA and private sector expertise are not the sole attributes in the success of the programme, but Vietnam's success can at least be partially attributed to the eagerness of Japan's private sector in this field.

Vietnam, and Marubeni, appear to have been particular beneficiaries of the request-based ODA system, which is a much-discussed and widely debated aspect of Japanese ODA practice. Arase (1994, p.178) notes how this has historically incentivised the practice of “planting” requests in recipient governments by the private sector while also allowing for ODA decisions to be made by the Japanese

government on a case-by-case basis. Electrification achieved rapid success, quickly reaching the majority of the population with continuing capacity growth to keep up with industrial demand which further improved the environment for investors. Indeed, one of the “requests” made by Vietnam was for technical assistance in projecting demand and planning for the construction of transmission and distribution lines, which was carried out by a JICA study team (Japan International Cooperation Agency et al., 2014, p.159). In essence, this was a use of technical assistance to inform Vietnam’s own national strategy very much in line with the ownership principle espoused in the Ishikawa Project and the VJJI. In this sense, the request-based system worked hand-in-hand with technical assistance to foment an environment conducive to business sector inclusion, including for firms such as Marubeni, which has to date been involved in 11 such thermal power projects (Marubeni Corporation, 2022). Marubeni and companies like it very much “seized the moment” and leaped on ODA-linked investment opportunities as they appeared in Vietnam.

Again, however, it is institutional accord which allowed for this to happen – the swift and early recognition of power as a priority sector meant that a plan was already in place for when ODA resumed, and it was easy for Japanese firms like Marubeni to exploit this when loans actually began to be disbursed. Within the rubric of the request-based system, this would have already formed a kind of existing “blueprint” from which Japanese firms could simply lift ideas, as backed by an existing study from a MITI-affiliated institution. This is a key point of difference from North Korea – while North Korea’s energy issues are obviously well-known, with a similarly poor electrification rate and power generation infrastructure, no formal plan ever existed for the improvement of these issues, and indeed it was a key negotiating principle to not create such a plan in advance of the 2002 Summit (Ministry of Foreign Affairs Official A, 2022; Journalist B, 2022). Even with KEDO, the opportunity for engagement was extremely limited, with KEDO having been a single and specific, if large-scale, plan with significant political baggage attached, and Japanese business sector inclusion was limited to the procurement side. No efforts were made to improve the general business environment in North Korea, and private capital was not utilised. Certainly, it was not emblematic of the institutional features of Japanese ODA such as the request-based system, despite the JBIC presence, and it was not a significant vector for private sector inclusion.

Japanese private sector visits to North Korea in 1992 and 1995 also failed to garner significant interest, despite there being overlaps in the companies present, with Marubeni, Shinwa and Nissho Iwai all sending delegations and despite similar developments being discussed, such as physical trading infrastructure, the ferrous metals industry, and the provision of overseas loans for North Korean infrastructure development (Northeast Asia Economic Forum, 1992b; Tsunoda, 1995), nothing ever came of these efforts from the Japanese side, suggesting that support was tepid at best. In essence, existing institutional accord, in being broadly supportive of the need to increase power generation and transmission capacity and even having a plan to do so in Vietnam in advance of the renormalisation in 1992, allowed for the swift and effective “seizing of the moment” which was improved further by projects to improve the general business and investment environment and by features of the Japanese ODA system such as the request-based principle. These were only “unlocked” by a pre-existing consensus which allowed these projects to occur with minimal resistance or delay, and with risks mitigated to the greatest possible degree.

### 7.2-III: General Trading Firms as a Foundational Basis: Positive Zero in Vietnam

General trading firms, like Marubeni, laid a foundational basis for investment by companies involved in more capital-intensive industries, such as steel. By 1999, four Japanese-affiliated steel manufacturers were present within Vietnam, and two of these were exporting to Japan (Fujita, 2000, p.66). Across the entire metals sector US\$166m had been invested by 1999 across 21 different firms, with the first opening business in 1993 and with four more opening business in 1994 (Fujita, 2000, p.61). In addition to Vina Kyoiei, some of the early investing steel companies included major firms such as Sumitomo, which started a galvanised steel sheet business<sup>52</sup> as part of a joint venture with Malaysian firm FIW Steel in 1995 (Sumitomo Corporation, 2018), in addition to a steel pipe<sup>53</sup> subsidiary in 1997

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<sup>52</sup> Sumitomo cites major uses of galvanised steel sheets as rooves, walls, pillars, residential and industrial building components, luxury building materials, two-wheeled vehicles and domestic appliances, with galvanised sheets being useful in numerous applications due to their rust-resistant properties (Sumitomo Corporation, 2021).

<sup>53</sup> Nippon Steel Pipe advertises core usages of its steel pipes as being in automobiles, construction machinery, cylinders and rods, machine components, and others such as bicycles and furniture (Nippon Steel Pipe Corporation, 2021).

which now carries the Nippon Steel branding after Nippon Steel and Sumitomo Metals merged (Nippon Steel Corporation, 2019, p.58). Nippon Steel itself opened a further spiral pipe<sup>54</sup> subsidiary in 2011 (Nippon Steel Corporation, 2019, p.59). It goes without saying that steel is a widely used material, and it is one that has been in high demand in Vietnam since the 1990s. Starting from 0.8m tonnes of demand in 1995, it surpassed the Philippines and Malaysia and almost equalled Indonesia at around 7.7m tonnes by 2005 (Sato, 2009, p.15). In both 1995 and 2006, demand far exceeded production capacity, with a 0.5m tonne shortfall already impacting Vietnam by 2006 having grown to become a 6.8m tonne shortfall (Sato, 2009, p.15). The business case sold itself, with a huge deficit in steel in Vietnam and a looming construction boom undoubtedly proving attractive to Japanese investing firms, and the speed and scale at which Japanese companies invested post-1992 strongly evidences this. These firms were likely to have been influenced by the presence of general trading firms which provided a foundational basis for the development of the capital-intensive steel industry, providing a foundation-laying effect. However, steel is an extremely capital-intensive industry, requiring sustained availability of raw material inputs such as coal. Investment in steel was thereby made significantly easier by the presence of general trading firms with existing coal procurement agreements, including Marubeni and Mitsui via Shinwa. Japanese interest in coal existed in Vietnam long in advance of 1992, both for coking and for energy. Interest existed even before the Second World War in Vietnam's natural resources, including coal, with an early mining investment being by the Imperial Japanese Taiwan Takushoku Company (Nitz, 1984, p.110). In the post-war period, members of the Japan-Vietnam Trade Association, numbering 140 by 1976, were rapidly growing their trade in Vietnamese raw materials (Pressello, 2014b, p.50) including in coal and iron (Dahm, 1999, p.25), with North Vietnamese anthracite coal from being imported from 1973 (Shiraishi, 1990, pp.48-49), likely for use in the energy sector. Even as aid was suspended through the 1980s and anti-Japanese sentiment in the United States was an increasing and ever-present fear for Japan's major trading firms, they continued to operate through the

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<sup>54</sup> The spiral pipes and pipe piles produced by Nippon Steel Spiral Pipe are largely used in the construction industry, with Nippon Steel Spiral Pipe citing applications in bridge construction, port construction and power plant construction, including in coal plants (Nippon Steel Spiral Pipe Corporation, 2021).

aforementioned shadow companies in Vietnam, such as Mitsui's Shinwa (Hirata, 1998a, p.149), and the Japanese government did nothing to stop them. Mitsui and other Japanese trading houses being involved in Vietnamese coal even at this time – when Vietnam was still largely a “pariah state” (Goodman, 1995, p.93) – is indicative of their level of interest because they took steps to persevere with trade and business activities even as Vietnam itself was a serious cause of reputational, political, and legal risk for them. This is clearly indicative of the state of positive zero, since even before ODA recommenced, firms involved in the materials sector doing business in Vietnam despite the inherent risks, laying the groundwork for further trade and investment for after Vietnam's international image had been rehabilitated. In particular, the presence of firms securing coal contracts in Vietnam is likely to have given confidence to companies investing in the steel industry.

Coal and steel are mutually reinforcing enterprises with natural overlaps in business content. General trading firms, such as Marubeni, are able to act as facilitators in this sense, particularly in resource-intensive industries and where shortfalls are able to be filled from elsewhere. In 1992, it was estimated that Vietnamese coal demand would grow by roughly one third over the course of the 1990s (England and Kammen, 1993, p.149), and moreover the Institute for Energy Economics was actively undertaking coal surveys in several regions of Vietnam around this time (England and Kammen, 1993, p.148), giving the coal industry further backing from the state apparatus. The earliest work of the general trading firms was in coal procurement (Academic B and Academic C, 2022). While this was largely exported to Japan in the early 1990s the levels of procurement grew, and just as the general trading firms were able to work towards Japan's own domestic industrialisation historically (Dahm, 1999, p.81), they would have formed a solid foundation for procurement for other Japanese firms interested in Vietnam considering the general attraction of Japanese firms to one another and the existence of replicable relationships from elsewhere. This groundwork-laying effect, achieved via institutional accord due to the soft support of the Japanese government from the 1980s, was likely another factor in allowing for the “seizure of the moment” by Japanese institutions in Vietnam.

Of course, this never happened in North Korea, despite nascent interest in the early 1990s. Indeed, general trading firms, including Marubeni and other firms present in Vietnam such as Shinwa and Nissho Iwai did express interest in North Korea around this time, contributing to the Northeast Asia Economic Forum and sending representatives to its 1992 conference in Pyongyang discussing the development of the Tumen River Basin area around the Rajin-Sonbeong Economic Zone as North Korea itself pushed significantly for inward investment (Northeast Asia Economic Forum, 1992b; Northeast Asia Economic Forum, 1992a). Such nascent interest as might have been present dissipated quickly, and nothing ever emerged of it prior to the 2002 Summit. Japanese firms were simply unwilling to take the risk on something unproven, despite the efforts of North Korea to attract them, without the presence of either other Japanese firms or support from the state apparatus to mitigate this risk. The groundwork-laying effect that the general trading firms created in Vietnam was absent, and without a foundational basis there was no prospect of more capital and resource-intensive firms moving in. This is a classic chicken-and-egg paradox; without some kind of mutual confidence-building between private sector firms themselves or from the state apparatus, there was little will to invest on the part of either, but without political will, such mutual confidence-building could not be established in the first place. It was established in Vietnam because of concerted, powerful, and robust institutional accord prior to renormalisation which allowed the development and perpetuation of low-level ties, with extensive political will across the entire policymaking space permitting this to occur. This is further evidenced by the scale and speed of loan aid to Vietnam post-1992, which acted as a further tool in allowing the private sector to “seize the moment”.

#### 7.2-IV: ODA to Vietnam, Competition, and the Defiance of Political Gravity

The previous chapter noted the difficult shifts in ODA for the private sector in the 1990s, with a severe decline in tied aid and a move to provide more grant aid, moving away from the kinds of loan aid projects which had traditionally benefited infrastructure and materials-focused companies. While the general trends were indeed away from these, Vietnam defied the political gravity of the era and benefited in a manner more akin to the kind of “old school” ODA from which the

Japanese private sector could more easily derive profitability and opportunity. Japan swiftly became the largest donor to Vietnam, with a \$475m of loan aid given in the first year and with this expected to grow rapidly, as indeed it did, with the first set of major projects all being in fields highly attuned to the prior experience of the Japanese private sector in the form of energy and transport infrastructure (Von Glinow et al., 1995, p.41). The overwhelming majority of Japanese aid to Vietnam has always taken the form of yen loans, with some 88.43% of all ODA provided in this manner between 1992 and 2000 (GRIPS Development Forum, 2002, p.9). This compares to the backdrop of ODA more generally described in the previous chapter, where across the 1991-1997 period grant aid grew as a share of spending every year, and across the entire 1991-2002 period loan aid never exceeded 63.68% of overall spending (OECD Stat, 2022). This was explained by interviewees as a matter of timing – Vietnam simply needed loan aid at this time to achieve its objectives (JICA Employee B, 2022).

In this sense, the direction of ODA to Vietnam was very much in defiance of the political gravity, following a path more akin to Japan's treatment of China than to other countries. Additionally, Japanese firms in Vietnam had a somewhat unique early advantage in reduced competition; while it is true that Vietnam was also impacted by the general reduction in tied aid which had applied to Japan's ODA programmes more broadly and some foreign firms were involved in Japanese ODA-financed projects, Japanese firms still made up a substantial majority of participants in large projects in this time period (Hirata, 1998b, p.318). Japanese firms were the second-largest source of FDI to Vietnam up to 2004 behind only Taiwan, and by 2011 had become the largest in terms of registered capital (Nguyen et al., 2004, p.262; Vo and Nguyen, 2012, p.168), giving them a strong position and presence throughout relative to the extent of investment among all foreign companies. This meant that competition from others in bidding processes was also relatively weak, particularly considering that the United States maintained and encouraged an embargo until 1994 and did not begin formal diplomatic relations until 1995 (Von Glinow et al., 1995, p.35), reducing the presence of what would have been a major source of competition and potentially further discouraging competition from other US-allied countries. Under these circumstances, Japanese firms had an inherent advantage in Vietnam which they would not have normally enjoyed, even with aid untying proceeding at this time. In any case, while the

unique circumstances of Vietnam allowed an unusual degree of advantage, one interviewee argued that the private sector would have been interested anyway, regardless of aid tying status (Academic B and Academic C, 2022). Institutional accord, in having essentially permitted the presence of firms in the 1980s and in allowing the provision of loan aid to Vietnam as it was needed allowed again for the seizure of the moment by Japanese firms who were able to benefit from both access to ODA project funds and from the presence of each other.

Again, this would not have been the case in North Korea. In North Korea, not only would foreign competition for aid projects have been considerably more severe, especially with the presence of South Korean firms, but as discussed in the previous chapter the profile of projects to be provided may have been considerably more risk-averse and focused around grant and technical aid, aside from the money to be given as reparations, and thereby even further reduced the potential for business sector inclusion and profitability.

### 7.3: Conclusion

This chapter has contributed to the literature a new analysis utilising the concept of institutional accord of how and why Japanese policymakers were able to continue to achieve their policy objectives in Vietnam both before and after 1992, arguing that pre-existing and continuing institutional accord allowed Japan to “seize the moment” when it was presented. This was contrasted to the absence of institutional accord over North Korea policy which did not permit for the requisite of human and financial resources necessary to grasp the few opportunities which existed. Japanese firms were not only well-placed to seize the moment in Vietnam when ODA resumed in 1992 due to an existing presence in the country and the presence of trusted, existing business partners in beneficial sectors such as coal, they were also supported immediately, effectively and at scale by the state apparatus post-1992 through the Ishikawa Project and later the VJJI, which are spoken of with near-reverence by policymakers today. The Japanese safety net – requested for North Korea but never provided – was relatively swift in applying itself as a form of risk mitigation for Japanese investing firms, and high levels of trust were in place among the whole web of actors involved in Vietnam that the support being provided would improve the business environment and create further opportunities for investment. Japanese businesses were able to effectively

take advantage of institutional features of Japanese ODA, such as the request-based system, and market synergies among existing businesses laid a further foundation for growth. As conditions improved further, both ODA and FDI continued and rose further, with Japan becoming both the largest aid donor and the largest FDI source to Vietnam by 2011. Additional circumstances, such as the lack of US and other competition in the early years and the fact that Vietnam was unaffected by the general shift away from loan aid may have also contributed to the relatively favourable conditions of this timeframe.

However, much of this would not have been possible if not for existing institutional accord. The scale and scope of Japan's intellectual support, the resources given to it, the provision of the safety net, and even the scale of ODA being provided were all made possible by a high degree of institutional accord which did not exist over North Korea even as some firms, even ones with existing business interests in Vietnam such as Marubeni, Shinwa and Nissho Iwai, did express some degree of interest. Institutional accord was built due to the high level of trust which existed between the Japanese private sector, Japanese primary and secondary policymakers, and the Vietnamese government that each would benefit – Vietnam would take Japanese advice, this advice would be largely carried out or made to suit Vietnam's needs to enhance the degree of ownership, and in turn private sector investment would be forthcoming, as indeed it was. Low-level ties maintained in the cold period helped this trust to form; these ties either did not exist or were considerably more tenuous in North Korea. As a result, by the time of the 2002 Summit, there was simply no foundation to build on. In Vietnam, a strong foundation – made possible by existing ties – allowed for institutional accord to be swiftly built and for the moment to be seized swiftly and effectively in 1992, from whence a virtuous cycle of capital began to set in. From a trickle, a flood had developed; in North Korea, the river was never more than bone-dry.

*Part III: Vicious and Virtuous Cycles*

## Chapter 8: North Korea and the Perpetuation of the Vicious Cycle

### 8.0: Introduction:

Much has changed in the world since the 2002 and 2004 Pyongyang Summits. Japan changed ruling parties before reverting back to the LDP, North Korea had a change in leader, and the geopolitical context – specifically the expansion of China both as a regional power and as a credible economic guarantor for North Korea – has changed significantly. In Washington, initial tumult between the Trump administration and North Korea gave way to two unprecedented top-level summits, and the Moon administration in South Korea attempted to revive a Sunshine-focused approach to inter-Korean diplomacy while at the same time going through a period of significant strain in its relationship with Tokyo. More recently, the revival of North Korea's relationship with Russia as it has entered into “arms for food” agreements due to the full-scale invasion of Ukraine (Madhani, 2023) has added yet another geopolitical complication which Japanese policymakers must contend with.

However, what has never changed is Japan's basic approach to diplomacy with North Korea. As seen in Chapter 6, the abductions issue continues to dominate the Japanese discourse on North Korea, having been the top issue in all but two years of public opinion surveys since 2002 (Ministry of Internal Affairs, 2023). Sanctions continue to dominate the political approach to dealing with the issue, with numerous rounds of unilateral sanctions being placed on North Korea in addition to UN-led sanctions as Japan has continued attempts to garner international support for its response (Abe, 2017; Hiraiwa, 2020, p.13; Japan Times, 2022). Since 2019, this has been backed by occasional overtures offering “a summit at any time without preconditions” by both the Abe and more recently the Kishida administrations (Kyodo News, 2019a; Yeo, 2022), although these have been continuously rebuffed. What have also not changed are the fundamental problems in building institutional accord over North Korea in Japan. Even aside from the abductions issue, the nature of what North Korea represents for the business sector – an unimaginably risky and unstable economic proposition – is the same as

it has ever been, and as long as the lack of institutional accord exists there is unlikely to be any appetite for offering state assistance to seize what opportunities may exist on paper. North Korea's unstable economy, as shown in Chapter 6, is markedly different from other low-income countries, failing to consistently record economic growth and receding, sometimes drastically, with considerable regularity (UNData, 2022a; World Bank, 2022c; World Bank, 2022a; World Bank, 2022d).

This chapter argues that the lack of institutional accord has led to a failure to adapt Japan's overall policy to the changed circumstances since 2004, with policymakers facing the same essential set of constraints that they always have and with fossilisation having long-since set in. The first part of the chapter focuses on continuity in the approach of Japanese policymakers to North Korea and argues that a lack of political leadership in building institutional accord has been a key contributor to building a vicious cycle because it has led to policy fossilisation around ideas which have failed to achieve Japan's policy objectives. The second part of the chapter provides an answer to the issue in policy terms, contributing to the academic literature by arguing that the disentanglement of the abductions issue from other issues, policy leadership to build institutional accord in Japan, and a more balanced approach of both soft and hard power are the necessary political imperatives of resolving the longstanding deadlocks in Japan-North Korea relations. This inevitably comes with a focus on the abductions issue – the resolution of which is key to all else in the Japan-DPRK relationship and which is unavoidable in the discussion of resolving any other issue. Ultimately, this chapter argues that Japan must build institutional accord to “seize the moment” if it seeks to make significant progress on either the abductee issue or on normalisation because as things stand, the lack of institutional accord has only made the theoretical price of resolving outstanding issues higher by weakening Japan's inducement power. Together, these final two chapters comprise Part 3 of this thesis – *Vicious and Virtuous Cycles*.

## 8.1: A Whole New World, A Mostly Unchanged Point of View

Policy fossilisation has been the consequence of the failure to achieve institutional accord. Japan's fundamental policy has gone largely unchanged since the failure of the Six-Party Talks, with interviewees noting how even the DPJ government (2009-2012) did not fundamentally alter the Japanese approach to North Korea (Ministry

of Foreign Affairs Official B, 2022; Journalist B, 2022). One interviewee noted that the sanctions policy accelerated after Prime Minister Abe began his second administration in 2012 (Ministry of Foreign Affairs Official B, 2022), and such limited engagement as did exist was related to the abductions issue and in any case ultimately did not achieve any results, such as the 2014 Stockholm Agreement<sup>55</sup> where North Korea promised to reinvestigate the abductions issue in exchange for sanctions relief (Sieg and Takenaka, 2014; Liberal Democratic Party of Japan, 2016). The abductions issue remained (and remains) the keystone; without a resolution, it is difficult to imagine a significant change in overall policy.

Post-2012 policy, which is foremost aimed at the resolution of the abductions issue and the missile and nuclear issues, arguably rests on three key pillars; the insistence that the Pyongyang Declaration forms the basis of bilateral relations (Kyodo News, 2022b), the maintenance of a tough line on sanctions (Hiraiwa, 2020, p.14), and since 2018 the open offer of summit diplomacy. Of these, the latter is arguably the most illuminating. While ostensibly being a change in policy, it is actually little more than redressed continuity. This section examines how the unchanged policy of Japan has rendered it an ineffective actor in dealing with North Korea in recent years, and it examines how the lack of institutional accord has caused this and played a role in perpetuating a vicious cycle of ever-deeper fossilisation by examining these three policies in turn.

### 8.1-I: The Pyongyang Declaration: A Faded Dream

The first pillar, which is commitment to the Pyongyang Declaration as the foundational basis of diplomacy with North Korea (Kyodo News, 2022b), exemplifies the extent of the policy atrophy over North Korea. In the context of 2002, the Declaration was, indeed, a large step forward. North Korea and Japan would seek early normalisation, Japan would apologise and compensate for the colonial period and extend an economic cooperation programme, mutual claims on property would be waived, neither side would threaten the security of the other, and North Korea would extend a moratorium on missile testing, among other matters (Ministry of Foreign Affairs, 2002a). All of these remain outstanding issues

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<sup>55</sup> The Stockholm Agreement resulted in North Korea promising what it called a comprehensive and full-scale investigation on any Japanese nationals who may have been in North Korea, including the abductees. Japan gave partial sanctions relief in return. It never made any progress and was effectively null by 2016 (Sieg and Takenaka, 2014; Liberal Democratic Party of Japan, 2016).

which would need to be resolved even in the event of a full resolution of the abductions issue, but the changed geopolitical context makes a return to the document's format and promises unlikely. A document written in 2002 to solve the challenges of that era is of scarce relevance when dealing with the North Korea of the 2020s – a North Korea which is even more belligerent than it was at the time, which has less incentive than ever to rely on its relationship with Japan, and which, critically, now presents a very real and credible nuclear threat. The Pyongyang Declaration is simply unfit for purpose in these changed circumstances, with Japan's offer of economic cooperation in the event of normalisation, which was perhaps the key ingredient in the original document, and already one which was criticised as lacking substance in Chapter 4, being less valuable than ever. It is a faded dream which is unfit as an approach to dealing with North Korea today.

The fundamental nature of what is presented in the Pyongyang Declaration is economic aid in exchange for a resolution of security concerns. This is a formula which has been tried and tested not only by Japan, but also by the United States during the Trump administration (Herman, 2018) and by South Korea numerous times (McCurry, 2022). Setting aside the other issues contained in the Declaration, this was the crux on which everything else rested, but this offer has weakened with shifts in the geopolitical context. In 2002, Japan was Asia's dominant economic power and the world's second-largest economy by GDP (United Nations Department of Economic and Social Affairs, 2002, p.4). Today its economy is not even one third that of China (World Bank, 2023b), North Korea's key economic guarantor, in terms of overall GDP, and on GDP per capita it is now only comparable to South Korea where in 2002 it was more than double (World Bank, 2023e). Of course, Japan's economy is still very large, and some interviewees made the important point that Japan's economic contribution (as a form of reparations) would still hold value to North Korea as it would come "no strings attached" in the event of normalisation (Ministry of Foreign Affairs Official A, 2022; Ministry of Foreign Affairs Official B, 2022). Nonetheless, the relative economic decline of Japan and the relative rise of China and South Korea has given Pyongyang a greater number of options – options which are easier to access - when attempting to gain economic assistance or economic concessions. Russia also now offers a further option for North Korea, as evidenced by the arms-for-food arrangement (Madhani, 2023). Japan's sheer economic weight alone in 2002 made it attractive to North

Korea, but this has steadily faded with the changing geopolitical and geoeconomic circumstances which have seen Japan's economic fortunes fall as its neighbours have risen in relative terms. Domestically, the same issues discussed in Chapters 4 and 6 are also still present. The offer of "economic cooperation" is not backed by specific promises or by obvious interest from the business sector, and North Korea will be well aware of the hurdles necessary domestically for any potential Japanese stakeholder to buy in to the idea of investing in it or to overcoming the weight of public opinion. With these obstacles still in place, the economic cooperation once promised in the Declaration lacks any practical value. For its part, North Korea has also declared the Pyongyang Declaration to be "null and void" (Kyodo News, 2022b), and before this North Korea's own commitment to the Declaration seemed to exist only as a means of criticism against Japan for "failing to uphold its commitments" vis-à-vis normalisation (Yonhap News Agency, 2009).

This makes the post-SPT value of the Pyongyang Declaration as a pillar of Japanese policy towards North Korea tenuous at best. By insisting on maintaining it as a core policy pillar, Japanese policymakers are simply advertising that they have nothing new to offer that has not already been tried, which is unlikely to be much of an inducement to North Korea in itself. In a sense, it is the "safe option" for Japanese policymakers, who can point to it as one of the few instances in which meaningful headway was made on *any* bilateral issue with North Korea but particularly on the abductions issue. This is again a symptom of the lack of institutional accord; absent of any other leadership or initiative around which policymaking institutions can unify, it is simply easier to uphold existing policy even though this policy has long since ceased to be meaningful in Northeast Asia's geopolitical context. Simply, there has been no attempt to adapt to changing circumstances. Yet, without institutional accord to showcase the viability of any new inducement, policymakers are left in a position in which they have no choice but to uphold a dated policy in the absence of a new one. Under such circumstances, it was inevitable that the vicious cycle would deepen. With no pre-existing institutional accord, new policy options on North Korea are difficult to promote in the Japanese political context, but without new policy options, there is unlikely to be any meaningful change in the bilateral relationship or a resolution to the outstanding issues. This is especially so in the absence of the business sector, which as argued in the previous chapters was the key means of inducement for Vietnam.

## 8.1-II: Sanctions on North Korea: Running Out of Steam

The use of sanctions on North Korea began in 2006 after a long period of reticence on the part of Japanese core policymakers. As noted in Chapter 6, Prime Minister Koizumi had referred to them as a “glittering sword” which would be difficult to re-sheathe once drawn (Hughes, 2006, p.469). However, since that time, sanctions have been a core component of Japan’s North Korea policy, with only brief periods of relaxation such as over the 2014 Stockholm Agreement, and even then these were later restored (Sieg and Takenaka, 2014; Liberal Democratic Party of Japan, 2016). This is again another example of policy atrophy; Japan’s ability to use further sanctions is essentially exhausted, and any short-term impact that the sanctions may have had has long worn away. Again, it is a policy which has failed to adapt to changing geopolitical and geoeconomic circumstances. This section argues that Koizumi’s prediction was broadly correct, and that the sanctions policy’s impact is inconsequential to present-day relations, even if the notion of lifting the sanctions is politically unsaleable.

As argued in the previous section, the geopolitical and geoeconomic situation today is considerably different to that of the 2000s. China represents the largest geopolitical challenge, but Russia and even South Korea offer significant economic alternatives which mitigate the impact of Japanese sanctions. China, in particular, represents a strong and increasingly large alternative to the Japanese corporate giants which Pyongyang once sought to court such as through the Northeast Asia Economic Forum in the 1990s (Northeast Asia Economic Forum, 1992a; Northeast Asia Economic Forum, 1992b). Chinese investments are largely in mining and manufacturing, creating, in theory, a mutually beneficial relationship giving China access to resources and North Korea access to stable income and hard currency (Hastings, 2016, p.147). At the same time, these investments are largely by private Chinese businesses, with the Chinese government strategy effectively being to allow these businesses to operate independently and without either state concessions or support (Hastings, 2016, p.148). This means that they do not require the same level of political or economic reform which would have been required by Japanese investors, so they represent much lower levels of political risk for North Korea in addition to bringing in cashflow, even if the cashflow is not as large as could theoretically be gained by the investment of larger businesses.

This dilutes the impact of Japan's sanctions; where Japan is closed for business due to them, China is open and considerably less scrupulous in policing said business so long as the businesses are aware that they are effectively on their own. The sanctions long since eliminated the small amount of pre-existing trade which Japan had with North Korea, even as DPRK-China and DPRK-RoK trade continued to grow (Haggard and Noland, 2010, p.554).

As a result, Japan's "sticks" are in essence no longer effective in gaining leverage against North Korea. Rather, Japan's only leverage comes from being able to offer enticement via the "carrot" of economic aid, quite unlike China which can offer both if it so desires since it has considerably more in the way of entrenched interests at present. It is also quite unlike the situation in Vietnam where Japan's vested interests were and remain already far greater and the existing leverage much higher. Japan's sanctions programme effectively exhausted its headroom for adding further punitive or coercive pressure on the DPRK. As noted by Jibiki and Onichi (2018), Japan has few options remaining with North Korea, with economic aid being one of the few available. Again, this is unlike the situation in Vietnam, where Japan was also able to offer significant and rapid private sector investment in addition to economic aid, and where Japan's use of punitive measures in the 1980s was relatively soft by comparison.

Even in 2006, sanctions from Japan were unlikely to have been effective considering the already limited nature of Japan-DPRK trade and financial interaction. While remittances from Japanese-Koreans and Japan-resident North Koreans were estimated in the tens of millions of dollars and in 2003 Japan was North Korea's third-largest trading partner (Manyin, 2003, pp.4, 8), these only represented a small fraction of the DPRK's overall finances by 2003 and had already been in sharp decline since the 1990s (Hughes, 2006, p.477). In 2003, the remittances were valued at US\$23.3m, or just 0.13 per cent of North Korea's GNI<sup>56</sup> (Hughes, 2006, p.477; North Korean Review, 2006, p.115; World Bank, 2020d). For perspective, it was also just 5.7 per cent of the value of North Korea's trade with South Korea<sup>57</sup> across only the first eight months of 2003 (Park, 2004, p.146), and

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<sup>56</sup> North Korea's GNI in 2003 was US\$18,400,000,000 (North Korean Review, 2006, p.115). Remittances in 2003 totalled JP¥2,700,000,000 (C.W. Hughes, 2006, p.477), with an exchange rate into US\$ of JP¥115.93=US\$1 (World Bank, 2020d) This converts to US\$23,289,313.66, which is equal to 0.12657235684782608% of GNI.

<sup>57</sup> US\$406,000,000 (Park, 2004, p.146).

considering the downward trend pointed out by Hughes (2006, p.477), Japan's punitive power over North Korea was already in sharp remission even before the sanctions came into effect. Little would have materially changed for the regime in any circumstance. In effect, Japan-DPRK financial interaction merely moved to 'zero' from 'close to zero', and by extension, all Japan's sanctions achieved vis-à-vis North Korea itself was to turn little punitive leverage into zero punitive leverage.

In this sense, the sanctions regime has been counterproductive for Japan because it has run out of punitive options and has only inducement options (which are inaccessible due to the lack of institutional accord) remaining. Even a potential lifting of sanctions offers little material benefit or incentive for North Korea since it would only indicate a return to the extremely limited financial interaction seen pre-2006, which was already in steep decline. Moreover, even if completely restored to pre-sanctions levels, economic interaction between Japan and the DPRK would pale in comparison with that which North Korea has with China. Even when limited to official trade and ignoring the sizeable level of unofficial trade, trade between the two is valued at US\$2.402bn, including 62.5 per cent of exports and 95.7 per cent of imports (Observatory of Economic Complexity, 2020). Taking the 2003 figure of \$23.3m provided by Hughes (2006, p.477) to represent a return to the pre-sanctions economic relationship (which might, in any case, be considered a wildly optimistic best-case scenario), this would equate to just 0.96 per cent of the value of official trade with China in 2018 per the figures provided by the Observatory of Economic Complexity (2020b). This would severely limit Japan's bargaining power even if it did offer concessions on sanctions unless it also provided additional economic incentives to go along with them. As a result, sanctions relief alone without economic aid would hold little value to North Korea, and Japanese policymakers have backed themselves into a corner.

As with the insistence on maintaining the Pyongyang Declaration, this is a consequence of the lack of institutional accord. Sanctions offer another "safe option" which is agreeable to all policymaking institutions (or is at the very least the easy choice vis-à-vis the weight of public opinion) but has little actual impact, with new options unable to be explored due to the long-standing antipathy towards North Korea. Koizumi's prediction that the "glittering sword" would be unable to be re-sheathed was thus correct. To induce North Korea, a simple lifting

of sanctions is no longer enough, but with no institutional accord to offer something more than a simple lifting of sanctions, the policy has atrophied and Japanese policymakers have been unable to offer the inducements which might potentially make the seeking of sanctions relief an appealing policy choice for North Korea, further contributing to the current vicious cycle. As they stand, sanctions as an avenue to influence North Korea's regime behaviour have simply run out of steam.

### 8.1-III: A Summit Without Preconditions: Opportunism and Urgency

The fundamental issue with the notion of “a summit without preconditions” is that it brings nothing new and is not backed by a change in the underlying institutions which formulate Japanese foreign policy. This policy has been subject to criticism from the press (Fukuda, 2019), some of those previously involved in diplomacy with North Korea such as Tanaka Hitoshi (Tanaka, 2022), by some prominent backbench Diet members (NHK, 2019), and by some academics (Anon, 2022) who have argued that the policy brings nothing new to the table or is too vague and is unlikely to be a significant inducement to North Korea or that a more coherent and comprehensive strategy is required (Minegishi, 2022). This section argues that this perspective is essentially correct. It argues that while this was on the surface a change in policy from an insistence on progress with the abductions issue before a summit could take place (Kyodo News, 2019a), that it has failed to address the underlying institutional constraints which still bind Japanese policymakers over North Korea. It argues that the offer of a summit without preconditions was formed from a mixture of international opportunism combined with an increasing sense of urgency among policymakers to resolve the abductions issue quickly, but with the consequence that the policy was poorly thought-out and may have made finding a solution less, not more, likely. It further argues that this is in large part due to a failure of leadership in constructing institutional accord.

The policy “shift” initially occurred in the wake of the 2018-2019 Inter-Korean Summits and the Trump-Kim Singapore and Hanoi Summits, initially being mooted in 2018 in relation to the abductions issue under the line that a summit could take place if it led to progress on the abductions issue (McCurry, 2018) before fully abandoning all conditionalities the following year (Kyodo News, 2019a). At the time, the Abe administration attempted to seize the initiative to some degree by

requesting to both the Trump and Moon administrations to raise the idea of a new Japan-DPRK Summit in their own respective engagements with North Korea, as well as other channels, and to raise the abductions issue as part of their own respective diplomatic processes (Reuters, 2018; Japan Times, 2018; Kyodo News, 2019b; Asahi Shinbun, 2019). For North Korea's part, Kim Jong-un allegedly did state that he would meet with Prime Minister Abe "at some stage" during his conversation with President Trump in Hanoi (Kyodo News, 2019b), but this was followed soon after by numerous belligerent refusals to accept the proposal combined with personal attacks on Abe himself (Park, 2019; Reuters, 2019).

The open offer of summit diplomacy was therefore initially an act of opportunism, with the Abe administration likely having wanted to take advantage of the apparent détente with North Korea to make headway in Japan-DPRK bilateral issues.

However, this was not backed by a concrete plan of action or by any substantive change in *underlying* policy. For both Abe and his successors, the abductions issue has been especially pressing; Japanese political leaders are aware of the urgency of the matter, which is frequently raised in the press, by advocacy groups such as the abductee families, and by politicians themselves, particularly since most of those connected to the issue are advanced in age or even deceased (Finnegan, 2018; Johnston, 2022; Geji, 2023; Mainichi Daily News, 2023). The Japanese mainstream press, of all political colours, is abound with references to how "time is running out" to resolve the issue considering these factors (Asahi Shinbun, 2020; Sankei Shinbun, 2022; Horiuchi, 2023; NHK News, 2023). Yet the urgency around the issue is a component of the problem; the policy of openly offering a summit, as argued by Tanaka Hitoshi himself, is meaningless if there is no comprehensive plan with strong leadership behind it (Minegishi, 2022).

Without strong leadership, the same issues discussed in Chapter 4 would still all be present insofar as North Korea is aware of the antipathy which exists towards it in Japan, and it is aware that any progress arising from such a potential summit may be undone by a successor to the elected Prime Minister of Japan at any given time if public opinion turned in such a direction. Without strong, pre-existing institutional accord among Japanese policymakers to substantiate such a plan including the marshalling of support from the business sector, the deadlock will continue, and this requires a degree of leadership which has been lacking over North Korea

policy – a fundamental problem in any engagement of a democratic country with a totalitarian or autocratic state. In this sense, the open offer of a summit is not new; it merely continues the same fundamental policy line which has been in place for almost two decades. If anything, the sense of urgency has thus only reduced the time for a comprehensive strategy to be created while allowing North Korea to believe that it can simply ‘wait the issue out’ or even leverage the issue to its own advantage. This has again been helped by what, for it, is an increasingly favourable geopolitical situation where it has two potential alternative security and economic guarantors in China and Russia ready to keep the Kim regime alive.

### 8.1-IV: From “Grand Vision” to “No Vision”

Japan’s policy on North Korea has become something of a paradox. Japan’s current policies have largely failed to achieve their core objectives in achieving the return of the abductees, in preventing nuclear and missile development, and in creating regional geopolitical stability, and yet few, including the author, would doubt the fundamental principles behind them. The commitment to international agreements, preventing the financing of weapons development by North Korea, and offering of open dialogue behind these policies are all laudable and undoubtedly well-intentioned. Neither is the sincerity of the various Japanese policymakers who have worked on the issue in any doubt, with the desire to resolve the abductions issue appearing to be genuine and heartfelt, with visible regret and emotion among some of the interviewees who participated in this research. Yet, as is the way with vicious cycles, the policy malaise has been both a *cause* and a *symptom* of the lack of institutional accord. In the absence of leadership to challenge the existing policy base on North Korea, the existing policies have become something of a safe fall-back option – while they have not succeeded, they have not made things worse. Likewise, as the lack of progress has continued, public frustration has fossilised, constraining potential policy options and presenting a seemingly insurmountable obstacle for policymakers in both the core, who must respond to public calls to take a harder line on North Korea, and the periphery, who must hold the core policymakers to account in doing so. Consequently, the vicious cycle’s true nature is in fact one of cosy consensus, except that the consensus is over the continuation of a stagnated policy which has provably not worked.

Institutional accord has, in a sense, been built and maintained, but over ineffective policies which have failed to achieve Japan's policy objectives.

North Korea is unquestionably a difficult country to negotiate with – this is dealt with extensively in the existing literature, such as in Funabashi's *The Peninsula Question* (Funabashi, 2007). Koizumi was able to make some progress in his approach to North Korea, even if the ultimate goal of normalisation was not reached, because of the comprehensive nature of the strategy used with North Korea and because of his personal leadership abilities (Ministry of Foreign Affairs Official A, 2022). His talent as a politician allowed him to enjoy a high degree of benefit of the doubt from the public, a talent which Funabashi dubs "Koizumi magic" (Funabashi, 2007). Even if Koizumi, as argued in Chapter 4, failed to achieve complete institutional accord, he gathered it to a far greater degree than any of his successors (particularly insofar as the civil service and *Kantei* were concerned), and this was reflected in some of the gains made in the negotiations of that period because the North Korean side felt that said gains would be lasting, particularly if normalisation had eventually been achieved. The difficulty is no excuse; North Korea was difficult to negotiate with in 2002 and significant, if incomplete, progress was made in large part because Prime Minister Koizumi's leadership abrogated the perceived risk of policy reversal by North Korea and because civil servants such as Tanaka Hitoshi had an (albeit only partially complete) concrete plan and substantial offer to North Korea in the negotiating process. The vicious cycle has precluded the creation of such a vision for the last two decades, particularly since the collapse of the Six-Party Talks, and the policy space has simply not existed for the promotion of alternative, soft power or incentive-led options. Due to this, existing policies have been allowed to exist in a state of perpetual inefficacy. To break this deadlock, there is a need for policymakers to make decisions which may be extraordinarily high-risk or deeply unpopular, and perhaps even career-breaking, but without such leadership the vicious cycle of failed policy will continue until, as the Japanese newspaper editorials all agree, it is simply too late. These policy options are discussed in the next section in addition to some of the limitations of existing analytical approaches which have been uncovered by this thesis.

## 8.2: High Acrimony, High Cost: The Implications of the Institutional Accord Model for the Future of Japan-North Korea Relations

It was very clear from discussions with interviewees that the resolution of the abductions issue is key for Japan in its future relations with North Korea; this is, of course, no surprise. However, as discussed in the previous section, the existing policies aimed at achieving Japan's objectives in North Korea have simply not worked. This section contributes to the existing literature a discussion of the policy implications for Japan based around the institutional accord concept, in doing so exposing some of the shortcomings of previous analyses. The first implication is an emphasis on the complete, verifiable, and irreversible return of all remaining abductees in North Korea, and the resolve to do what is needed to achieve this. This further implies that the only means by which this can be achieved is via the building of new institutional accord over the unpalatable and deeply unpopular option of providing economic aid, but that this must also be backed by greater integration with regional and global security architectures as a means to project hard power beyond the simple continuation of sanctions and to onboard conservative political elements in the Japanese political system. As a result, an approach both containing carrots, which have thus far been highly constrained as a policy option, and sticks, which currently lack the power or effectiveness to break the armour of the North Korean regime, is the only way to address the vicious cycle. In these findings, it exposes some of the limitations of the older iron triangle model and existing traditional institutionalist approaches in examining these problems. This is because, while the institutional accord model ascribes the same weight to the influence of the business sector, it also ascribes a significantly greater role to Japan's civil society and the general public. All together form institutional accord, and with enough weight, any one can act as a significant spoiler or benefactor turning the balance in favour of or against any specific policy. Unfortunately for Japan, North Korea can also see this, and with the state of institutional accord being so poor, North Korea is likely to only be induced by offers which it considers irreversible and not subject to changes in policy due to public opinion or a change in government.

## 8.2-I: The Abductions Issue: Complete, Verifiable, Irreversible Return

The abductions issue remains the largest point of contention in the bilateral relationship. Effectively it is a state-led hostage crisis; a long-running and highly emotive hostage crisis which, as noted above, is subject to increasing urgency and which, if left unresolved, will only become more and more difficult to resolve in the future. This section argues that complete, verifiable, irreversible return, or CVIR, of all remaining abductees is key to any progress in the future relationship, and that piecemeal approaches to the issue will be ineffective and do little more than allow North Korea to exploit the issue further. The term is borrowed from the CVID approach taken to disarmament negotiations, calling for North Korea's complete, verifiable and irreversible disarmament (Bakich, 2022, pp.692–693). This section argues that the ramifications of the institutional accord model demonstrate that this approach is a critical necessity in future negotiations, but that to be achieved it must also be disentangled from the nuclear, security and broader human rights issues which would need to form part of a more comprehensive diplomatic approach to North Korea. It argues that while a necessity for onboarding public opinion and secondary policymakers, that the consequence of this necessity is a considerably higher “cost” for Japan in material terms if it is to successfully induce North Korea.

The CVIR approach addresses the key issues behind the abductions issue but acknowledges that such an approach is likely to be a difficult proposal to North Korea, which continues to reject even the notion that the abductions issue is ongoing (Kyodo News, 2023c). Unfortunately, as with other hostage crises, the perpetrator has most of the leverage. As long as the missing 12 abductees remain in North Korea (in addition to those not officially recognised), they are at risk and so Japanese negotiators must mitigate against that risk. The Koizumi-era approach recognised this, and indeed was in large part motivated by ensuring the abductees' safety (Ministry of Foreign Affairs Official A, 2022; Cabinet Member A, 2023), with broad accord among the era's policymakers that this was key. If any remain in North Korea, they will continue to be at risk, and it is in part for this reason that Prime Minister Abe rejected the proposed return of two abductees by North Korea in 2014-15 due to a fear that North Korea would use their return to consider the matter closed (Siripala, 2022), leaving the other ten in permanent danger. While

this decision was criticised by some (Isozaki, 2022), it is also probable that Abe feared the use of the other abductees as bargaining chips in future negotiations; as previously noted, North Korea is acutely aware of the urgency of the situation for Japanese policymakers, and this urgency grows with every passing moment as the relatives of the abductees age and as the abductees themselves remain unable to live freely. North Korea has shown no hesitation to use the issue to its own advantage in past negotiations, such as when it promised to “reinvestigate” the matter in exchange for sanctions relief under the 2014 Stockholm Agreement even after claiming the matter to be resolved (AFP, 2016). Seeing the urgency of the matter and knowing that alternative economic guarantors are available to it, these factors make it imperative that any return of the abductees be complete, with none left behind. Indeed, the implications of the findings of this thesis are that to achieve *lasting* institutional accord, this is the main political imperative. The issue comes in that without institutional accord, the theoretical “cost” of the resolution becomes higher since Japan’s potential avenues for inducement have less and less value.

On the issue of verifiability, as with the nuclear issue, the problem is one of trust. Japanese policymakers and the public are unlikely to take North Korea at its word that all abductees are being returned even if all of the missing 12 are accounted for. The Yokota Megumi remains controversy, where North Korea handed the alleged cremated remains of Yokota to Japan but DNA testing suggested that the remains were either of different people or were inconclusive (Chanlett-Avery, 2008, pp.4–5), was cited as a particularly difficult moment by one interviewee (Ministry of Foreign Affairs Official B, 2022), and underscores this issue. This is why verifiability would have to be key; in the absence of trust and good faith, only hard evidence would be able to fully resolve the issue and achieve lasting institutional accord over future North Korea policy. Unlike the previous 2014 Stockholm Agreement, where Japanese oversight was limited to only occasional reports communicated through diplomatic channels (Ministry of Foreign Affairs, 2021), verifiability would by necessity include more thorough Japanese participation in any investigations of the remaining abductees. Again, if information were to be concealed by North Korea over the issue, then it would be likely that any left behind would continue to be used as bargaining chips in future, precluding the possibility of lasting institutional accord and setting the stage for another future breakdown.

Finally, on the issue of irreversibility, Japanese policymakers would need to ensure that any families of the abductees in North Korea would also be brought to Japan and given the requisite protection and political asylum. This was another consideration in the Abe administration's rejection of the 2014-15 offer; there was a fear that, with the two having families in North Korea, who would have effectively themselves remained hostages, that the two men would have felt compelled to return (Siripala, 2022). Any agreement on return would need to include the families of the abduction victims in Japan for this reason. Again, after the return of the initial five abductees to Japan in 2002, North Korea continued to make implicit threats to their families if they tried to join them, to the extent that they felt under threat even when directly offered by Prime Minister Koizumi during the 2004 Summit (Jenkins and Frederick, 2008, pp.154–155). Without this, the abductee issue would likely simply morph into the abductee families issue, and the same problem would persist indefinitely and entirely preclude the possibility of Japanese engagement in resolving the other issues surrounding North Korea. The only way to ensure that the return of the abductees is irreversible is to ensure that they have no reason or feel no compulsion to go back to North Korea of their own accord, and this could only be done if not only the abductees themselves were freed, but that any roots they planted were freed as well.

None of the above would be likely to be controversial in itself. However, negotiating all of the above would be likely to be extraordinarily difficult, and consequently the CVIR approach would incur a high cost for Japan. The costs of following this policy are addressed in the following section, but this is one of the key lessons of Japan's diplomatic experience with Vietnam as discussed in Chapter 5. With Vietnam, a full, comprehensive resolution to the single outstanding issue in the relationship – Vietnamese involvement in Cambodia – was insisted upon, and Japan had a fleshed-out and viable offer to help achieve it. The difference was, in being backed by full institutional accord, the “cost” was considerably cheaper because the value of the incentive on offer was much higher, being unlikely to have failed in the long term and being backed by the business sector. The barriers to resolution of the outstanding issues with North Korea have become so high that the costs of surmounting these barriers have also grown; this is the vicious cycle in motion.

While the existing literature has dealt comprehensively with the public opinion question (Lynn, 2006; Hughes, 2006; Hagström and Hanssen, 2015), this has largely been in the form of critique of Japanese policymakers and how they have *exploited* public opinion, rather than how public opinion has *influenced* policy. The institutional accord model, however, has challenged this and argued that without at least passive accession, the Japanese policymaking architecture is subject to democratic forces to a much greater degree than the Japanese democratic system is typically given credit for. The sheer extent of what would be necessary to overcome public opinion as a barrier to resolution proves this very clearly. Indeed, it might be said that the largest implication of the institutional accord model vis-à-vis North Korea is that acrimony in Japan is so severe that, paradoxically, the price of resolving outstanding issues has become considerably higher. This is because North Korea is likely to insist on immediate and irreversible incentives which would not be subject to change from democratic forces, and this is the root cause of the vicious cycle which currently exists.

## 8.2-II: Enduring the Unendurable and Suffering the Insufferable: Disentangling the Abductions Issue and Providing Economic Assistance to North Korea

While researching this thesis, many of those approached balked at the very notion of economic assistance to North Korea, with some refusing to be interviewed at all on the basis that even the suggestion was unrealistic. Indeed, this was a significant challenge when collecting interview data. Nonetheless, the institutional accord model implies that for a full and swift resolution of the abductions issue, this would be the only possible option, despite the negative sentiment that such a policy would undoubtedly incur. Sometimes the only resolution to a hostage crisis is to pay the ransom, as unpalatable and as uncomfortable as such a scenario may be. Nonetheless, there are means by which Japanese policymakers could mitigate the risks of such an approach. Any assistance would need to be given in kind, rather than in money, it would need to be subject to strong oversight by Japanese staff and would need to focus solely on civilian infrastructure. Importantly, it would also need to be separated from any settlement pertaining to the other issues in the relationship. Building the short-term institutional accord needed to resolve this issue would at the very least likely need to meet these preconditions to ensure the

short-term institutional accord necessary to overcome the hurdle of providing an incentive-based policy option. While Japan's position vis-à-vis the other countries in the region has been one of relative economic decline, it remains a wealthy country with the world's third-largest economy, and so it is likely that North Korea still feels at least some degree of attraction to it. The change is that said attraction has likely shifted from general interest in market access which might have come from normalisation (since it now has alternatives) to the extraction of specific concessions.

North Korea has reacted negatively to the idea of exchanging economic aid and security guarantees for denuclearisation in the past, with this having been the basis of both the Trump administration's approach (Kim, 2020, p.124) and more recently the approach of South Korea's Yoon administration, which was rejected publicly out-of-hand as being "foolish" (T. Kim, 2022). This principle also underpinned the 1994 Agreed Framework and the 2005 Six Party Joint Statement (Cha, 2009, p.123). This is why it would be necessary to disentangle the nuclear and abductions issues; Chapter 4 criticised the approach of the 2002 era for being overly ambitious and focusing too much on the "big picture", and this chapter has criticised the lack of a fresh vision for North Korea among Japanese policymakers. The institutional accord model implies that what is needed is a middle ground. What is needed is an approach that accepts the unique nature of the abductions issue and its importance to Japan vis-à-vis both policymakers and the public while acknowledging that resolving all of the security issues relating to North Korea would be a time-consuming, costly, and perhaps even impossible endeavour requiring long-term commitment and finance. Simply put, if resolution of the nuclear issue remains a prerequisite for freeing the remaining abductees and their families, then they will never be brought home. As a result, disentanglement would be a necessity per the institutional accord model and the need to remove "blockages".

While the Abe-era approach appears to have mirrored this during the Stockholm Agreement era by focusing diplomacy specifically on the abductions issue and while bilateral talks focused solely on abductions have continued since 2002 (Ministry of Foreign Affairs, 2021), the issues were never truly disentangled insofar as the offer being given was sanctions relief, and these sanctions were placed in the

first instance due to security issues (Hughes, 2006, p.481; Ministry of Foreign Affairs, 2016). Any “ransom payment” by Japan for the release of the abductees would as a result need to come separately from any discussion of security matters. From the Japanese position, this would allow progress on one single issue to be made in a step-by-step approach, and from the North Korean position, it would offer something more concrete than the resumption of theoretical trade and visitation rights which were in practice seldom considerations in the first place and would be considered less threatening since it would not be contingent on what are perceived as vital matters of regime security. The institutional accord model’s implication is that Japan’s incentive power would fail to “seize the moment” if not backed by consensus, but this history demonstrates that North Korea will not offer a moment to seize in the first place if it feels threatened.

Driving up the “cost” further would be the care which would need to be taken that any economic aid would not benefit North Korea’s military. While interviewees shared confidence that Japan would have within it the expertise to successfully carry out an economic assistance programme in North Korea (although with one expressing some slight reservation over expertise in light of the unpredictable political situation) (International Organisation Employee A, 2021; Ministry of Foreign Affairs Official A, 2022; JICA Employee B, 2022), the security issue would represent a unique challenge for any future assistance programme. KEDO and the 1994 Agreed Framework, perhaps, provide an answer in that they insisted that the aid given, at that time in the form of the light-water nuclear reactors (in-kind rather than in cash), be impossible or at least extremely difficult to militarise, unlike the existing Yongbyon complex which was being used for weapons-grade plutonium (Kartman et al., 2012, p.120). This is because light-water reactors make the production of this material extremely impractical and easily detectable (Abushady, 2001, pp.1–2). North Korea has myriad civilian infrastructure needs, and if economic assistance were to be offered then these would need to be prioritised, with project selection and oversight by Japanese staff to ensure that materials were not siphoned for illicit use or that seemingly innocent projects did not have covert military uses, if remaining OIIs were to be successfully onboarded per the institutional accord model. Giving the assistance in-kind with oversight would be the only practical means to guard against the possibility of covert military use, which North Korea has in the past attempted with international food

aid to cover balance-of-payments for the purchase of weaponry (North Korea Network Expert Panel, 2014). Projects offered would need to cover clear civilian needs, such as in the agriculture and healthcare sectors, and have no military value. This would have the additional long-term benefit of building expert capacity and personal relationships within North Korea, although such conditions would be likely to raise any “cost” for Japan. Nonetheless, the implication of the institutional accord model is that without a robust consensus, any potential Japanese incentive will fail, and this incentive cannot materialise in the first instance if the state of public and policymaker opinion does not come to believe that, on balance, an incentive is a “good idea”. Again, these requirements for onboarding OIIs in Japan only drive the cost higher and higher. For any incentive to succeed in the absence of institutional accord to prove long-term sustainability, the incentive would only hold value if it was immediate and irreversible; if it were not, the institutional accord model would suggest that a policy of slower, longer term economic assistance in the absence of a base degree of consensus would fail as an inducement because the North Korean would not expect it to last. As a result, the lack of institutional accord has raised the cost of resolving these outstanding issues.

Considering this, if Japanese policymakers are indeed willing to do “whatever it takes” to bring the abductees home or make statements to the same effect, as has been promised by numerous Prime Ministers (McCurry, 2018; Foreign Correspondent’s Club of Japan, 2021; Kyodo News, 2021), then the institutional accord model and the historical experience of the Koizumi period provide clear policy implications. These inducement-based options, while unpopular, would need to remain on the table for negotiators, and bold political leadership would be required to overcome negative sentiment and reach the state of initial institutional accord necessary to convince North Korea – an autocracy – that democratic Japan’s promises will be genuinely forthcoming and not scuppered by a change in leadership. While North Korea does present an additional challenge compared to Vietnam, where *gaiatsu*, rather than public opinion, was the key constraint, the experience in Vietnam clearly demonstrates the importance of a fleshed out offer which has already gained broad institutional accord and is unlikely to be reversed in the future. The implications of the importance of building this institutional accord are discussed in Section 8.2-IV.

Again, these findings have challenged the existing literature. The sheer scale of the problem in terms of the collective weight of public and secondary policymaker opinion is rarely taken as seriously as it perhaps should be, with existing discourses to a large degree focusing on public opinion in terms of either exploitation by politicians to suit specific policy agendas (Lynn, 2006; Hughes, 2009b; Hagström and Hanssen, 2015) or focusing on supposed renewed feelings of nationalism and tied to wider discussions around historical revisionism (Nakano, 2016; Suzuki, 2019). While public opinion has been acknowledged as a roadblock, the existing literature has largely tended to view hostile public opinion as an elite-led phenomenon.

The findings of this thesis have indicated otherwise, that in fact elites have tended to view the issue with a pragmatic outlook and that their policy decisions have been led by a public which feels genuinely threatened by North Korea, not the other way around. Indeed, this chapter has argued that if anything, the issue has been one of a *lack* of elite-level leadership which has been able to successfully convince the public or even the business sector that anything but punitive leverage could be used to achieve Japan's policy goals. Likewise, the institutionalist literature, focused as it is on very traditional definitions of institutions, barely considers public opinion to be a factor – perhaps the reason the iron triangle is not the iron *tetrahedron*. Within the context debates on the 1955 system wherein analysts have long debated the relative division of power between politicians and civil servants (Campbell and Scheiner, 2008, pp.89–91), this makes sense; however, the North Korea case proves the necessity of taking seriously the role of the public in political debates. Public anger over North Korea is a particularly extreme example, but the extent of it as a barrier to the opening of policy options within Japan is demonstrable and has had a demonstrable impact on foreign policy both *vis-à-vis* the options offered and the North Korean reaction to them, which would be applicable in any situation where Japan engaged with an autocracy.

The institutional accord model and the North Korea case study, beyond the traditional institutionalist views, have emphasised the role of political leadership. Again, it is not simply “politicians” or “the civil service” which have led policy, rather it is *specific* and *effective* leaders within these institutions. Koizumi is perhaps the most obvious example of a leader who was effective enough to create

an albeit fragile and temporary state of institutional accord and was as a result able to be “taken seriously” by North Korea. While the Vietnam case study demonstrates that strong political leadership has not always been a necessity for institutional accord, the North Korea case study has demonstrated that it can be a necessity insofar as overcoming roadblocks is concerned. In this sense, this thesis strikes a balance between the older literature emphasising the role of traditional institutions in policymaking and the newer literature emphasising power centralisation within the *Kantei* (Shinoda, 2007; Zakowski, 2021). The institutional accord model, through the threshold system and the acknowledgement about the dispersal of power, is adaptable to policy scenarios involving both proactive and passive *Kantei* leadership.

### 8.2-III: Holding North Korea to Account: Hard Power Projection via Security Integration

North Korea’s security threat is unlikely to diminish. The nuclear programme in particular is not likely to be something that North Korea sees as negotiable, and it has openly stated as much in recent years (Cha, 2009, p.123; E. Kim, 2022). The institutional accord model, while clear on the implication of the need for disentanglement of the abductions issue, also brings with it the implication of the need to onboard the Japanese public and policymakers, who would be likely to be fearful of the security implications considering the trends of opinion polling discussed in the previous chapters. After all, North Korea again engaging in brinksmanship or otherwise threatening Japanese and regional security, in other words ultimately following the same cycle of provocation to extract rewards that it always has (Lee, 2013, p.64), would remain a strong likelihood. Nonetheless, the institutional accord model implies that permitting the full unlocking of Japanese participation in seeking a solution to these wider issues would require this “ransom” to be paid, whatever the cost, because public opinion is the major roadblock to progress on all other issues. To guard against the brinksmanship problem while also building the necessary consensus to successfully induce North Korea, Japan would need to continue on the path it has followed since the Koizumi period and attempt to further integrate itself into global and regional security architectures to deter acts of aggression by North Korea. This is one of the primary points of divergence from the comparison to Vietnam; while negative pressure in

the withholding of aid was used, there was never a direct security dimension to the relationship. In regard to North Korea, however, this is a vital component to address.

This path has already been followed by Japanese policymakers in recent years, both on the core and the periphery. There has been increasing integration and coordination with neighbours with mutual interests such as South Korea through the GSOMIA<sup>58</sup> programme, despite the cooling of relations under the Moon and Abe administrations (Matsuo, 2020), and there have been more recent overtures between the Kishida and Yoon administrations to improve bilateral and security coordination (Borowiec and Kim, 2023). More broadly, the Abe administration placed a high priority on building partnerships with friendly neighbours such as Vietnam, the Philippines, and India, and it has recently expanded to exploring more global partnerships such as with NATO (Kaizuka, 2023a). While these moves are not necessarily aimed at North Korea directly, they nonetheless showcase and send a clear signal to North Korea that Japan is now seeking more than ever to be an active player in global security, and that the country will not sit idly by in the face of clear security threats from North Korea and its potential alternative sources of support in Russia and China. Critically, these options are popular among policymakers of numerous stripes across the entire policymaking architecture (as showcased in the next paragraph), and the institutional accord model's implication is that by offering further security measures and reducing the *perceived* threat of North Korea within Japan, that it would be easier to build consensus around incentives.

With sanctions having been largely exhausted as a means of exercising coercion, security integration and the strengthening of the Self-Defense Forces to counter threats is the only possible means of projecting hard power and gaining additional punitive leverage. On this, institutional accord has arguably already been built; in the 2021 Lower House election, on the matter of expansion of Japan's military strength, of 1051 candidates surveyed 53.47% were in support with only 23.6% against (Taniguchi, 2021), and within the LDP these matters are almost a matter of course. Again, institutional accord is a necessity for this to be effective; as a basic

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<sup>58</sup> GSOMIA, or the General Security of Military Information Agreement, is an intelligence-sharing agreement between Japan and South Korea which has been in place since 2016 (Matsuo, 2020).

tenet of deterrence theory, for deterrence to work, a willingness to use the deterrent has to be demonstrated – in other words, the deterrent must be *credible*. As a result, it would be a matter of necessity that for this hard power to be projected effectively and for North Korea to be adequately deterred, institutional accord would need to be constructed. If it were not, it might be perceived as vulnerable due to domestic pressure or by the prospect of future leadership which would be unwilling to use the Self-Defense Forces as a deterrent or which would be unwilling to support Japan's allies and partners both in the region and globally.

In a sense, this would present an additional opportunity. Security is a pressing and ongoing issue, with high levels of institutional accord already constructed. As a result, a dualistic approach of resolving the major outstanding issue in the relationship in the abductions issue through inducement while increasing hard-power pressure on North Korea over security issues may make the prior issue more palatable among OII stakeholders. This is particularly so if the aforementioned safeguards such as the insistence on strong oversight and the focus on only civilian infrastructure were also to be negotiated successfully. This dualistic approach would essentially be an extension of the “dialogue and pressure” approach of the Abe government (Ministry of Foreign Affairs, 2016). However, where it would differ is that it would deepen both aspects. Dialogue would take the form of real, concrete inducements backed by robust consensus, and pressure would be expanded through the strengthening of the Self-Defense Forces and via integration with regional security partners, also making the case easier for the offering of inducements which could not be used back against Japan. While Japanese policymakers have already made significant progress in this area, with public opinion now overwhelmingly supportive of the Self-Defense Forces and with North Korea's missile and nuclear testing cited by the general public as the main driver of interest in defense-related issues (Cabinet Office Public Relations Office, 2023, pp.7, 40), the policy space now exists for the deepening of existing policies in the realm of security and defense. If the institutional accord model's implication is that inducement is a necessity of breaking the vicious cycle, making the idea of inducement palatable to the Japanese public and policymakers is also necessary, and holding North Korea to account by the further projection of hard power is a means to do this. As a result, it can be considered another imperative of breaking the vicious cycle.

Again, this challenges the existing literature in its general reticence to discuss public influence on policymaking beyond treating it as a simple block, but it also exposes the limitations of the tendency to ascribe a lack of agency to Japan and Japanese policymakers in security affairs. While Japan's relative degree of reactivism or proactivism has been a focal point of academic debate for decades (Calder, 1988; Hirata, 1998a; Miyashita, 1999; Sakai, 2001), the institutional accord model has built on this by providing a more comprehensive framework for analysis of the relative strengths of *gaiatsu* and public opinion. Security integration is often portrayed as either a project of conservative-nationalist forces in Japan (Hughes and Krauss, 2007; Nagy, 2014), as a result of American pressure (McCormack, 2004), or both (Kaneko, 2005). The agency of Japan's public and secondary policymakers has been overlooked and their legitimate concerns have rarely been engaged with in much of the existing literature.

The North Korean threat is a serious one, and the results of the institutional accord model have emphasised the importance of the public and secondary policymakers as policy actors in their own right, beyond these narratives of American influence and so-called rising nationalism. This discussion of the need for security integration has laid this bare; to onboard OIIs for additional dialogue, additional pressure would likely be a prerequisite, showcasing the sheer weight of the power of a united and determined public with national-level representatives in the Diet backing them and the need for greater incorporation into future analyses beyond the simple truism that "North Korea is unpopular in Japan". Again, the central paradox is that the agency of public opinion is so great in Japan that it has made the costs, in this case with regard to security integration, all the higher for resolution of the abductions issue and the other outstanding issues with North Korea. This insight is a key finding of the institutional accord model in regard to North Korea; ultimately the implication is that the more institutional accord is built, the easier North Korea will become to deal with because any Japanese incentive offer will appear more robust and sustainable and that any deterrent will appear more credible. Unfortunately, at the moment, both the costs of incentivising or deterring North Korea and the costs of building this accord appear to be steep indeed.

## 8.2-IV: Building Institutional Accord to Seize the Moment

None of the above would be to diminish the difficulty of achieving institutional accord on security matters; on matters of substance such as support for expanding overseas activities and the size of the SDF, public opinion is considerably more muted, with majorities favouring the status quo (Cabinet Office Public Relations Office, 2023, pp.9, 15). While the security taboo is eroding, it is clearly not gone, and in particular public support for the divisive issue of constitutional revision remains deeply split with 53% in favour of amendment and 45% opposed as of 2023 (Kyodo News, 2023a). This would limit Japan's ability to project hard power for the foreseeable future, although this could be at least partially addressed via security integration with countries with shared interests. However, it is, of course, the issue of inducement which would present the greatest hurdle, as discussed in the previous sections and the implications of which are vast. For all of these, bold political leadership which is able to build broad accord across Japan's policymaking institutions would be necessary, in order that the moment could be seized effectively if an opportunity arises. Again, this is a point largely missing from the existing literature, which has tended to focus on the abductions issue and other Japanese domestic political issues *without* examining the underlying structural-institutional issues.

Ministry of Foreign Affairs interviewees and public figures expressed largely pragmatic perspectives on the matter of offering inducements to North Korea; one interviewee said that you simply "do what has to be done" (Ministry of Foreign Affairs Official B, 2022). Another noted that during the Six-Party Talks specific designs for assistance, such as in the energy sector, were being discussed, although with the final economic relationship to be settled later (Ministry of Foreign Affairs Official C, 2023). This contrasted to existing narratives in the literature emphasising nationalism, populism, and conservative politics as factors; indeed, these did not appear to be important factors at all from the findings of this thesis. Nonetheless, data collection for this thesis has suffered the notable shortcoming of being unable to interview figures from the Ministry of Finance or the Ministry of Economy, Trade and Industry, and within MoFA the sample size, which focused on prominence and direct experience rather than scale, was limited. The experience of Tanaka Hitoshi with the other bureau heads in MoFA, who were staunchly opposed

to efforts being made, highlights the possibility of division within the civil service (Funabashi, 2007; Zakowski et al., 2018, p.81; Journalist A, 2022) and by extension the necessity of building institutional accord. At that time, there was a fear among the America and Treaties bureaux heads that Japan was acting out-of-step with the United States as a close alliance partner (Funabashi, 2007; Zakowski et al., 2018, p.81), and while this eventually proved to be a false assumption, it also highlights the need to act in coordination with allies and uphold a joint position, as was done in the Six Party Talks (Ministry of Foreign Affairs Official C, 2023). Again, in the absence of accord, both punitive and incentive-based leverage becomes weaker; on the one hand, it is a core tenet of deterrence theory that the deterred party must believe the other is willing to act, while on the other, for inducement to work there must be belief in the robustness and value of the incentive, which is impossible to achieve in the face of democratic hurdles and the absence of business interest.

If institutional accord were to be constructed among civil servants, even if they are principally pragmatically minded on North Korea, then these issues and potential points of friction would need to be addressed at an early stage to get the requisite threshold for institutional accord within the civil service and to onboard the *gaiatsu* OII. As discussed in Chapter 5, in Vietnam these issues were considerably less severe; *gaiatsu* forced the positions of some civil servants (Hirata, 1998a, pp.140–141), but there was never any substantial doubt that Japan should form a closer relationship with Vietnam and that Vietnam would one day be key in Japan's regional strategy and with a core of Asia Bureau civil servants maintaining engagement (Pressello, 2014b, p.38). Institutional accord had been built, and low-level engagement continued despite official policy to the advantage of Japan in the years leading to the resumption of ODA, playing a role in allowing policymakers to seize the moment in the early 1990s. This is a key insight resulting from the institutional accord framework of analysis; existing narratives have rarely considered the need for institutional consensus (along the iron triangle model) to be at all conducive to the effectiveness of Japan's policymaking, and some have been excoriatingly critical of it (McCormack, 2002a; Maclachlan, 2004) but in Vietnam it was an enormous source of strength. North Korea represents the other side of that coin; the existing literature, while having archived the existence of internal conflict, has never seen it as a particular source of difficulty in Japan's approach to North Korea. This thesis, however, has found that the lack of consensus

– institutional accord – has weakened Japan’s leverage, both punitive and positive, at every stage, and abrogated the possibility of Japan achieving its core policy objectives vis-à-vis North Korea because North Korea is less likely to take seriously either Japan’s hard (deterrent) or soft (incentive) power. In the latter case, this has been especially so with the lack of business sector engagement.

Secondary policymakers and their supporters in civil society, the *Sukūkai* and the *Kazokukai*, backed by the general public, present the largest obstacle to building institutional accord over a new approach to North Korea. As argued in the first half of this chapter, the current policies, being based around upholding the Pyongyang Declaration, sanctions, and an open summit offer, represent a safe option for politicians who may be risk-averse or be seeking to advance their careers. The Alliance for the Early Rescue of Japanese Kidnapped by North Korea (*Rachi Giren*), which saw its membership increase from 70 in 2003 to 188 by 2006 and which at one point numbered more than 200, has long been a powerful force in the Japanese political space (Lynn, 2006, pp.500–501; Tou Nippo, 2023). Nonetheless, the consensus around this is beginning to change; the Kishida government announced in 2023 that it would be willing to offer humanitarian aid (Kyodo News, 2023b) and this signals the steady breaking of the pressure-led consensus insofar as there is a belief among core policymakers that the space now exists for the extension of inducement-based policies. Moreover, in 2021, parliamentarians associated with the League for Promotion of Diplomatic Relations Between Japan and North Korea called for the resumption of inter-parliamentary dialogue (Shim, 2021), which effectively revived the once-depleted (Lynn, 2006, pp.500–501) League for the Promotion of Japan-North Korea Friendship (*Nitchō Giren*). It has also held continuous activities since 2018 (coinciding with the Trump-Kim Singapore Summit) despite a ten-year hiatus prior to that year (Kokumin Rengo, 2018; Shim, 2021). Even the civil society groups have begun to shift – in February 2023 the *Kazokukai* reversed a long-standing policy against humanitarian aid (Jiji Press, 2023) and even typically conservative media outlets have softened their stances and published articles promoting some degree of engagement (Yi, 2023).

Considering this, despite the persistence of the old consensus, the policy space appears to be opening for a new approach. If core policymakers can effectively coordinate with secondary policymakers, or if secondary policymakers can form an

effective line of communication, it may be possible to use secondary policymakers to substantiate any “offer” being presented by Japan in the process of negotiation, showcasing that any progress made would not be immediately undone. This is one of the key lessons of 1980s Vietnam; as discussed in Chapter 5, secondary Japanese policymakers in the League for Japan-Vietnam Friendship were able to keep dialogue open and showcase that Japan was still interested, even despite higher-level policy which maintained a firmer line against aid resumption. As with the civil service, this low-level contact was of considerable benefit; now that the policy space is reopening for more inducement-focused strategies, it is necessary to build institutional accord to “seize the moment”, as argued in Chapters 6 and 7. In Vietnam, existing institutional accord allowed Japanese policymakers to do just that by fleshing out the Japanese offer, but in North Korea, similar engagement opportunities in the 1990s were missed in part because accord had not been built, and the opportunity that came with the Koizumi period was in part missed for the same reason. Again, this is a key insight of this thesis and one of its core contributions to the existing literature. The viability and then sustainability of policy enabled by high levels of institutional accord was a key strength in Vietnam, where the lack of or weakness of institutional accord meant that policy ideas were unviable and unsustainable in the case of North Korea because they held little value in the absence of long-term survivability. These are factors which have heretofore not been recorded in the literature.

Finally, the institutional accord model and the historical experience of Japan in Vietnam imply that the lynchpin that would hold any offer together and give it real value to North Korea would be business sector engagement, which has been the real missing link in Japan-DPRK relations and has been sorely missed as a point of analysis in the existing literature. Since 2002, the *Keidanren* has largely backed government policy on North Korea (Keidanren, 2006; Keidanren, 2018), including on both sanctions and diplomatic efforts. However, there has been no interest shown by the Japanese business sector in North Korea since the 1990s. While the *Keidanren* was supportive of the Japanese government extending facilities to promote investment in North Korea as late as 1995 (Tsunoda, 1995), and while some large companies such as Marubeni had sent delegations to North Korea as part of the Northeast Asia Economic Forum (Northeast Asia Economic Forum, 1992b), nothing ever came of these. Moreover, KEDO, as argued in Chapter 6, while

presenting an opportunity on paper, ended up being little more than an expensive warning about the dangers of investing in the DPRK.

As a result, North Korea's on-paper business and investment opportunities remain unrealised. While the nominal value of sectors such as mineral extraction and infrastructure development are high on paper, in practice the extraction of value from these sectors is extremely difficult. Consequently, if Japan's offer to North Korea were to be substantiated, the implication of the institutional accord model is that support would need to be provided for firms to invest successfully. Vietnam enjoyed from an early-stage tacit acceptance by the Japanese government of investing firms, and this allowed for substantiation and rapid expansion of Japan's "offer" to Vietnam in the 1990s. It fleshed out the offer and proved to Vietnam the likelihood of *long-term* institutional accord in Japan. Promoting these low-level ties and investments, even on a small-scale or experimental basis, is a means to build capacity and expertise, but North Korea is a particularly severe environment with exceptional levels of political risk. Ensuring that the full suite of investment support is available, such as NEXI insurance and JBIC-backed loan support, would be a critical necessity, and it would require intensive diplomatic support going beyond this. This again underscores the importance of building institutional accord because without consensus, the offering of such products would be impossible, but without business sector interest, policymakers will feel no incentive to move forward in offering them in the first place. Thus, the implication of the institutional accord model for Japan-North Korea relations is this; only by breaking this double-bind through the construction of institutional accord can such a breaking of the vicious cycle take place; without substantiation from the business sector and a willingness to participate in any economic programme, any offer from Japan will ultimately appear thin, and any moment will again fail to be seized.

### 8.3: Conclusion

This chapter has expanded on the existing literature analysing Japan's existing policy towards North Korea and the causes of its failure, utilising the institutional accord model as a means of both critique and as a means to examine the political imperatives of and implications for future Japan-DPRK relations based on the previous chapters of this thesis. This further develops the existing security literature on Japan-DPRK relations, arguing that Japan's leadership, despite

appearances, has been unwilling to make the unpopular decisions necessary to resolve outstanding issues with North Korea. It has further argued for the necessity of onboarding the public and secondary policymakers who have frequently been considered of low importance or even portrayed as hysterical (Lynn, 2006; Hagström and Hanssen, 2015) in the existing literature.

The implications of this, as contributed by the institutional accord model, are threefold. The first is that the existing iron triangle model is flawed as a means of analysis of Japanese policymaking and outcomes. Institutionally, the role of individuals in marshalling accord has been somewhat neglected, with a high degree of scepticism about Japanese policymaking elites and their intentions being present in the existing literature. Interviews carried out for this thesis pushed back against this; many of the factors discussed in the literature, such as nationalism (McCormack, 2004; Hughes, 2006), victimhood narratives (Lynn, 2006; Hagström and Hanssen, 2015), and conservative political agendas (McCormack, 2004; Hughes, 2009a) were not considered as prominent factors in determining either the course or success of Japanese policy objectives in North Korea. Rather, the major roadblock was the inability of policymakers to use incentive-based options. The traditional model of institutional analysis has failed to see past this; in envisioning traditional institutional actors in the LDP, the business sector and the civil service in Japan as having overlapping interests and being in a state of collusion, it has not examined figures within these institutions and those institutions influencing them from the outside.

This leads to the second implication. The downplaying of the role public opinion in importance in the existing literature, despite its critical importance to certain problems, is not a sustainable position and the existing literature has seriously undervalued the strength of Japanese democracy. The institutional accord model has demonstrated the need for at least passive democratic consent in the engagement of democracies with autocracies; the North Korean case proves that without it, policy is unsustainable and the value of any incentive offer by the democratic country is nil. This chapter has demonstrated that this has had the unintentional impact of making any potential solution to the problems in Japan-North Korea relations extremely costly. Without fresh institutional accord to substantiate the sustainability of any offer, Japanese overtures to North Korea will

ultimately continue to have little value, regardless of open offers of summitry and regardless of the sums of money being proposed. North Korea can see as well as anyone its own unpopularity, but this will make any incentive-based option difficult to achieve for Japanese policymakers.

Finally, and tied to the second and first issues, is the critical role of the business sector in fleshing out any offer. In North Korea, Japan's overtures have little value because the business sector currently provides no backing for them. The business sector will not provide this backing until both the relative level of controversy abates, and until the Japanese government provides the requisite support for it. The government will not provide this backing until the public can be onboarded with the necessity of it. This cyclical logic precludes even the possibility of an incentive-based option being offered. The existing literature does acknowledge the business sector's importance in Japanese diplomacy, but its role in North Korean issues has long been a point of neglect. This thesis has provided a key contribution in examining the importance of the business sector's role in the progress, or rather the lack thereof, in Japan-DPRK relations by showcasing that its absence, as a result of secrecy, as a result of poor prior experience, and as a result of public outcry, severely curtailed the effectiveness of Japan's offer to North Korea from the beginning.

In terms of policy implications, if a summit comes to pass, the primary implication of this thesis is that Japanese policymakers and diplomats will need to be ready for it. Existing policy in sanctions and insistence on adherence to the Pyongyang Declaration will not change anything on their own, as has been proven over the last two decades. If Japan is, in fact, to seize the moment and attempt to fully resolve its outstanding issues with North Korea, of which first and foremost is clearly the abductions issue, then the toll, and the ensuing peril to the political leaders who move forward with it, will be a dear one indeed. However, without a substantial new offer including economic assistance, without paying the bitter price that North Korea will inevitably ask of it, the likeliest outcome is that the remaining abductees will never be allowed to leave and have peace. Without this issue being resolved, via disentanglement from the other issues in the bilateral relationship, it is also unlikely that Japan will ever be able to contribute to the resolution of the other outstanding issues on missile and nuclear development, human rights, and

reunification. North Korea, knowing the desperation of Japanese policymakers and seeing that the clock is ticking for a resolution, is likely to seek to maximise any gains from Japan; however, while this obviously presents a large problem, the simple fact is that the cost will only get higher as the situation becomes even more desperate with the potential for Japanese public anger to grow even further. North Korea is, unfortunately for Japanese negotiators, in a stronger position now than ever, and short of abandonment by its Chinese and Russian partners it is difficult to conceive of a scenario where this position will weaken vis-à-vis Japan.

The likelihood is that Japan must be willing to pay a high price, and for that the institutional accord model has demonstrated that a new consensus is needed. Japan's experience with Vietnam demonstrated the value of the construction of low-level contacts, of maintaining some degree of engagement even when the relationship above is cold, and of having broad institutional accord and a readiness to invest to "seize the moment" when it arrives. North Korea is undoubtedly more difficult to deal with than Vietnam, but this is no excuse; if Japanese policymakers are, in fact, willing to do "whatever it takes" to resolve the abductee issue, then that means nothing, including economic aid, can be off the table. This consensus must include all stakeholders for the offer to be valuable; the business sector, the civil service, secondary policymakers, and civil society actors must be convinced. In a sense, the *Rachi Giren* are correct when they claim that they need the whole weight of society behind them (Furuya and Matsubara, 2022) in efforts to rescue those still trapped in North Korea. This will be a difficult task, and a politically risky one, but a refusal to leave the political safety net offered by the current policy will mean that the policy issues Japan has with North Korea may never be satisfactorily resolved. The only way to break the vicious cycle is with bold action, and with it, bold leadership to overcome the public opinion hurdle if North Korea is ever to be successfully incentivised.

# Chapter 9: The Virtuous Cycle in Vietnam

## 9.0: Introduction

The previous chapter examined why policy to North Korea has largely failed to achieve Japan's stated objectives. This chapter focuses on the opposite in examining why Japanese policy in Vietnam has been successful in the decades since 1992. It argues that institutional accord over Vietnam has been maintained among all major policy actors, with the relationship in the last decade in particular being viewed as a geostrategic and geoeconomic imperative and being backed by a powerful and effective cycle of capital. This is not to suggest that Japan-Vietnam relations have been completely free of trouble. In particular, the Technical Intern Training Program<sup>59</sup> in Japan has been a source of concern for Vietnamese leaders (Ford, 2020; Academic B and Academic C, 2022) and the fact that programmes such as the Japan-Vietnam Joint Initiative and the Ishikawa Project, discussed in previous chapters, were necessary in the first place is demonstrative of the initial difficulties of establishing successful investments in the country. Nonetheless, the relationship has been remarkably stable and has only accelerated in becoming closer in the last decade as security and economic interests have aligned in both countries.

The chapter examines the close mutual interests shared by institutions in Japan over Vietnam, in particular focusing on the steel sector and related industries as a core case study of how cycles of capital have been of mutual benefit. It examines these mutual interests in relation to shared bilateral geostrategic and geoeconomic challenges, with particular references to the expansion of China's power in the maritime domain and the decline of China's attractiveness as an investment destination, showcasing how purely economic interests in Vietnam have become securitised with the passage of time. Ultimately the chapter argues that the maintenance, and indeed deepening of, institutional accord over Vietnam among Japanese policy stakeholders has been a consequence of the intersection of

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<sup>59</sup> The Technical Intern Training Program is a visa programme operated by the Japanese government which in principle is intended to develop workplace skills among participants who will then return home upon the conclusion of the visa. It has faced criticism for not fulfilling its stated objectives and for structural deficiencies which have led to widespread issues of harassment and abuse (Kyodo News, 2022a).

economic and security issues, but that this deepening was only possible because Japanese policymakers “seized the moment” effectively in the first instance and because they continue to “seize the moment” with present-day challenges. Where relevant, it also references the perceived geopolitical imperatives of support for Vietnam from other institutional actors in Japan regarding the diversification of Japan’s economic interests away from China.

Vietnam today embodies many of the same advantages that China once did, even exceeding it in some areas. For example, Vietnam’s manufacturing wages are now considerably lower at \$6.70 per day compared to \$27.50 per day in China, and demography is more favourable for long term growth considering the younger Vietnamese workforce, which falls below the global median and does not have to contend with the aftereffects of population control programmes (Yang, 2016, pp.4–6). As of the end of 2022, Japanese firms have invested a cumulative total of almost US\$69bn across 7,978 projects in Vietnam, making Japan the third-largest overall investor in monetary terms, after South Korea and Singapore, and the second-largest in project quantity terms, after only South Korea (Ministry of Planning and Investment of Vietnam, 2022). In current FDI stocks, Japan holds \$24.66bn of investment in Vietnam. While this is only 16.8% the value of the value of the Japanese FDI stock in China<sup>60</sup> at US\$146.78bn (JETRO, 2022), it is a figure reached despite Vietnam’s economy being only 2.06% the size of that of China<sup>61</sup> (World Bank, 2023d). Japanese interest in Vietnam is clear, and it has been accelerated by a wave of major divestments which have sought to evade the high-risk nature of trading from China. Major examples include Nintendo and Sharp, both of which relocated or semi-relocated to avoid geopolitical risk (Inagaki, 2019).

While domestic competition in certain sectors is stiff, Japanese firms have been able to successfully carve out product niches and create long-term investments. Crucially, while there are certainly challenges and risks present, the Japanese state provides a robust safety net and investment support, and since institutional accord exists these are easily accessible. Indeed, the Japanese government even began, in 2020, to provide JP¥70bn in subsidies for firms divesting from China, with 30 or the 87 recipients given funding to move to Southeast Asia, including towards

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<sup>60</sup> Figures for China are for the end of 2021.

<sup>61</sup> As of 2021, China’s GDP was valued at US\$17.73tn and Vietnam’s at US\$366.14bn.

Vietnam, and including in the critical manufacturing and chemicals sectors (Nikkei Asia, 2020). This section examines what Vietnam represents for Japanese policy stakeholders in economic terms, examining Vietnam's inherent advantages in turn and how they contribute to institutional accord. It further argues that despite the same initial starting point as North Korea, as an authoritarian state with a command economy, the willingness of Vietnam to take Japanese advice to improve the business environment, and the willingness of Japanese policymakers to continue to "seize the moment" have been crucial to the maintenance of institutional accord. In other words, the Japan-Vietnam relationship is not only one of virtuous cycles of capital, but also one of cycles of goodwill and perhaps increasingly one of shared values.

## 9.1: With Steely Determination: Perpetuating the Virtuous Cycle

Present-day Vietnam is a major producer of steel. It grew by 29.7 per cent between 2018/19 to become the fifth-largest East Asian producer after only China, Japan, South Korea and Taiwan, with the latter three all suffering output declines (World Steel Association, 2020b) and with all having significantly larger economies (World Bank, 2023c; International Monetary Fund, 2023). It saw the second-largest growth of any country in the world, a close second behind only Iran, which had 30.1 per cent growth over the same period (World Steel Association, 2020b). Similarly, the related input of iron production has roughly doubled between 2013-2017, making it the 2<sup>nd</sup>-largest producer in East Asia behind only China, and having bucked the trend of decline among other East Asian iron ore producers such as Malaysia, which saw its production decline by around 68 per cent (United States Geological Survey, 2020, 39.15), being one of only two countries in the region to contain significant deposits. This section explores the Vietnamese steel and iron sector in relation to institutional accord and examines how it has contributed to both the establishment and maintenance of institutional accord in Japan's Vietnam policy.

Vietnam's domestic steel industry has grown at significant pace. A crucial generative industry, it has developed in line with burgeoning construction demand, with consumption having grown at a compounded rate of 11.8 per cent per year

between 2000-2018 and consuming in 2018 the largest share of steel among the ASEAN-6, totalling 28 per cent of all consumption<sup>62</sup> (Yeoh, 2020, p.7). Within the ASEAN-6, the construction sector is the largest consumer of steel at 73 per cent, followed by the automotive and ship-building sectors at 11 per cent and 3.7 per cent (Yeoh, 2020, p.12). In Vietnam itself, more than 90 per cent of demand is in the construction sector (Yeoh, 2020, p.13). Growth is expected to continue further, with Vietnam cited as one of the fastest-growing consumers (Yeoh, 2020, p.23). Indeed, should all currently-proposed steel mill projects be completed, Vietnam might in future almost double its steel output, from 20.9 million MT to 39.9 million MT (Yeoh, 2020, p.35). While this is a best-case scenario and may not come to fruition in its entirety, it is indicative of the overall business confidence which exists for Vietnam's steel industry. Considering the clear demand in Vietnam and the surrounding region, it is unsurprising that Japanese steel firms have invested heavily, with companies such as Sumitomo, Nippon Steel, Marubeni and Kyoei Steel among others all maintaining investments in the country (Sumitomo Corporation, 2021; Nippon Steel Corporation, 2021; Kyoei Steel Vietnam, 2021).

Investment in the steel sector was rapid. While these investments were initially only of small scale (Academic D, 2022), the speed, if not the scale, at which Japanese companies invested post-1992 showcases the willingness of Japanese firms to “seize the moment” even if these firms took time to become profitable in Vietnam and faced difficulty initially. Japanese firms all proceeded to develop specific product niches which have allowed them to be successful in a competitive market against state-backed and quasi-state backed competition (Academic D, 2022) and competition from the firms of other major steel-producing countries. This is in large part due to the institutional accord among Japanese policymakers which has supported risk-taking via steps to improve the business environment, via infrastructure development, and via the provision of a powerful safety net. These are all examples of how mutual will – institutional accord – has enabled a powerful virtuous cycle in Vietnam. These are discussed in turn in the following sections.

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<sup>62</sup> ASEAN-6 refers to Vietnam, Thailand, Indonesia, the Philippines, Malaysia and Singapore – the second-largest consumer after Vietnam was Thailand, with 24 per cent (Yeoh, 2020, p.7).

## 9.1-I: Intellectual Property, Legal Assistance and WTO Accession

Chapter 7 discussed the role of the Joint Initiative and the Ishikawa Project in improving the general business environment in Vietnam; this section examines this and other Japanese efforts specifically in relation to the steel sector. This section argues that the Ishikawa Project, the Joint Initiative and related projects were an effective “laying of the groundwork” which would allow Vietnam to attain as quickly as possible a position wherein it would be ready to achieve the economic take-off promised under Japan’s aid philosophy. It further argues that Japanese firms were able to take advantage of improvements made to the business environment made by intellectual and regulatory support, allowing them to make early gains from joint venture investments and technology transfer agreements to gain an early foothold. As a result, it is argued that Japanese intellectual assistance achieved three objectives simultaneously, giving immediate improvements to the investment environment, encouraging inward investment and technology transfer, and preparing for long-term integration into the regional economy. In this sense, it “killed three birds with one stone”.

Within 1990s Vietnam, there was only limited technical capacity in heavy industries, and the development of the steel industry was a significant area of focus for the Vietnamese government during the early phases of the Ishikawa Project with a desire to develop blast furnace technology<sup>63</sup> (Amatsu, 2022, p.294). In these early phases, Japanese private sector firms used their presence to achieve two objectives; first was the establishment of a foothold in a promising future market, and second was establishing themselves as technology transfer partners. Japanese policymakers had objectives in seizing opportunities in Vietnam knowing that it would one day become a major economic power and in seeking to further geopolitical objectives vis-à-vis reducing the influence of China (Pressello, 2014b, p.55). Consequently, there was natural synergy, and the Vietnamese government’s interest in steel made it a natural fit. On the prior issue, the regulatory reforms presented under the Ishikawa Project (and later the Joint Initiative) carried obvious benefits for the business sector in the immediate term while allowing progress in wider regional integration, and technology transfer allowed for Japanese firms to enter the market meaningfully and establish footholds even if

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<sup>63</sup> Blast furnaces are used for smelting in the steel production process.

these investments took time to pay off. This was particularly so as foreign trading houses were not allowed to engage in international trading, further limiting opportunities to do business in the sector (Kawabata, 2001, p.19).

Indeed, before its accession to the World Trade Organization in 2007, Vietnam engaged in practices which might be deemed protectionist and anti-competitive in numerous industries, including in steel, where the state-owned Vietnam Steel Corporation (VSC) controlled much of the industry (Kawabata, 2001, p.11). These practices are normal and expected in the protection of infant industries in developing countries and are considered to be economically sound (Melitz, 2005, p.178), but they obviously disadvantage private sector investors from other countries. With VSC's dominant position, Japanese investments at this time took the form of joint ventures, such as Vina Kyoei, with only one wholly-owned foreign enterprise before 2001 which was non-Japanese (Kawabata, 2001, pp.16–17). and These investments were also mainly small-scale, especially as the Asian Financial Crisis and other issues in the global steel market, such as increased availability of Russian and Ukrainian steel, had a negative impact on Japanese firms (Academic D, 2022). Nonetheless, intellectual support filled numerous roles and assisted in facilitating these early investments. Technology transfer agreements and joint ventures were among the few avenues where Japanese firms could participate, but an effective regulatory environment would first be required to give investors confidence.

From an early stage, Japanese intellectual assistance was given for the improvement of the legal and regulatory environment. In 1995, Vietnam enshrined its Civil Code, which is still in effect, giving specific guarantees on property rights, liability, and intellectual property and technology transfer rights among others (Socialist Republic of Vietnam, 2023). This came with obvious benefits for investing firms, and was created in part using Japanese assistance, complementing other structural adjustment-type programmes also funded in part by Japan through the World Bank and via the individual efforts of Japanese politicians (Rose, 1998, pp.114–115). These efforts were a continuation of Vietnam's own efforts to liberalise from 1986, but as established in prior chapters some of these efforts were slow to take effect and issues remained for private investors into and beyond the period of the Joint Initiative from 2003. There was not so much a “big bang” in

liberalisation as a gradual shift towards it, and Japanese efforts were intended to accelerate this gradual shift. Nonetheless, the upshot for steel firms was that the direction of travel in Vietnam was (and still is, considering the continuation of the Joint Initiative since 2003) provably moving in a favourable direction, mitigating against political and legal risks. The risk in this period was still high, particularly considering the difficult conditions in the global steel market, but nonetheless Japanese steel firms were making small-scale contributions in the joint ventures with VSC, such as Vina Kyoei and Sumitomo via participation in the Southern Steel Sheet Company, with NKK Steel<sup>64</sup> also having once held an albeit unrealised interest (UPI Archives, 1994; Kawabata, 2001, pp.16–17; Southern Steel Sheet Co. Ltd., 2023). As a result, in addition to the mitigation of risk provided by the joint venture investment format, intellectual support acted as a risk-mitigating and confidence-building measure, allowing these early investments to take place. This style of investment allowed Japanese firms to take advantage of VSC's dominant position (even if in a conventional sense it was anti-competitive) in the short term while gaining a foothold for later investment, with the structural adjustment and legal-type intellectual support providing a measure of safety which would otherwise have been absent.

The legal frameworks placed in part by Japanese diplomatic efforts allowed the private sector to participate in an economic activity suited to both the global investment environment at the time (which, again, was not favourable to the kind of large-scale capital investment which would come later) and to the wishes of the Vietnamese government. Part of the reason behind the joint venture format was to facilitate technology transfer, and the development of property rights, liability and intellectual property likely gave Japanese firms the confidence to participate in this. Japanese efforts in intellectual property-related legal technical assistance came particularly early, with preliminary efforts from 1992 and full legal technical assistance from 1996 (Taylor, 2005, pp.264–266). Further support from JICA followed in 2000 on patent administration (Reiffenstein and Nguyen, 2011, p.466), showcasing how Japan's support was consistent and ongoing. Japanese firms were highly concerned about intellectual property theft, particularly after having had negative experiences in China, with Vietnam even as late as 2007 being an (albeit

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<sup>64</sup> Since consolidated into JFE Steel.

distant) second place only to the PRC for perceived counterfeiting and IP theft risk (Reiffenstein and Nguyen, 2011, p.466). Today, several firms extensively reference their proprietary technologies such as Kobe Steel's ITMark3 process or Nippon Steel's NS-ECO PILE, which was part of a technology transfer agreement (Kobe Steel, 2010; Nippon Steel Spiral Pipe Vietnam Co., Ltd., 2019). Considering this, it was a natural area of focus to build investor confidence, even if progress was somewhat slow.

Again, however, the very existence of these programmes would have offered assurance on the direction of travel. The early, targeted engagement with Vietnam on areas of investor concern would have had the natural benefit of increasing the likelihood of technology transfer across all sectors of the economy, including in the steel sector. Today, Japanese steel firms in Vietnam still have an advantage in the production of high-grade, high-quality steel, which has been developed as a specific product niche and which local firms are unable to compete with (Academic D, 2022). While this has disadvantages in the local market, which favours lower-priced, lower-grade steel products from local firms (Academic D, 2022) it is nonetheless exemplary of how even with technology transfer Japanese firms were able to maintain a competitive edge in certain segments, having had their technologies protected in part due to the efforts of Japanese technical assistance. They were thus enabled to make investments at an otherwise risky period of entry. Japanese assistance in this area was just one component of a wider package of initiatives to improve Vietnam's business environment, eventually culminating in the Joint Initiative itself in 2003, backed by the private sector and MoFA together (Hatakeyama, 2008, pp.359–360), further exemplifying institutional accord.

The encouragement of technology transfer and the protection of Japanese intellectual property represent two of the three "birds", but legal and technical assistance also helped Vietnam integrate more fully with the wider region, most notably assisting in allowing it to join the World Trade Organization. Vietnam applied to the WTO in 1995, but 11 years would pass before the application was accepted and 12 would pass before the accession took effect (Thanh and Duong, 2009, p.115). Japan had been a consistent supporter of early WTO accession for Vietnam (Nakano, 2018, pp.329–330). Nonetheless, WTO accession would greatly benefit the business environment in Vietnam for Japanese investing firms by

creating a more level and competitive playing field for investors while spurring further domestic reforms to meet the commitments required by WTO members (Thanh and Duong, 2009, pp.129–130). Considering this, it is likely that Japan’s interest in Vietnam’s WTO accession was intended to accelerate the scale of domestic reform. Ultimately, this led to a more level playing field for Japanese firms as the Vietnamese economy evolved in a similar manner to how Japan itself experienced industrialisation, with protection of the steel industry in the 1950s and 1960s having allowed time for firms to “learn by doing” and develop competitiveness over time (Tōgō, 2010, pp.5–6). Consequently, the approach advantaged both Vietnam and Japan; Vietnam had time to develop a competitive steel industry, and Japanese firms’ patience was eventually rewarded with a more even playing field and regulatory environment and a more favourable tariff schedule.

In this sense, institutional accord permitted a Japanese response incorporating both immediate support for the improvement of the regulatory environment and a long-term goal-oriented approach. This ultimately enabled Vietnam to achieve a long-held objective which was also to the benefit of the Japanese business sector and investing steel companies with constant improvement during the process. In this case, institutional accord represented patience; for the business sector, the long “wait” between Vietnam’s WTO application and its acceptance was mitigated by regulatory improvements assisted by Japanese technical and intellectual assistance. However, Tokyo policymakers’ will to continue to provide this large-scale technical and intellectual assistance was key; Vietnam is a unique case in this regard, as a project on the scale of the Ishikawa Project and its related programmes have not been attempted elsewhere since (Academic B and Academic C, 2022). Without institutional accord, these programmes, being large in scale and using significant human resources, would have been unlikely to last, just as interest in North Korea did not persist among policymakers and business investors following the brief expressions of interest in the 1990s seen in the Northeast Asia Economic Forum and in KEDO. In the Vietnamese case, it is a clear example of the virtuous cycle in action; early business sector interest spurred early policymaker interest, leading to significant regulatory-legal improvements which spurred further business sector interest and further business-policymaker coordination. Without institutional accord, similar programmes, even on a small scale, could not be

replicated in the brief window of opportunity which existed in North Korea, nor would they be able to be replicated today even if outstanding issues were to be resolved.

### 9.1-II: Energy Infrastructure and the Steel Industry

In addition to the legal and regulatory infrastructure, Japanese policymakers took significant steps to improve Vietnam's physical infrastructure. This section focuses particularly on electricity infrastructure, which has been an area of significant focus for Japanese development assistance in Vietnam since the resumption of ODA in 1992, and as noted in Chapter 5, plans had been made via MITI's Institute for Energy Economics even in advance of the resumption (Lincoln, 1992, p.34). Chapter 7 had further discussion of how Marubeni became involved in the Vietnamese energy sector in the 1990s and early 2000s. This section discusses the continuation of these efforts to improve Vietnam's electricity infrastructure through the development of and investment in complementary resources and via the provision of additional loan aid and technical assistance in the 2010s, discussing how this has linked to steel industry development.

Steel is an extremely energy-intensive industry (World Steel Association, 2020a, p.1), and electricity demand in Vietnam as a whole is so high and is growing at such pace that it is the 10<sup>th</sup>-largest coal power generator in the world and with 82% of coal generation capacity was installed since only 2013 (Nguyen, 2023). Coal has been the cheapest source of energy for most the post-1992 period and with Vietnam behind only Indonesia (which exceeds Vietnam's population by almost a factor of three) in installing new capacity between 2008-2017 (Overland et al., 2021, p.5). Japan has been a leading supporter of efforts to build critical energy infrastructure, including in the development of the coal sector and other natural resources. It has taken an integrated approach to development assistance projects across the whole electricity supply chain from natural resource acquisition and transport to generation and transmission capacity, with some 13% of all of Vietnam's generation capacity having been JBIC-financed (JBIC, 2023, pp.3-4). JBIC also notes that this is specifically aimed at improving the investment environment for manufacturing businesses (JBIC, 2023, pp.3-4). At all stages, this has been emblematic of institutional accord; the scale of Japanese support, the targeted nature of it, and the benefits for Japanese firms are consistent across the entire

energy supply chain, and the steel sector has been a major beneficiary. This section examines the coal power sector specifically as it is Vietnam's single-largest energy source (International Energy Agency, 2023). It has also been the recipient of several high profile loan assistance-funded projects, such as the Van Phong I (JBIC, 2019), Vung Ang II (JBIC, 2020) and Nghi Son II (JBIC, 2018) projects, all carried out in close cooperation with the Japanese business sector. Two of the companies – Sumitomo and Marubeni – also have direct steel industry production interests in Vietnam, while the third, Mitsubishi, is invested in the steel industry as a technical contractor via Hoa Phat Steel (Logistics News & Partners Corporation, 2011; JBIC, 2018; JBIC, 2019; JBIC, 2020; Primetals Technologies, 2022).

In coal, Vietnam's reserves largely comprise sub-bituminous and anthracite coal varieties<sup>65</sup> (Le, 2013), although production is almost exclusively anthracite coal (International Energy Agency, 2021). These are not used directly in steel production but are nonetheless widely used as power generation. Coal is the largest single source in the energy mix, and with demand growing despite a growth in other fuel sources such as hydropower and oil, which have also seen investment via both Japan's private sector and ODA programmes (JICA, 2020; International Energy Agency, 2021; JX Nippon Oil and Gas, 2021). Until 2022, coal was the main area of focus through major projects such as the aforementioned Vung Aung 2 and Vinh Tan 3 coal power stations (JBIC, 2020; Nikkei, 2021). Some of the earliest Japanese investments in Vietnam, even before the resumption of ODA, were in the coal sector, although on a relatively small scale at that time (Academic B and Academic C, 2022). On an indirect level, Japan's major steel and energy corporations, including Nippon Steel, Kobe Steel, Mitsubishi Power and Kawasaki Heavy Industries among others are also members of the Japan Coal Energy Center (JCOAL) trade body (JCOAL, 2021a), which provides technical cooperation and technology transfer to Vietnam among other countries in the form of human resource development and so-called "clean coal" technology (JCOAL, 2021b). The upshot for the steel industry, as noted earlier, is that steel is an extremely energy-intensive industry, particularly EAF (Electric Arc Furnace) steel which accounted for 32% of production in 2018 (Chin, 2019; World Steel Association, 2020a).

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<sup>65</sup> Different coal varieties serve different market purposes depending on quality. There are four basic types in addition to peat, which are from highest to lowest quality anthracite, bituminous, sub-bituminous, and lignite coal (U.S. Energy Information Administration, 2022).

Investment in coal power is as a result complementary to the steel industry due to the rapid growth in demand for steel and the ability to quickly add generation capacity via what is perceived as a proven and cheap technology (Vu and Gloystein, 2019), even if it has drawn investor controversy in recent years. This is without even considering the ability to profit from procurement contracts in these infrastructure development projects, which offer an additional avenue for steel companies to extract value from the ODA delivery system, and the ability to benefit from the request-based system, as discussed in Chapter 7 with regard to Marubeni.

In essence, there is a high degree of complementarity between energy infrastructure development, particularly in coal power, and steel production, and this complementarity has been recognised in ODA delivery. The expansion of the steel sector would not have been possible without the energy generation capacity to sustain it, since even with extensive investment in new power generation capacity, Vietnam has little redundancy in its electrical grid and contends with power shortages due to excess demand (VietNamNet News, 2023). This means that for an energy-intensive industry such as steel it is beneficial to have power generation be an area of acute focus. In the long term, generating additional electricity capacity is also likely to lower costs, which is important since in Vietnam energy comprises some 8-9% of the total production cost or more if a plant uses EAF processes (VietnamPlus, 2019). This is clearly emblematic of a virtuous cycle of capital; with more energy capacity, further investment or expansion of existing investment becomes possible, making the justification of even further infrastructure development via loan aid to boost energy capacity possible.

However, this was not inevitable. The development of such infrastructure is expensive and the scale of the Japanese contribution at 13% of all installed capacity is outsized. Without institutional accord, and without the consistency of Japanese support for this type of development in Vietnam, supported also by voluminous private finance due to the co-investment agreements with JBIC and via technical cooperation, this kind of infrastructure investment would have been unlikely. Vietnam has clearly been of particular interest to Japanese investors and officials, being the 4<sup>th</sup>-largest cumulative historical bilateral recipient and the largest on a per-capita basis, with the only countries ahead of it being India, China and Indonesia which have significantly larger populations and landmasses (OECD

Stat, 2023). For Japanese policymakers in recent years, reduction of reliance on China for key imports has been a key goal, and the improvement of the investment environment in Vietnam and the fostering of a warm political relationship has been a key element in national strategy (Sang, 2021, p.4). Close business-government-recipient country linkages in countries like Vietnam are key to this strategy (Yoshimatsu, 2017, p.500). The steel industry was a key strategic target of Vietnam's government, it needed additional generation capacity, and Japanese policymakers were willing to assist in facilitating it to create a closer relationship with Vietnam. This virtuous cycle was possible because institutional accord allowed for the "seizure of the moment" by providing what was needed to facilitate both Vietnam's desire to expand the domestic steel industry and the needs of the Japanese business sector.

North Korea also has severe issues with energy, and KEDO shows that Japan was at least somewhat interested in the North Korean energy sector prior to the discontinuation of the project. North Korea's energy security issues are severe and have gone unresolved for decades, with frequent power outages, failing infrastructure and supply constraints (Han, 2020, p.452). These should in theory represent low-hanging fruit for any future development programme, but Japan will be unable to offer solutions, either in benefit of North Korea or in benefit of its own business sector, without institutional accord. In Vietnam, the expense factor was overcome because there was a broad consensus that overcoming it would be in the interests of both Japanese investors and Vietnam itself, but without the interest of investors, the expense factor may not have been resolved. In Vietnam, it was possible to provide this assistance to the benefit of the steel industry and the wider investment environment because of the existence of the virtuous cycle caused by the mutual interest of the private sector and the state. However, the vicious cycle present over North Korea prevents such bold initiatives from even being floated, let alone implemented.

### 9.1-III: Procurement Dependencies and Technical Standards in Major Infrastructure Projects

Transport infrastructure has been another area of significant focus for Japanese ODA to Vietnam, again boosting the general business environment through the improvement of logistics networks and the increased ease of transport and

shipping. These are general business environment improvements – essentially public goods – in the same way as the electrical infrastructure discussed in the previous section. However, steel firms in particular are able to benefit from major infrastructure projects through the use of technical standards which create dependencies in both short term and long-term procurement. This section particularly focuses on the North-South Express Railway Project, with some of this research having previously been published or presented (Kaizuka, 2021; Kaizuka, 2023c).

For steel firms, High Speed Rail is a particularly enticing market. The North-South Express Railway project will begin construction before 2030 and be completed by 2045, connecting Ho Chi Minh City and Hanoi at a cost of \$59bn being covered in part by Japanese loan aid (Duy, 2023). It is perhaps the pinnacle of complex, large-scale infrastructure projects by Japan and follows similar projects under construction or confirmed in India and Thailand (Jain, 2019; Pattaya Mail, 2023). Under the route proposed in the JICA feasibility study, the railway would cover a distance of 1541km with the proposals being based around the use of E5-Series *Shinkansen* or similar, as are being used in the Indian HSR<sup>66</sup> (Japan International Cooperation Agency et al., 2019c; Japan International Cooperation Agency et al., 2019b; National High Speed Rail Corporation Limited, 2021, p.21). Railway construction obviously consumes enormous amounts of steel, both directly for tracks and trainsets and indirectly for the construction of viaducts and other steel-reinforced structures. In the long term, further steel products must also be purchased for maintenance purposes.

JICA's feasibility study recommends the use of JIS-60kg/m rails on the Vietnamese NSER. In the Indian HSR project, the use of International Union of Railways (UIC) 60kg standard was considered, but issues of the affinity of the rail profile with wheel tread on E5-series *Shinkansen* were considered potential issues, meaning that JIS-60kg rails were ultimately selected (Japan International Cooperation Agency et al., 2015, 9.161; Japan International Cooperation Agency et al., 2019a, 3.3). Other than Japan and India, these rails are only used in Taiwan, which also uses *Shinkansen* trainsets although slightly modified with some European-derived

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<sup>66</sup> This refers to the Mumbai-Ahmedabad High Speed Rail Project, which is currently under construction (Japan International Cooperation Agency, 2023).

components in the wider network design (Chang, 2010, p.162). Assuming that the procurement costs were similar to those in Japan itself, annual maintenance would cost roughly 2.6 million yen per kilometre, or 4.05bn yen in Vietnam across the entire route (West Japan Railway Company, 2023). This is only considering the rails and it assumes that the level of double-tracking is proximate to the amount on the JR West network. The procurement cost would increase or decrease accordingly with more or less double tracking depending on the specific construction circumstances of the railway. In any case, this represents a significant amount of finance. Likewise, on the rolling stock, *Shinkansen* use numerous novel manufacturing techniques and complex proprietary components (Kaizuka, 2023c, p.4). Even Taiwan, a country with a similar level of wealth to Japan (Kawate, 2022), appears to have no domestic production of JIS-60kg rails despite the need for long-term reliance on imported steel, having not developed a domestic production line since 1998 when the track commenced construction (Railway Bureau of Taiwan, 2019; China Steel Corporation, 2023; Kaizuka, 2023c).

Japanese firms do greatly benefit from this. Nippon Steel in particular has a monopoly on *Shinkansen* wheels and axles, a major market share in bogie manufacturing, and 60% of the Japanese steel rail market (Nippon Steel Corporation, 2020; Nippon Steel Corporation, 2023b; Nippon Steel Corporation, 2023c). While its enterprises in Vietnam do not yet have a long products division (which would be the type expected to manufacture rails), it does have construction, flat and pipe divisions (Nippon Steel Corporation, 2023a) and would undoubtedly have an advantage in terms of experience, manufacturing-related capital goods, and track record if it ever did decide to produce these products locally. Of course, it would stand to benefit even if these goods were to be imported from Japan. Nippon Steel, and other Japanese manufacturers producing to JIS, have an inbuilt advantage over those which do not as other firms would have to invest heavily in capital goods and research and development to become competitive, and these costs would ultimately make them uncompetitive in an international competitive bidding scenario. Consequently, they will be able to benefit from long-term dependencies caused by the direct use of JIS, with the rails themselves being only one limited example in a project which is highly technically complex.

Regardless of the potential for Japanese firms to benefit, \$59bn, even if only partially given and given under the rubric of a concessional loan, is a vast sum of finance. The HSR project in India is already the recipient of the largest single loan ever given under Japanese ODA (Japan International Cooperation Agency, 2023), and will ultimately have 81% of its financing through Japanese loan aid through a 50-year concessional loan with 0.1% interest (Wilkes and Takenaka, 2017). The Vietnamese NSER is a much larger project than even this. Indeed, the cost is so high that one interviewee was open in expressing their personal reservations about the project's viability (Academic B and Academic C, 2022) due to the scale and the market conditions, and the original feasibility study's passenger data survey was conducted prior to the emergence of Vietnam's low cost airline market (Kaizuka, 2021, p.10). Nonetheless, the Japanese government and private financial institutions are interested in pursuing the project (Onishi, 2019), despite these costs and risks, and the project carries obvious symbolic value for Vietnam itself in connecting the north and south of a once-divided country.

The fact that such a level of financing can even be entertained in discussion is evidentiary of both the virtuous cycle which has taken hold between Japan and Vietnam (insofar as ever-more ambitious projects have become possible) and the high level of institutional accord which exists. To achieve a position wherein a large-scale project which can benefit the business sector in this manner, to the degree that it can essentially even act as a recurring revenue stream, institutional accord would be an essential prerequisite. However, the support from the civil service and government would be unlikely if not for the benefit to the Japanese business sector and the commensurate interest therein. Without accord from all policy stakeholders, Japan's aid and diplomatic machinery would not be in a position to provide such financing, and it is only with exceptionally strong institutional accord that such a project is even conceivable. The Vietnamese NSER may or may not be constructed, but if it does go ahead, Japan's policymaking machinery will only have been able to have "seized the moment" to the mutual benefit of the business sector, the public sector and Vietnamese stakeholders because broad institutional accord exists around the continuation and importance of ODA to Vietnam. It has been made further possible because Vietnamese stakeholders can see the clear unity in Japanese policymakers as a sign that the project's financing would be secure in the long term.

The prospect of high-speed rail in North Korea is obviously remote. Nonetheless, other transport infrastructure projects, including conventional rail and road transport, may at some point present similar opportunities. However, with the lack of institutional accord, there is little chance of ever being able to “seize the moment” if it ever arrives for such projects to take place. For example, in conventional rail, Japanese loan aid covered some 83% of the cost of Ho Chi Minh City Metro Line 1, an urban railway project only 20km in length and also incorporating Japanese firms such as Sumitomo, Shimizu, Maeda and Nippon Koei, and is projected to cost \$2.5bn (Preston, 2022) despite being a considerably smaller-scale project than the NSER. While there are clear benefits to these projects for the Japanese business sector, without institutional accord, it is unlikely that such large sums of money will be made available when even humanitarian aid is currently off the table. Again, state and business interest are both necessary; with one missing, the other will not move either. In North Korea, business sector interest in the transport sector may be even harder to marshal because, unlike with the major projects in Vietnam, there is less likelihood of the use of Japanese technical standards to create long-term dependencies due to the presence of other stakeholders. This is especially true in a potential reunification scenario wherein South Korean standards are likely to be preferred, notwithstanding the legacies of standards imposed by Japan during the colonial period. The first step to building a virtuous cycle is to break the vicious cycle, but without bold action either by the Japanese state policymakers or by the business sector, the vicious cycle will remain.

#### 9.1-IV: The Glove Protecting the Hand Which Grasps the Nettle: The Safety Net

If the NSER represents a potential pinnacle of Japanese investment in Vietnam, the Thach Khe Iron Mine project represents perhaps a nadir. Iron is obviously a vital component of steel production, and as a result, Japanese steel firms in Vietnam, such as the aforementioned Vina Kyoei, enjoy a degree of integration with local iron firms, especially Hoa Phat, Thai Nguyen Iron and Steel Joint Stock Company (TISCO), and Viet-Trung Mining and Metallurgy (Kawabata, 2016). However, this is not for a lack of trying to create a fully functioning vertical supply chain of their own. The main example of this is Kobe Steel, which purchased a large stake in the Thach Khe Iron Mine, which would have been the largest in Southeast Asia, and

planned to build a \$1bn plant to produce iron nuggets for steel production for which it received formal permission from the Vietnamese government in 2010 (Vietnam Investment Review, 2018). It aimed to use its own novel production process to extract iron from low-grade ore mined at Thach Khe (Vietnam Investment Review, 2018). Kobe Steel had even intended to supplement this with a dedicated seaport, allowing it significant control over the entire supply and production chain (Reuters, 2011). However, these projects were scrapped after significant local opposition to the mine at Thach Khe, with environmental and public health concerns along with a lack of capital from the initial Vietnamese Thach Khe Iron Joint Stock Company and disagreements over capital contributions among the investing companies having ultimately led to the abandonment of the mine (Vietnam Investment Review, 2018; Hung, 2021b). Kobe Steel even attempted to save the mine at one point by offering an injection of capital, although the specific amount has never been disclosed and it was not implemented in practice (Vietnam Investment Review, 2018).

Kobe Steel's 'grand plan' for Thach Khe and iron nugget production would have been a hugely expensive undertaking for the firm, and it would not have attempted such investments in the first place if it did not see the potential for profitability. Thach Khe is, on paper, a hugely appealing investment for a steel company. As previously noted, it would have been the largest iron mine in Southeast Asia (Vietnam Investment Review, 2018), and it has strong potential integration into Vietnam's steel and, ultimately, construction industries, both of which are booming. Yet despite having powerful backing from the private sector, the mine currently sits abandoned and may never reopen (Hung, 2021a), all but eliminating the prospect of Kobe Steel's production plant. However, Kobe Steel's ill luck is also emblematic of the importance of the supportive apparatus of the Japanese state – NEXI insurance guards against the precise risks which caused the failure of the Thach Khe project and the iron nugget production plant. Overseas investment insurance is the focus of this section, although it is only one of several tools including others such as partial project financing and export credit insurance.

Thach Khe itself suffered from a high degree of political and business risk. From the outset, on both local and national levels, environmental risks were cited in addition to questions over the economic viability of the mine (Vietnam Investment Review,

2018). The only confirmed purchaser of iron ore was the Hoa Phat Group, and even Hoa Phat was only committed to purchase iron from Thach Khe until 2021 after initial plans to also sell to Formosa Ha Tinh Steel were deemed unviable due to the properties of the ore (Vietnam Investment Review, 2018). The project had never been approved at the provincial level, and it had even been opposed by senior ministers, including the then-Minister of Planning and Investment, although it continued to have the support of the Ministry of Industry and Trade (Vietnam Investment Review, 2018). Moreover, in an exemplary case of “too many cooks”, the Thach Khe iron mine’s joint stock company had, at one point, nine major shareholders (Linh, 2013), not including Kobe Steel, and had a complex history of share sales with no single company having a dominant stake and with seemingly no individual company willing to take responsibility for the project. While jointly owned companies are common in Vietnam and in the steel industry (for instance, China Steel and Nippon Steel Vietnam Joint Stock Company (CSVC) has six investing firms<sup>67</sup> (CSVC, 2021)), Thach Khe’s difficulties were compounded by the numerous roadblocks faced by the mine as time passed, including the difficulties processing the ore, the potential difficulty selling it, and the opposition at various levels. Ultimately, the leadership necessary to push the project forward through this opposition was not forthcoming, and all the investing parties were ambivalent about the potential return on investment if attempting to “save” the mine. The project’s final doom was heralded by the Vietnamese government’s iron ore export ban; with a limited domestic market and a stringent export control system in which exemptions were granted only on a case-by-case basis (Kawabata, 2015, p.247; A. Minh, 2019), the project’s viability suffered. This signalled the end of both the mine and the iron nugget plant project (Vietnam Investment Review, 2018).

While it is impossible to determine with certainty whether Kobe Steel took out NEXI insurance for the Thach Khe investment and the iron nugget plant, these projects both strongly fit the profile expected of NEXI-insured projects, and most of the major risks would be covered under a standard Overseas Untied Loan Insurance agreement. In particular, the iron ore export ban, which began in 2012 (A. Minh, 2019), two years after Kobe Steel’s initial investment and a significant

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<sup>67</sup> China Steel Corporation, Nippon Steel Corporation, Nippon Steel Trading Corporation, Formosa Ha Tinh Steel Corporation, Chun Yuan Steel Industry Co., Ltd. & Hsin Kuang Steel Co., Ltd. (CSVC, 2021).

component of the project's failure (Kawabata, 2016, p.24), would have been covered under clauses protecting against import and export restrictions. It is also likely that under commercial risks, the failure of co-investors to provide the requisite capital (Vietnam Investment Review, 2017) would have been covered as a result of the joint venture being suspended or discontinued (Nippon Export and Investment Insurance, 2016). Vietnam may be a relatively stable country with a reasonably safe business environment, but these risks remain, and for investors having a safety net remains an important consideration in investment decisions. As of 2021, some 503 firms were beneficiaries of NEXI insurance in Vietnam (Nippon Export and Investment Insurance, 2021), underscoring the importance of NEXI as a facilitator of FDI and as a perpetuator of the virtuous cycle.

As mentioned in the previous chapter, in North Korea, NEXI underwriting has never been attempted in any category and is categorised as not set because no company has ever attempted to purchase it. The interest simply does not exist to attempt to break the cycle of mutual disinterest; state support of any kind is unlikely to be forthcoming without business interest, but without business interest the state is also unlikely to move to offer any support of its own. Without bold leadership to break this vicious cycle, Japan will never be ready to “seize the moment” and flesh out any future diplomatic offer to North Korea. Any offer will appear fragile at best without the backing of the business sector, but the full state apparatus must be ready before the business sector even begins to consider the prospect of involvement in the North Korean economy, and institutional accord is a necessary prerequisite of this. In Vietnam, this kind of insurance underwriting is possible because of the robust institutional accord which exists – state policymakers recognise the importance of investment in Vietnam due to the robust interest of the private sector, and as a result a robust “safety net” is enabled to encourage further investment. Even where business and political risks are high, investment can be attempted with institutional accord in place providing the requisite support from the state apparatus; without it, however, the private sector will be unlikely to act alone.

### 9.1-V: Institutional Accord in Vietnam: It Takes Two (or more) to Tango

Across this entire chapter, the recurring theme has been institutional accord. National resources are finite, and the sustained high level of aid to Vietnam, in

support of both the country itself and the Japanese business sector investors who have chosen to do business there, has only been possible because institutional accord was in place. Because institutional accord existed at every stage to give the requisite financing and human resources required to improve the business environment, build the Vietnamese economy, and foster closer Japan-Vietnam relations, Japan succeeded in fulfilling all of these objectives simultaneously. Within the rubric of the request-based system, Japanese policymaking institutions have at every point been able to “seize the moment” and offer the financial and human resources necessary to complete large-scale projects in Vietnam in the forms of loan aid and technical assistance, accelerated in recent years by the growing imperative of reducing reliance on China. Actual implementation and reinforcement through programmes such as the Joint Initiative and the Ishikawa Project have created a positive feedback loop of business sector investors suggesting improvements in both regulatory and physical infrastructure, the Vietnamese government largely listening to these suggestions, the Japanese government offering robust assistance to actualise them, and the private sector in turn proving the worth of these projects to both the Vietnamese and Japanese governments by offering even further investment capital.

This is a powerful virtuous cycle in action. While Vietnam and North Korea differ in that the Vietnamese government was more willing to incorporate the feedback of business sector investors, in the Vietnamese case the key difference has been the consistently high level of institutional accord. Whenever opportunities presented themselves in the form of requests, Japanese policymakers and business sector actors were ready and they reacted accordingly. With intellectual support for improving the business environment, the Ishikawa Project was of unparalleled scale and as previously mentioned a project of similar scale has not been attempted elsewhere (Academic B and Academic C, 2022). Similarly, the Joint Initiative has been resoundingly successful, continuing to achieve high project completion rates (Voice of Vietnam, 2023) and being highly regarded by all participants with direct experience of working with it (Academic B and Academic C, 2022; JICA Employee A, 2022; JICA Employee B, 2022). The positive feedback loop has been present because Japan’s fundamental “offer” to the Vietnamese government officials who initiate requests and who meet with Japanese private investors has been substantiated with both funding (from state policymakers) and

investment (from the business sector). The expectation that this will be forthcoming is key to the strategy of inducement being pursued; simply put, because of the relative state of institutional accord in relation to each country, Vietnam can see that Japan's offers are serious, where North Korea can only expect further acrimony and sees high risks of cancellation or reversal.

In Vietnam, robust support from the Japanese state, both within and outside of the formal ODA system, was instrumental in building accord among private investors. The support given on developing intellectual property law and a level playing field in the business environment (culminating in WTO accession), the support given on constructing physical infrastructure, the opportunities provided via the proliferation of Japanese Industrial Standards (JIS) to create long-term procurement and servicing dependencies, and the "safety net" offered by overseas investment insurance and related products were all beneficial to the business sector, as evidenced by the steel industry case study. Core policymakers' longstanding geopolitical interest in Vietnam, recognised early for its importance in Southeast Asia and deepened in recent years by an emerging consensus of the need to reduce reliance on China (Nakasone, 1983; Pressello, 2018; Nikkei Asia, 2020), has seen a willingness to support Vietnam on an extremely large scale, and this has been followed by sustained, extensive business sector investment. Indeed, one interviewee noted that government officials tended to examine issues in terms of "the big picture" in contrast to local JICA staff who were more implementation-focused (JICA Employee B, 2022). Secondary policymakers have also shown interest. Backbenchers, including the continuing Japan-Vietnam Friendship Diet group which is directly descended from Sakurauchi Yoshio's group in the 1980s, make frequent trips to Vietnam and in some cases take interest in individual projects, such as the Vietnam-Japan University project, in addition to occasional symbolic gestures of friendship, such as organising events to celebrate the 50th anniversary of Japan-Vietnam diplomatic relations (JICA Employee B, 2022; Vietnam News Agency, 2023).

However, it was interest in Vietnam by the Japanese business sector which blazed the trail in the first place, and as business sector investments in Vietnam have deepened so too has the perceived importance of Vietnam for Japan. The business sector's responsiveness to the public sector's provision of the measures mentioned

in the preceding paragraph was also key in ensuring their continuation. It perhaps acted as a retroactive justification of the policy of aid provision but provided incentive to do even more to improve the Vietnamese business environment and provide opportunities for investors in the increasingly clear and deepening national interest of Japan itself. This virtuous cycle has perpetuated, and it continues to grow in the form of increasingly ambitious private and public-private projects. The NSER mentioned above is one example, but others include Tokyu Corporation's investment in the ambitious Binh Duong New City project, valued at USD\$1.2bn in solely private capital for the development of real estate projects but also supported by JICA in the formation of public transport and water supply planning (JICA Employee B, 2022; Becamex Tokyu, 2023; VietnamPlus, 2023). Without such large-scale investments, and without the voluminous presence of Japanese firms in Vietnam taking advantage of the provisions made possible by the Japanese state, there would be little justification for such provisions to continue, but as the scale of invested capital grows, there is increasing justification for even deeper aid and trade ties. This is what North Korea lacks; until either the Japanese state or the Japanese business sector attempts to break the deadlock and takes bold initiative to alter the situation, either through the promise of economic cooperation programmes including steps to improve the business environment and protect Japanese businesses, or through investment by Japanese firms to build a small-scale local presence and develop low-level ties, then the vicious cycle is likely to continue and only perpetuate further. In Vietnam, the business sector led the state; in North Korea, neither state nor business sector seems willing to take the risk.

## 9.2: Conclusion

Vietnam's transformation since *Doi Moi* has been nothing short of epochal, and Japanese aid and investment have played a large part in facilitating this transformation. In 1992, Vietnam had a GDP per capita of just US\$141.4, which by 2022 had increased by a factor of almost 30 to US\$4,163.5 (World Bank, 2020b). In the early 1990s, Vietnam's challenge with electricity was how to connect its citizens to the electrical grid with fewer than half having access at the time (Asian Development Bank, 2011, p.7). Now, Vietnam's economy is booming to the degree that the grid struggles to keep up with demand, with a forecasted growth of 10%

per annum until 2030 (United States International Trade Administration, 2022). In the early years of *Doi Moi*, foreign investors were not even allowed to move around freely (Academic B and Academic C, 2022); today Vietnam is the largest recipient of Japanese FDI in ASEAN (Yamada, 2021) and has one of the best overall business environments among all lower middle-income countries, being 7<sup>th</sup> of 47 and scoring particularly highly on property registration, electricity access, and construction permits (World Bank, 2023a). Indeed, it is difficult to overstate the scale of transformation and economic growth which Vietnam has enjoyed since 1992.

Japanese policymakers and investors have been present at every stage since 1992 enabling these transformations, and institutional accord has enabled this, creating a deep, powerful, and sustained virtuous cycle of capital. Initial institutional accord allowed Japanese policymakers and investors to “seize the moment” when it was offered, with robust support offered to help investors overcome initial hurdles both in terms of regulatory and physical infrastructure and in terms of providing additional value for investors via both the promulgation of technical standards which favour Japanese firms and in the provision of safety net mechanisms. This has been rewarded with voluminous business opportunities in Vietnam for investors and an extraordinarily close political relationship. The support offered was vast in scale and required resources; without institutional accord it could not have been provided, and the comparison between Vietnam and North Korea has clearly showcased this. While it is true that Vietnamese policymakers were more willing than their North Korean counterparts to accept the assistance of Japanese policymakers, the willingness to “seize the moment” to make the large-scale financing and political decisions necessary among policy stakeholders to achieve core policy objectives is a key outcome of the presence of institutional accord. This has only deepened in recent years with Japanese policymakers seeking to diversify Japan’s trade and production away from China, a political shift from which Vietnam has been a major beneficiary.

However, the presence of this willingness is one which has been sorely lacking in North Korea policy in Japan, even over urgent and precise objectives such as the resolution of the abductions issue. In essence, Japanese institutional accord over Vietnam led to a highly effective seizure of the moment on pursuing the objective of

building a closer relationship and developing economic ties. In North Korea, a *lack* of institutional accord meant that Japanese policymakers and other stakeholders were rarely able to seize the moment on the limited windows of opportunity which did exist, such as KEDO, the 2002 Summit, or the 2018/19 Inter-Korean and US-North Korean rapprochements. The continued lack of it has meant that leadership has been lacking in seeking the consensus necessary to make difficult foreign policy decisions to achieve objectives in Japan's interests. Rather, a vicious cycle has set in, with no single stakeholder willing to risk breaking the diplomatic status quo. Where Vietnamese policymakers were able to clearly see that Japan's offer would be robust and sustained and that Japan would be a reliable partner with institutional accord, North Korea has only been shown the opposite. Again, the *Rachi Giren* are correct to claim that the weight of the whole of society – institutional accord - is necessary to achieve their objective of rescuing the abductees (Furuya and Matsubara, 2022). Vietnam did not engage in similar acts against Japan, but its long isolation followed by startling transformation, alongside the positive outcomes of Japanese diplomatic and aid policy, proves the *Rachi Giren's* point in offering strong evidence of what can be achieved where the whole weight of society *is* behind a specific objective.

# Chapter 10: Conclusion

## 10.0: Summary of Findings

This research project was beset numerous times with the issue that prospective interviewees acted with incredulity at the idea that Japan's relationship with North Korea would ever proceed beyond sanctions and deterrence, and some dismissed outright – quite forthrightly - the validity of a comparison between North Korea and Vietnam. This thesis has challenged this viewpoint, and the validity of the comparison was confirmed in the data collected from interviewees at the highest levels of the Japanese policymaking apparatus. North Korea and Vietnam began in similar positions at the end of the Cold War; North Korea chose to double-down on autarkic isolation under *Juche*, while Vietnam chose the path of reform and opening following in China's footsteps, even going so far as to employ the advice of a Japanese expert on China's economic reform in Ishikawa Shigeru. Japan's policy responses to both, while of course far from being the exclusive reasons behind these outcomes, contributed to each case, and this thesis has proved that institutional accord, or lack thereof, in the Japanese policymaking apparatus was a significant factor.

This thesis has explored the outcomes of institutional accord in various policy engagements by Japan with North Korea and Vietnam across an approximately thirty-year timeframe. As has been argued numerous times through the course of the thesis, in those thirty or more years, Japan's relationship with Vietnam has gone from strength to strength, with Vietnamese economic growth, in part the result of Japanese efforts, FDI, and foreign aid, representing the best possible results of Japanese engagement and aid. In that same timeframe, a recalcitrant North Korean regime has continued to pursue a path of belligerence; it is little exaggeration to say that Japan-DPRK relations have reached something of a worst-case scenario, short perhaps only of outright armed conflict. In one bilateral relationship, the most effective virtuous cycle that either country could ask for; in the other, an eternally perpetuating vicious cycle which seems impossible to break.

This thesis has consistently argued that Japan was able to achieve its foreign policy goals in Vietnam and failed to achieve its foreign policy goals in North Korea in large part because institutional accord was present or absent, and that the level of

trust it enabled increased Japan's bargaining power. This allows for the drawing of two generalisable conclusions; that institutional accord or the lack thereof has significant implications for the prospect of whether policy will succeed or fossilise, and that consensus is highly beneficial in ensuring policy objectives are met in diplomatic engagements with autocracies. Conversely, the lack of consensus makes policy more likely to fail and it makes it more difficult for democracies to achieve their goals when engaging with autocracies. This conclusion expands on these points drawing on evidence from earlier parts of the thesis.

## 10.1: Institutional Accord, Policy Sustainability, and Policy Fossilisation

The resources which Japan poured into Vietnam, in terms of both financial and human capital, were vast. Indeed, as noted in Chapter 7, the intellectual aid offered by the Ishikawa Project was unprecedented in scale and has not been repeated elsewhere and was spoken of with universal praise by those who participated in this project. However, this thesis argued that this scale of support would not have been possible without a high level of institutional accord being in place. It characterised the Ishikawa Project in particular as an emblematic and powerful example of Japan having “seized the moment”, with the request-based system of aid practiced by Japan having meant that the request for support came directly from the Vietnamese government, by no less than Communist Party Central Committee General Secretary Do Muoi himself (Amatsu, 2022, pp.290–292). A continuous and rigorous application of the principle of recipient-country ownership (International Development Center of Japan, 2002, p.12; Ohno, 2018, p.64; Amatsu, 2022, p.306) abrogated the possibility of Japan's support being perceived as in any way coercive, even though Japan was in an economic and geopolitical position where it could have leveraged the power imbalance if it had so wished.

This supports the notions in liberal internationalist and neo-idealist theory that regime type matters in determining trustworthiness and in predicting state behaviour (Kydd, 2007, pp.20–21; Tallis, 2022, pp.115–116). Even in relation to North Korea, it was clear that the settling of wartime-era historical issues and the safety of abductees were the primary motivating factors (Ministry of Foreign Affairs Official A, 2022; Cabinet Member A, 2023) rather than power-seeking, while

in Vietnam the construction of genuine interstate trust was seen as one of Japan's successes (JICA Employee A, 2022; JICA Employee B, 2022). This strong and mutually trustful relationship is regularly referred to by both Vietnamese and Japanese officials in rhetorical terms (Ministry of Foreign Affairs, 2015; JETRO, 2021; Viet, 2022; JBIC, 2023). While Keating and Ruzicka (2014, p.767) caution against the value of relying on rhetorical notions of trust, citing issues in the US-Japan Alliance, this is also backed by robust practical measures such as the continuing Vietnam-Japan Joint Initiative and an expanding Strategic Partnership (Ministry of Foreign Affairs, 2006; Ministry of Foreign Affairs, 2015). This thesis has argued that mutual trust as a result of institutional accord was a significant component in allowing Japan and Vietnam to create a virtuous cycle of capital by allowing both to "seize the moment" on each other.

At every stage, trust was maintained that the Vietnamese would take on Japanese advice, and conversely the Vietnamese side maintained faith that if they did then investment would follow. Toe-dipping by Japanese firms soon morphed into headlong dives as business opportunities presented themselves; Kyoei Steel entered in 1994 and became a platform for the steel industry in conjunction with partner companies in Itochu and Mitsui (Kyoei Steel, 2023a; SteelOrbis, 2023). Firms such as these, alongside others, were able to participate in the large-scale infrastructure aid which followed, such as in the electricity generation sector, following plans which had been drawn well in advance of Japan's resumption of aid in 1992 (Lincoln, 1992, p.34). Electricity projects in particular became an area of significant success for Japanese firms; only one year after the resumption of ODA, the Phu My and Pha Lai thermal power plants had agreements signed (Japan International Cooperation Agency, 2013, p.3). While not solely attributable to Japanese aid, within two decades of the resumption of ODA, electrification in Vietnam was practically complete, having risen from only around 50% of households in the late 1980s and early 1990s (Asian Development Bank, 2011, p.1).

This is embodied in both the Ishikawa Project and the Vietnam-Japan Joint Initiative; in the prior case in particular, Japanese policymakers provided the requisite human and financial capital *without using it as leverage*. Rather, discretion, per the Hoffman (2002, p.394) conceptualisation of trust, was granted

to Vietnamese policymakers on whether they wanted to follow through on Ishikawa's advice, and this level of discretion was only able to have been granted with institutional accord on the Japanese side. This was previously argued to have been a leap of faith, but Vietnam reciprocated without economic coercion from Japan. The absence of such leaps of faith in North Korea policy are the opposite outcome; no Japanese policymaking institution would have granted any discretionary power to North Korea precisely because there was no trust at all that North Korea would not have used it to harm Japanese interests. However, Vietnam in particular would not have been in a significant position to harm Japan back - any harms to Japan would have been either minimal or related to opportunity cost. In this unbalanced relationship, Japan showed considerable restraint and policy consistency in line with Larson's (1997, p.704) construction of trust. Again, institutional accord is both what allowed Japan to trust Vietnam, and what allowed Vietnam to trust Japan.

This led to a virtuous cycle of request-reward-invest in Vietnam. A request would be made, the request would largely be followed through on, and business sector investment would follow. Strong institutional accord permitted this. It essentially unlocked the full scale of Japanese state and private capital resources, both financial and human, for investment in Vietnam, and it precluded the need for Vietnam to seek those resources from alternative sources. Japan's seizure of this particular moment, in bringing Vietnam in from the Soviet cold to the warm embrace of an enthusiastic new source of investment and assistance, was nothing short of a triumph within the context of the history of Japanese aid. It was aided in this by the state of "positive zero" which existed prior to 1992. The low-level investment carried out by firms such as Mitsui/Shinwa and Nissho Iwai (Sudo, 1988a, p.137; Hirata, 1998a, p.149), as well as the continued interest of high-level politicians like Sakurachi Yoshio (Kesavan, 1985, pp.1132-1133; Hirata, 1998a, pp.147-148) and high profile people in the private sector such as the case of Sony Chairman Morita Akio who led private lobbying groups as discussed in Chapter 5, fleshed out the Japanese offer. It would have been very clear to the Vietnamese that any progress they made in negotiations would not have fallen by the wayside with a change of administration, and that any regulatory changes vis-à-vis intellectual property and other legal protections, would have been likely to have been rewarded. Japan's negotiating position at all points was thus a strong one with a

fundamental “offer” which was backed by obvious, powerful, and robust-looking incentives. Supporting all of this was a powerful Japanese state apparatus, including investment protection and political risk insurance and other systems to ensure a robust safety net for investing firms, incentivising them further, and a willingness to buck the wider trend against loan aid, which the business sector heavily favoured, during this timeframe.

None of this was true of North Korea. The limited opportunities which *were* present, in the early 1990s, were largely squandered and institutional accord failed to be constructed. Kanemaru Shin’s attempt was argued to have been doomed from its inception; his inexperience angered MoFA and placed MoFA civil servants in an impossible situation, with the promises made during his excursion becoming a stumbling block for the better part of the proceeding decade with many concessions deemed “problematic” (Tōgō, 2010, p.185). The timing also did not work, with the bubble collapse having precluded accord from other parts of the civil service for whom norms were shifting towards fiscal conservatism, and with Japan’s policy partners in both Washington and Seoul having been infuriated by the venture (Fouse, 2006, pp.139–140). Kanemaru had been very much alone in his efforts, with institutional accord having been almost completely absent. This normalisation attempt never had any realistic chance of succeeding and Kanemaru’s “cowboy diplomacy” approach was something which MoFA in particular would not have tolerated.

This was followed by small-scale Japanese interest in the Northeast Asia Economic Forum, from which no investment was ever actualised, and KEDO which, as argued in Chapter 6, likely only proved to the business sector how difficult North Korea was as a business environment even with multilateral backing and large sums of invested capital with an obvious reward waiting at the end of the process (Northeast Asia Economic Forum, 1992a; Northeast Asia Economic Forum, 1992b; Kartman et al., 2012). KEDO, in particular, should have been a keystone enterprise in “how to do” North Korea for the business sector. On paper, it had the safety, stability and scale of a large state-backed (in this case, multilaterally-backed) project with voluminous opportunities for procurement, technical expertise, logistics, construction, financial services, and other sectors, and some Japanese

firms were indeed engaged in the procurement and financial services processes (Kartman et al., 2012, pp.24, 96; Carlin, 2021).

Nonetheless, all of this was carried out largely against public, private sector and even policymaker accord. As argued in Chapter 6, it was essentially a product of *gaiatsu*, particularly after 1998's Taepodong Missile Test when across all elements of the Japanese political system – left and right, public and private, government and opposition – there began a push away from engagement approaches on North Korea (Solingen, 2010, p.3). In its place, a push towards defensive and deterrence-led approaches such as the purchase of Ballistic Missile Defence systems took over the policy discourse (Solingen, 2010, p.3). If even a weak state of institutional accord did ever exist, North Korea's provocations and belligerence undid it quickly, in contrast to South Korea where the Sunshine Policy was upheld even despite these same provocations. Japan's political system, collectively, found itself unable to take a "leap of faith" on North Korea at this time, in contrast to the Kim Dae-jung administration of South Korea or what Japanese policymakers did in Vietnam. The wider policy landscape of Japanese overseas development assistance was also unsuited to business sector involvement, with steady shifts away from the structural factors from which they had benefited previously and from which they were benefiting in Vietnam in the forms of loan aid, and to a lesser degree tied aid. Again, this is in accord with the neo-idealist and liberalist notion that regime type is important in understanding and predicting how states will act and how much they can be expected to uphold agreements (Kydd, 2007, pp.20–21; Tallis, 2022, pp.115–116). However, this works both ways; autocracies are assumed to be more likely to make more volatile and aggressive decisions (Kydd, 2007, p.20), as North Korea did in the Taepodong test and the other examples mentioned in Chapter 6. However, democracies, while less likely to seek conflict (Kydd, 2007, p.21), are also liable to policy change insofar as they hold regular competitive elections, and their publics react to the actions of autocracies in turn as the Japanese public did to North Korea's provocations.

Likewise, whatever weak state of institutional accord which may have existed in the weeks leading to the 2002 Summit was completely unable to overcome the revelations which came to light about the abductions issue after it. After this point, any real opportunity for bilateral engagement was dashed, and without a complete,

verifiable, and irreversible settlement to the abductions issue, it is unlikely that such opportunities will emerge ever again. Nonetheless, returning to 2002, the weak state of institutional accord was a key reason the policy of pursuing normalisation or engagement could not be maintained. The public opinion and secondary policymaker backlash was simply too strong, and core policymakers and civil servants were forced to adjust accordingly. Any talk of engagement or inducement – even with the Koizumi administration’s reticence to use the “glittering sword” of sanctions (Hughes, 2006, p.469) – was impossible outside of multilateral engagements such as the Six-Party Talks, and even then any talk of economic inducement was firmly caveated in the need for a resolution to the abductions issue.

This thesis did confirm, through interviews, that economic factors, particularly in steel and in energy, were discussed at the highest levels, but those same interviews were also emphatic in confirming that without a resolution to the abductions issue these inducements would not have been forthcoming. They were also essentially unsubstantiated with there having been no real business sector interest in North Korea as the hardening *Keidanren* line on the country demonstrated. Matters were complicated further still by the tumult of the 2006-2012 revolving door period in Japanese politics which saw six prime ministers and two governments within the space of six years before Prime Minister Abe was returned to power in 2012. Even prior to 2002, the thesis argued that in contrast to Vietnam, a state of negative zero with little interest within Japan’s policymaking architecture towards North Korea existed. As a consequence, for North Korea, any policy steps by the Japanese government could have simply been undone by a more hawkish, and at this time probably imminent, successor. This latter point is expanded in Section 10.2.

In the end, this materialised as a vicious cycle. Unable to offer concrete incentives, and with sanctions already effectively maximised, Japan’s leverage, and North Korea’s trust in it to follow through on promises, evaporated. For North Korea, it was losing nothing by not giving concessions to Japan since it never had much of an economic relationship with Japan in the first place. This factor has been made even worse over time as Japan’s economic leverage has increasingly been challenged by China, the presence of intermittent engagement-oriented South Korean governments, and increasingly Russia as the latter has become more

internationally isolated after the full-scale invasion of Ukraine. Within Japan itself, the increasing desperation over the abductions issue and the growth of North Korea's military threat have created a consensus around a set of policies which have remained largely unchanged for the better part of two decades, with adherence to the Pyongyang Declaration, maintenance of sanctions, and an open offer of summitry comprising the core components of the Japanese approach. Chapter 8 examined why these have not achieved results for Japan. While the author viewed these policies and the reasons behind them with sympathy and did not doubt their underlying principles, they were also staunchly criticised as having failed to produce results. Japanese policymakers have doubled down on pressure, with adherence to these principles offering something of a safe "comfort blanket" in the absence of leadership to challenge this consensus. Because of this, the approach to North Korea has fossilised, and paradoxically the cost of incentivising North Korea has become much higher. Without accord, any incentive will hold little value because North Korea will see the absence of the business sector and the prospect of swift breakdown as critical weaknesses in any Japanese offer. Japan must be ready to *seize the moment* with a real and concrete offer the next time just such a moment arrives. The Trump-Kim Summits were squandered as an opportunity despite the best efforts of the Abe administration, and readiness to seize the moment can only be achieved with bold leadership to challenge the existing consensus despite what may be a high political cost.

More broadly, these two case studies showcase the value of consensus in foreign policy engagements. In the Vietnamese case, robust consensus led to a powerful and highly sustainable virtuous cycle. Investment led to more investment, with the Japanese public sector, the Japanese business sector, and the Vietnamese government working closely together in a relationship of mutual trust and goodwill. This was unlocked in large part because a broad consensus existed. Japanese core policymakers and civil servants agreed that it was in the national interest to pursue a close relationship with Japan and allocated huge amounts of resources into pursuing this relationship, while OIIs (with the exception of *gaiatsu* in the earliest post-1992 years) were also highly supportive of a closer relationship. Japan's fundamental offer was first substantiated, then upheld. As the years passed and Japan and Vietnam became more and more intertwined, state support and private investment both continued to deepen. Consensus and

institutional accord drove this, first allowing for the initial seizure of the moment, and then ensuring the policy's success and sustainability in the long term. In North Korea's case, the precise opposite occurred – the requisite institutional accord never existed in the first place for the seizing of the moment to happen, and thereafter the lack of institutional accord created fossilisation around policies which have failed to work. Achieving institutional accord in one led to sustainable policy, failing to achieve it in the other led to policy failure and fossilisation.

As noted in the previous parts of the thesis, the consensus focus and the linkages between the state and the business sector in Japan are largely viewed critically within the existing literature and are viewed as an entrenched part of the Japanese political system (Hayao, 1993; Curtis, 1999). Little attention has been paid to the upsides of this; for instance, in the aid space, the request-based system is largely criticised as a vector for business sector profit (Arase, 1994, p.178; Hirata, 1998b, p.326), and yet the findings of this thesis have indicated otherwise. The heavy and proactive involvement of the business sector has been at once the greatest strength of Japan's foreign policy in fleshing out incentive-based offers and the greatest weakness of it in showcasing when an inducement is hollow in its absence. Future research should explore this principle in relation to other case studies, particularly in cases where democratic states are engaging with autocratic states, but perhaps also more broadly in diplomatic negotiations.

## 10.2: Institutional Accord in the Engagement of Democracies with Autocracies

This thesis has argued that institutional accord was highly beneficial for Japan in achieving its policy objectives with Vietnam, but that the lack of it was detrimental in achieving its policy objectives in North Korea. Democracies and autocracies of course vary in form substantially, and each individual country is subject to its own political bargaining processes along institutional and factional lines to greater or lesser degrees. However, in general, it is the case that democracies decentralise power across various individually weaker institutions while dictatorships and autocracies centralise it in a single institution or at the very least a small number of powerful institutions. This is certainly the case with the countries examined in this thesis. Japan's democratic system of governance spreads power across various

political institutions, governmental bodies, and ministries, with civil society actors having significant input via elections and lobbying. The *Kantei*, Japan's executive institution, is variably weak or strong depending on the specific occupant of the post of Prime Minister, with Nakasone, Koizumi and Abe cited as especially strong Prime Ministers, and with the civil service and secondary policymakers in the form of parliamentary factions remaining powerful in political bargaining processes (Zakowski, 2021, pp.3–4). This is typical of democratic countries which practice separation of powers and free and fair elections. While the specific details of the political bargaining processes and the institutional actors involved may differ, broadly speaking the levers of power are relatively dispersed and decentralised, with the prospect of rapid changes as individuals and political parties gain and lose power in democratic governance systems.

Conversely, Vietnam and North Korea are autocratic. Vietnam is a one-party socialist state, but even though it is relatively decentralised and relatively less repressive than others the most powerful institution remains the Central Committee (G. Nguyen, 2022, p.6), and the Communist Party controls all the organs of power with no prospect of open and competitive elections. In North Korea, control is highly centralised in the Supreme Leader himself in a particularly repressive system where all opposition is heavily suppressed. This is why Tanaka Hitoshi took steps to ensure that his North Korean counterpart, the so-called "Mr. X", did have the capacity to follow through on any decisions made as a result of negotiations (Funabashi, 2007). While it would be incorrect to say that these systems of governance are not subject to political bargaining process of their own, in general there is a propensity for a higher degree of continuity since, except for major and exceptional political events such as a coups d'état or dynastic successions, the leadership is essentially "stable" in autocratic systems of governance.

This has certainly been the case in both Vietnam and North Korea. In the prior, national government policy has essentially remained constant in the pursuit of performance legitimacy as achieved via economic growth and the improvement of living standards in order to maintain party control (London, 2022). In the latter, the ultimate objective of maintaining party control has been the same but achieved through military and security development and more stringent totalitarian control.

Economic growth has been pursued but only as a secondary priority. This was initially conceived through the policies of *Songun* (military-first) and the *Byungjin Line* (parallel military-economic development) (Tan and Chung, 2021, p.192), but even as North Korea has rhetorically moved away from these policies it has continued to pursue scientific developments in the nuclear sphere (Baxter et al., 2022, pp.240–241). In any case no, other country in peacetime spends almost a quarter of its GDP on military expenditure (US Department of State, 2021). In the proportion of GDP used for military expenditure, North Korea is surpassed only by Ukraine (SIPRI, 2023), a country in an existential conflict against a much larger aggressor bearing genocidal intent against it in the form of Russia (Snyder, 2022, p.137; Council of Europe, 2023). In essence, for both, the ultimate goal is one of regime survival, but Vietnam has, in broad strokes, pursued economic legitimation while North Korea has pursued autarky and militarism to attain this same goal.

The upshot of this question of democratic changeability versus autocratic consistency is that when a democracy engages with an autocracy, the autocracy will be aware that all forms of engagement are highly tied to a leadership which can only ever be temporary, and that the leadership could be replaced imminently with one which does not wish to offer similar incentives or is unwilling to accept similar concessions. These ideas have been hinted at in some previous works, particularly as they have concerned the United States and the separation of powers there in relation to arms control and other agreements with the USSR and Russia (Adelman, 1986; Oliver, 1997). Indeed, the original work of Alexis de Tocqueville argued that the very principles which made democracies strong made them ineffective in foreign policy, making them prone to changes in design and – in an unerringly prescient prediction in the case of Japan-North Korea relations, unable to “work out (their) execution in the presence of serious obstacles” (Garrett, 1972, p.483). The institutional accord model expands on this literature by exploring its broad applicability and by removing the focus specifically on negative consequences. While De Tocqueville may have been prescient on negative engagements, the existing literature has largely not recognised the strengths of democratic systems in relation to diplomatic engagements with autocracies, where relative unity can lead to both a stronger negotiating position and better policy sustainability.

Chapter 4 examined the evidence around DCCS/CCS and later Prime Minister Abe, asking whether or not his role was one of a spoiler during the Koizumi period, but Abe's actions and beliefs in themselves are in a sense unimportant. All that matters is that North Korea would have *perceived* Abe as a figure looming large in the uppermost echelons of Japan's leadership and would have been acutely aware of his strong views on the DPRK and his reputation as a security hawk. Koizumi, as a particularly strong leader, was able to command loyalty even in the absence of full consensus, which at least allowed the negotiations of that era able to proceed to some degree. Nonetheless, without institutional accord, even a leader of Koizumi's calibre was unable to succeed fully in overcoming the challenge presented by the abductions issue and following through on normalisation and engagement-based policy options. From North Korea's perspective, without a powerful, concrete plan backed by institutional accord on the Japanese side, any offer of economic cooperation, such as the one offered in the Pyongyang Declaration, would have appeared meaningless. In the succeeding years, as Japan shifted between political parties and entered the so-called "revolving door" era of political leadership, for a relatively stable autocracy like North Korea, Japan's leadership was so unstable and prone to rapid change that this problem was only exacerbated. After all, if even Koizumi could not build a consensus in a relatively decentralised political system and marshal the political capital necessary to make unpopular decisions on North Korea, then from the North Korean perspective what hope was there for the short-lived administrations of 2006-2012? While this principle applies to any engagement of a democracy with an autocracy, it would apply doubly where the autocracy knows that it is particularly unpopular in the democracy it is engaging with if adherence to any agreement would lead to potential electoral defeat. At this point in time, it would require a particularly strong, particularly capable leader to overturn the fossilised policy of pressure and make the idea of economic inducement not only palatable across the Japanese policy spectrum, but to build institutional accord around it as a possible solution. This fits with the existing literature on democratic-autocratic engagement, in which it is broadly argued that a strong executive is beneficial in foreign policy-making (Peterson, 1994, p.222; Oliver, 1997, p.472).

On the other hand, in Vietnam, despite similar political turmoil in Japan in the early 1990s including a similarly unstable series of governments including a shift in

ruling parties under the Hosokawa administration, substantial institutional accord, long established across all policy actors, ensured that the relevant financial and human resources were provided to achieve Japan's objectives. Vietnam was as a result able to take Japan's offers of assistance, both in technical aid and in loan aid, seriously. It knew of the collective Japanese desire to invest in it, as proven by a long period of pre-1992 engagement which continued even despite the formal suspension of aid, and it was thereby heavily incentivised to follow through itself on agreements made with Japan because it could be quite confident that even a change of power would not place the trajectory of relations in jeopardy. As the relationship deepened and the mutual economic interests of Japan and Vietnam, and in conjunction the interests of each individual policy actor in the Japanese system, became more and more intertwined, this only deepened further. Institutional accord was therefore not only the enabler of the beginning of the relationship with Vietnam, but also the bedrock of how it was sustained in the years following the full reestablishment of relations in 1992. Vietnam, the autocracy, knew that democratic Japan's fundamental outlook towards it, regardless of who was in power or who prevailed in political bargaining processes, would remain stable and positive. Institutional accord very powerfully substantiated Japan's fundamental "offer" to Vietnam, unlike in North Korea where the absence of institutional accord or the weak state of institutional accord severely curtailed the effectiveness of the fundamental "offer" Japan was making. In both cases, this essentially fits the De Tocquevillian assumptions of the weaknesses of democratic states in foreign policy, but in the latter case, it substantially expands on existing paradigms by showcasing the power of democracies to induce when the problems of the separation of powers and the prospect of internal conflict are overcome. Future research may consider this in relation to other democratic-autocratic diplomatic processes; further comparative case study research using actors beyond Japan, North Korea, and Vietnam would be beneficial in further substantiating this theoretical framework.

These outcomes are again broadly in line with the expectations of neo-idealist and liberal internationalist theories, and contrary to the expectations of realism. This is why *following through* was the focal point of the definition of trust offered in this thesis; for Japan, it needs to feel that North Korea will actually keep its promises in a way which goes against expected behaviour under both neo-idealist and liberalist

assumptions and North Korea's track record, and for North Korea itself, it needs to feel that any inducement offered will be actualised and not withdrawn with a leadership change in Japan. In essence, both sides will have different sets of expectations based on regime type; Japan will be expected to generally be trustworthy but subject to democratic accountability costs, while North Korea will be expected to fundamentally untrustworthy from the outset. They are not assumed to have the same objectives, nor do they conceive trust in each other in the same way.

This again also relates to the concepts of positive and negative zero. Prior to the respective major engagements in 1992 for Vietnam and 2002 for North Korea, this thesis argued that states of positive zero and negative zero were in place in each of these countries. In Vietnam, a robust network of Japanese businesses and secondary policymakers nurtured a relationship and formed a robust base of evidence of Japan's bedrock of interest. In North Korea, low-level contacts were few and far between, largely related to diasporic Koreans living in Japan who identified with the North (Blomquist and Wertz, 2015, p.2) and with only tokenistic support among secondary policymakers who were largely associated with very narrow LDP factional interests (Hughes, 2006, pp.470–471) or the Socialist Party (Blomquist and Wertz, 2015, p.3). Business interest, even at times where the *Keidanren* and individual businesses expressed some degree of interest or when opportunities such as KEDO presented themselves, also never really materialised, and civil society maintained consistently negative views towards North Korea due the latter's provocations and threats such as the Taepodong Test. Under such circumstances, under no definition could Japan and North Korea build trust with each other.

The thesis characterised this as the difference between positive and negative zero, using the metaphor of floodgates. In Vietnam, once the "blockage" in the form of Vietnam's occupation of Cambodia was removed, the floodgate burst open with great force. In North Korea, even had the "blockage" of the abductions issue been removed successfully and normalisation achieved, then very little or no "water" would have flowed in any case. In essence, when positive zero is present, the autocracy has considerably more incentive to accommodate the democracy because it can count on continued and sustained interest even in the event of a

political shift, and without such accommodation the existing interest itself may even be lost. With a state of negative zero, as in North Korea, there is neither an evidentiary base of interest nor any existing interest to lose, meaning that there is significantly less incentive for the autocracy to accommodate the policy objectives of the democracy. As with the wider concept of institutional accord, this theoretical concept would benefit from a greater base of comparative evidence which could be pursued in future research.

### 10.3: Final Remarks

This thesis began by posing three core research questions. The first asked why Japanese diplomatic efforts were largely unable to achieve Japan's foreign policy objectives in North Korea despite a similar starting point to Vietnam in the post-Cold War context, and further asked what factors have applied in Vietnam which have made Japanese diplomatic policy there more successful. The second asked within the Japanese political system what factors led to the generation of diplomatic policy in relation to both North Korea and Vietnam and how they differed. The third asked why the respective vicious and virtuous cycles of diplomatic policy in Japanese-North Korean and Japanese-Vietnamese relations continued to perpetuate, and what lessons could be learned from these cycles. These questions formed the foundation for examining all the case studies and collecting all the interview data obtained through this research project.

The answer to each of these questions has been institutional accord. With the first question, the thesis argued that Japan has largely failed to achieve its policy objectives in North Korea because a lack of institutional accord has made it impossible to substantiate a credible incentive-based offer for the resolution of the major outstanding issues, particularly the abductions issue. Conversely, in Vietnam, the thesis argued that Japan's fundamental offer was considerably more credible, backed by an extant state of positive zero and clear interest across all of Japan's policymaking architecture. Institutional accord allowed Japan to "seize the moment" on Vietnam and not only engage but engage at significant scale; the lack of institutional accord over North Korea meant that Japanese negotiating leverage was weak and offered fundamentally little incentive to the DPRK to accommodate Japan's major objectives. Since that time, continued institutional accord has meant that Japanese engagement with Vietnam has only deepened, while the lack of

institutional accord on North Korea has led to the longstanding fossilisation of an existing policy base which is demonstrably ineffective but has offered a safe and politically acceptable fallback option in the absence of leadership on overturning it. The lack of institutional accord, as argued in Chapter 8, has also “raised the cost” of any incentive.

With the second question, the thesis has essentially argued that the political bargaining processes of Japan are such that the roles of OIIs and their importance in upholding or blocking policy has led to the differing outcomes in Vietnam and North Korea. In Vietnam, businesses, the civil service, secondary policymakers, and core policymakers were all largely in agreement even through the aid suspension period that a close bilateral relationship would one day become a critical shared interest of each individual policy actor and a key national interest for Japan at large. The only OII against this was *gaiatsu*, and in time the collective institutional will elsewhere was enough to overcome this singular, albeit major, blockage through the steady development of low-level contacts and low-level economic engagement. This again contrasts to North Korea. Koizumi’s use of secrecy, as an unfortunate and unavoidable consequence of the nature of the issues he was dealing with, meant that there was little time in advance of the 2002 Summit to seriously engage with other policy actors beyond the *Kantei* and the Ministry of Foreign Affairs. Prior to that, Kanemaru never even so much as tried to engage with other policy actors prior to his announcement that Japan would seek normalisation with North Korea. Since 2002, public opinion and civil society groups, as well as secondary policymakers, have placed a firm block on any notion of engagement, with no advocacy from other groups, such as the business sector, to push back against this. Even where weak institutional accord might be said to have been achieved, such as in the weeks leading to the 2002 Summit, the robustness did not exist to overcome the difficulties created by the abductions issue. Both policy generation and policy outcomes were thereby the results of the relative state of institutional accord.

Finally, this thesis argued that institutional accord led to the perpetuation of a virtuous cycle in Vietnam and a vicious cycle in North Korea. Continued, robust institutional accord has allowed for the full resources of the Japanese state in relation to both ODA, through large-scale loan aid and technical assistance, and

FDI, in the form of a strong set of supportive tools and safety mechanisms for investing firms, to be unlocked, perhaps even to the greatest degree of any country to which Japan has provided ODA. While Japan provided more to China in absolute terms, it failed to secure the long-term stability of the political relationship. The cycle of request-reward-invest which flourished deepened the relationship ever-further. As large-scale infrastructure projects and improvements to the business environment came, so too did further business opportunities and investments, and with that it became even easier to justify further large-scale loan aid and technical aid projects to support these businesses even further. Likewise, as synergies developed across Japan's major investing firms in Vietnam, such as between the steel, construction, and energy sectors, it became easier and easier for firms in these sectors to invest. Today, Vietnam arguably stands as the jewel in the crown of Japan's "economic take-off" aid philosophy, and this was unlocked by institutional accord. Conversely, in North Korea, the inability to build institutional accord around new policy ideas, particularly relating to engagement and inducement-based strategies, has meant that tried-and-failed policies have continued to fossilise within the policymaking architecture. Under these circumstances, and with few options available outside of punitive leverage which has already been exhausted, the prospect of a resolution to the outstanding issues in Japan-DPRK relations remains dim. North Korea has continued to provoke, Japan has continued to sanction, and the cycle has repeated. Koizumi's foresight on how difficult it would be to re-sheathe the "glittering sword" (Hughes, 2006, p.469) has proven grimly accurate in the case of North Korea.

North Korea remains one of the world's great unresolved security challenges. As it continues to provoke and threaten with continued missile tests and nuclear threats and hold abducted Japanese citizens within its borders, the response from the Japanese government has, despite the sincere and dedicated efforts of policymakers, failed to achieve resolutions to Japan's policy goals, even as time now runs out to do so. Conversely, Vietnam, with Japan's assistance, has become a prosperous economy with rapidly increasing living standards, a result on the one hand of Vietnam's own agency and on the other hand Japan willing to seize the moment on the decisions made under said agency. One followed a path of increasing isolation after moments failed to be seized, and the other successfully reformed as moments were successfully seized, with Japanese policy responses

playing roles in each of these outcomes as institutional accord allowed for success or failure in seizing or failing to seize these moments. This thesis has provided fresh insight into policy outcomes in Japanese diplomatic policy through the lens of institutional accord, and the author sincerely hopes that some of the findings contained within can assist in the search for resolutions to the outstanding issues in Japan-DPRK relations, particularly the abductions issue. Again, the *Rachi Giren* are correct in claiming that they need the whole weight of society behind them (Furuya and Matsubara, 2022) – to achieve this institutional accord will require Herculean effort, but it is a necessity if peace is to be achieved in East Asia.

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## Appendix (Ethical Review Approval):

<b>Application reference</b>	FAHC 19-091	<b>Date reviewed</b>	20/08/2020
<b>Project title</b>	Assessing the Political Imperatives of Japanese ODA to North Korea: Public-Private Cooperation and Japan's Potential Role in a Developing DPRK		
<b>Recommendation</b> (Please tick one)			
Approve (please include a brief (min 25 words) explanation below)			X
Approve with suggestions of points to consider prior to carrying out the research			
Minor amendments required before approval can be given			
Major amendments required before approval can be given			
Reject			
Suitable for discussion at FREC meeting?			
<b>General comments</b> (These will be returned to the applicant)			
<p>This is a good application, which is very well prepared and clearly explained. You acknowledge the potential risks, which are several, but having anticipated them you seem able to mitigate or avoid these dangers appropriately.</p> <p>Some comments below for consideration relating to the use of video software and the logistics of the interviews. It would also be worth including a little further clarification on the Information Sheet around the withdrawal process.</p> <p>A degree more candour (for everyone's benefit) about the participant's right to withdraw. That right, so important, is not indefinite – once your thesis is ready to submit and certainly once it is submitted, passed and in the library, that right will be rather in abeyance. I would explain and then a give a plausible end date.</p>			
<b>Application section</b>	<b>Comment</b>		<b>Response required/ amended application</b>

		<b>required/ for consideration</b>
Consent and Info Sheets	A clearer date for withdrawal from the project would be more candid and perhaps forestall a late redaction.	
3.1	Issues with the security of Video calling tools – “alternatively online via VoIP software (such as Skype, Zoom or LINE, the latter being popular in Japan) or email if necessary due to continued travel restrictions”. It might be worth seeking advice from IT support about this, e.g. would it be possible to use Teams?	
3.2	“the participant may request the use of an interpreter”. How will you ensure that the interpreter maintains confidentiality?	
	<i>Redacted</i>	
Please indicate who you would like to review the applicant’s response		Administrator