

Japan's place in global economic institutions and organizations: Reality and future

Hind Abdul Ghafoor Sultan^{1*}, Zainab Abdullah Mankash²

^{1,2}Al-Nahrain University - College of Political Science - Department of International Economic Relations;
hind.merp22@ced.nahrainuniv.edu.iq (H.A.G.S.) dr.zainab@ced.nahrianunvi.edu.iq (Z.A.M.).

Abstract: Japan has a rich history of active participation in various global economic organizations and institutions. It has been able, through its strong economic foundations and ability to adapt in the face of changes and challenges, to influence political decisions and contribute to global economic stability. It strengthens its economic relations with other countries, which led to the consolidation of its presence as a major player in the global economic scene.

Keywords: *Economic institutions, Global economic organizations, Japan.*

1. Introduction

Japan is one of the major economic powers and an active participant in many global economic organizations and institutions. It joins organizations that rely on the principles of free economy and democracy, due to its strength and high ability to employ those elements that reflected positively on its global position. It has a rich history in proactive participations that have established a strong foundation for it in its presence and permanent impact contributed to making it an important player in shaping the global economic scene beyond aspects. Despite the challenges facing the global system of geopolitical tensions and slowing economic growth, Japan seeks, with its opportunities, to strengthen its position and role in the global economic system.

1.1. Importance of Research

The importance of research lies in understanding and knowing the extent of Japan's economic impact, especially as it is one of the major economic powers in the global economic system. It plays an influential and decisive role in international institutions and organizations through its formulation of international economic policies that came from its financial contributions and support for global programs and initiatives. It is a unique model for other countries to benefit from its global economic experience.

1.2. The Problem of Research

The problem of the research is to ask a key question: What is the reality and reality of Japan's position in global economic organizations and institutions? What is the future of the status in light of the changes taking place in the global economic system, from which many sub-questions will emerge:

- 1: What are the most important institutions that Japan has joined and left its global mark in?
- 2: Does Japan have a place in global organizations and forums?
- 3: What is the future of Japan's position in global institutions and organizations considering the changes taking place in the world order?

1.3. *Research Hypothesis*

There is a positive relationship between the state's power and financial support in global economic organizations and institutions. It influences political and economic decision-making that shape the future of the global economic system.

1.4. *Research Methodology*

The inductive approach was used by tracking the parts to reach the faculties, represented by Japan's position in global economic institutions and organizations, using the historical method and the descriptive method. The use of the forward-looking approach is to know the future of that position.

1.5. *Research Structure*

The structure of the research was distributed between an introduction, a conclusion and three demands. The first dealt with Japan's position in global economic institutions, while the second dealt with Japan's position in global economic organizations. The third requirement was spent on searching for the future of Japan's position in global economic organizations and institutions.

1.6. *The First Requirement: Japan's Position in Global Economic Institutions*

1.6.1. *First: Japan's position in the World Bank*

Japan joined the World Bank Group in 1952, which was followed by the implementation of many projects in war-ravaged Japan and loans from the World Bank, including the re-development of the country's economic basis (World Bank Group, 2024a). The total amount obtained by Japan from loans in the period (1953_1966) was (863) billion dollars, and with the beginning of the seventies of the twentieth century, Japan strengthened its position in the World Bank as a creditor country to become the second largest shareholder in the World Bank. Thus, it gains the right to vote within the institution as one of the most important partners and shareholders. Japan also participates with the Foundation in many projects that have been positively reflected in improving Japan's image and enhancing its global influence.

Among the most important of these projects is the Policy and Human Resources Development Fund (PHRD) which is the first and largest software trust fund of the World Bank and funded entirely by the Japanese government since its establishment in 1989 (World Bank Group, 2024b). Its diverse portfolio focuses on technical assistance, advisory services and knowledge sharing activities to enhance the efforts of Member States in addressing complex development challenges. Japan's financial contribution according to the latest statistics for the year 2023 amounted to about (4.7) billion US dollars (World Bank, 2023), and Japan established the Japan Social Development Fund (JSD). In 2000, it is also a joint project between Japan and the World Bank in support of social development projects, poverty reduction and assistance to the most vulnerable and disadvantaged groups in developing countries around the world.

The Fund's grants are implemented by civil society organizations and local governments, which contributed to providing a platform for cooperation between non-governmental organizations and local stakeholders in the development process. It reflected positively in achieving tangible progress in areas that were not related to the Bank's work with the public sector. Since its establishment until 2023, Japan's financial contributions to financing this fund reached about (855) million dollars with a portfolio of 786 projects, and 93 member countries with the minimum and middle income from this program (World Bank, 2023). The Fund's financial report for the year 2023 indicated that the East Asia and Pacific region accounted for the largest percentage of grants (51%), followed by Africa (13%).

Japan's recent contributions to the International Development Association of the World Bank were about (3.4) billion dollars to help countries that suffered financially due to the repercussions of the Covid-19 pandemic. It was launched in 2023 in cooperation with the World Bank a project to diversify the energy supply chain. It is a step to reduce dependence on China in energy, as Japan contributed about (25) million dollars in financing this project, which was called Partnership. This is to enhance the

flexible and comprehensive supply chain. This contributed to the protection of energy security in accordance with the Japanese vision (Kihara, 2023) after it financed and supported loans to countries in times of war, especially in the last bank meeting on 19/4/2024 and issued a statement. It expressed its concern about the crisis of the Russian-Ukrainian war, calling on the World Bank to support Ukraine by strengthening its credit to the International Bank for Reconstruction and Development in the amount of (5) billion dollars in loans granted to Ukraine for the purpose of reconstruction. In addition, Japan has provided \$470 million for the use of public services and direct assistance to the Ukrainian people (Ministry of Finance, 2024).

1.6.2. Third: Japan's position in the International Monetary Fund

In 1944, after the end of the Bretton Woods Conference, the International Monetary Fund was established. It coincided with the establishment of the World Bank. Also, the International Monetary Fund is responsible for maintaining the international monetary system under which international payments are made between countries, as it provides a systematic mechanism for foreign exchange transactions between countries to promote foreign investment and encourage balanced global trade ⁽¹⁾. It also works to achieve sustainable growth for all its member countries, which numbered 190 countries, by supporting economic policies that contribute to strengthening financial cooperation and monetary stability (Heakal, 2021). The Fund relies on shares in its financial structure, in which member countries participate in the Fund, as the share of each participating member reflects its relative position in the global economy, which is measured by rights.

Special Draws is the unit of account in the IMF, and it is one of the main factors that determine the voting power in IMF decisions, which consists of one vote for every 100,000 SDRs in addition to the basic votes (IMF). Special Drawing Rights is an international reserve asset and not a currency, but its value is determined based on a basket consisting of five currencies - the US dollar, the euro, the Chinese yuan, the Japanese yen - and the pound sterling, and it can only be acquired by member countries or the fund itself.

In 1952, Japan joined the International Monetary Fund at a time when it was still recovering from the effects of World War II and the devastation it left behind, in its early membership stage, Japan's role was limited to benefiting from loans and grants for reconstruction and economic advancement, while 1990 witnessed Japan's success in becoming the second in the world among the member countries in the size of the share shares after the United States of America, and is the largest contributor to technical assistance and training in it. Since 2003, in the 2010 Official Development Assistance Report, Japan has focused on strengthening technical assistance to developing countries through the exchange of experiences in post-war reconstruction, policy-making strategies and technologies (Ministry of Foreign Affairs of Japan, 2010), with a focus on low- and middle-income countries in the Asia-Pacific region. It accounted for 50% of approved technical assistance provided through the IMF's Regional Office for Asia and the Pacific, which was established in 1997. In its founding it includes 37 countries including Japan and China.

In 2020, the world witnessed the spread of the Covid-19 pandemic, which caused many financial challenges and crises, especially those faced by developing countries and emerging markets, and within the capacity development initiative launched by the International Monetary Fund. Japan contributed \$ (10) billion in order to help those countries overcome that crisis, as well as to promote tax policy, digitization and inclusive growth of those countries (IMF, 2021). In the latest data issued by the International Monetary Fund for the year 2023, Japan is still in second place globally in the volume of financial contributions from special drawing assets about (30.820.5) million and by (6.47%) of the total Special Drawing Rights in the International Monetary Fund. It is compared to the number of votes amounting to (309.644) thousand votes and by (6.14%) of the total votes (IMF, 2024). This reflected the active role played by Japan in decision-making within the institution, in addition to its pursuit of financial stability and the promotion of the international cooperation among all countries.

1.7. Second Requirement: Japan's Place in Global Economic Organizations

1.7.1. First: Japan's Place in the Organization for Economic Cooperation and Development (OECD)

The OECD is a unique forum of 38 developed countries that embrace the principles of free economy, democracy and the promotion of economic growth, as it provides an environment in which governments can compare experiences and develop standards for economic policies (Bakhit & Dawood, 2024), especially as it is a reliable source of economic data analysis and evidence-based policies that contribute to strengthening transparency and responding to the priorities of OECD member states (OECD, 2024b). The organization officially began operating in 1961, and its tasks included:

- A: Helping governments achieve sustainable economic growth
- B: Work to increase employment and raise living standards in member countries
- C: Maintaining financial stability and developing the global economy
- D: Contribute to the growth of world trade on a multilateral and non-discriminatory basis

Member States rely on the Paris-based OECD Secretariat to collect data, monitor trends, analyse and anticipate economic developments, as well as pursue their efforts to develop common policies and practices (Jackson, 2013).

In 1964, Japan joined the Organization for Economic Cooperation and Development (OECD), becoming the twenty-first member of the Organization and the first from the Asia-Pacific region (OECD, 2024a). Its accession is of great importance, especially after its participation in economic analyses and policy recommendations that contributed to advancing economic development, which not only benefited it. Nonetheless, it also contributed to the development of international trade and investment, accompanied by Japan's financial support for the Organization based on the relative size of its economy (OECD, 2023). Japan is the second largest financial contributor to the organization's budget after the United States of America, according to the latest statistics for the year 2023, as shown in Figure (1).

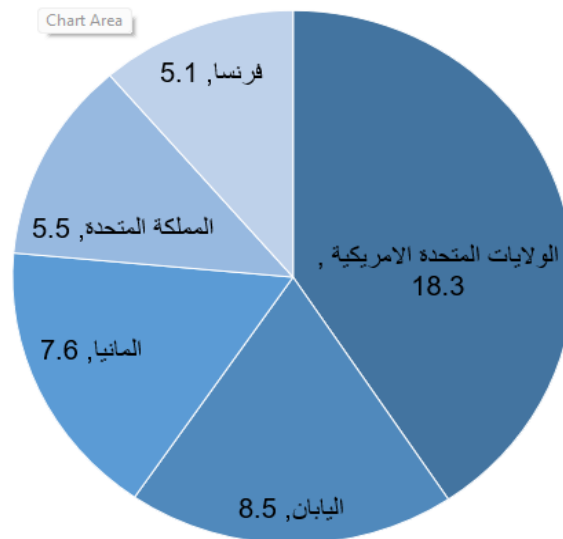


Figure 1.
Shows the percentages of Member States' shares in the contributions of the first part of the 2023 budget.

1.7.2. The Table is Prepared by the Researcher Based on Development Co-Operation Profile (2024)

Looking at the above figure, we find that Japan has contributed (8.5%) of the total contribution of the member states to the budget amounting to (338.3) million euros (OECD, 2024a). Yet Germany followed with a contribution rate of (7.6%) to rank third, while the United Kingdom came fourth with a percentage of (5.5%) followed by France in sixth place with a percentage of (5.1%) of the total budget.

The volume of official development assistance provided by Japan to the Organization amounted to (19.6) billion dollars, representing (0.44%) of the national income. It came in line with Japan's development strategy within the Development Cooperation Charter revised in 2023, which stipulates that Japan will provide development cooperation based on human security in the new era by participating in the creation of social values with various actors (Development Co-operation Profile, 2024).

Japan's financial assistance has not only strengthened its relations with the Organization for Economic Cooperation and Development. It has also had a significant impact on the decision-making process within the Organization by providing core funding for political projects and programmes, and has had an impact on shaping international economic policies.

While Japan celebrates its sixty-year partnership with the Organization for Economic Cooperation and Development ^(OECD) (Policy & Action, 2024). Its membership has played a crucial role in promoting global economic growth, as well as determining the future of Japan. It was able to maintain its position as a major economic power by investing in the opportunity of its membership in the Organization to remain as a developed country in name and content. This is because member states constitute in the Organization three-fifths of the global GDP, three-quarters of world trade and (18%) of the world's population. Members represent half of the world's energy-consuming countries (U.S. Department of State, 2024), while assistance provided by members accounts for more than 90% of global ODA.

1.7.3. Second: Japan's Position in the Asia-Pacific Economic Cooperation (APEC) Forum

The Economic Cooperation Forum (APEC) was established in 1989 to be a meeting point between the economies of Asia and the Pacific and to agree on a policy of openness and economic liberalization. It is the first regional body to adopt the principles of open regionalism by including three groupings (ASEAN, NAFTA and the Australian Free Trade Organization / New Zealand) (Al-Hamid, 2022). It is based in Singapore, and its 21 members aim to create more prosperity for the peoples of the region by promoting balanced, inclusive and sustainable growth and working to accelerate regional integration. The idea of forming this forum dates to the Japanese Prime Minister at the time (Masa Yoshi Ohara) in 1978, who called for the formation of a Pacific grouping concerned with the economy. It was widely welcomed by the countries of the region, the United States and Australia, and the importance of the Cooperation Forum (APEC) comes as it represents one of the most important global blocs and its geopolitical. Furthermore, economic importance lies in its important geographical location and the diversity of its countries, which represent (40%) of the total world population and (55%) of the global GDP. In addition to (44%) of the total world trade ^{movement} (Al-Hamid, 2022). Japan is one of the founding members of the Forum since 1989. It hosted the meetings of the Forum in 1995, in which the OSKA Programme of Action, a program designed to facilitate trade activities, liberalize trade and investment and enhance economic cooperation. Additionally, it hosted for the second time the meetings of the Forum in 2010, which bore the slogan "Change and action" (Asia-Pacific Economic Cooperation, 2024a). It sought to strengthen cooperation with the countries of the Economic Cooperation Forum (APEC) because of its great importance in supporting its economic growth and the external expansion of Japanese companies. So, it finds it necessary to deepen its economic relations with the countries of the region considering the tremendous progress made by cooperation around the world. In the field of trade, the volume of Japanese exports with the countries of the Economic Cooperation Forum APEC, according to the latest statistics for the year 2023, amounted to about (497.657.5) million dollars (Asia-Pacific Economic Cooperation, 2024b).

1.7.4. The Third Requirement: The Future of Japan's Position in Global Economic Institutions and Organizations

Today, Japan is at a critical turning point in terms of growth and leadership in global organizations as Japan's active participation and proactive stance on global issues, including the challenge of the

COVID-19 pandemic. As in the 2021 Diplomatic Blue Book, it reflects its commitment to achieving universal health coverage and sustainable financing worldwide.

Japan's significant contributions to health development initiatives, such as the Special Committee on Japan's Health Development Assistance Strategy, underscore its determination to make a tangible impact in strengthening global health care, to reassess its ODA strategies. It focus on strengthening partnerships with non-governmental organizations, to nurture innovative human resources(JCIE, 2021), and to to strengthen its position as a vital player in advancing global health goals. Japan's extensive participation in major economic entities provides a strong foundation for its future leadership roles with Japan's experience in policy formulation, contributions to global economic stability, and enhanced diplomatic relations.

In short, Japan has a great opportunity, building on its past successes and ongoing initiatives, to strengthen its position as a leader in global organizations by continuing to prioritize vital areas such as health aid, economic stability and diplomatic engagement. Therefore, Japan can play an influential role in addressing emerging global challenges and promoting sustainable development in the international arena.

2. Conclusions

Japan's actual and broad participation in global economic organizations and institutions represented a pioneering model, especially as it is one of the first countries to join the World Bank Group and the International Monetary Fund. Its financial contributions came second only to the United States of America in the volume of financial support and voting power within those institutions. It contributed to strengthening its position as a major player in the global economic scene, and looking to the future, Japan enjoys great opportunities to enhance its leadership in several areas such as sustainable finance. However, it also faces significant challenges in light of the changes taking place in the global system of geopolitical tensions, uncertainty and slow economic recovery, which will require it to recognize and adapt to new conditions in a way that enhances its global position in the future.

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