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Abstract

In this paper, Japan's positive and negative aid sanctions policy toward Asian countries since the introduction of new aid guidelines will be examined and discussed. Japan can choose to impose negative aid sanctions (the suspension or a decrease in foreign aid) on recipient countries where undesirable policy changes occur, while positive aid sanctions (an increase in foreign aid) would be applied to aid recipients that conduct desirable polices in the light of Japan's ODA Charter. The Japanese government implemented four positive aid sanctions in Asia, i.e. in Mongolia, Cambodia, Central Asian republics of the former Soviet Union and Vietnam. However, Japan was reluctant to employ negative aid sanctions in the region despite various violations of human rights in Thailand and Indonesia.

Keywords Foreign Aid, Japan, Asia, Thailand, Indonesia

1. Introduction

In this paper, Japan's positive and negative aid sanctions policy toward Asian countries since the introduction of new aid guidelines will be examined and discussed. Japan can choose to impose negative aid sanctions (the suspension or a decrease in foreign aid) on recipient countries where undesirable policy changes occur, while positive aid sanctions (an increase in foreign aid) would be applied to aid recipients that conduct desirable polices in the light of Japan's ODA Charter (Furuoka, 2006).

The Japanese government implemented four positive aid sanctions in Asia, i.e. in Mongolia (1992), Cambodia (1992), Asian republics of the former Soviet Union (1992) and Vietnam (1993). It should be noted, however, that Japan was reluctant to employ negative aid sanctions in the region despite various violations of human rights and democracy (i.e. in Thailand and Indonesia) (Furuoka, 2006).

2. Positive Aid Sanctions in Asia²

a) Mongolia

The Mongolian government introduced reforms that centred on democratisation and the transition to a market economy. Since 1989, Mongolia has achieved considerable progress in this direction. In July 1990, a general election was held for the first time in Mongolian history. As a result of the election, a new government headed by Punsalmaagiya Ochirbat came to power in September 1990.³ The government worked in

¹ Japan's aid sanctions policy toward Latin American countries, see Furuoka (2007a). Also, Japan's aid sanctions policy toward African countries, see Furuoka (2007b).

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² The detailed description of Japan's aid sanctions policy toward Cambodia, see Oishi and Furuoka (2003)

³ In 1992, Ochirbat won the presidential election.

coalition with opposition parties to form a unified front to tackle economic and political reforms. In addition, a new constitution that permitted all forms of ownership and stipulated wide-ranging human rights was promulgated. The new constitution legally guaranteed Mongolia's democratisation and transition to a market economy (Furuoka, 2006).

To assist Mongolia's efforts in promoting democracy and facilitating a smooth transfer toward a market economy, the Japanese government sponsored an international conference to discuss Mongolia's development. According to *Japan's ODA 1992*, "The Second Mongolian Assistance Group Meeting held on May 28 and 29, 1992 was designed to demonstrate international support for Mongolia's efforts to promote democratisation and move toward a market economy, despite the country's economic difficulties" (MOFA, 1992: 28).

The Japanese government announced it would provide Mongolia with a total of US\$67.5 million in ODA, of which US\$17.5 million were in grant aid and US\$50 million in bilateral loans. Also, in 1993, Japan dispatched 11 specialists to Mongolia (MOFA, 1993: 34). Japan's bilateral grants to that country increased more than six-fold from US\$5 million in 1990 to US\$33 million in 1991, and continued to expand from US\$39 million in 1992 to US\$45 million in 1993, reaching US\$59 million in 1994 (MOFA, 1997: 68).

b) Central Asian Republics of the Former Soviet Union

Five Central Asian Republics of the former Soviet Union - Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tadzhikistan - have been struggling to reform their economic systems and introduce democratisation. Nevertheless, they have yet to show real progress in these efforts. At the present time, each of these republics faces such problems as a deteriorating economy, high population growth and increasing unemployment. The most reform-minded among them are the Republics of Kazakhstan and the Republic of Kyrgyzstan. In Kazakhstan, democratic policies and economic reforms are promoted under the strong leadership of President Nursultan Nazarbayev. Kyrgyzstan, under the leadership of President Askar Akayev, has enjoyed relatively stable political and social conditions (MOFA, 1993: 35).

The Japanese government assists the five Central Asian republics' efforts to transform their political systems into democracies and turning their command economies into market-oriented ones. In 1992, Japan persuaded DAC members to include the five republics in the DAC list for economic assistance. In October 1992, Japan organised the Tokyo conference on assistance for the former Soviet Union where the Japanese government announced it would receive trainees from the five Central Asian republics over a period of three years (MOFA, 1993: 35).

As Japan's ODA 1993 explained, "These countries have never received any development assistance from Japan before, (and) they are not familiar with objectives and working mechanism of our ODA programme... With this in mind, the government invited in April

this year two trainees in charge of coordination of foreign aid from each of these five countries" (MOFA, 1993: 35).

c) Vietnam

Vietnam is another Asian country that made serious efforts to liberalise its economy and implemented a number of reforms in the country's political system. For example, a revised constitution was promulgated in Vietnam in April 1992 after constitutional amendments were passed by Parliament. The most distinctive feature of the new constitution is clear separation of the functions of the Communist party and the government. As for individual rights, the right to leave the country was guaranteed; the right to receive and transmit information, freedom of speech, press, associations and demonstrations were stipulated by law more clearly than before (Furuoka, 2006).

Despite these positive changes Japan had reservations about providing foreign aid to Vietnam due to the latter's involvement in the Cambodian conflict. In 1991, there were significant positive developments in the Cambodian peace process when the Paris Agreements were signed.⁴ As *Japan's ODA 1992* put it, "The Japanese government had long taken the position that until the Cambodian question is resolved, Japan will not resume its aid to Vietnam. With signing of a peace accord in Paris among the warring factions of Cambodia in October 1991, the stumbling block standing in the way of resumption of aid to Vietnam was removed" (MOFA, 1993: 34).

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⁴ Another obstacle for giving ODA to Vietnam was the opposition from the US.

In 1992, to support Vietnam's "Doi Moi" policy, Japan extended a commodity loan worth ¥45.5 billion (US\$346 million). Tokyo planned to give more loans to assist economic and social development in Vietnam (MOFA, 1993: 34).

3. Negative Aid Sanctions in Asia

Asia has strong economic and diplomatic relations with Japan and is a priority area for Japanese foreign policy. Compared to other regions, Asia receives larger amounts of Japanese foreign aid (Furuoka, 2005). The ODA Charter justifies this by stating, "Historically, geographically, politically, and economically, Asia is a region close to Japan... There are some Asian countries where large segments of the population still suffer from poverty. Asia, therefore, will continue to be a priority region for Japan's ODA" (MOFA, 1992: 194).

The Japanese government not only provides huge amounts of foreign aid to Asian countries, it also adopts quite lenient policies toward them. Tokyo repeatedly refrained from suspending foreign aid to some Asian nations despite serious human rights violations in those countries. Even if the Japanese government did impose negative aid sanctions, it altered strict measures as soon as there had been the slightest improvement in the political situation that could be used to justify the resumption of aid (Furuoka, 2005).

Japan's lenient policies in Asia have been criticised by several researchers (see Arase, 1993; Okuizumi, 1995; Soderberg, 1996). Among reasons that can be cited to explain

Japan's reluctance to impose negative aid sanctions on Asian countries the following two factors bear the biggest influence on Japan's policy toward her Asian neighbours.

First, knowing that the memories of brutalities committed by the Japanese army during World War II are still fresh in Asia, especially among the older generations, Japan feels she has a weak legitimacy to criticise the human rights conditions in Asian countries. Second, Asian nations view Western criticisms as interference into their internal affairs. Furthermore, some Asian countries do not recognise "universal values" and counterattack Western ideals by proclaiming so-called "Asian values" (Furuoka, 2002).

To analyse the decision-making process of the employment of negative aid sanctions in Asian countries, this paper will examine Japan's policies in Thailand and Indonesia. Both cases have raised controversy. In Thailand and Indonesia, had the Japanese government obeyed the principles of the new aid guidelines, it would have imposed negative aid sanction. However, in practice, Japan did not do so. However, economic assistance was resumed as soon as Japan found a suitable pretext. What were the rationales for Japan's aid sanctions policies in Thailand and Indonesia?

4. Thailand

a) Background

A leading member of ASEAN, Thailand maintains close economic and political relations with Japan. Japanese presence in Thailand has been growing in terms of trade, investment and foreign aid. In 1995 and 1996, Thailand was respectively the third and the fourth

⁵ Other controversial cases -- Burma and Cambodia -- are reviewed in Oishi and Furuoka (2003)

largest recipient of Japanese bilateral aid.

The Japanese government gives the following reasons for its preferential treatment of Thailand: 1) Japan and Thailand have seen friendly relations progress in political, economic, and cultural spheres, and the two countries have a close relationship in terms of trade and investment, 2) a variety of problems accompanying Thailand's rapid economic growth have become apparent and the country has a great need for assistance (MOFA, 1993: 265-267).

Some scholars question the quality of Japan's foreign aid to Thailand. Orr (1993: 94) notes that although Thailand is one of the biggest recipients of Japan's ODA, Tokyo prefers giving it bilateral loans rather than grants. These bilateral loans represented huge amount of funds and were used for infrastructure projects, such as the construction of new highways or power stations. For comparison, while the cumulative amount of Japanese bilateral loans to Thailand until 1996 amounted to US\$4,169 million, the cumulative amount of the grants until 1996 was US\$877 million (MOFA, 1997: 192-193).

Some researchers point out that Japan's economic and commercial interests are the main driving force behind Japan's ODA to Thailand. As Seekins (1992: 251) notes, "Both sympathetic and critical observers describe Tokyo's ODA as closely linked to Japanese trade and investment in recipient countries. Thailand provides a classical example. Levels

⁶ Some researchers disagree that grants are more desirable for recipient countries than loans. See Furuoka (2006) for the details of the argument.

of Japanese aid, foreign investment, and bilateral trade have all been high".

Satake (1992: 200-201) comments on the lack of accountability and transparency in Japan's foreign aid policy. According to her, the distribution of Japan's ODA in Thailand is controlled by political elites within the Thai government, and it only benefits private companies. She maintains that although the Japanese government has conducted many ODA projects in Thailand, there is a lack of openness and transparency in the implementation of aid projects.

Another controversy arises regarding the use of Japan's ODA for projects that was said to cause environmental deterioration, as was the case with the construction of the Nam Choan Dam, which was partially financed through Japan's ODA. According to Sumi (1990: 34-36), the project's implementation began without consent of the local community. Then the affected people started to protest against the dam construction and received support from non-governmental international lobbyists. In 1988, the Thai authorities finally abandoned the project although the Japanese government never volunteered to stop financing the dam's construction.

b) Coup d'etat in 1991

In February 1991, the elected government headed by Prime Minister Chatichai Choonhaven was toppled as a result of a bloodless military *coup d'etat*. As no consensus was reached among political parties on a candidate for the prime minister's position, an army commander, General Suchinda Kraprayon, was appointed Prime Minister in April

1992. The following month, anti-government rallies demanding the resignation of Suchinda erupted into violence and a state of emergency was declared. Soon after, there began clashes between demonstrators and the combined forces of the police and the military. Forty people died and over 400 were injured in the clashes. The political impasse was resolved through talks between Suchinda and a popular opposition leader Chamlong Srimuang in the presence of the King. After Prime Minister Suchinda promised to resign, the political storm calmed down (Arase, 1993: 948).

Immediately after the *coup d'etat* in 1991, the Japanese government considered employing negative aid sanctions against Thailand. However, no measures were taken (Satake, 1992: 201). While the US quickly reacted to the *coup* by announcing a plan to cut off foreign aid, Japan viewed the *coup* as a minor setback in Thailand's democratic development and continued to funnel aid to the country. What was the rationale for such a lenient policy? *Japan's ODA 1992* gives a brief explanation of the government's stance. The document says that Japan expressed regrets over the bloodshed and hoped for a swift normalisation of the situation. According to the document, "The situation in Thailand was subsequently calmed through dialogue facilitated by the King" (MOFA, 1992: 30).

The account of the political crisis in Thailand given by the former Japanese Ambassador to Thailand, Hisahiko Ozaki, is quite revealing of Tokyo's stance. Ozaki imparted that Japan was neither as dogmatic as the US nor as nakedly unbound by principles as many other Asian countries, such as Thailand itself. He commented, "Our position is somewhere between the US and Thailand... In Thailand, the military is one of several

powerful forces that vie for power, with one of them completely or permanently dominating. This system of check and balance gives Thailand a kind of democracy" (*The Wall Street Journal*, May 20, 1991).

According to another diplomat who served in the Japanese Embassy in Thailand during that period, the confrontation between Suchinda and Chamlong was a power struggle, where Chamlong, being army elite, wanted to become Prime Minister. In his opinion, this anti-government movement was not a genuine democratisation movement, but a conflict between the ruling elites (Furuoka, 2006: 184).

5. Indonesia

a) Background

The fact that Indonesia is one of the biggest recipients of Japan's ODA reflects strong economic and diplomatic ties between Japan and Indonesia. The Japanese government gives several reasons for providing more bilateral aid to Indonesia than to many other countries. First, as a neighbouring nation, Indonesia has strong historical ties with Japan, and is of great importance to Japan politically and economically (e.g. trade, investments). Second, Indonesia occupies an important position for Japan's marine transportation. Third, Indonesia provides Japan with oil, natural gas and other natural resources. Fourth, Jakarta enjoys a prominent position within the international community. Finally, Indonesia, with a population of 200 million, aspired to raise its per capita GNP to US\$1,000 by the year 1999. Taking into consideration all the above, Indonesia needs large amounts of aid (MOFA, 1997: 188-189).

However, negative features of Tokyo's aid policy toward Indonesia do not escape researchers' scrutiny. Orr (1993: 95) claims that Japan's ODA seems to contribute not only to the development of the Indonesian economy but also, to some extent, to the accumulation of the country's foreign debt. According to him, in 1988, Indonesia's foreign debt was US\$410 million, at least one-third of this amount Indonesia owed to Japan.

Furthermore, Murai (1997: 8) comments that for a long time relations between the two countries have been distorted. The distortion concerns Japan's ODA and can be traced back several decades to the time when negotiations for war reparation payments were held. According to Murai, there had been a rumour that the Japanese government tried to obtain a licence for a Japanese oil company to operate in Indonesia in exchange for war reparations.

The Far Eastern Economic Review reported on an important role played by the Japanese Vice Prime Minister Michio Watanabe. Watanabe was said to be involved in a consortium engaged in building an exhibition complex in Jakarta. It was also pointed out that the project was accused to be partly financed with Japan's ODA. Watanabe denied all accusations. However, when the evidence was produced by an opposition legislator, Watanabe is said to confirm that in his capacity as head of the Japan-Indonesia Friendship Association he had encouraged Japanese companies to participate in the project (Far Eastern Economic Review, May 7, 1992: 28).

b) Dili Incident in 1991

After the Portuguese colonial government retired from East Timor, Indonesia invaded the territory in 1975. Since then, serious human rights violations have been rampant in East Timor. Within the first three years immediately following the integration, civil conflict was intense with a lot of casualties. The total number of deaths is estimated to be between 50,000 and 75,000. However, in the 1980s, the situation improved and human right violations decreased (Haseman, 1995: 758).

In November 1991, the political condition worsened again and the situation turned chaotic when hundreds of demonstrators were said to be shot by the Indonesian army in Dili. The international community expressed grave concerns over the killings; Canada and the Netherlands froze foreign aid to Indonesia (Arase, 1993: 947). The Japanese government did not follow suit and decided not to impose negative aid sanctions against Indonesia.

Japan's ODA 1992 explained that the Japanese government preferred to use a demarche rather than negative aid sanctions. During the disturbances in East Timor in November 1991, Japanese Vice Prime Minister and Foreign Minister Watanabe conveyed Japan's concern to the Indonesian government. According to Japan's ODA 1992, this demarche effectively contributed to the improvement of the political situation in East Timor. "The Indonesian government conducted an objective survey of the incident and put together a frank report. The country recalled the military commander, searched for missing persons, and also took steps to prevent another incident, and improve welfare of the local

residents" (MOFA, 1992: 29).

Japan's opposition parties demanded that the government review its aid policy toward Indonesia, but the Cabinet ignored those demands. According to David Arase (1993: 947), "262 Diet members petitioned the Miyazawa's government to review Japan's relations with Indonesia... but when the Indonesian investigative commission made its report on January 7, the Japanese government stated that there was no need to change economic cooperation policies". As this episode shows, opposition parties play a limited role in the policymaking of Japanese foreign aid.

c) Political Chaos in 1998

In 1998, the political situation in Indonesia grew from bad to worse. Six student demonstrators were killed by the police in May 1998. This act was condemned by the international community. Although Tokyo showed concern about the political chaos in Indonesia, it refrained from taking strict measures.

A number of Japanese NGOs criticised the use of military force against unarmed students and sent a written protest to Suharto. A leader of this group expressed hope that the Indonesian government would return to peaceful negotiations and announced his group's intention to urge the Japanese government to suspend grants to Indonesia (*Asahi Evening News*, May 16, 1998). The Japanese government ignored the NGOs demands and continued providing foreign aid to Indonesia. This fact seem to indicate that NGOs, like opposition parties, have no say over Japan's ODA policy.

The former Japanese Ambassador to Indonesia, Kimio Fujita, defends Japan's policy of supporting Suharto. He argues that while it is not far from the truth that Japan did not take efforts to discourage Suharto's authoritarian style of rule, Japan had no intention of helping to sustain the authoritarian regime. Fujita maintains that Suharto was not a dictator because he voluntarily resigned from his position (*Asahi Shinbun*, June 20, 1998).

A MOFA's officer gave the following explanation of the Japanese government's diplomatic stance. According to him, "The Japanese government seemed to believe or to hope that Suharto could overcome current problems and maintain his power. So, in March 1998 Prime Minister Hashimoto went to meet the Indonesian president. It seems that Suharto's resignation was unexpected news for Tokyo, not in terms of the matter itself, but in terms of the timing" (Furuoka, 2006: 187).

Japan's position on Indonesia was in stark difference with other aid donors' stance. Western countries and international organisations demanded that Indonesia introduce economic and political reforms. To put pressure on the Indonesian government, in March 1998, the IMF withheld the second US\$3 billion disbursement for Indonesia. Other organisations, such as the World Bank and the Asian Development Bank (ABD), also put aid to Indonesia on hold mainly due to the pending implementation of reforms (*New Straits Times*, March 16, 1998).

The Los Angeles Times called on the US government to be cautious about its policies in

Indonesia and pointed out that if Clinton's administration did not push Indonesia for political reforms, people would think that the US government supported Suharto's regime. The newspaper compared the situation in Indonesia to the state of affairs during the Islamic revolution in Iran in 1979 when the US had been condemned by the new Iranian government for its support of, and help to, the Iranian king and his government (*The Los Angeles Times*, February 4, 1998).

6. Conclusion

Since the introduction of new aid guidelines, there were four cases of positive aid sanctions toward Asian countries, i.e. Mongolia (1992), Cambodia (1992), Vietnam (1993) and the Central Asian countries (1993) (Furuoka, 2005). Although positive sanctions policies seem to mechanically implement in Asia, no strict negative sanctions can be imposed against Asian countries. It seems that the violations of human rights in Thailand and Indonesia had been serious enough to warrant a review of aid policy.

For example, in 1992, the Freedom House's Human Rights Index for Indonesia was "six" which indicated that grave violations of human rights had taken place in these at country. Also, the human rights situations in Thailand deteriorated in 1991 after the military *coup d'etats* in those countries. The human rights index for Thailand fell from "two" in 1990 to "six" in 1991 (see Table 1).

Table 1: List of Asian countries where Japan employed no negative aid sanctions

Country	Year	Measures	Human	Area
			Rights	
			Condition	
			Index	
1. Indonesia	1991	No aid suspension	Six (1991)	Asia
		_	Six (1992)	
2. Thailand	1991	No aid suspension	Two (1990)	Asia
			Six (1991)	

Source: Furuoka (2005)

Note: Freedom House Index of political rights is used to measure the human rights condition in recipient countries. The index uses a one-to-seven scale and assigns higher numbers to countries with worse human rights conditions.

It seems that the Japanese government was expected to cut foreign aid to Indonesia and Thailand, especially in the light of the new aid guidelines. However, Japan was unwilling to impose the strict negative sanctions against these countries despite fact there were various violations f human rights in these countries.

In short, a trend can be observed in Japan's aid sanctions policy in Asia. It seems that the Japanese government tends to take a lenient measure to the Asian country that has relatively stronger economic ties with Japan. For example, Japan was reluctant to employ negative aid sanctions in the region despite various violations of human rights (i.e. in Thailand and Indonesia).

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