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Abstract

This paper examines Japan's foreign aid sanction policy toward China. The Japanese government seems to be reluctant to take strict measures against China. Only due to strong criticisms from other aid donors did Japan cut aid to China. However, economic assistance was resumed as soon as Japan found a suitable pretext. What were the rationales for Japan's policies in the country? What were the main factors that prevented Tokyo from taking strict measures against the country? This paper assumes that the driving force behind Japan's aid policy is the promotion of Japan's economic interests. As a conclusion, Japan has very strong economic and diplomatic relations with China. The need to maintain good relations with them became the main factor that determined Japan's response to the human rights issues in the country. In other words, oftentimes, economic and diplomatic interests have prevented Japan from using stern foreign aid sanctions against China.

Key words

Foreign Aid, Japan, China

1. Introduction

This paper will examine Japan's foreign aid sanction policy toward China. The Japanese government seems to be reluctant to take strict measures against China. Only due to strong criticisms from other aid donors did Japan cut aid to China. However, economic assistance tends to be resumed as soon as Japan found a suitable pretext.¹ What were the rationales for Japan's policies in the country? What were the main factors that prevented Tokyo from taking strict measures against the country?

This paper assumes that the real driving force behind Japan's aid sanctions policy is the promotion of Japan's economic interests. This means that the Japanese government would take into account economic relations between Japan and the recipient country (i.e. China) when deliberating the introduction of aid sanctions against the recipient.

In other words, there would be a difference in the application of Japanese aid sanctions to those countries that Japan has strong economic relations with to those countries that have weaker ties with Japan.² Therefore, before further discussing Japanese aid sanctions episodes in China, the following section will briefly analyse Japan's economic relations with Asian countries.

¹ Other controversial cases -- Burma and Cambodia -- are reviewed in Oishi and Furuoka (2003).

² For example, developing countries in Latin America and Africa could be considered as the recipient countries that Japan has relatively weaker economic ties. Detailed description of Japan's aid sanctions policy toward Latin America, see Furuoka (2007a). Also, see Furuoka (2007b) for the description of Japan's aid sanctions policy toward Africa. On the other hand, developing countries in Asia, such as Indonesia and Thailand, could be considered as the recipient countries that Japan has relatively stronger economic ties. See Furuoka (2007c) for the detailed account of Japan's aid sanctions policy toward Indonesia and Thailand

2. Japan's Economic Interests and Foreign Aid Policy

Asian countries are important trade partner of Japan and main recipient countries of Japanese Foreign Direct Investment (FDI). According to Furuoka (2007a), in term of international trade, Asia has been important destination for Japanese exports. In 1997, Japanese exports to Asia amounted to US\$ 177 billion while it increased to US\$ 277 billion in 2004.

Comparison with Asian countries, Latin American countries and African countries are relatively minor trade partner. In 2004, Japanese exports to Latin America amounted to US\$ 21 billion while Japanese exports to Africa accounted for less than US\$ 10 billion (Furuoka, 2007a).

In 2005, Japan is one of very important trade partners of China. Japanese exports to China amounted to US\$ 100 billion which accounted for approximately 15 percent of China's total imports. On the other hand, Chinese exports to Japan amounted to US\$ 84 billion which accounted for approximately 11 percent of China's total exports (Asian Development Bank, 2007).

Asia has been the major recipient of Japanese FDI since the 1980s (see Table 1). During the second half of the 1990s, Asia was the major recipient of Japanese investment; the area received US\$12 billion of Japanese investment in 1995, US\$11 billion in 1996, and US\$12 billion in 1997.

Table 1 Japanese Foreign Direct Investment in Developing Countries by Area (US\$ million)

Region \ Year	1981-1994	1995	1996	1997	2004
Asia	66,517	12,264	11,614	12,181	9,388
Latin America	49,917	3,877	4,446	6,336	6,371
Africa	7,351	379	431	240	115

Source: Furuoka (2006)

Although Latin American countries were getting more of Japanese FDI, which surpassed US\$ 6 billion in 2004, amount of Japanese investment in Asia was approximately 50 percent higher than in Latin America. African countries remain minor recipients of JDI since the 1980s.

According to Ministry of Finance (2005), Japan, China is one of very important recipients of Japanese foreign direct investment (FDI). In 2004, China received 490 billion Japanese Yen (approximately US\$ 4.5 billion) as Japanese FDI which accounted for approximately 12 percent of Japanese FDI in 2004.

As seen in Table 2, major recipients of Japanese foreign aid are also Japan's major trade partners. All of the top five recipient countries of Japan's ODA - China, Indonesia, India, Vietnam and, the Philippines and - are among Japan's top ten trade partners. Although Azerbaijan is not Japan's major trade partner, Azerbaijan seems to be economically important for Japan because Azerbaijan's petroleum could become an alternative of Middle-Eastern petroleum.

As data reveals, there are no major recipients of Japanese foreign aid in Africa where many countries, especially in Sub-Saharan Africa, face serious economic problems and urgently require foreign aid.

Table 2 Major Recipients of Japanese Bilateral Aid and Japan’s Major Trade Partners

Top ten recipients of Japanese bilateral aid (2002)		Japan’s top ten trade partners among developing countries, and their share of Japan’s exports (2001)	
Name of Country	Percentage	Name of Country	Percentage
1.China	12.32	1.China	7.7
2.Indonesia	8.00	2.Thailand	3.0
3. India	7.34	3.Malaysia	2.7
4.Vietman	5.57	4.The Philippines	2.0
5.The Philippines	4.73	5.Indonesia	1.60
6.Pakistan	4.48	6.Panama	1.2
7.Thailand	3.31	7.Mexico	1.0
8.Azerbaijan	2.11	8.Brazil	0.6
9.Bangladesh	1.82	9.India	0.5
10.Peru	1.78	10.Vietnam	0.3

Source: data on bilateral aid are from the MOFA (2005)
data on exports are from JETRO (2001)

These findings seem to indicate that the Japanese government continues giving bigger amounts of ODA to the major trade partners. In other word, the developing countries that have stronger economic relations with Japan would receive more Japanese aid.

More importantly, it should be noted that China is the top recipient country of Japan’s foreign aid. At same time, China is Japan’s top trade partner among the developing countries. Because of this Japanese government may be more concerned about hurting

Japan's interest by imposing aid sanctions against an important trade partner, China.

Moreover, the Japanese government tends to give priority to Asia in its foreign policy.³

According to Edward Lincoln (1993: 168), a leading Japanese newspaper claimed, "The end of the cold war opened the way for Japan to pursue an independent foreign policy (using foreign aid as a key element) focused primarily on Asia".

There are two reasons why policymakers in Japanese foreign policy pay special attention to Asia. First, the Japanese identify themselves as Asian. As Ishizuka put it, "The Japanese people understandably are inclined to identify themselves with Asia. This is only natural" (*Far Eastern Economic Review*, December 16, 1993: 24).

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The other reason is "Japan bashing" by the US. American companies often accuse Japan of being an "unfair" country and ask her to open the domestic market. Ishizuka asserts, "These increasing clashes over economic and political issues have led some (Japanese) to see Asianism as Japan's best answer" (*Far Eastern Economic Review*, December 16, 1993: 24).

To sum up, Japan has stronger economic and diplomatic relations with developing countries in Asia, especially with China, than with other developing countries in Latin America or Africa countries. As a consequence, Japan's economic interests may influence Japan's aid sanctions policy toward China. More precisely, Japan may take lenient measures toward China while imposing strict aid sanctions against recipient

³ Detailed discussion on Japan's Asia policy, see Furuoka (2002).

countries which has relative economic and diplomatic ties.⁴

3. Japan's Aid Sanctions Policy Toward China

a) Background

Relations between Japan and China go back to the prehistoric period. Until recently, China has been one of Japan's most important economic and diplomatic partners. According to *Japan's ODA 1997*, China became the second largest recipient of Japan's bilateral aid in 1995. The Japanese government gives several reasons why so much of Japan's aid is allocated to China (MOFA, 1997a).

First, due to geographical proximity, China and Japan have strong political, historical and cultural ties. Second, maintaining and advancing stable and friendly relations between the two countries is conducive to peace and stability in Asia and in the world. Third, the economic relationship between China and Japan is growing deeper and broader. Fourth, China needs substantial funds for the modernisation of its economy. Finally, China, with enormous land and population resources, has a great need for foreign aid (MOFA, 1997a: 194-195).

Orr (1993a: 87) points out that since Japan first gave ODA to China in 1979, Tokyo has been providing huge amounts of money to that country. From 1982 to 1986, China was the largest recipient of Japanese foreign aid. At that time, the US still considered China a

⁴ For example, Furuoka (2007b) argued that Japanese government has taken stern actions against African countries. Furuoka conclude that Japan has weak economic and diplomatic ties with African countries, Because of that the Japanese government is not concerned about hurting Japan's interest by imposing aid sanctions against recipient countries in Africa.

member of the Communist bloc and did not give it economic assistance because foreign aid to the communist countries had been banned under the US Foreign Aid Act.

The Japanese government set special plans to systematically expand the amount of Japan's ODA to China. Seiichiro Takagi (1995: 100) notes that Japan has been by far the most willing provider of foreign aid to China. Japan was the largest aid donor to the country through the First and Second Yen Loan Plans.⁵ During Prime Minister Noboru Takeshita's trip to Beijing in August 1988, the Investment Protection Agreement was signed between Japan and China. The Japanese government announced a plan for the Third Yen Loan Programme (TYLP) and pledged to distribute US\$6 billion in ODA to China from FY 1990 to FY 1995.

Regarding the quality of Japanese aid to China, Tokyo still prefers to provide loans rather than grants. According to Zhao, a distinct characteristic of Japan's ODA to China is a high concentration of bilateral loans, which account for 85 to 90 percent of the total bilateral aid. Zhao (1995: 163) comments, "The primary reason for this type of aid is Chinese emphasis on funds for large-scale infrastructure projects, such as railway, ports and hydroelectric power. From the Japanese perspective, such large-scale projects normally have a high feasibility status and receive better publicity in the international community and are therefore more desirable".

⁵ The First Yen Loan Plan (1979-1984) was introduced by Prime Minister Masayoshi Ohira. The Second Yen Loan Plan (1985-1990) was approved by Prime Minister Yasuhiro Nakasone in 1984.

b) Tiananmen Square Incident

There have been two movements for democracy in China since Deng Xiaoping seized control of the Chinese communist party. The first movement called the “Wall of Democracy” began in 1979 and consisted of citizens posting their opinions. The second movement originated in Anhui Province, where students demanded that provisional elections be held through a democratic procedure. Gradually, the movement spread nation-wide and led to the dismissal of General Secretary Hu Yaobang in January 1987(MOFA, 1989a: 130-133).

After Hu’s death in April 1989, the student movement grew into a series of demonstrations. The development can be divided into two stages: 1) April 15-May 4, 1989 when the attitude of restraint on the part of both students and the government prevailed, and 2) May 13-June 4, 1989 when demonstrations escalated and ended in clashes between the army and the demonstrators (MOFA, 1989a: 130-133).

On May 13, 1989 in protest against the government’s suppression of demonstrations, demonstrators began a hunger strike at Tiananmen Square. At that time the world’s attention was drawn to China because of Mikhail S. Gorbachev’s visit to the country. The demonstrators carried radical slogans that criticised the supreme leaders of the Chinese Communist Party. In response, on May 20, 1989, the government imposed martial law (MOFA, 1989a: 130-133).

From midnight of June 3, until the dawn of June 4, martial law troops was said to used armed force to remove students and citizens from Tiananmen Square. Hundreds of people were said to be killed or to be reported missing during the military operation (MOFA, 1989a: 130-133).

c) Japan's Reaction to the Tiananmen Square Incident

Gaiko Seisho 1989 (Diplomatic Bluebook 1989) gives an outline of the Japanese government's immediate reaction to the events at Tiananmen Square. On the day when the incident happened, the MOFA issued a statement saying that the armed suppression of demonstrators was a matter of grave concern for the Japanese government (MOFA, 1989b).

The following day, the Chief Cabinet Secretary expressed regrets over the incident once again and on June 7, a Vice-Minister of the MOFA called on the Chinese Ambassador in Tokyo and requested that the Chinese government exercise self-control. He also stated that the Chinese government's actions could not be tolerated from a humanitarian viewpoint (MOFA, 1989b: 165-166).

Initially, Tokyo did not plan to take punitive measures against China. However, according to Arase (1995: 943), "After being pressed by foreign and domestic critics, the government froze aid to China, but as a response (to the pressure) and not a sanction".

On June 7, the Japanese government issued travel advice discouraging Japanese citizens from travelling to China and recommended that they leave China; this included Japanese aid-related staff. The advice was a *de facto* measure suspending ongoing ODA projects.

On June 20, the MOFA announced a freeze on new ODA projects, including all preparatory projects for FY 1990 - FY 1995. However, as Seiichiro Takagi (1995: 101-102) points out, “Such measures were taken somewhat later and were presented in either distinctly apolitical manner or with no clear political explanation”.

Several reasons could be offered for Japan’s non-committal response to the events at Tiananmen Square. A specialist on China, Seiichiro Takagi (1995: 102-103) suggests that the historical aspect and fear of instability in China determined Japan’s position. First of all, Takagi claims, Japan was reluctant to take strict actions against China because atrocities committed by the Japanese army in China during World War II were still fresh in mind.

Secondly, according to Takagi (1995: 102-103), Tokyo perceived the danger of isolating and destabilising China. As he put it, “The Japanese government also feared that economic disruption (in China) might lead to political instability, which in turn could create instability in Asia and eventually the world. The fear of possible economic disruption and political instability in China was linked to the concern that Japan might be inundated by Chinese boat people”.

A MOFA specialist on China gave a different analysis of Japan's policy. In his opinion, the Japanese government tried not to antagonize China. If Tokyo resorted to stern actions, Beijing could have assumed a hard-line stance and refuse any suggestions regarding the improvement of the political situation from Japan. On the contrary, if Japan tried to find a way to save China's face (pride), Beijing could be more willing to turn an attentive ear to Japan's advice (Furuoka, 2006: 191).

4. Evaluation

Japan's policy toward China after the Tiananmen Square incident offers a classic example of Japan's diplomatic dilemma of choosing between the promotion of "universal values" and the pursuit of economic and diplomatic interests. Zhao (1995) argues that Japan's reaction to the Tiananmen incident reflected Tokyo's two main diplomatic goals: 1) to be in line with the Western stance by strongly criticising the Chinese government, and 2) to ensure that Sino-Japanese relations would not be damaged.

According to Zhao (1995), desire to be in line with the West explains Japan's decision to impose economic sanctions on China, including the aid cut off and the suspension of all official meetings. However, at the same time, the MOFA declared that the government was interested in maintaining good relations between Japan and China.

Zhao (1995: 67) points out that such a dual position inevitably creates confusion in Japan's policy towards China, "The controversy forced Tokyo to search for a balance among various options, while it was trying to conform to both the West and China".

Arase (1993: 944) argues that a powerful politician played an important role in facilitating Japan's aid resumption to China. Arase asserts that in order to handle an upcoming G-7 summit and clear the way for Japan's new aid plan, the Japanese government suggested that China make a symbolic concession to the Western donors' demands.

According to Arase (1993), during a powerful Japanese politician's visit to Beijing in May 1990, Watanabe asked for the release of dissident Fang Lizhi. In June 1990, the Chinese authorities announced that Fang Lizhi could leave the US embassy in Beijing. Arase claims the release of Fang Lizhi made it possible for the Japanese government to announce at the Houston G-7 Summit the resumption of Japan's foreign aid to China as a reward for the country's progress toward democracy.

Tokyo's course of action toward Beijing was, predictably, dictated by economic and diplomatic considerations. Arase (1993: 945) gives the following assessment of Japan's policies in China, "Thus, not only Tokyo acted consistently to shield China from Western pressure, but in subtle ways has aided the repressive policies of the regime in Beijing. Tokyo is apparently willing to sacrifice democracy and human rights - as well as an important part of its moral and political stature - for a more intimate economic and political relationship with Beijing".

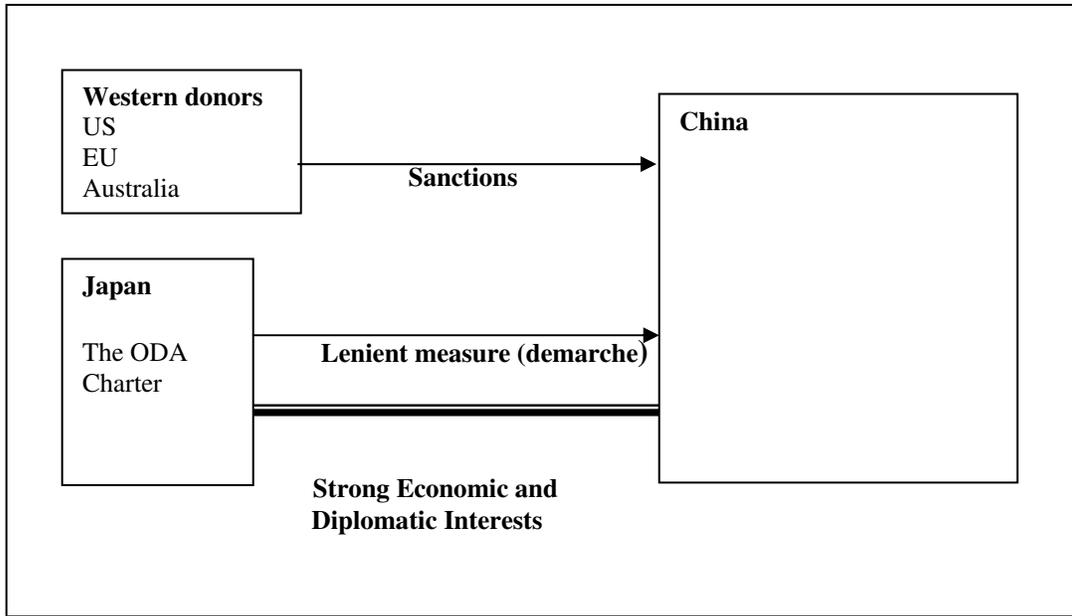


Figure 1 Japan’s Aid Sanctions Policy toward China

To sum up the above, Japan has very strong economic and diplomatic relations with China. The need to maintain good relations with them became the main factor that determined Japan’s response to the human rights issues in the country. In other words, oftentimes, economic and diplomatic interests have prevented Japan from using stern foreign aid sanctions against China (see Figure 1).

5. Conclusion

This paper examines Japan’s foreign aid sanction policy toward China. The Japanese government seems to be reluctant to take strict measures against China. Only due to strong criticisms from other aid donors did Japan cut aid to China. However, economic assistance was resumed as soon as Japan found a suitable pretext.

It should be noted that when the Japanese government yields to international pressures and imposes aid sanctions on a country that represents considerable economic interests, or has special relations with Japan, Tokyo will resume aid as soon as it finds the slightest convenient pretext to do so, even if there are no concrete signs of improvement.

For example, in China, Japan suspended foreign aid in 1989 (the human rights index was “seven”), but resumed ODA in 1991 (the human rights index remained at “seven”) (see Table 3).

Table 3
Aid Sanctions Against China

Country	Year	Measures	Human Rights Condition Index	Area
1. China	1989	Aid suspension (Aid resumed in 1991)	Seven (1989) Seven (1991)	Asia

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.

As a conclusion, Japan has very strong economic and diplomatic relations with China. The need to maintain good relations with them became the main factor that determined Japan’s response to the human rights issues in the country. In other words, oftentimes, economic and diplomatic interests have prevented Japan from using stern foreign aid sanctions against China.

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