

Aid Allocation and Burden-sharing

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Abstract

In this study, we examine both the significance and directions of US influence on the allocation of Japanese grants and loans. We first argue that the allocation of Japanese grants is more receptive to US pressure than that of loans because internationally, grants more effectively help the US attain its diplomatic objectives, and domestically, the allocation of Japanese grants is left to the discretion of a pro-US agency. We further explore whether the US pressures Japan to disburse aid to enhance its bargaining leverage or ease its financial burden. Using a new dataset on Japanese Official Development Assistance (ODA) from 1971 to 2009, we estimate both ordinary least squares and two-stage least squares regressions. Our results support the first argument. We also find that Japan's ODA generally flows in the same direction as US aid, although toward democratic recipients, Japan tends to disburse grants to supplement US foreign aid.

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