

CHAPTER V

CONCLUSION

There is a question that in the 1950s and 1960s, Japan's aid, focused principally in Asia, was one instrument for encouraging the rebuilding and the opening of Japan's export markets and resource import sources. In its early phases, Japan's aid, in the guise of reparations, served important roles of stimulating and in effect subsidizing participation of Japanese trading, construction, and manufacturing companies in international economic activities.

According to the official sources of Japan, its motivation of foreign aid, as for most other countries, is a mix of various economic, political and humanitarian considerations. The economic stand is illustrated by the following statement issued by the Ministry of Foreign Affairs: "Japan is...resolved to continue its efforts to expand and improve its programmes of economic cooperation in the belief that such efforts will contribute to the ultimate goal of establishing economic prosperity and peace throughout the world."⁸⁸ Undoubtedly both world prosperity and peace are greatly desired by Japan for sound economic and political reasons; however, their link with foreign aid is yet to be established.

There is development in Japan some sense of a desire to offer aid for humanitarian reasons, and it is accompanied by an increased degree of traditionally weak public support for aid giving. But this is not of sufficient strength to support a sizable aid programme. It is just one component which helps to justify such a programme.

⁸⁸ Martha F. Loutfi, "Japanese Foreign Aid", *The Net Cost of Japanese Foreign Aid*. (New York, 1973), pp.48

One potential component, about which there is considerable controversy in the case of Japan, is the extent to which aid giving is the result of a sense of moral obligation to assist the poor. Public recognition of the obligation is as sound a basis for evaluating the existence of this component of motivation as one is likely to obtain.

Nevertheless, Japan has always regarded its aid programmes as serving important domestic and international interests in economic, political, and strategic domains. There are differing opinions on the balance between economic and strategic consideration in Japan's motivations for its aid programme in China at particular points in time. Any effort to establish for particular points in time the hierarchy of interest by Japan in providing aid to China is clouded by the bottom-up system of administration in Japan which allows commercial firms and middle level officials considerable say in aid implementation.

Official explanations of why Japan pursues its aid programme in general or with particular countries have varied over time or even between Japanese officials at a given time. One scholarly study of the motivations of Japan's ODA in general identified its primary purposes as lying in industrial and trade policy, in foreign policy, in financial policy and in positioning Japan with an acceptable image in the international system. That study gave a higher prominence to foreign economic policy as a motivation than to the non-economic strategic or diplomatic goals. Other studies have painted the aid programme as being more influenced by security considerations, the proposition that Japan's aid to China was serving common US and Japanese security interests and that Japan was therefore making an important contribution to US strategic polity through economic means where US law prohibited any US contributions.

Japan's development assistance to China is in political terms the single most important dimension of economic relations between the two governments. Even though the aid relationship was conceived for mutual benefit and has been useful to both governments, it is nevertheless one of dependence and is therefore characterized by many of the tensions present in similar associations between a richer, more technologically advanced state and a poorer, less developed state.

Moreover, Japan and China have had to deal with four considerations which are not present in most other aid relationships. First, Japan has its war record to reckon with its aid to China has been subject to political pressure in both countries to be represented as war reparations. Second, China is not the average less developed state. It was a great power when the aid relationship began, and it has become more powerful in the two decades since. China has resumed its own relatively modest foreign aid programmes to developing countries, thereby raising the question of why others should provide it with aid. Third, China is a nuclear weapons state and there are powerful anti-nuclear constituencies in Japan who suggest that Japanese aid effectively subsidizes the nuclear weapons programme. Fourth, Japan's global foreign aid programme has been characterized by an effort to compete for international leadership in strategic affairs where the country's economic power has had to substitute for both hard military power and cultural appeal.

In pursuit of this goal, Japan has shown a distinct tendency to see aid as 'check book diplomacy' and has consistently devoted fewer resources to social development programmes as a proportion of its total aid than most other aid donors.

Japan also has strategic considerations in its aid programmes to China. Article Nine of Japan's postwar constitution renounces 'the right of belligerency'. This has been interpreted to mean that Japan cannot use military policy as an explicit instrument of its foreign policy. This leaves economic means, including ODA, as one of the prime ways available to the Japanese Government to exercise international influence and to deal with its Asian neighbours, particularly China.⁸⁹ Japan's strategic goal was to cement political stability within China and to entrench some sort of friendly dependence of China on Japan.

Despite a claim made by Prime Minister Yasuhiro Nakasone during an Upper House hearing on ODA that Japan would not bring strategic considerations into the distribution of Japanese foreign aid, nevertheless strategic considerations clearly influence aid policies. Japan's strategic goals have gone through several changes over the past three decades. In the 1960s, ODA was used to promote Japan's exports. After the 1973 oil shocks, Japan's aid policy switched to securing raw-material supplies.⁹⁰ China was one of the source countries (together with Indonesia and countries in the Middle East) during this period. Entering the 1980s, Japan tried hard to boost aid to countries which did not necessarily have close links with Japan, such as Egypt, Pakistan, and Turkey, but which were strategically important from the perspective of the United States and other Western countries.

Japan's strategic considerations also reflected an awareness of international sensitivities to Japan's aid diplomacy towards China. To smooth other countries' concerns, the Ministry of Foreign Affairs in September 1979 released the "Ohira Three Principles" of

⁸⁹ Zhao Quansheng, *Japan's Aid Diplomacy with China*, ed. Bruce M. Koppel and Robert M. Corr (Oxford, 1993), pp. 169

⁹⁰ *Ibid*

aid policy to China.⁹¹ The three principles were aimed at (1) cooperation with the United States and other Western nations (primarily the EC), easing fears expressed that Japan might move to monopolize the China market; (2) balancing aid to China with aid to other Asian countries, especially ASEAN; and (3) avoiding loans to China's defence-related industries.

China has always remained strategically important to Japan. China's natural resources, in particular energy resources, are desirable for Japan. After the oil shocks in the 1970s, Japan became aware of how political instability in the Middle East could jeopardize assured access to that region's energy supplies. This was an important recognition since Japan was highly dependent on energy resources from that area. With rich natural resources such as coal and oil and safer, cheaper, and closer sea routes, China is an ideal source from which Japan can diversify its energy supplies.

On the economic front, Japan initially saw long-term benefits to Japanese commercial interests in its aid programme through the compulsory use of Japanese companies in feasibility studies, the tying of aid commitments to use of Japanese firms' project contractors, and the sourcing of equipment imports from Japanese suppliers. Suggestions that the goals of Japan's ODA programme are weighted too heavily in favour of economic or commercial goals have been countered by Japanese officials and commentators, who rightly point out that the aid programmes of all of the major powers give commercial advantages to their firms. The commercial benefit has been useful to the Japanese Government as a domestic justification for aid programmes against the voices of critics who are opposed for a number of reasons.

⁹¹ Zhao Quansheng, *Japan's Aid Diplomacy with China*, ed. Bruce M. Koppel and Robert M. Corr (Oxford, 1993), pp. 169

In assessing the impact on Japan's economic interests in the China aid programme, two levels of analysis stand out relating to two different motivations: the first motivation, to foster a friendly disposition in the recipient government towards Japanese economic and commercial interests in investment and trade; and the second, to provide contract opportunities within the aid programme for Japanese firms. Of these two economic goals in the aid programme to China, the first has probably been more important to successive Japanese Governments, although much attention is often paid in scholarly analysis and public commentary to the value of contract opportunities within the aid programme.

The economic motivations of Japanese ODA to China have changed in two decades. For example, the oil shock of 1974 provided Japan with a strong incentive to diversify away from Arab sources of oil and to condition new and sustainable supply arrangements with whatever political sweeteners might work. This led to a massive expansion of Japanese ODA in the 1970s and a promise by Japan in 1978 to its OECD partners that it would double the value of its global ODA.⁹² The decision by Japan to offer China ODA at several points in the 1970s can be seen in the light of its need for resource security. When Japan finally persuaded China to accept ODA in 1979, energy supply was an important focal point of cooperation. By the 1990s, the common interest in energy as a centre-piece of ODA had undergone a fundamental change. As China became a net importer of oil and was likely to be importing as much as 25 per cent of a growing consumption, the prospect that Japan could use its ODA to guarantee energy supplies from China began to diminish. Japan developed an urgent interest in re-orienting its ODA in China to project that would enhance China's own energy

⁹² Greg Austin & Stuart Harris, "Priorities and Outcomes for Japan and China in the Aid Relationship", *Japan and Greater China, Political Economy and Military Power in the Asian Century*, (London, 2001), p.157

efficiency so that pressures on China to become a competitor for energy resources would be reduced.

In short, aid diplomacy has enabled Japan to utilize its advantageous economic strength. The unexpected political turmoil in China, the Tiananmen incident, and Japan's quick, yet cautious, reaction further demonstrates the importance of Japan's foreign aid for Tokyo's political and strategic goals. Aid diplomacy has served the functions of promoting Japan's international status and smoothing relations with neighbouring countries, in this case, China. On the other hand, it also demonstrates that Japan has given priority to maintaining its role as a faithful partner to the West, and to the United States in particular.

Japan's aid programmes have indisputably developed around the concept of supporting self-help efforts of the recipient countries, but its aid diplomacy has provided Japan more leverage in its dealings with China. One the reasons behind Beijing's lifting of martial law in January 1990 was concern over negative international reaction and economic sanctions from Western countries. Japan was an important part of this concern. Even though Japan decided in July 1990 to gradually resume its government loan package, the fact that Japan imposed economic sanctions for more than a year demonstrates "Tokyo's increasing efforts to translate economic clout into political influence and participation."

In sum, the provision of aid as a means of fulfilling the country's responsibilities as a major economic power is itself a significant aspect of Japanese diplomacy. The large-scale bilateral economic exchanges and government aid from Japan have helped to strengthen economic interdependence between the two countries. As long as China

pursues its goal of economic modernization and its political future remains uncertain, Japan's aid diplomacy will continue to play a crucial role of being a tool of Japan's foreign policy in consolidating Sino-Japanese bilateral relationship. Indeed, through loan deduction or suspension after certain developments in China's policy, Japan has used ODA policy as a tool to express both political support and political concern.

In fact, aid is by nature an integral element of foreign policy. The *Marshall Plan* undertaken by the US after World War II, for example, was designed to help the countries of Western Europe recover and become stronger as a means of counteracting the influence of the Soviet bloc. Since then, the US has continued to make security concerns an explicit part of its aid policy. Britain and France, meanwhile, have placed heavy emphasis on the maintenance of ties with their former colonies through their aid programmes.