The Use of 'Carrots' and 'Sticks' in Japanese Aid Policy Towards China 1989-2001: How Electoral Politics Shapes Foreign Economic Policy

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ABSTRACT

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In this dissertation I seek to explain Japanese foreign policymaking towards China by focusing on policy changes. In particular, I investigate how domestic politics influence shifts in foreign policy. The core argument of this research is that Japanese politicians delegate foreign policymaking authority to bureaucrats. However, when politicians are facing electoral pressures that cause their preferences to diverge from those of bureaucrats, politicians intervene in the policymaking process to limit bureaucratic discretion. This is to ensure that the foreign policy choice assumed most likely to win these politicians votes is implemented.

In order to test my argument, I investigate Japanese aid policy towards China. The form that Japan's ODA strategy towards China has traditionally taken is one of economic engagement to promote Chinese stability and friendly bilateral relations. And yet, on three occasions, Japan's foreign aid policy towards China shifted away from engagement: economic sanctions after the 1989 Tiananmen Square Massacre, the 1995-1996 freeze of grant aid after China's underground nuclear tests, and the 2000-2001 review and reduction of ODA to China after increased Chinese military expenditures and continuing economic woes for Japan. My findings show that these policy shifts were determined by the constraints and opportunities that politicians faced, given the institutional realities of electoral politics. Public preferences shifted

dramatically from the late 1980s, as public sentiment grew increasingly critical of a policy of awarding aid to a country that was conducting nuclear tests, increasing military expenditures, expanding its military activities, and growing economically at an incredible rate. Under the circumstances of volatile voting patterns and an electoral system that called for greater attention to policy issues, politicians became more responsive to such public preferences and acted to ensure that policy outcomes were generally in accordance with those preferences.

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Chapter 1: Introduction

Introduction

During the past five years, Japan and China have suffered the worst political relations since the postwar normalization of those relations in 1972. However, at the same time, they are one of each other's top trading partners. Many have tried to explain this freeze in political relations and forecast whether this tension will have a negative impact on Japan-China economic relations. In this study I address this important relationship between economics and politics by looking at the recent history of Japanese foreign economic policy (specifically aid policy) towards China and how it has been influenced by Japanese domestic politics. I focus on *changes* in aid policy towards China and conclude that Japanese electoral politics are instrumental in explaining when and how Japanese aid policy towards China has shifted.

I begin with the argument that the international environment is insufficient to adequately explain policy change in Japanese aid policy towards China. I then center the study on political-bureaucratic relations and how electoral politics, media coverage, and business interests affect political and bureaucratic preferences, thereby impacting the interaction between politicians and bureaucrats and the resultant policy.

The core argument of this research is that Japanese politicians delegate foreign policymaking authority to bureaucrats. However, when politicians are facing electoral pressures that cause their preferences to diverge from those of bureaucrats, politicians intervene in the policymaking process to limit bureaucratic discretion. This is to ensure that the foreign policy choice assumed most likely to win these politicians votes is implemented.

Through this approach, this project bridges the political science subfields of international relations and comparative politics. It speaks to the literature on theories of domestic politics and international relations, and is grounded in theories of political delegation. It also addresses a main debate in the study of Japanese politics between the model of bureaucratic dominance and the model of political dominance.[1]

Theory and Argument

A great array of literature has illustrated that domestic politics matters in international relations.[2] This dissertation addresses the question of *when* and *how* domestic politics influences foreign policymaking in Japan. I argue that domestic politics come to play an active role in Japanese policymaking (i.e., shift policy

[1] The long-argued model of bureaucratic dominance, or bureaucratic model, states that bureaucrats have autonomous control over policy; the more recent model of political dominance, or principal-agent model, asserts that politicians hold the reins and control bureaucrats.

[2] See, for example, Kaufmann and Pape (1999), Milner (1999, 1997), Fearon (1998), Moravcsik (1997), and Putnam (1988).

outcomes) when politicians have an electoral incentive to intervene in the routine policymaking process.[3]

In Japan, it is often argued that it is the bureaucracy that makes policy, particularly foreign economic policy, and that politicians hold only minor sway over such policy decisions.[4] This suggests that bureaucratic preferences would win the day and political considerations would be almost nonexistent in policy outcomes. I purport that, on the contrary, political considerations are paramount in the policymaking process. Politicians have chosen to delegate policymaking duties to bureaucrats because it has been in politicians' best interests to do so. This is due to the political realities that Japanese politicians have faced, including prolonged one-party dominance that has allowed the ruling party to use the bureaucracy as its virtual staff.

Theories of political delegation explain that it can be a rational and efficient choice for politicians to delegate certain policymaking responsibilities to an expert bureaucracy.[5] In addition, as long as politicians retain the ability to limit bureaucratic action ex ante or censure bureaucratic actions ex post,[6] one cannot say

[3] My argument is not that this is the *only* circumstance under which domestic politics matters in foreign policymaking, but it is the circumstance that existed during my cases of research and it is the reason why domestic politics was so influential during these periods. Later in this chapter and the following chapter, I will discuss other ways in which domestic politics may potentially matter in foreign policymaking in Japan. However, these other paths and actors were not instrumental in my cases of study, as I will show.

[4] See, for example, Johnson (1995, 1982).

[5] See, for example, Moe (1984).

[6] Examples of ex ante limits are writing legislation and refusing to pass the budget. Examples of ex post mechanisms are failing to give promotions or to provide recommendations for future employment.

that politicians are abdicating their policymaking authority.[7] This describes the situation in Japan, where politicians are able to control bureaucratic behavior through ex ante mechanisms such as passage of the budget and ex post mechanisms such as veto power.[8]

Therefore, I argue that, in the case of Japan, politicians retain policymaking authority, despite the delegation of policymaking duties. In other words, just as politicians have delegated responsibility to bureaucrats, they can take it away.

The question remains: *when* will politicians choose to intervene in a foreign policymaking process that they have delegated to bureaucrats? I argue that politicians intervene when it is electorally beneficial for them to do so. They are influenced by such an incentive because a politician's primary objective is to remain in office or get voted into office.[9] Therefore, rather than political considerations being virtually nonexistent in policy choice, they determine the degree to which bureaucrats have free reign. If bureaucratic policy decisions are promoting the political goal of winning elections, then bureaucrats are left alone to continue their work. On the other hand, if bureaucratic actions are undermining those political goals, then policymaking authority is removed from bureaucrats. This is in accordance with theories of political delegation that argue that politicians

[7] Huber and Shipan (2006).

[8] Ramseyer and Rosenbluth (1994).

[9] The assumption that a politician's primary motivation is to get voted into office is supported by Downs (1957). Whether this is an acceptable assumption in the case of Japan will be discussed further in Chapter 2.

will delegate duties other than those that will directly impact their chances at electoral success.[10]

How might bureaucratic actions come to undermine political goals of reelection? This may occur when the public's policy preferences have changed, causing them to diverge from bureaucratic preferences, and/or when politicians are forced to become more responsive to public preferences due to electoral uncertainty. In other words, when votes depend on public opinion and that public opinion does not support the status quo, bureaucratic actions underpinning the status quo will come to undermine political goals of reelection.

In the case of Japan, both these situations came to exist during my period of study. After decades of one-party dominance, domestic environmental and institutional changes made electoral uncertainty a real concern in the 1990s. Voting patterns became much more volatile as citizens became much less likely to identify themselves with a particular party. In 1993 the long-time majority party, the Liberal Democratic Party (LDP), lost its majority in the lower house and its ruling-party status. In 1994, the electoral system in Japan was reformed, moving from a multi-member district, single nontransferable vote (SNTV) system, to a mixed system with 3/5 of the lower house elected in single-member districts. This resulted in a system where policy issues and individual politicians who could attract national attention became more important elements.

[10] See, for example, Moe (1984).

When politicians are facing electoral pressures and there are specific issues of public concern, politicians will seek to show leadership and responsiveness on those issues. This is reinforced in an electoral system that rewards those politicians who show an awareness of policy issues. If public preferences are not consistent with bureaucratic preferences, politicians will not leave policymaking up to the bureaucrats but will limit bureaucratic policymaking authority directly or indirectly through the various ex ante and ex post mechanisms available to them. Politicians will only delegate as long as the outcome of that delegation continues to be in their best interests (i.e., will not adversely affect the likelihood of their remaining in or gaining office).

Therefore, in this research project, I argue that when political and bureaucratic preferences converge on Japanese policymaking, politicians continue to delegate policymaking duties to bureaucrats. However, when political and bureaucratic preferences diverge, politicians take action to limit bureaucratic discretion in policymaking. Political and bureaucratic preferences come to diverge due to electoral pressures on politicians.

Case Study: Japanese ODA towards China

In order to test my argument about the influence of domestic politics on foreign policymaking in Japan, I investigate Japanese aid policy towards China. Since the

post-World War II normalization of relations between Japan and China in the 1970s, Official Development Assistance (ODA) has become one of the main pillars of Japan's entire China policy. The form that Japan's ODA strategy towards China has traditionally taken is one of "long-term engagement," or a steadily increasing stream of economic benefits to promote good relations.[11] The provision of ODA to China was considered to be part of Japan's long-range policy framework towards that country. Ikeda discusses how one of the guiding principles of Japanese ODA to China has been to support economic reform and opening that will contribute to China's stable development, for the purpose of enhancing Japan-China friendship and world peace (219).

For a country that lacks significant military instruments in its foreign policy arsenal, ODA has played a consequential and necessary role in Japan's China policy. Dr. Makoto Iokibe, professor of history at Kobe University and expert on Japanese ODA, has stated that "It goes without saying that ODA was a key policy tool in sustaining [China's movement towards economic development and peaceful engagement with other nations]" (121). ODA has played a major role in Japan's economic, political, and security relations with China. Ministry of Foreign Affairs (MOFA) officials champion the myriad roles that ODA has played in supporting Japan-China relations through the current day,[12] arguing that ODA "is still very

[11] This is a slight alteration on the Mastanduno (1999/2000) definition of "long-term engagement" as a continuing "stream of economic benefits to reconfigure the balance of political interests in a country" (303).

[12] Author's interviews. See interviewee list, Appendix B.

important" in maintaining a strong bilateral relationship.[13] Economically, ODA has helped to pave the way for Japanese trade and investment. Politically, it has served as a gesture of friendship and goodwill. Strategically, it has helped to ensure stability within China (through economic and social development).

The character of Japanese ODA to China since 1979 has been one of continuing and increasing flows of aid. After the advent of Japanese aid to China, China almost immediately became one of Japan's top aid recipients and continued to hold that place through 2001. Not only was the amount of aid to China conspicuous, but China enjoyed the role of a "special" aid recipient. Japan's aid program worked in close collaboration with the Chinese government and gave a level of commitment to China that it did not give to other aid recipients. For example, China was the one recipient to which Japan awarded multi-year, rather than annual, aid packages. In addition, Japanese aid to China has far outstripped that of any other donor country. Therefore, for two decades, Japan's aid policy to China was generally characterized by consistency, in terms of ODA's role as a pillar of Japan's China policy, increasing aid flows, and China's special aid recipient status.

The bureaucratic preference[14] has consistently been for engagement with China through development assistance, as expressed through government documents and

[13] Author's interview with MOFA official, May 27, 2004. (#22, see interviewee list, Appendix B)

[14] In this research I focus on the Ministry of Foreign Affairs (MOFA)'s preferences, since MOFA was the primary bureaucratic institution involved in ODA to China. Therefore, when I say "bureaucratic preference" I am referring to MOFA's preferences. However, at times I also discuss the Ministry of International Trade and Industry (MITI)'s preferences, as the bureaucratic institution supporting and promoting business preferences. In such cases I specifically state that I am discussing MITI's preferences and not necessarily MOFA's.

interviews with MOFA officials.[15] As mentioned, ODA has served as a symbol of friendship, a means to bolster Chinese political and economic stability, and an avenue to the fortification of Japan-China economic cooperation. It has been argued by both the Japanese and Chinese governments that over the years Japan-China relations, Chinese development, and Japanese business have all benefited from this relationship. At no point during the period from 1979-2001 did the bureaucracy independently seek to alter this policy of engagement or suggest that ending or freezing aid would be beneficial for Japan-China relations. And yet, on three occasions, confrontation was chosen over engagement through ODA.

Despite this long-term strategy of engagement and the continuation of the significance of ODA as a foreign policy tool towards China, there were three times when Japan's foreign aid policy towards China shifted away from engagement. The first was economic sanctions after the 1989 Tiananmen Square Massacre. The second was the 1995-1996 freeze of grant aid after China's underground nuclear tests. The third was the 2000-2001 review and reduction of ODA to China after increased Chinese military expenditures and continuing economic woes for Japan. I argue that each of these cases is an example of policy change in Japanese ODA policy to China. The shift was from engagement to confrontation (or a mix of engagement and confrontation).

[15] Japan. Ministry of Foreign Affairs. *ODA White Paper*. Tokyo: MOFA, multiple years; Author's interviews.

The puzzle is why Japan veered away from its long-term policy of engagement. Why did Japan make the policy decisions it did in each of those cases? Why did it alter its policy direction from engagement to confrontation or a particular mix of engagement and confrontation? Looking at the external phenomena is insufficient in explaining the policy outcomes. Many of the issues involved, including China's nuclear tests and military expenditures and activities, were not new occurrences during the years that the crises occurred. For example, China had been conducting nuclear tests since 1964, without any adverse effect on aid from Japan. And, in fact, China chose to test its first submarine-launched missiles during Japanese Prime Minister Zenko Suzuki's 1982 visit to China. Yet this was kept quiet, and was "not mentioned in either the Chinese or the Japanese press" (Johnson (1995) 256). It did not lead to any crisis in Japan-China aid relations. This leads us to the question of why the three crises I discuss occurred when they did and evolved in the way that they did in terms of Japanese aid to China.

Explaining what the impetus was for Japanese economic sanctions against or reduction of aid to China in each of these three cases is a good test for the argument that policy change is preceded by electorally motivated political intervention. This is true for two primary reasons. First, these three cases constitute the full universe of cases where Japanese aid policy towards China departed from the norm of engagement. Second, these are hard cases for the argument of political intervention in response to electoral pressures because stable

Japan-China relations are so important to Japan's overall prosperity and security. I will expand on both these reasons in the following paragraphs.

As for the first reason, I chose these three cases because they are the full universe of cases when Japanese ODA to China was frozen or reduced, indicating a policy change.[16] The Japanese government made aid a cornerstone of its China policy for over two decades. This was irrespective of Chinese foreign or domestic policy.[17] As mentioned above, Japan's traditional ODA policy towards China has been one of engagement and increasing flows. The three instances I examine are the only ones in which this policy of engagement was not adhered to and, instead, we see a policy of sanctioning China through aid. In other words, we witness a move from "carrots" to "sticks."

Second, these are hard cases through which to prove political intervention can bring about policy change, as a result of electoral pressures, because Japan's relationship with China is one of its most important in foreign affairs. Japan and China are the major powerbrokers in East Asia.[18] Japan is the second most economically powerful country in the world, while China is an emerging economic

[16] This is true through 2001. After 2001 there were further reductions, followed by a stated commitment to end aid to China that was eventually abandoned. This dissertation does not deal directly with the period after 2001. However, I assert that the same argument can and does apply to the period after 2001.

[17] Although, as mentioned above and discussed further in Chapter 3, the advent of aid was in response to changes in such policy: first, in foreign policy, the normalization of relations between Japan and China and second, in domestic policy, Deng Xiaoping's economic reforms and opening up of the economy.

[18] Of course, the US plays a major role in East Asia, but here I am referring to the countries that are geographically located in East Asia.

power with the potential to eclipse Japan in the future.[19] At the same time, they are one of each other's top trading partners. Both countries are also significant military powers, with China having the second largest military expenditures in the world and Japan the fifth largest.[20] They have engaged each other in multiple incidents of warfare in their modern history. Thus, the stability of Japan's relationship with China will have a direct impact on Japan's economic prosperity and security.

Japan's recognition of Japan-China relations as one of its top priorities is evident in all its relevant diplomatic documents.[21] This relationship is a top priority for MOFA . Referring to the idea that China was a relationship with which Japan has to deal with extreme care, one MOFA official commented that "If Iraq had acted like China [and conducted nuclear tests in 1995], the whole ODA package would have been suspended."[22]

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[19] In 2005, China was actually the second largest national economy in the world, in terms of purchasing power parity, bypassing Japan. However, using market exchange rates, Japan's economy is still larger than China's, and in per capita terms, Japan is certainly wealthier.
See http://www.cia.gov/cia/publications/factbook/geos/ch.html#Econ.

[20] These are 2006 figures, with China trailing the U.S., and Japan trailing Russia and the U.K. (Nau 170).
In 2005, China gave 4.3% of GDP to military expenditures while Japan gave 1%
<http://www.cia.gov/cia/publications/factbook/rankorder/2067rank.html>.

[21] In fact, an overview of all the Diplomatic Bluebooks over the past 20 years suggests that Japan's regard for the importance of Japan-China relations in Japan's overall foreign relations (security, economic, and political) has only increased.

[22] Author's interview, May 27, 2004. (#22)

My Argument

I argue that in order to understand why Japan parted from its policy of engagement and what the nature of that departure was, we must examine the domestic politics of Japan. In particular, we must investigate the relationship between politicians and bureaucrats, as well as the factors that influence that relationship. Rather than the policy decisions being rational responses to external phenomena, they are better understood as the outcome of domestic politics played out in the context of specific internal institutional and environmental constraints and opportunities.

Politicians delegate policymaking duties to bureaucrats when it is in their best interests to do so. In the case of Japan, a long-term dominant ruling party and a consensus on national goals increased the likelihood that duties would be delegated to a staff of expert career bureaucrats. However, in the 1990s, with the end of LDP dominance and the advent of changing preferences among the populace, it was no longer in the best interests of politicians to give bureaucrats a large degree of discretion in policymaking. In particular, the public wanted to see a more aggressive foreign policy towards China and greater accountability with regard to Japanese taxpayer money. The strength of the public voice was bolstered by the media, which called for more forceful government action in dealing with China. This type of public and media pressure led to changes in political preferences, as politicians sought to capture votes. Receiving public support on a policy issue such as ODA became even more important as the new electoral system made leadership on policy issues more important for electoral success. Taking a policy

stance against ODA to China had become a no-lose situation domestically, as Japanese business interest in ODA was greatly reduced.

When politicians and bureaucrats disagreed, politicians began to reduce bureaucratic discretion in enacting Japan's China policy, by threatening passage of the budget and approval of policy initiatives. Thus politicians were able to directly influence policy outcomes such that they satisfied public preferences. When political and bureaucratic preferences diverged, politicians prevailed. Preferences diverged due to changing public opinion and the resultant electoral pressures on politicians.

In this dissertation, I explore the relationships among politicians, bureaucrats, the public, business, and the media, along with the institutional constraints on preference formation, in the context of Japanese aid to China. I examine the principal-agent relationships between politicians and bureaucrats, and between voters and politicians, and what role the private sector and the media play in influencing political, bureaucratic, and public preferences. This is done with the intention of proving my argument about how domestic politics impacts foreign policymaking in Japan through the shifting preferences of politicians to delegate or not to delegate policymaking authority to bureaucrats.

Research Design

Convergence and Divergence of Preferences

In order to test my argument, I compare the expectations of theories of political dominance and delegation, as well as the expectations of alternative explanations,[23] to the reality of policy decisions made during each of my three crisis periods. I look at incidences where political and bureaucratic preferences converged and where political and bureaucratic preferences diverged.

The 1989-1991 period provides incidences of the convergence of preferences. This crisis occurred prior to the institutional and environmental changes that I argue led to a change in politicians' incentives. All the actors (politicians, bureaucrats, business, public, media) championed economic engagement with China. This should have led the response to the crisis to proceed differently than it did in the later two cases. I expect to see vocal support for economic engagement with China from both bureaucratic and political camps. I also expect to see bureaucrats and politicians reinforcing each other's actions and words, with regard to that engagement. Finally, I anticipate public opinion will support the government position. 1989 establishes my base case against which I compare the 1995 and 2000 crises.

In both 1995 and 2000, political and bureaucratic preferences diverged. MOFA continued to champion economic engagement with China as an important part of

[23] The alternative explanations I explore are the international environment (foreign pressure), business interests, and bureaucratic models. They will be explained in further detail in Chapter 2.

the relationship with China. However, politicians (both within and outside the LDP) began to voice opposition against a status quo economic policy towards China. Free-trade interests were less vocal with regard to ODA to China as their economic priorities shifted away from aid and government policy. This was at the same time that the public and the media were becoming more outspoken against status quo economic engagement with China.

My unit of analysis is policy decisions. My observations are policy decisions pre-crisis, during the crisis, and post-crisis for each of the three crises that I analyze. My project entails process tracing. According to George and McKeown, process tracing is the means by which an investigator follows each link in the chain of the policymaking process, thereby understanding how events interacted to result in a particular outcome.[24]

I track the series of policy decisions made prior to, during, and at the close of each crisis. I seek to determine the path leading up to each policy decision of increasing aid, leaving aid as is, decreasing aid, or changing the substance of aid. I uncover what the preferences were of each of the relevant Japanese domestic actors, from whence these preferences stemmed, and how the behavior of each actor related to his or her preferences. This test allows me to see how politicians and bureaucrats interacted when preferences converged and when they diverged. It also reveals interactions between politicians and their supporters/critics in business, the public,

[24] For additional discussions of process tracing, see King, Keohane, and Verba (1994) 226-8; Tarrow (1995) 472; Van Evera (1997) 64.

and the media, and between bureaucrats and their supporters/critics in business, the public, and the media, under each of these conditions. Finally, through this exercise I seek to draw causal relationships between Japanese domestic actors and institutions, and the policy decisions in each of my three cases.

Process tracing is an appropriate means to test my question because it allows me to present evidence (or the lack thereof) for each step of the process that leads to the policy outcome. Since my argument involves a path from changing public preferences to political intervention to policy change, an analysis of the path (or process) of policymaking is necessary. This also means that through my study there will be multiple opportunities to refute, as well as support, my hypotheses. If any link along the chain of events is not as I theorize it, I will be able to identify that through process tracing.

My evidence was collected and my analysis was conducted through a qualitative study, including twelve months of field research. I interviewed more than fifty Japanese bureaucrats, politicians, businessmen, journalists, and academics, who were or are involved in Japan-China relations, business with China, or Japanese aid policy. I gathered both official and internal Japanese government documents on Japan-China relations and aid policy, as well as on the specific policy decisions that were made in each of my cases. I also collected Japan-China business and economic data prepared for internal consumption by Japanese businesses and banks. I reviewed Japanese and U.S. newspaper coverage of foreign responses to

and perceptions of the Tiananmen Square incident, Chinese nuclear tests, and China's increased economic and military prowess in the late 1990s and early 21st century. I also conducted an in-depth content analysis of Japanese newspaper coverage of each of the events that I am analyzing. I charted trends in volume of coverage, type of article (news or opinion), and policy position (on Japanese ODA towards China). Finally, I did a review of Japanese public opinion polls on ODA, ODA to China, and Japan-China relations, since 1988.

Overview of Dissertation

In the remainder of this dissertation, I will present my hypotheses and test them against my three cases of crisis in Japan-China aid relations. Chapter 2 lays out my argument in the form of five sets of hypotheses, spanning the process from preference formation to policy outcome, and details the theory that underpins those hypotheses. Chapter 3 provides an overview of my three cases, discusses their relevance as tests of my hypotheses, and places them in the context of Japan's overall ODA program and Japan-China relations. Chapter 4 explores the first case of the Tiananmen Square massacre and Japanese economic sanctions. It argues that the convergence of preferences between politicians and bureaucrats led to a continuation of the delegation of policymaking duties to bureaucrats. In addition, the Japanese public, business, and media all played supporting roles in backing up Japanese government policy towards China. Chapter 5 investigates the second case of China's 1995 nuclear tests and the subsequent freeze of Japanese grant aid.

It charts the evolution of a divergence of preferences between politicians and bureaucrats, as the public and media became increasingly critical of ODA to a nuclear-testing China. It asserts that this divergence led to a more aggressive Japanese policy towards China than was in the interests of MOFA. Chapter 6 probes the 2000-01 review and reduction of Japanese ODA to China. It argues that politicians, striving for electoral success, pushed for a reduction of ODA to China, which would play well to a domestic audience, while the bureaucracy worked to shift public opinion and business incentives back in favor of ODA. Finally, Chapter 7 reviews my hypotheses and to what degree the three cases support those hypotheses. It then delves into the generalizable conclusions and more far-reaching implications of this research. It argues that public opinion needs to be taken into account, more so than has often been done, when seeking to understand foreign policymaking in Japan. This is particularly true when politicians are facing electoral uncertainty.

Conclusion

This dissertation teaches us the potential power of the electorate, even in an issue area that has traditionally been viewed by many analysts as firmly in the hands of an unelected bureaucracy. For 25 years, Japan's foreign policy towards China was based on economic engagement through aid. On three occasions Japanese policymakers chose confrontation over engagement: economic sanctions after the 1989 Tiananmen Square massacre, the freeze of grant aid after Chinese nuclear

tests in 1995, and the reform and reduction of ODA to China beginning in 2000. Japanese policy decisions in each of these cases were based on domestic politics. Specifically, I argue that the policy decisions made were determined by the constraints and opportunities that politicians faced, given the institutional realities of electoral politics, political-bureaucratic relations, and political-business relations.

In the following chapter, I will explore my argument and the underlying theory in more depth.

Chapter 2: Argument and Theory

Overview

Japan's policymaking is best explained by a principal-agent theory of political dominance, in which politicians are the principals and bureaucrats are their agents. Politicians will delegate policymaking duties to bureaucrats as long as it is their interest to do so. When they no longer receive benefit from this delegation, politicians will take action to limit bureaucratic discretion in policymaking.

In this research, I apply this theory of political dominance to Japan's aid policy towards China, by looking at three cases of crisis: economic sanctions after the 1989 Tiananmen Square massacre, the freeze of grant aid after China's 1995 underground nuclear tests, and the reform and reduction of ODA to China in 2000. I argue that until 1990, politicians were well served by the delegation of policymaking on aid to China. However, in the 1990s, with the end of LDP dominance and the advent of changing preferences among the populace, it was no longer in the best interests of politicians to give bureaucrats a large degree of discretion in aid policy towards China. While the bureaucracy continued to champion a continuation of aid to China, the public wanted to see a more aggressive foreign policy towards China and greater accountability with regard to taxpayer money. The media both reflected and reinforced the mood of public opinion, while business did little to counteract it. In an atmosphere of electoral uncertainty and needing to show leadership on policy issues, such public and media pressure promoted a change in political preferences. As

political and bureaucratic preferences diverged, politicians began to reduce bureaucratic discretion in Japan's China policy.

In this chapter, I will lay out the theories that underpin this argument, as well as the alternative explanations. I will present a summary of why the theory of political dominance is the most persuasive in explaining the three cases of crisis in Japan's aid policy towards China, and detail my argument with regard to these three cases. Finally, I will put forward five sets of hypotheses, in the context of the relationships among politicians, bureaucrats, the public, business, and the media, and explore how the preferences of these actors are formed. I will test these hypotheses in the following case chapters.

Theories of Policymaking

There have been many attempts to explain Japan's policymaking. The existing literature on the determinants of Japanese policy tends to focus on one of four factors: changes in the external environment (including foreign pressure), private economic actors, bureaucratic models, and politicians. In this section, I will particularly focus on policymaking in the issue area of development assistance. I will begin with an overview of the theories dealing with each factor mentioned above, as they relate to aid policy. I will then briefly describe the expected evidence we should find if each theory is true. (See Figure 1.)

Figure 1

Expectations if each theory is correct

International Environment	Private Sector Dominance	Bureaucratic Dominance	Political Dominance
Change in strategic environment; Japanese policy alignment with US and Western European policy	A shift in ODA policy following a shift in the economic interests of Japanese business	Path dependency; incremental change, bureaucratic infighting preceding any change	Political intervention, preceded by divergence of preferences between the bureaucracy and the public

International environment:

Theories that focus on the international environment attempt to explain Japanese policy as a result of changes in the strategic environment. Theories of *gaiatsu* (foreign pressure) claim that Japanese policy closely follows that of the West, particularly the U.S. If these theories are correct, we would expect to see policy change preceded by a change in the strategic environment and/or Western policy changes.

Private sector dominance:

Theories of private sector dominance state that it is Japanese business that determines Japanese aid policy. If these theories are correct, we would expect to see policy change preceded by changes in business preferences.

Bureaucratic dominance:

Theories of bureaucratic dominance emphasize that policy is the result of organizational and/or bureaucratic politics. If these theories are correct, we would expect to see incremental changes and bureaucratic infighting before any policy change.

Political dominance:

Theories of political dominance purport that politicians control policy and their preferences are shaped by voter preferences. If these theories are correct, we would expect to see a shift in public preferences away from the status quo, followed by political intervention in policy.

In the following section I will explore each of these theories in further depth.

International Environment Dominance

Theories of foreign policy making often explain policy as a rational response to the external environment and in accordance with strategic objectives. In this conceptualization, policy is a purposive action or choice and the state is a unitary actor. Domestic politics are left in a black box. It is the external environment that matters.

Hashimoto (1999) asserts that, historically, Japanese aid policy has been strongly influenced by the international environment. The promotion of development

assistance by the U.S. as an appropriate tool of statecraft, bolstered by Western pressure for Japan to expand its role in economic cooperation, once it began to attain economic prosperity, helped to enhance the development of Japan's ODA program through the 1970s.

According to Hashimoto, the influence of the international environment on Japanese aid policy continued through the 1980s. Amidst international criticism of Japan's trade imbalance, Japan moved away from aid as a tool of export promotion and towards aid as a strategic and humanitarian tool. Also during the 1980s, Japan began to take the environment into consideration when approving projects, in response to foreign critics who denounced Japanese aid projects as contributing to environmental degradation.

The understanding of aid policy as a response to international constraints and opportunities supports those who emphasize foreign pressure as a major determinant of Japanese foreign policy. Scholars of Japanese politics often argue that Japanese foreign policy performs within the limits imposed by its relationship with the U.S.[25] Japan relies on the U.S. security umbrella for its national security and the U.S. open market for its economic prosperity. Therefore, the U.S.-Japan relationship is certainly the most important bilateral relationship for Japan. Japanese foreign policy has been explained as being a result of U.S. preferences or, at the very least, constrained by U.S. preferences. Accordingly, Orr (1990) emphasizes the role of *gaiatsu* ("external pressure"), particularly from the U.S., in Japan's ODA program.

Miyashita (1997) also argues that U.S. pressure has been very effective in altering Japanese aid policy.

If the external environment is indeed an important determinant in Japanese aid policy towards China, we should expect to see changes in the strategic environment between Japan and China in 1989, 1995, and 2000. If it is specifically foreign pressure that brings about policy change, we should observe that Japanese policy closely follows the policies of other industrialized countries. We should also observe close contact between the Japanese government and foreign governments (particularly that of the U.S.) prior to policy decisions.

However, the international environment is not sufficient to explain why Japan made the policy decisions it did in each of these cases. The strategic environment (as it pertains to Japan and China) did not significantly differ over this period of time. The cold war ended, which altered relations between the Soviet Union and Japan, but did not significantly alter relations between China and Japan. Nor do we see Japanese policy in perfect alignment with U.S. and Western European policy in these cases. There may be some utility in this theory in explaining the 1989 Tiananmen case. Foreign pressure certainly played a role, as we do witness close collaboration and similar policies across countries in this case. However, Japan took a leading role, although with deference to its relationship with the U.S., in ending sanctions against post-Tiananmen China as quickly as possible.

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[25] See, for example, Curtis (1993); Kamiya (2002); Soeya (2002).

In 1995, Japan again took a leadership role in implementing a freeze of grant aid against China after China's nuclear tests. The U.S. and other industrialized powers (many of them nuclear powers themselves) were low key in any criticism of China. Nor was there a change in Chinese policy that sparked the crisis. China was not a newly nuclear country. It had become a nuclear power in 1964, many years before Japan began offering aid to China. 1995 witnessed China's 42nd and 43rd nuclear tests.

Finally, the reform of ODA in 2000 did not follow international trends in any predictable fashion either. After the end of the cold war, worldwide aid did decline, but Japan's aid to China initially increased and then began to decline a decade later. And, in fact, from 1998 to 2000, as Japan began considering decreasing aid to China, bilateral aid to China from the U.K. and France each increased by about 65%.[26] So there was no uniform policy with regard to aid to China across the developed countries.

Therefore, conceiving of Japan's aid policies towards China as unified government responses to the strategic environment is insufficient. Nor is foreign pressure an adequately strong explanatory factor across all three cases. We cannot understand the policy outcomes in all of these cases without looking at domestic politics. We need to look inside the black box.

[26] Japan. Ministry of Foreign Affairs. *ODA White Paper 2002.* Tokyo: MOFA.

Private Sector Dominance

Among early studies of Japanese aid policy there was a degree of consensus that ODA policy was primarily concerned with Japan's own economic development. For example, in 1964, White presented his thesis that Japanese aid is motivated largely by the pursuit of narrow self-interest through the promotion of exports. Caldwell (1970) followed this interpretation of Japanese development assistance, viewing aid as one aspect of Japan's overall national economic development policy.

However, since the 1980s, studies have tended to deemphasize the role of private economic actors in aid policy.[27] This is due to the high percentage of untied aid[28] and the greater influence of the Ministry of Foreign Affairs (MOFA), as opposed to the Ministry of International Trade and Industry (MITI),[29] in ODA policymaking. Business people whom I interviewed for this project repeatedly stated that business and politics are separate in Japan and businesspeople do not get involved in political issues. They denied a substantial role for business in aid policymaking.

Arase (1994) questions such claims, as well as this trend in the literature. He reemphasizes government-business relations and the role that private economic actors play in aid policy, through both formal and informal means. Furthermore, the

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[27] See Brooks and Orr (1985).

[28] Untied aid is aid that finances projects that can be conducted by companies from any country, not necessarily from the country that is financing the project. Tied aid, on the other hand, is aid that comes with the condition that companies from the donor country are contracted to undertake the project.

[29] The Ministry of International Trade and Industry (MITI) was renamed the Ministry of Economy, Trade, and Industry (METI) after a bureaucratic reshuffling in 2001. In this paper, I will refer to the ministry as MITI.

evidence does illustrate that at times individual business or business organizations have made direct appeals to political or bureaucratic actors to alter policy. This view is supported by the experience of a MOFA official who was the object of such lobbying efforts while working in the Asia Bureau during the Tiananmen crisis.[30] Politicians also admit that Japanese industry has an influence on their policy positions.[31]

If domestic economic actors are indeed playing a significant role in aid policy, we would expect to see a shift in ODA policy following a shift in the economic interests of Japanese business. If aid policy depended on business preferences, it would vary with those preferences.

Policy did coincide with business preferences in the early resumption of aid to China after the Tiananmen incident. However, MOFA officials, who were also interested in an early resumption of aid, dismissed the idea that business interests changed the ultimate policy outcome.[32] Here bureaucratic preferences converged with those of business. Still, bureaucrats were considering the larger picture, with regard to the security and political realms, as well as the economic realm. This is supported by the fact that the Foreign Minister criticized Japanese business activities in China in the weeks after the Tiananmen Massacre, in response to international and domestic public opinion.

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[30] Author's interview July 30, 2004. (#14)

[31] Author's interviews with politicians. (See interviewee list, Appendix B.)

[32] Author's interviews with MOFA officials.

In addition, as business interest in ODA to China decreased over the following years, ODA to China continued to increase for a considerable period of time. Shifting priorities in the content of aid did not vary with Japanese business advantages either. Instead, Japanese business tended to follow shifts in policy (such as favoring environmental projects over infrastructure projects), or leave the ODA business altogether. As one METI official said, if business were determining policy we would see aid supporting high-tech sectors, where Japanese companies have a comparative advantage, and no shift of ODA funding from the developed coastal areas to the underdeveloped inland areas.[33] Shifts in FDI, described in the business preference formation section later in this chapter, support this claim.

Bureaucratic dominance

There has been a significant amount written about the role of the bureaucracy in ODA policymaking. Johnson (1982) argues that policymaking in general in Japan resides in the bureaucracy. According to Rix (1980, 1990) this explains the institutional structure of the ODA policymaking machine. Rix explores the intricacies of the policymaking process, which he claims is contentious and reveals conflicting viewpoints among the bureaucrats who implement it. From 1957, ODA policymaking was based on a four-ministry deliberation committee, consisting of the Ministry of International Trade and Industry (MITI), the Ministry of Finance (MOF), the Ministry of Foreign Affairs (MOFA), and the Economic Planning Agency (EPA).

[33] Author's interview July 13, 2004. (#16)

Rix argues that the reason for the creation of this four-ministry system was that each ministry had a different vision of Japan's national interest and the role that foreign aid should play in pursuit of that interest. He represents these views as follows: MOFA had the most comprehensive conceptualization of aid by combining economic and political interests, MITI emphasized the domestic economy and the international economic order, while MOF concentrated on the budget and was conservative in terms of spending. EPA was concerned with general economic prosperity.[34]

Rix argues that the organizational process of routine decision-making solidified the views and policies within each ministry, making it even more difficult to develop a single aid philosophy and policymaking framework. Without a strong coordinating mechanism or leading ministry, the bureaucrats continuously competed for power and control of decision-making.

It is my assertion that this changed with the drafting of the ODA Charter in 1992. The explicit purpose of the Charter was to create an overarching aid philosophy, which had not existed previously. The bargaining situation also changed through the 1980s and 1990s, as MOFA became the ministry that holds the most influence in ODA policymaking, edging out its competitors at MITI.[35]

Given these new institutional rules and an aid program largely consolidated under a single ministry, over time we should expect to see a policy path that was more and

[34] EPA was the least influential of the four ministries in aid policymaking.

more consistent, as the same routines were followed and there was less cross-ministerial bargaining and conflict. We should also expect to see policy that was increasingly in line with MOFA preferences.

As for change, the policymaking process itself inhibits reform. Policymaking structures and procedures do not allow for sudden or significant change. Where reform has occurred, it has been incremental. One example Rix provides of this is the reorientation of aid from Asia to Africa and the Middle East. It did not take place suddenly but gradually over several years. The nature of Japanese bureaucracy is to be rigid, slow to reform, and self-reinforcing. There is no reason to believe that this would be any different under a consolidated MOFA administration. Johnson (1993) argues that in such a bureaucratic-centered system, the process of policy change is marked by "internal bureaucratic disputes, factional infighting, and conflict among ministries" (22-3).

Therefore, if the bureaucratic model is correct, we should expect to see a path that is consistent with past policy, as the same routines are followed. Where change does occur, it should be incremental, with bureaucratic infighting preceding any policy change.

In contrast to these expectations, in each of the three cases I study in this project, there *was* a break with past policy. It was not routine policymaking. On the other

[35] MOF still controls the budget and, therefore, continues to exert influence in that sense, but not in terms of policy direction.

hand, there was some degree of incrementalism in each case. After the Tiananmen Square Incident, although the decision to impose sanctions was made within a month, the steps to resume aid started in September 1989 and spanned over a two-year period. The linkage between aid and Chinese nuclear tests was first made verbally in early 1994, negotiations for yen loans were delayed in late 1994, some grant aid was frozen in May 1995, and a full freeze of grant aid was implemented in August 1995. The reform since 2000 can also be considered gradual, in that the reduction in 2000 was the precursor to reductions over the next five years. In addition, there were discussions of reform as early as 1995. Furthermore, in all three cases there were some internal disagreements, as Johnson predicts. However, importantly, bureaucratic models such as Johnson's and Rix's fail to explain what the catalyst for change is.

Orr (1990) seeks to improve upon Rix's model by combining a "bureaucratic politics approach" and a "transgovernmental relations approach," thereby illustrating how changing leverage among domestic actors can lead to policy change. He argues that policy is subject to intense bargaining and each ministry seeks to gain legislative, public, and/or foreign support in order to improve its bargaining position. He finds that transgovernmental coalitions, in particular, are instrumental in strengthening the bargaining position of Japanese ministries. Orr provides a number of examples where MOFA has used international criticism and pressure as leverage to improve its bargaining position.

Therefore, if the catalyst for change is transgovernmental alliances, we should expect to see the winning side in any internal struggle allied with a foreign partner. However, as discussed earlier, there is no evidence of this in either the 1995 nuclear or 2000 reform cases. Policy decisions were made entirely within Japanese domestic policy circles. There is limited evidence of transgovernmental allies in the Tiananmen case, but the decision to resume aid was primarily based on domestic considerations. As a result, I suggest we should look for the catalyst for Japanese foreign economic policy change in the arena of domestic politics.

The crises that occurred in 1989, 1995, and 2000 were (to varying degrees) in response to the international environment, business influence, and bureaucratic priorities. However, the specific policies that Japan chose to implement in response to those crises were determined by domestic politics. Although each of the theories I have explored above has some utility in explaining aspects of my three periods of study, theories of political dominance are the most persuasive in fully understanding all three crises. I argue that politicians, responding to electoral pressures, were the determining factor during these three crises in Japan's aid policy towards China.

Political dominance

Ramseyer and Rosenbluth (1997) argue that Japanese governance is created through principal-agent relationships, where politicians are the principals while bureaucrats are the agents, and voters are the principals while politicians are the agents. In Japan,

"slack"[36] is fairly large between politicians and voters, but very small between politicians and bureaucrats. There are a number of means by which politicians control bureaucrats: vetoing bureaucratic decisions, controlling bureaucrats' careers, and deciding bureaucrats' earning potential after retirement. Ramseyer and Rosenbluth illustrate the control that politicians have over the bureaucracy *through* the politicians' decision to delegate considerable policymaking duties to the bureaucrats. They explain that, "The majority party prefers to delegate extensively to the bureaucratic specialists, secure in the knowledge of its ultimate ability to bring down the cabinet if electorally necessary" (30).

Yasutomo (1986) gives the Prime Minister and his Cabinet credit as the catalyst for the change in aid policy from economic to strategic motivations during the 1980s. Utilizing aid as a means to achieve strategic ends was always a part of MOFA's conceptualization of aid. However, it was Prime Minister Masayoshi Ohira[37] who first developed the notion of "comprehensive national security,"[38] of which ODA is a central pillar. According to Yasutomo, the involvement of the Prime Minister and his Cabinet was necessary in order to effect change in the bureaucratic decision-making process. MOFA could not have brought about this change on its own because, as described above, the nature of bureaucracy is such that it is self-reinforcing and slow to change and reform. Political involvement was needed to enact real change.

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[36] This is defined as the difference between what the principal expects and the agent delivers (Ramseyer and Rosenbluth 4).

[37] Masayoshi Ohira was prime minister 1978 – 1980.

[38] Yasutomo defines "comprehensive national security" as "recognition of both military and nonmilitary threats to the nation and the need for both military and nonmilitary countermeasures" (5).

If this assertion is correct and politicians are the principals in the political-bureaucratic relationship, as long as political and bureaucratic preferences converge, we should expect to see the continuation of political delegation to bureaucratic aid policy implementation authorities. However, when political preferences diverge from those of bureaucrats, we should expect to see political intervention, such as writing legislation that removes some policymaking authority from the current bureaucrats. Furthermore, prior to the divergence of political and bureaucratic preferences, we should expect to see divergence of preferences between bureaucrats and the public, resulting in electoral pressures on politicians. This is based on the assumption that political preferences vary according to public preferences, to the degree that those public preferences determine whether or not politicians will be reelected.

In fact, this is what we do witness during my three periods of study. As long as political and bureaucratic preferences converged, there was no political intervention in aid policy to China and delegation to bureaucrats continued. Furthermore, as long as public and bureaucratic preferences converged, political and bureaucratic preferences converged. We see this in the Tiananmen Square case, in which political and bureaucratic actions and messages reinforced each other. They did not undermine each other, as we see with the political messages in the later cases. Although the Japanese public was highly critical of China for the violence at Tiananmen and there was a great deal of disillusionment, the public was no more supportive of the isolation of China than was the government. The media, for its part,

was extremely supportive of the government. The majority of newspaper coverage on aid to China during that period emphasized the difficult position that the Japanese government and businesses found themselves in after the Massacre, and supported the government in its policy decisions.

However, in 1995 and 2000, the Japanese public became extremely critical of ODA to China. At different times there were both security and economic rationales behind the criticism. Some argued that Chinese military activities were in violation of the ODA Charter, which called for aid decisions to consider the development of weapons of mass destruction and other military activities. Others argued that aid to an economically growing and successfully developing China was ultimately hurting Japanese businesses suffering from recession. Finally, there was the often present emotional response that China never expressed gratitude for ODA. The media tended to support and even promote these negative public views in its coverage.

Following these domestic developments, politicians began to demand policies of suspension, reduction, and reform in 1995 and 2000. The legislature began to seriously deliberate about ODA to China and ODA policymaking. As one Liberal Democratic Party politician said, "Politicians have an interest in [ODA policy] because of the people's increased consciousness. Reform is occurring under the

guidance of politicians."[39] Having the same view, one MOFA official complained, "There is no difference between public opinion and the political stance."[40]

While the Japanese bureaucracy continued to champion economic engagement with China through aid during these two later periods, politicians began to voice serious opposition. The difference is evident in the way that bureaucrats and politicians describe aid to China during this period. According to one MOFA official, "The basic idea of engagement with China *has not changed.* It has been stable. Japan's engagement policy with China has been a great success."[41] On the other hand, one politician commented that the way in which politicians view ODA to China "*has changed* greatly over the past 15 years . . . The viewpoint of the Japanese people was one of generosity . . . Some [now] view China as a monster."[42] Political preferences with regard to Japanese aid to China changed because of public preferences. As this change led to the divergence of political and bureaucratic preferences, politicians took action to limit bureaucratic discretion in policymaking. Politicians prevailed.

In the following section I will explore my argument in further depth and present five sets of hypotheses to test in this research project.

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[39] Author's interview on August 5, 2004. (#36)

[40] Author's interview on June 3, 2004. (#23)

[41] Author's interview on June 7, 2004. (#24)

[42] Author's interview on August 5, 2004. (#36)

Hypothesis Building

The Political-Bureaucratic Relationship in Japan: Theory and Practice

Principal-agent theory describes the situation in which one actor, the principal, charges a second actor, the agent, to carry out certain activities that will produce favorable outcomes for the principal. There is a large body of literature applying principal-agent theory to political-bureaucratic relations. In particular, there has been a focus on the degree to which bureaucrats are under the control of politicians in diverse polities and during different eras. Studies in American and comparative politics have shown that politicians are able to dominate bureaucrats by various means in order to ensure that their preferred policies are implemented.[43]

Moe (1984) describes how "democratic politics is easily viewed in principal-agent terms. Citizens are principals, politicians are their agents. Politicians are principals, bureaucrats are their agents. Bureaucratic superiors are principals, bureaucratic subordinates are their agents" (765). He explains how delegation can be a rational choice by politicians, who are only concerned with those bureaucratic tasks that will potentially impact electoral outcomes or, alternatively, relate to specific policy interests. Therefore, it may be in politicians' interests to delegate the day-to-day operation of certain state functions to a specialized agency, if they can be reasonably assured that the agency in question will perform in a way consistent with those politicians' preferences.

In the case of pre-1990s Japan, politicians were reasonably certain that their preferences would be met through delegation. The Liberal Democratic Party (LDP) was the majority party from 1955-1993. Therefore, until the early 1990s, LDP politicians did not have to worry about limiting bureaucratic autonomy in order to ensure that policies stayed in place in the future. In addition, this made the bureaucracy the virtual staff of the LDP politicians. Ramseyer and Rosenbluth argue that the proof of this relationship, in which politicians retain power even while allowing bureaucratic discretion in policymaking, is the fact that bureaucrats implemented policies whose outcomes were in accordance with the dominant Liberal Democratic Party (LDP)'s preferences. [44]

At the same time, there was a great degree of convergence of preferences on aid policy between politicians and bureaucrats, through the 1980s. Part of this is related to enduring LDP rule, as one common operationalization of divergence is coalition government. Convergence of preferences is also related to a consensus on the international goals of Japan.[45] There was widespread political, bureaucratic, and public support for aid as a major tool of Japanese foreign policy.[46]

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[43] For an overview of the literature, see Huber and Shipan (2002): 17-43. For examples, see Weber (1946) on political control of bureaucrats in France and Bismark's Germany; Weingast and Moran (1983) on US Congressional control over the bureaucracy; Moe (1985) on US presidential influence.

[44] For other applications of a principal-agent model to Japan, see, for example, Kohno (1992).

[45] There have long been foreign critics of Japanese aid policy that questioned whether Japan had aid objectives and, if so, what they were. See, for instance, *Aid Review 1990/1991: Report by the Secretariat and Questions for the Review of Japan* (1991). From the late 1980s, domestic critics took up this debate.

[46] The most common dispute related to politicians and ministries was each wanting money to go to its own constituents and supporters. This was not related to the overall policy framework, but to individual projects.

Huber and Shipan (2006) further suggest that the delegation of power to bureaucrats can only be viewed as an *abdication* of policymaking authority if three conditions exist simultaneously: politician and bureaucrat preferences diverge, politicians lack the ability to write laws that limit bureaucratic freedom, *and* politicians cannot rely on ex post monitoring mechanisms.[47] In other words, politicians can only be said to be giving up power through delegation *if* politicians and bureaucrats disagree, *while* politicians lack the ability either to limit bureaucratic action at the present time or to censure bureaucratic actions after they are taken.

The test for this is the 1990s when political and bureaucratic preferences, with regard to aid policy towards China, did come to diverge, in response to changes in the domestic environment. Institutional and environmental constraints on politicians shifted. In 1993 the long-time majority party, the Liberal Democratic Party, lost its majority. Voters became much less likely to identify themselves with a particular party. And, as voting patterns became more volatile, politicians became more sensitive to voter preferences. In 1994, the electoral system in Japan was reformed, moving from a multi-member district, single-nontransferable-vote (SNTV) system, to a mixed system with 3/5 of the lower house elected in single-member districts. This resulted in a system where policy issues and individual politicians who could attract national attention became more important elements. During the 1990s, other elements of the domestic environment also changed. Both the media and public opinion became much more critical of ODA in general, of China, and of ODA to

[47] As mentioned previously, ex-post monitoring mechanisms are comprised of methods that can be divided into the categories of veto or punishment.

China in particular. ODA to China became an important issue as issues became a more important aspect of electoral politics in Japan (with the reform of the electoral system).

In response to such shifts in the domestic environment, politicians began to take action to limit bureaucratic discretion in aid policymaking. For example, in the early 1990s, members of parliament began preparing legislation to govern aid policy. The Cabinet responded with the 1992 ODA Charter, which provides guidelines for ODA giving. In this way, politicians were able to control aid policy (and the bureaucrats who implement it) more closely (giving bureaucrats less discretion). The establishment of the ODA Charter created a cadre of bureaucrats within MOFA whose job it was to uphold the requirements of the Charter. This established a base of support within MOFA for politicians who decided to call on the government to closely enforce those rules. This institutional change made it more likely that bureaucratic actions would be consistent with shifting political preferences.

In addition to such ex ante techniques, ex post monitoring mechanisms are also a tool that Japanese politicians possess. Ramseyer and Rosenbluth state that the LDP is able to monitor bureaucratic behavior through the specific mechanisms of veto power and the promise of future incentives, including promotions and *amakudari*.[48] However, they also argue that even a non-LDP ruling party (or coalition of parties) would retain indirect monitoring of the bureaucracy, especially through ex post veto and ex ante incentives.

Thus, not only was the delegation of policymaking authority to bureaucrats a rational choice by Japanese politicians, but that delegation cannot be viewed as an abdication of policymaking authority. Politicians maintained the ability to give bureaucrats discretion in policymaking on a contractual basis - where bureaucratic authority could be altered, or even removed, if policy outcomes did not adhere to political expectations. I argue that Japanese policymaking in the area of aid to China is one example of how politicians responded with greater involvement and intervention once the contract (i.e., delegation) no longer benefited politicians.

If this argument is correct, we should witness the following political behavior during the three cases of crises in Japan-China aid relations that this study is investigating. First, when political and bureaucratic preferences converge, we should expect to see a continuation of political delegation of aid policymaking duties to the bureaucracy. Second, when political and bureaucratic preferences diverge, we should expect to see limits placed by politicians on bureaucratic discretion in aid policymaking.

The Political-Public Relationship in Japan: Theory and Practice

As described above, the principal-agent model is not only applicable to political-bureaucratic relations, but to public-political relations as well. In this relationship, the public (elsewhere called the voter or the citizen) is the principal, while the politician is the agent.

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[48] *Amakudari* is the practice of bureaucrats retiring early into highly desirable private sector jobs.

Ramseyer and Rosenbluth assume that Japanese politicians are rational actors whose prime motivation is to get voted into office. Curtis has argued that this is not the motivation in Japan where incumbents enjoy extremely secure electoral prospects. However, the electoral assumption that Japanese politicians prioritize getting reelected is not unreasonable, particularly during the years of my study, 1989-2001. This is due to the fact that politicians faced extreme electoral uncertainty and voter volatility.

The LDP lost control of the upper house of parliament in 1989 and control of the lower house in 1993.[49] With the loss of its majority in the lower house, the LDP no longer possessed its ruling party status. This was the first time the LDP was out of power since its inception in 1955. As the 1990s progressed, Japan saw more and more incumbents, who had been previously secure, lose or almost lose their seats in parliament. For example, Masajuro Shiokawa, Chief Cabinet Secretary[50] during the Tiananmen crisis and Secretary-General of the LDP in 1995, lost his seat in the House of Representatives (lower house) in 1996. This is despite the fact that he had served as a member of parliament for almost 30 years and had held some of the most powerful positions in the party and the government. Given this new electoral uncertainty, I argue that it is reasonable then to assume that getting voted into office was a concern and a motivation behind political behavior.

[49] The upper house is called the House of Councillors and the lower house is called the House of Representatives.

[50] The Chief Cabinet Secretary holds a position akin to government press secretary. A number of Chief Cabinet Secretaries, including Shiokawa's predecessor, Keizo Obuchi, and the prime minister in 2006-2007, Shinzo Abe, later became prime minister.

In addition, 1994 witnessed the introduction of a new electoral system. Under a non-LDP coalition government in 1994, the electoral system in Japan was reformed, moving from a multi-member district system, to a mixed system with 3/5 of the lower house elected in single-member districts. This resulted in a system where policy issues and individual politicians who could attract national attention became more important elements. To win back voters, or win new voters, under this new electoral system, politicians had to become increasingly sensitive to voter preferences.

ODA to China was an issue on which voters expressed clear preferences. Japanese ODA had long enjoyed public support, as it seemed to benefit Japan's international relations and promote its international reputation. However, with a shrinking economic pie in Japan (as the Japanese economy faltered) and a series of ODA scandals and negative reports (including those citing the unethical influence of members of parliament in the allocation of funds and projects that were inefficient and ineffective), the Japanese public became increasingly wary of ODA. They particularly wanted there to be greater oversight to avoid excess and waste.

ODA to China became a particularly thorny issue as China's growing economy was compared to Japan's stagnating one, and the Japanese public watched local factories close and jobs go abroad to China. In addition, as the public saw an economically rising China become apparently more aggressive militarily, they wondered whether Japan's ODA funds were being used to support China's military, either directly (through the building of infrastructure) or indirectly (by allowing China to divert

additional money into the military). As one example of a political response to these many varied complaints, in a House of Representatives' Foreign affairs committee meeting on May 26, 1995, MP Shinzou Abe[51] argued that he could not support millions of yen in grant aid to an economically struggling China that was spending even more than that on the development and production of nuclear weapons.

In summary, therefore, I argue that securing votes was a priority for Japanese politicians during my period of study and became more so as the 1990s progressed with the losses of the LDP, voter volatility, and a new electoral system. Speaking up against ODA to China was a means to secure votes. ODA to China was an issue of which the public was aware and which was widely broadcast in the media. Politicians who stood up against ODA to China (in terms of reduction or reform) received substantial public support and media attention.

If this argument is correct, we should witness the following political behavior during the three cases of crises in Japan-China aid relations that this study is investigating. We should expect to see political behavior follow that of public preferences. Political behavior can range from political messages, such as statements during Diet proceedings and in speeches, to the writing of legislation.

The Bureaucratic-Public Relationship: Theory and Practice

Bureaucrats care about public opinion because it influences their ability to pursue their preferred policy options. This is achieved indirectly through the public's

[51] Shinzo Abe became the prime minister of Japan in 2006.

relationship with politicians. Politicians care about public preferences to the extent that such preferences can affect their chance for reelection. If such electorally important public preferences clash with bureaucratic preferences, politicians will use the available ex ante and ex post mechanisms discussed above to control bureaucratic policymaking.

Still, bureaucrats themselves can influence public preferences. They can do this directly, through town hall meetings and the dissemination of reports, or through the media. Bureaucrats often feed information to the media. This information would be such as would support their own policy positions and undermine opposing political policy positions. It may also be the bulk of the information that the public is receiving on any given topic. Curtis has described how bureaucrats would provide information to journalists prior to a television interview with the minister of their own ministry, who had policy plans contrary to those of the career bureaucrats. Not knowing that the interviewer had this insider information that would undermine his arguments, the minister would be embarrassed and shown to disadvantage in front of a public audience.

In the case of ODA to China, the bureaucracy of interest is the Ministry of Foreign Affairs (MOFA), which makes all political decisions about ODA. As will be discussed in detail below, MOFA's interest was in a continuation of ODA to China, as it served as one of the pillars of Japan's China policy. As the public became less supportive, the bureaucracy needed to try to change public preferences in order to

achieve its desired policy outcome of continued aid to China. It needed to increase public support for ODA to China. This would decrease public pressure for policy change and undermine (or shift the focus of) those politicians actively and vocally pushing for policy change.

Further supporting this argument, Katada (2002) makes the following contention:

> Unlike MITI or MOF, MOFA lacks domestic political power, because MOFA does not have any influential domestic constituencies. This lack of a domestic power base is a mixed blessing for the ministry. On the one hand, MOFA is relatively free from domestic special interest pressures, but on the other, it has to rely on the general public – a very unpredictable base – for support of its policies (338).

In other words, MOFA needs public support in order to secure its preferred policies. It cannot rely on the business or banking sectors to lobby politicians, as other ministries might.

In summary, I argue that bureaucrats care about public opinion because it influences policy outcomes indirectly through politicians. Therefore, bureaucratic actors, particularly MOFA, seek to shape public preferences to concur with their own.

If this argument is correct, we should witness the following bureaucratic behavior during the three cases of crises in Japan-China aid relations that this study is investigating. First, prior to any policy change, we should expect to see a divergence between the preferences of bureaucrats and the preferences of the public. Second, as public and bureaucratic preferences diverge, we should witness increasing efforts by

the bureaucracy to influence the public through its own public relations, as well as through the media.

The Business-Bureaucratic-Political Relationship: Theory and Practice

Japanologists in the past have touted the Japanese "iron triangle"[52] of business, bureaucrats, and politicians (the LDP) as the underpinning of Japan's post-World War II economic miracle. Business has held an important place in Japan's political economy as an engine for economic growth and a major political contributor.

As I will discuss in the following chapter, the origins of Japanese ODA could be viewed as another example of the workings of this "iron triangle." Politicians funded a bureaucratic program that would help to establish markets for Japanese business abroad, while Japanese businesses supported politicians through political contributions. However, by the mid and late 1990s, all these elements were beginning to change. As one Japanese business leader described the changing times,

> Twenty years ago, bureaucrats controlled business through regulation and business controlled politicians through monetary contributions. Gradually this system was destroyed. Business doesn't give much money to politicians anymore. Politicians are free from intervention, independent. Nor can bureaucrats control business, due to deregulation.[53]

By the second half of the 1990s, these types of changes were quite apparent in ODA policymaking and implementation. First, Japanese business was no longer as interested in ODA to China. With economic reforms within China, businesses

[52] "Iron triangle" is a commonly used term in the study of politics to refer to alliances among the bureaucracy, the legislature, and interest groups. See, for example, McConnell (1966).

[53] Author's interview August 17, 2004. (#8)

opportunities abounded even without ODA to open doors and provide funding. At the same time, close to 100% of Japanese ODA projects had become untied, meaning that firms from any country could bid on them. Japanese business procurement of ODA projects in China, in particular, became quite low. Second, campaign finance reforms in the mid-1990s changed the financial relationship between politicians and the private sector. Financial contributions from business had to go to the party rather than to individual politicians.[54] I argue that these factors greatly reduced private sector pressure on politicians to support ODA to China.

If this argument is correct, we should witness the following business and political behavior during the three cases of crises in Japan-China aid relations that this study is investigating. First, as long as Japanese access to Chinese business opportunities relies on ODA, we should see significant business lobbying in favor of continuing the policy of engagement with China through ODA. In the same vein, as business opportunities rely less on ODA, we should see less lobbying. Second, as long as Japanese economic growth is positively impacted by Japanese companies gaining access to China through ODA, we should see significant political support for ODA.[55]

[54] This will be discussed further in Chapter 6.

[55] A third hypothesis following logically from my argument could be that as long as those businesses that depend on ODA to China are large financial contributors to political campaigns, we should continue to see political support. However, I do not test this hypothesis in the current research project.

The Political-Media and Public-Media Relationships in Japan:

Theory and Practice

Understanding the relationships among politicians, bureaucrats, the public, and business is indispensable in drawing conclusions about policymaking in Japan. However, the role of the media in the political world should not be discounted. This is because the media plays an important role in all of these relationships.

Those who research the Japanese media have asserted that the media is one of the greatest power brokers in Japan, although one that is often overlooked as attention tends to focus on the "Big Three": the Liberal Democratic Party (LDP), the bureaucracy, and the business world. Kabashima and Broadbent (1986) find that the media is considered to be the most influential social group in Japan, in interviews with Japanese leaders from various sectors.[56] In part, this influence stems from mass consumption. Ninety percent of people in Japan read newspapers daily and per capita newspaper circulation is the highest in the world.[57] This influence also originates from the indispensable role that the media plays in a democracy, especially one like Japan that lacks a strong opposition party. The media essentially becomes the opposition and acts as a constraint on the ruling party. In addition, the media is a trusted source of information. In a poll conducted by the Yomiuri Shimbun in 1995,

[56] Of the ten groups interviewed (business, bureaucrats, LDP, farm organizations, mass media, intellectuals, labor unions, opposition parties, citizens' movement groups, feminist groups, and the Bunraku Liberation League), only the media did not place mass media first among influential actors. It placed mass media second, directly below the bureaucracy.

[57] Pharr (1996a).

90.7% of respondents said they highly trusted or generally trusted the information in the newspaper.

In a democracy, the media is situated between the state and society, working for both but wholly dependent on neither. Pharr (1996b) lists four roles that the media can play: spectator, watchdog, servant of the state, or trickster. She sees the Japanese media as fulfilling the role of the trickster. The trickster serves both the public and the state, but always does so as an outsider and is unpredictable in its alliances. Therefore, it may ally itself with one group on one occasion and then work against that same group on another occasion.

As both an outsider and an intermediary, the media relays information between state and society, as well as among members of each. In fact, the media is often the only way that the public learns about government policies such as those related to ODA.[58] At the same time, Japanese officials use that same media to gather information about public preferences.[59] In addition, the media also influences how the public thinks about the "climate of opinion," or where their peers stand, on a particular issue.[60]

However, the media may do more than simply inform. It may purposefully sway public opinion in one direction or another. Kusano (1999) lists three functions of the media: to offer information for the purpose of evaluation, to increase issue

[58] Kusano (1999).

[59] Campbell (1996).

[60] Takeshita and Takeuchi (1996).

consciousness, and to persuade the public to a certain way of thinking about an issue. He conducts a content analysis of articles on ODA that were printed in the Asahi Shimbun and the Nihon Keizai Shimbun between 1980 and 1992. He finds that the majority of the articles lack impartiality.[61] He argues that the objective of many of these articles is not to inform, but to persuade. There are many ways in which the media can achieve this: increase volume of coverage of an issue, include a large number of editorials and commentaries from a specific point of view, limits one's news sources to those with which one agrees, or take a policy position even in supposedly straight news stories.

Even so, Flanagan (1996) suggests that the media is not most influential in *changing* people's opinions on an issue, but in *focusing* people's attention on an issue. He calls this "attitude mobilization." He emphasizes valence issues, or issues on which there is overwhelming agreement; the only difference being the strength of one's opinion. In such cases, the media can play a significant role in increasing awareness of an issue. Flanagan found that the higher the level of media exposure, the stronger the public position against the valence issue.

The Tiananmen Square massacre, China's nuclear tests, and the review of ODA to China were all valence issues in Japan. The Japanese public was universally appalled by the events on and immediately after June 4, 1989. They could not support the actions of the Chinese government. However, the question of how this should affect aid to China remained an open one. Similarly, in 1995, the public agreed that China

[61] This is despite the fact that 80% of the articles were fact-based rather than opinion pieces.

should not be conducting nuclear tests. There was also widespread support for the ODA Charter, created in 1992, which called for aid policy to consider factors such as the development of nuclear weapons. The only question for the populace, in this case, was how strong a stand to take in applying the ODA Charter to the Chinese nuclear tests. In 2000/01, it was inevitable that a review of ODA to China would take place, given the tide of public and political opinion in favor of such a review. However, whether that review would result in a reduction of aid or what the content of the reform would be was open to debate.

I argue that, in each of these three cases, public opinion and media coverage influenced each other. The stronger the public opinion against ODA to China, the more negative media coverage became toward ODA to China. The greater the volume of media coverage in each of these three cases, the more negative public opinion became toward ODA to China. Negative public opinion would, in turn, influence political preferences, given the public-political relationship outlined above. In addition to volume of coverage, policy stance and volume of opinion pieces (or subjective pieces) impact public opinion, thereby affecting politicians.

If this argument is correct, we should witness the following political and media behavior during the three cases of crises in Japan-China aid relations that this study is investigating. First, we should expect to see the volume of media coverage impact the level of political intervention in proportion to the volume of said coverage. Low volume should elicit a minor political response; high volume should elicit a larger

political response. Second, we should expect the policy positions of the papers to reflect their political stance. This means that the leftist Asahi Shimbun would have a liberal slant on the issues; while the rightist Yomiuri Shimbun would have a conservative slant on the issues; and the middle-of-the-road Nihon Keizai Shimbun would be more impartial.

Figure 2 presents a summary of the five sets of hypotheses detailed above.

Figure 2

Hypotheses

H1 a	When political and bureaucratic preferences converge, we should expect to see a continuation of political delegation of aid policymaking duties to the bureaucracy.
b	When political and bureaucratic preferences diverge, we should expect to see limits placed by politicians on bureaucratic discretion in aid policymaking.
H2 a	We should expect to see political behavior follow that of public preferences.
H3 a	Prior to any policy change, we should expect to see a divergence between the preferences of bureaucrats and the preferences of the public.
b	As public and bureaucratic preferences diverge, we should witness increasing efforts by the bureaucracy to influence the public through its own public relations, as well as through the media.
H4 a	As long as Japanese access to Chinese business opportunities relies on ODA, we should see significant business lobbying in favor of continuing the policy of engagement with China through ODA.
b	As long as Japanese economic growth is positively impacted by Japanese companies gaining access to China through ODA, we should see significant political support for ODA.
H5 a	We should expect to see the volume of coverage impact the level of political intervention in proportion to the volume of said coverage.
b	We should expect the policy positions of the papers to reflect their political stance

Finally in this chapter I will discuss how preferences formed, according to my argument, for each of the five actors being explored in this research project. This is essential given that preferences play a big role in my hypotheses.

Preference Formation: ODA to China

Bureaucratic Preference Formation

Principal-agent theory accepts that agents have their own interests that may or may not be achieved by serving the principal. For the Japanese bureaucracy, there are three primary interests. One interest is maintenance of the ministry. A second is implementation of policies that serve the ministry mission. The third is service to the ministry's constituents.

Kubota (1969) emphasizes the importance of maintaining the reputation of one's ministry and serving one's ministry loyally. These values underpin bureaucratic preference formation, as members of each ministry seek to show a united front to other ministries or branches of government. It also helps to explain how each ministry develops its own organizational culture that distinguishes it from other ministries.

In my study of Japanese aid policymaking the bureaucratic body of interest is the Ministry of Foreign Affairs (MOFA). ODA is primarily wielded by MOFA. MOFA's prime objective is to ensure the peace and stability of Japan. They achieved this during the postwar era in part by maintaining the U.S.-Japan Alliance that provided Japan with a nuclear umbrella. After the oil shocks of the 1970s, they also put an emphasis on energy security. In the 1980s, Japan was the top trading partner with Saudi Arabia, Kuwait, Oman, Qatar, the UAE, Iran, and Iraq.[62] With regard to

[62] Johnson (1995) 235.

China, their main goals have been to ensure Chinese stability and a stable relationship.

ODA has been a major tool for MOFA in achieving these varied goals. Since the 1980s, ODA has been a major pillar in MOFA's foreign policy framework towards China. It has been one of the major elements in its long-term plan of strategic engagement. MOFA has provided unflagging support for a continuation of aid to China.[63]

Public Preference Formation

In the postwar era, the Japanese people felt a significant degree of good will towards the Chinese people, stemming from historical and cultural ties, as well as (in some circles) a sense of war guilt. These feelings of benevolence were heightened in the 1970s with the normalization of relations between Japan and China and the advent of an official postwar economic relationship, through trade and aid. However, Japanese public opinion towards China and ODA to China became increasingly negative from the late 1980s through the 1990s. This has been illustrated in various public opinion polls, as well as in town hall meetings led by local politicians or MOFA. ODA to China was a gesture of friendship that the Japanese people no longer wanted to make.

There are a plethora of views within Japan attempting to explain what led to the negative Japanese public opinion towards ODA to China and what the interaction

[63] This will be discussed in more detail in the following chapter.

among the public, the media, and politicians has been with regard to those increasingly negative sentiments from the late 1980s through the early 21st century. The explanations range from international sources of concern, such as Chinese economic or military growth, to Japanese domestic sources of influence, including nationalistic voices and media reports. A journalist from the Yomiuri Shimbun cited three reasons for the growth of negative public opinion towards China: the economic growth of China, opposition to the military buildup, and increasing crime in Japan by Chinese nationals. He also cited two reasons for increased negative media portrayals of aid to China: the Chinese military and MOFA scandals. "The people's view of ODA was: what is it being used for?"[64]

However, the shift in public preferences was not only a reaction to such international and domestic phenomena, but was also a response to the domestic policy debate itself. One important forum where this debate was occurring was in the media. One freelance journalist commented "Public opinion is easy to influence. They listen to big voices. These voices are nationalistic, right wing. [The public is] influenced by politicians and the media."[65] Supporting this view of the media's influence, MOFA reports that people have expressed, both in town hall meetings and on the MOFA web site, that their opinions have been negatively influenced by the media representation of ODA to China.[66] Diet proceedings also reflect not only how politicians perceive the public to be influenced by the media, but how they themselves are influenced by

[64] Author's interview November 21, 2003. (#33)

[65] Author's interview November 19, 2003. (#34)

[66] Author's interview October 4, 2004. (#22)

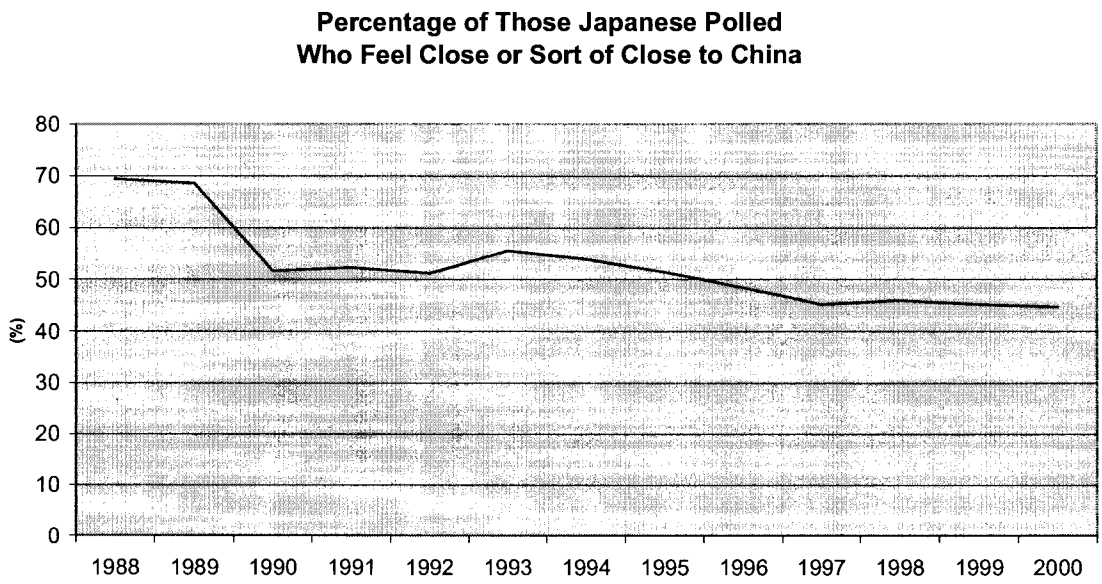
media coverage. For example, after the Tiananmen Square Massacre, members of parliament made statements in Diet sessions describing how disturbed they had been by the images that they had seen on television and in the newspaper.

What is clear is that Japanese public opinion was becoming increasingly hostile towards China, and particularly towards ODA to China, over the course of the 1990s. This was both increased by, as well as an underlying reason for, the three periods of crises that I am addressing here.

In the Prime Minister's Office annual poll, responses to the question of how close one feels to China (Figure 3) reflect the three cases of sanctions under study in this research. In 1988, close to 70% of the Japanese public felt close or sort of close to China. In 1990 it had dropped to just above 50%.[67] In 1993, after Deng Xiaoping's reforms and efforts at modernization ushered foreign investment back into the country, the public sentiment rebounded slightly to 55%. However, as Chinese nuclear tests became an issue in 1994, public opinion began to fall, to a low of 45% in 1997. After 1997, the year when Japan resumed all grant aid to China, there was another improvement in public opinion. Still, another downward trend began in 1999 with President Jiang Zemin's visit and worsening Japan-China relations over military and history issues.

[67] Note that the 1989 poll was taken prior to the Tiananmen massacre. The 1990 poll was the first taken after the massacre.

Figure 3



Political Preference Formation (Influence of the Public)

The role of the public is indispensable in political preference formation. This is the result of electoral realities. Above I discussed how electoral uncertainty and the reform of the electoral system led to greater political sensitivity to public opinion in the 1990s. In addition, Japan's China policy and Japan's ODA policy are two specific issues that garner widespread public attention and public pressure on politicians.

Johnson (1995) highlights the important role of Japanese public opinion in the two areas that are relevant to my topic of study. First, he asserts that Japan-China relations in general and Japan's China policy in particular can only be understood by

looking at public opinion. In Japan-China relations, "all political, economic, and diplomatic ties are subtly skewed by the popular attitudes and aspirations of the Japanese people as these are mobilized by the Japanese press" (236). Next, he argues that the reforms and changes in the political world during the 1990s were a result of the influence of public opinion. Two of the examples he provides are PM Morihiro Hosokawa's[68] call to voters to support his party on the basis of reform and MP Ichiro Ozawa's transformation into a political reformer.[69] This supports my view that public opinion was integral in political preference formation in the 1990s and that Japan's China policy is a specific issue area where public opinion takes a central role.

MOFA officials described this influence of the public on politicians when it came to ODA to China. One MOFA official related how he witnessed the relationship between politicians and the public:

> Japanese politicians spend their weekends with their constituents. They leave Tokyo and return to these areas. They attend hearings and meetings. Public opinion reflects the views of the constituents. When the politicians return on Monday, they call us up to praise or complain. The constituents have been telling the politicians: ODA is not effective; you are simply dispersing money.[70]

Such public complaints to politicians became a significant concern for MOFA. As the same MOFA official explained: "The ODA budget comes from the taxes the public pays. The national budget is approved by the Diet. Politicians can't be

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[68] Morihiro Hosokawa was the Japanese prime minister 1993 – 1994.

[69] Ichiro Ozawa has been a major player in Japanese politics over the past couple decades, first as a leader of the LDP and later as a leader of the LDP's opposition.

[70] Author's interview October 4, 2004. (#22)

supportive without public support. To gain the budget, we need public opinion. The constituency's concern is that instead of giving money to foreign countries, money should be going to build a school in Japan, for instance."[71] Reinforcing the idea that politicians were responding to such public concerns, LDP parliamentarian Yoshitada Kounoike raised the argument that Japan was giving as much money to China as it was giving to support small and medium-sized companies within Japan, companies that were facing financial difficulties due to the import of inexpensive goods from China.[72]

One Japanese journalist who writes on ODA stated that, "It is when negative public opinion goes up that the sanctions are applied."[73] In response to public opinion, politicians put pressure on MOFA to apply sanctions. MOFA increasingly felt the pain of this as the 1990s proceeded, crying, "We can't influence the LDP. The LDP is influenced by the public."[74]

In summary, political preference formation, with regard to Japan's China policy, was strongly influenced by public opinion, particularly under conditions of electoral uncertainty. Public dissatisfaction with Japan's China policy was vocally expressed to local politicians. Politicians responded with more aggressive statements against ODA to China and calls for action, in proportion to the public pressure.

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[71] Author's interview May 27, 2004. (#22)

[72] Plenary session, House of Councillors, September 26, 2000.
Minutes from all Diet proceedings accessed through http://kokkai.ndl.go.jp/.

[73] Author's interview November 20, 2003. (#30)

[74] Author's interview May 27, 2004. (#22)

Business Preference Formation

Japanese business initially had significant interest in ODA to China in the 1970s and 1980s, as a means to bolster international trade. ODA projects provided work for Japanese industry. ODA funds built infrastructure necessary for investment and trade. ODA also helped spur Chinese economic development that would create a consumer base for Japanese products. In these varied ways, ODA opened the door for Japanese business.

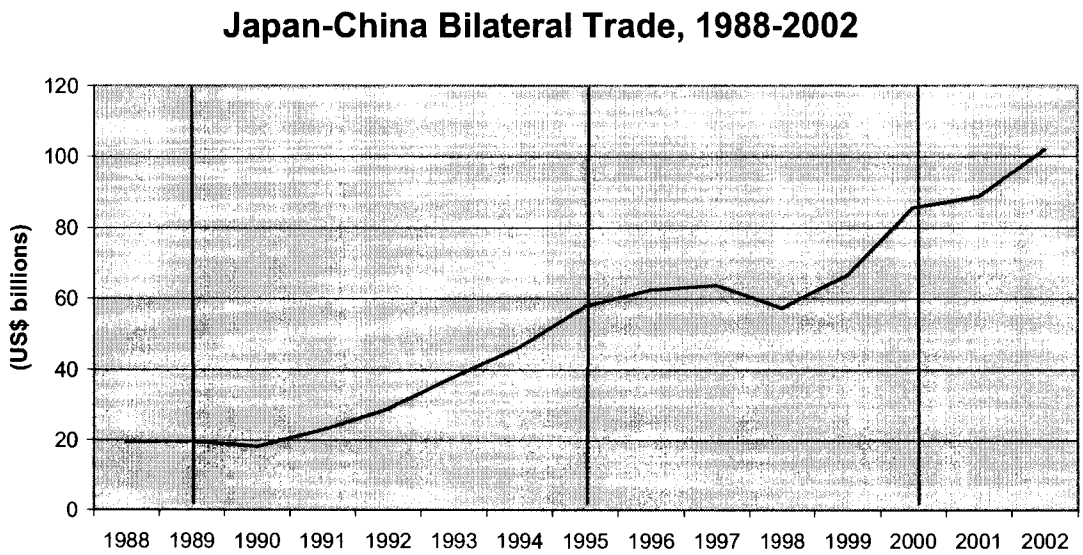
However, by the 1990s, two factors were making ODA to China of less benefit to Japanese business. First, almost all ODA had become untied, meaning that companies from any country were able to bid on projects being funded by Japanese ODA. In a country that was developing as successfully as China, Japanese companies tended to be unable to compete with local companies. Local Chinese companies were able to implement many of the ODA infrastructure and other projects, and were able to do it more cheaply than Japanese firms. Second, Japanese companies interested in doing business in China no longer needed ODA to open doors for them. This was particularly true after Deng Xiaoping's 1992 economic reforms. As it became easier to do business in China, Japanese business built up an extensive network with Chinese business and government officials. I will discuss this second factor in further depth, by focusing on trends in trade and foreign direct investment.

In 1993 Japan became the top trading partner of China. China remained Japan's second largest trade partner after the US, until it gained the top slot in 2004.[75] Japan has had a trade deficit with China since 1989, but this deficit widened after 1994, as Japan began to import more Chinese goods. This was particularly in the areas of clothing, eyewear, bicycles, vegetables, and marine products.

Figure 4 illustrates trends in Japan-China trade from 1988 through 2002. Figure 5 shows trends in Japanese ODA to China over that time period. The vertical lines mark the three cases under analysis in this research. In comparison, these graphs indicate that trade and ODA were both increasing for much of the period under review. The first dramatic drop in ODA was in 1989 at the time of the Tiananmen Square massacre. A similar drop in trade is not readily apparent, although there was a decrease in the volume of bilateral trade in 1990, amounting to over one billion dollars. After 2000 there was a significant shift away from ODA, while trade continued to increase. Figure 6 separates imports and exports, revealing the increasing importance of Japanese imports from China in bilateral trade relations.

[75] Interestingly, 2004 was the same year that Japan sunk to China's third largest trading partner after the EU and the U.S.

Figure 4



Source: Direction of Trade (IMF)

Figure 5

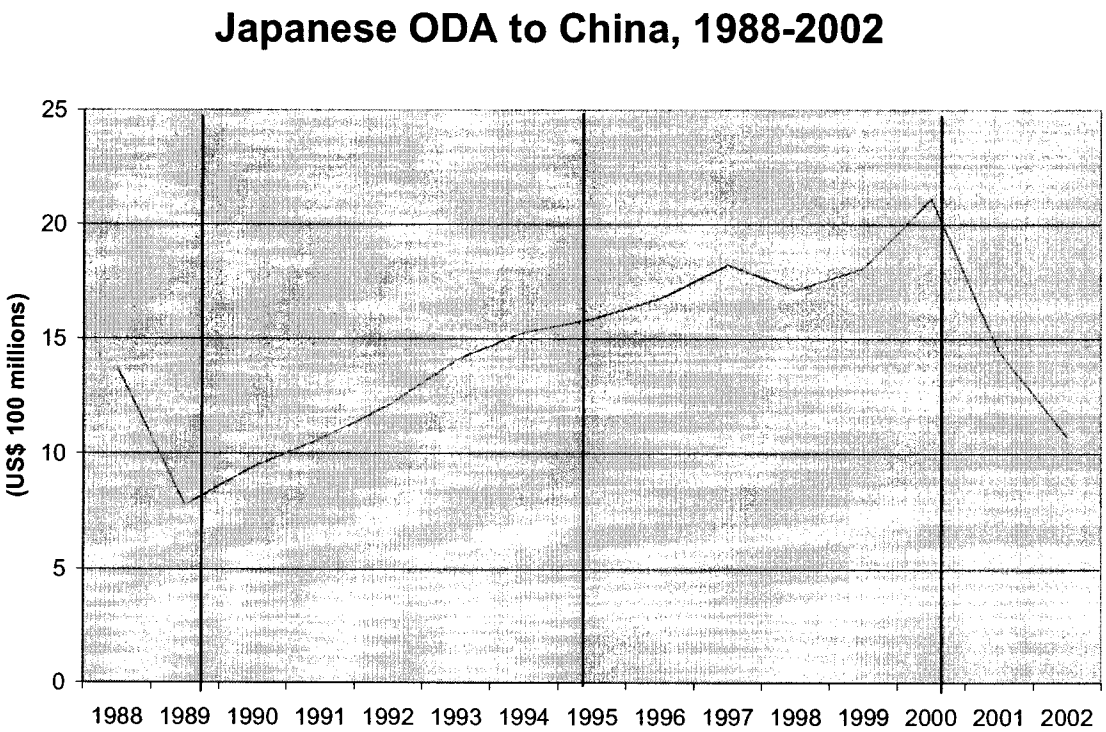
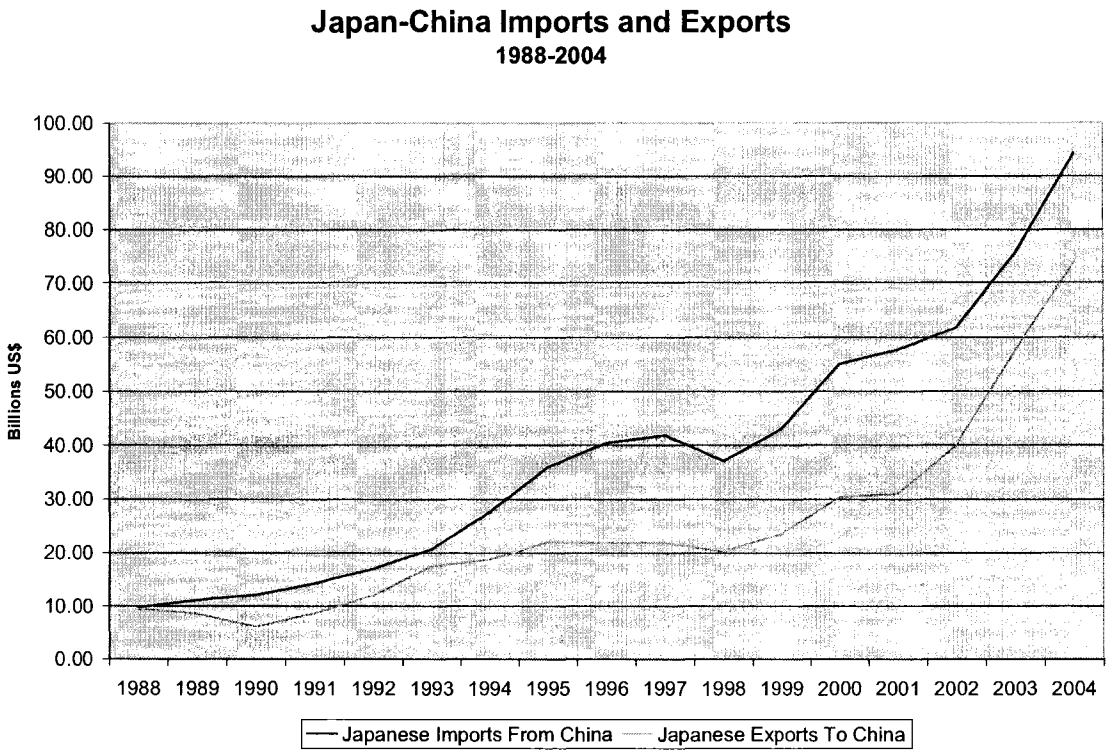


Figure 6



Source: Direction of Trade (IMF)

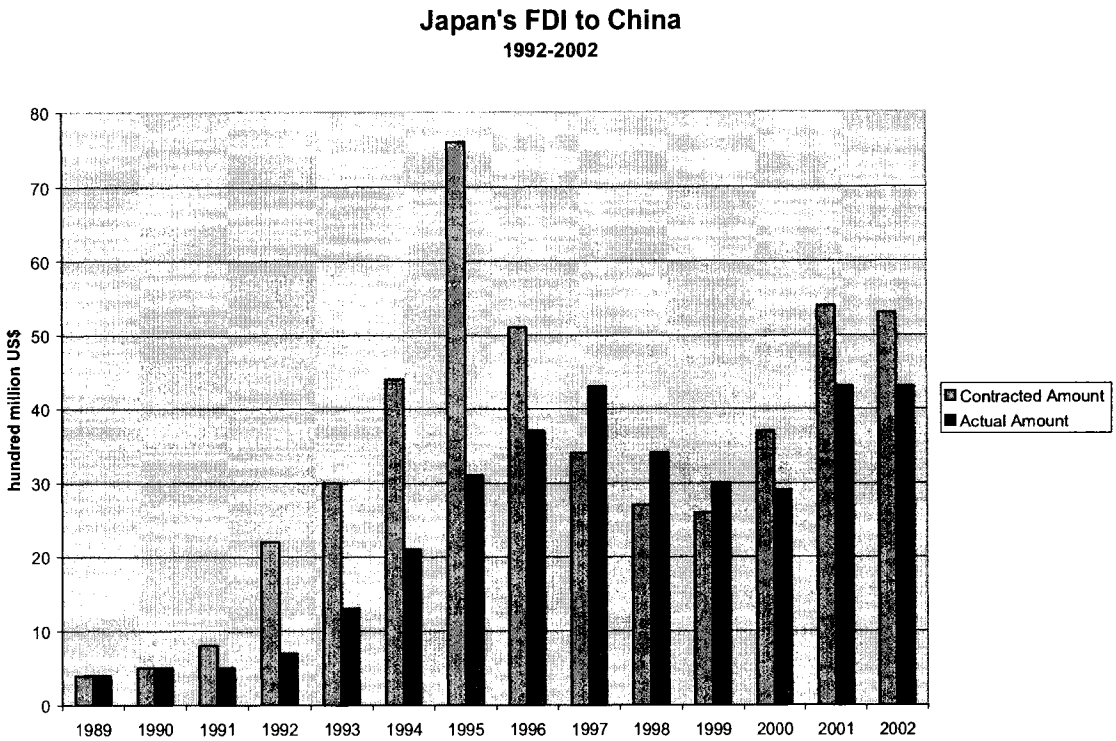
The changing preferences of the business community, as well as a greater public awareness of the interconnectedness between the Japanese and Chinese economies, is reflected in a series of public opinion polls conducted by the Yomiuri Shimbun. In 1993, when asked which issues concerning China they cared about, only 8.9% of those polled cared about China's rapid economic expansion.[76] When asked the same question in 1995, 43.7% of those polled replied that they cared about China's economic expansion. The poll did not address the reasons for the responses, but it is reasonable to assume respondents were motivated by a combination of cheaper

[76] There was an additional 16.1% who cared about marketization of the Chinese economy. This item was not given as a choice in the 1995 poll.

consumer goods being imported from China and lost jobs as Japanese production bases moved overseas. In the same poll, when asked if China would surpass Japan in the 21st Century to become the largest economic power in Asia, 52% responded in the negative (37% responded in the affirmative). A poll conducted by the Yomiuri Shimbun in June 1997, found that 49.4% of respondents believed China was one of the top three important countries for Japan's economy. At the same time, 50.8% responded that China would be one of the top three economic rivals for Japan in the 21st century. Through all these musings of the public, the obvious reality was that the two economies were growing increasingly interdependent. In addition, whether or not perceived as future rivals by the Japanese public, throughout the period of this study their economies complemented each other, rather than competing with each other.

The bilateral economic relationship, encompassing aid, trade, and foreign direct investment, shifted further with an expanded interest within Japan in investment in China. This reflected another changing priority in Japanese business interests. From 1979-2002, Japan provided $36.6 billion to China in foreign direct investment (FDI). About 90% of this amount was provided after 1991. This amount made Japan the third largest investor in mainland China, after Hong Kong/Macao and the United States. Japan provided about 8% of total FDI to China during that 23-year period.

Figure 7



Source: Mizuho Corporate Bank

* The series looks at FDI through 2002 since that completes the period of study for this research project.

1992 -1995 has been called the third boom in Japanese industry investment into China, after short-lived periods of investment in the 1970s and 1980s. This third boom was characterized by investment into large companies, which was followed by investment into makers of food stuffs, thereafter followed by investment into raw materials. One main objective of this investment was to spark bilateral trade. This boom was succeeded by a downward trend in investment that started after 1996, due to the Japanese recession and domestic restructuring.

The fourth boom in Japanese investment into China occurred in 2000, in expectation of China's accession into the World Trade Organization (WTO)[77] and in response to an expanding Chinese market. Domestic factors which spurred the investment included a Japanese domestic labor shortage, increasing costs, and the comparative low quality of recent graduates. Japanese industry began to actively shift their production bases to China, as this became increasingly profitable because of continued low costs, the development and maintenance of infrastructure, and improvements in quality control. One new area for investment was the software industry, including software production, system design, and call centers.

In terms of regional focus, there was a shift in Japanese FDI from 1993 to 1999 towards eastern, coastal China, particularly Shanghai. The east was the recipient of 25% of FDI items in 1993 and 43% of items in 1999. In contrast, the western inland areas saw a slight decrease in FDI from 16% in 1993 to 14% in 1999. The most significant shift, however, was away from areas in the northeast. [78] This is a major contrast to trends in ODA. From 1993-1999, there was a marked shift in ODA funding from the eastern coastal areas to the western inland areas.

In 2001, the Keidanren reported that approximately 20,000 Japanese businesses were operating in China, employing more than one million people.[79] For the Chinese

[77] China became a member of the WTO on December 11, 2001.

[78] All FDI facts and figures are based on reports by Mizuho Corporate Bank.

[79] Keidanren. *Japan-China Relations in the 21st Century*. Tokyo, Keidanren, 2001.

economy, FDI means employment, increasing factory production, increasing exports, and tax revenues.

In 2003, the main complaints of the Japanese business community working with China were represented by the Keidanren. They called for improvements in the following areas: transparency of laws and regulations, complete liberalization of the economy, and safeguarding of intellectual property rights.[80] These are the concerns and interests influencing business preferences in Japan's foreign economic policy (and diplomatic policy) towards China. ODA is not a major source of concern or interest.

Media Preference Formation

The media coverage of ODA to China was influenced by three main factors: external phenomena, domestic actors (both the government and the public), and the political stance of the media outlet. However, there was a general trend that emerged from the late 1980s through the beginning of the 21st century. This trend was from government supporter to public advocate. It reflected, as well as reinforced, the general public mood.

In 1989, there continued to be a large degree of trust in government. The print media nurtured this. Coverage of the Tiananmen Square incident and aid sanctions is an example of this. It was generally conservative and pro-government. Volume of coverage was minimal until government pronouncements were made on the topic,

then coverage followed those policy decisions. There were few editorials discussing the relevant issues.

By the mid-1990s, the political and economic environment had changed within Japan. As mentioned above, numerous revelations of corruption and inefficiency in the bureaucracy, as well as in politics, had raised questions for the Japanese about their government. This was compounded by economic recession, rising unemployment, and the banking crisis. Both public opinion and the media responded to these changes with more assertiveness. This was a transition away from the traditional perception that public affairs are in the purview of the state and not an area for the general populace to become involved.[81]

Chinese nuclear tests are a case in point. After China's tests in 1994 and 1995, there was a huge surge in negative public opinion, which the media reflected. However, the media also reinforced and strengthened that trend, through its editorials and news reporting, as well as through the high volume of coverage. Still, in the end, there were media efforts to pacify the public in a way to accept the relatively moderate policy position that the government finally took. It accomplished this by virtually ending its coverage after a moderate policy was decided upon. In 2000/01, in contrast, the media did not stop reporting on ODA to China after government policy was implemented. Even after the review was completed and the reform plan was put in place, the media continued to ask questions that both reflected what the public was

[80] Keidanren. *Recommendation for Expanding Economic and Trade Ties with China Following Its Entrance into the World trade Organization.* Tokyo, Keidanren, 20 May 2003.

thinking and spurred them to continue to force politicians to keep ODA to China on the agenda.

Conclusion

Principal-agent theory argues that political delegation of policymaking duties to bureaucrats can be a rational choice and does not indicate an abdication of policymaking authority by politicians, as long as politicians can be reasonably assured that their preferences will be met and they possess ex ante and ex post mechanisms to limit bureaucratic discretion if those preferences are not met. I apply this theory to Japanese politics, where a long-time dominant party that utilized the bureaucracy as its virtual staff and possessed the ability to pass legislation, delay passage of the budget, and veto or punish bureaucratic decisions, created a situation where delegation was the likely outcome. I test this theory on Japanese ODA to China, by investigating the whole universe of cases in which Japan strayed from the traditional policy of engagement and, instead, chose to implement some measure of sanctions: economic sanctions after the 1989 Tiananmen Square Incident, the freeze of grant aid after China's 1995 nuclear tests, and the reform and reduction of ODA to China in 2000/2001.

In this research, I put forward the following hypotheses. First, I argue that when political and bureaucratic preferences converge, with regard to ODA to China, politicians continue to delegate to bureaucrats. However, when bureaucratic and

[81] Morito (2005).

political preferences diverge, politicians intervene in aid policymaking to ensure that their preferred policies are implemented. Preferences diverge due to the pressure the public places on their elected officials, as public preferences shift or become more important for the electoral chances of politicians. Therefore, prior to any political intervention, we should expect to see a divergence between the preferences of bureaucrats and the preferences of the public.

The preferences of politicians are also influenced by the private sector and the media. Business will lobby politicians to support the policies that will gain them the most profit. As the interest of Japanese industry in ODA to China decreases, we should see less lobbying by Japanese business. Meanwhile, the media influences political preferences through the volume of coverage and policy position of their articles. Thus, high volume and a critical stance should have the strongest impact on shifting political preferences away from supporting ODA to China.

In this chapter I have provided the expectations if each of my arguments is true. In the following case chapters, I will explore the details of each case, illustrating the ways in which each of these expectations is fulfilled. I will show that during the Tiananmen case, political and bureaucratic preferences converged. Although sanctions were imposed in response to the massacre and international condemnation of the Chinese government, the objective of the Ministry of Foreign Affairs (MOFA) was to resume ODA as soon as it was feasible. Politicians supported this policy and took actions to continue to engage China while the sanctions were in effect. The

Japanese public was shocked and disillusioned by the actions of the Chinese government against its own people, but did not seek to isolate China and supported the Japanese government policy to resume ODA as soon as possible. Japanese businesses complained about the sanctions, but were able to serve both Japan and China, as well as themselves in terms of future profits, as liaisons between the two governments.

In contrast, the 1995 nuclear case and the 2000/2001 reform and reduction case illustrate incidents of the divergence of political and bureaucratic preferences. In 1995, while MOFA continued to support engagement with China through aid, the Japanese public became increasingly dissatisfied with the government's muted response to China's nuclear tests. The media reflected and reinforced the mood of the public and called for more government assertiveness. Politicians gradually became more outspoken against Chinese nuclear testing and, by China's second nuclear test of the year, in August 1995, were a unified front calling for action in the form of ODA sanctions. The resultant policy was a freeze of grant aid that represented a change in Japan's policy framework towards China.

In 2000, increasingly negative public opinion of ODA to China caused a great split between public and bureaucratic preferences. Politicians responded by calling for a review and reduction of ODA to China. As Japanese business had turned its attention to trade and investment, where more substantial profits and opportunities existed, its voice was muted in this debate. The trend in the media was to advocate for the public

and become more critical of ODA to China. The policy outcome was a new plan for ODA to China that included a reduction and an explicit connection between that reduction and Chinese military activities.

In the following chapter, I will begin by providing background on Japan-China relations and the role of ODA in those relations, as well as show the relevance of each of my cases to my theory.

Chapter 3: Background and Overview of Cases

Introduction

My research question explores the influence of domestic actors on Japanese policymaking. I examine this question through the investigation of aid policy to China, focusing on three cases: economic sanctions after the 1989 suppression of democracy activists in Tiananmen Square, the freeze of grant aid after China's underground nuclear tests in 1995, and the reform and reduction of overall aid to China that began to be shaped in 2000. I argue that the policy decisions made during each of these crises were a reflection of the preferences of politicians, as swayed by the public, business, and media, acting within the existing institutional structure of Japanese politics and political-bureaucratic relations. The purpose of this chapter is to present a historical overview of the role of ODA in Japan-China relations, explain the relevance of and briefly summarize my cases, and place those cases within the context of international and domestic trends.

Japan-China Relations and Japanese ODA

Relations between the peoples of Japan and China span from a time before Japan was a unified country. The two nations have a documented relationship of almost 2000 years.[82] In fact, it can be argued that the greatest foreign influence on Japan came

[82] The first mention of Japan in Chinese documents is said to be 57 A.D. (Tsunoda, de Bary, and Keene (1958)). Also see de Bary, Chan, and Watson (1964).

from the Chinese mainland. The influence of the Chinese on the creation of the Japanese state, on Japanese culture, and on the Japanese language was considerable.

However, despite this cultural and historical affinity, the two countries have experienced their share of hostility, as well as all-out war. In modern history, this began with the Sino-Japanese War (1894-5) and culminated in the Pacific War (1937-1942). The brutality that the Japanese armed forces exposed the Chinese population to during the Pacific War is still an issue between the two countries.

By the end of the 1940s the Nationalist government of China had retreated to Taiwan and the Communist government ruled mainland China. Japan did not formally recognize the Communist government because of Japan's alliance with the United States in the cold war. Therefore, it was the Nixon administration's overtures to the People's Republic of China in the early 1970s that opened the way for a relationship between Japan and Communist China, an official relationship Japan had long sought.

In 1972, Japan and The People's Republic of China normalized their relationship, with Japan transferring diplomatic recognition from Taiwan to the PRC. This was the start of the formal relationship between Japan and the Communist government of China. It was followed with the Treaty of Peace and Friendship in 1978 that reaffirmed the normalization and discussed the basis of peace and friendship on which the two countries would hereafter build the foundations for their relationship. Also by 1978, Deng Xiaoping had solidified his power in Beijing and introduced

economic reform policies, which paved the way for a resurgence of Japan-China economic relations (which had been relatively active prior to the Pacific War and the Communist takeover).

In 1979, Japan began aid to China. In the postwar era, aid was a significant way in which Japan engaged with developing countries, especially those of East Asia. Foreign economic policy, and particularly aid, became one of Japan's major foreign policy tools in the 1960s. Some view Japanese aid to its potential competitors, especially China, as a puzzle. However, in its pursuit of national interests in the international realm, postwar Japan had normative, legal, and practical reasons for this preference for economic policy tools over other instruments in its foreign policy toolbox.

Looking at statecraft from a *normative* point of view, many Japan scholars have emphasized the role of domestic pacifism since the end of World War II in shaping Japanese foreign policy. As Kamiya (2002) discusses, "There has been strong public abhorrence toward using any military-related measures as a tool of foreign policy" (59). In *legal* terms, Article IX of the 1947 Constitution states that "the Japanese people forever renounce . . . the threat or use of force as a means of settling international disputes." Although interpretation of this Article has been debated since it was first submitted to the legislature, the government's traditional interpretation has prohibited Japan from engaging in military statecraft. Therefore, both normative and legal constraints restrict Japan's ability to utilize military instruments in its foreign

policy. At the same time, *practical* considerations have focused Japanese attention on the utilization of economic instruments of foreign policy. First, the U.S.-Japan Alliance has allowed Japan to focus its resources on economics, by decreasing the amount of money it has had to spend and the energy it has had to expend on national security issues. Second, in comparing various techniques of statecraft, it is apparent that Japan's comparative advantage has lain in the economic realm for the past few decades. As one illustration of this, Soeya (2002) points out that "the largest and most effective tools available to the Japanese in consolidating a special bilateral relationship with China were economic assistance and business dealings" (222). In concordance with this, the fact that Japan utilizes economic means, including aid, to influence other international actors, particularly China, is not a puzzle.

Although Japan was an aid recipient immediately following World War II, by the end of the 1980s, it had matured into the largest aid donor in the world. As mentioned in the previous chapter, a global environment that supported development assistance as a worthy goal and acceptable instrument of statecraft,[83] combined with Japan's domestic considerations described above, made foreign aid an inviting arena in which Japan could play a consequential international role.

Koppel and Orr (1993) put forward what they describe as the conventional wisdom, that Japan's aid policy has first and foremost been based on a domestic economic

[83] See Hashimoto (1999).

rationale of export promotion.[84] However, despite the role that this type of policy objective played in the early days of Japan's aid program, by the 1970s, it seems apparent that Japan's conceptualization of aid and the country's role in the international aid community began to change.

Japan's response to the oil shocks during that decade was, in part, to use aid as a tool of diplomacy and national security. Japan increased aid to oil-producing Arab states, while beginning to extend aid to Africa and Latin America for the purpose of developing alternative sources of energy. This change in policy objectives was reflected in a modified regional distribution of Japanese development assistance. In 1971, 98.4% of aid went to Asia. By the late 1970s, 65-70% of aid was concentrated in Asia, while approximately 10% went to Africa, the Middle East, and Latin America, respectively.[85] As this explanation illustrates, by the end of the 1970s, a security component of Japanese development assistance was evolving.

In the case of China, to whom Japan began aid in 1979, there are different interpretations of what the original rationale for aid was. Some view it as altruism towards a country with which Japan shared strong historical, cultural, and geographic ties. Others say it took the place of war reparations, as aid to Southeast Asia had done. Still others connect it to Japanese national interests, whether economic,

[84] This argument was discussed in the previous chapter by looking at White (1964), Caldwell (1970), and Arase (1994).

[85] For further discussion of the modified regional distribution of Japanese ODA in the 1970s, see Orr (1990).

security, or both.[86] However, whatever the initial intentions of aid to China, economic engagement with China through aid clearly fit within Japan's overall foreign policy framework and the new conceptualization of aid policy as strategic. And, by the mid-1980s, ODA had become one of the major pillars of Japan's China policy.

As I mentioned previously, the form that Japan's ODA strategy towards China took was "long-term engagement," or a steadily increasing stream of economic benefits to promote good relations. The aid bureaucracy in Japan stressed the importance of a stable China for the peace and prosperity of the Asia Pacific and the world.[87] It discussed aid to China as a tool in achieving this goal.

China immediately became one of Japan's top aid recipients. From 1979-2000, Japanese aid to China increased annually (as a general rule). Japan utilizes three types of bilateral aid: yen loans, technical assistance, and grants. During this time, aid to China consisted of approximately 10% free aid (grant aid and technical cooperation) and 90% yen loans.[88] In addition, all aid is given on the basis of requests made by the potential recipient government. Japan was exceptionally responsive to Chinese requests during this era and the final amount negotiated for each aid package was generally the amount sought by China.

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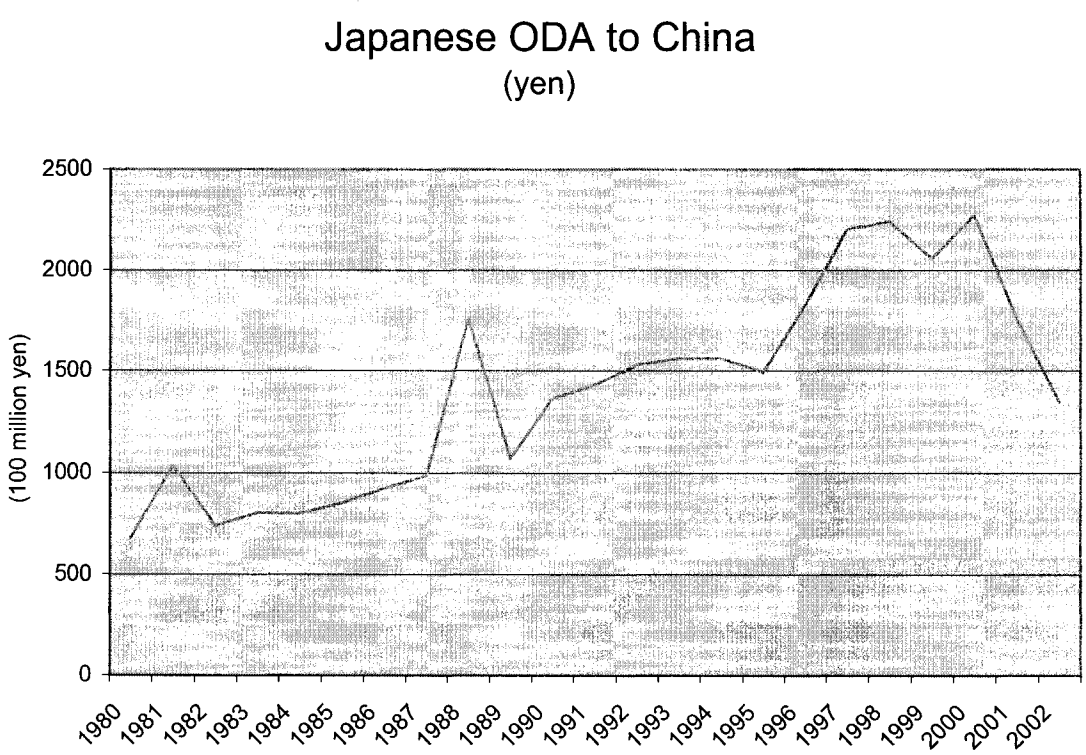
[86] Ikeda (1996) discusses the first phase of Japanese aid to China as focused on securing energy resources (220). This argument corresponds well with the introduction of energy security as an important aspect of aid policy, as shown through the redistribution of aid and new focus on the Middle East, Africa, and Latin America.

[87] Ikeda 219.

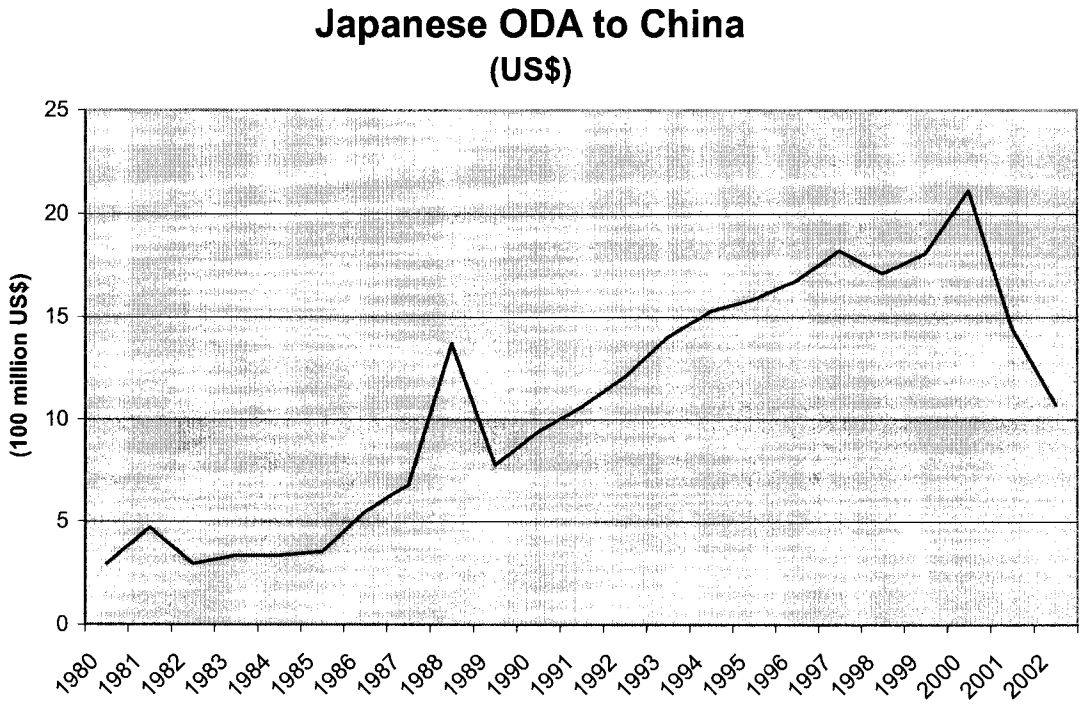
[88] See Ikeda 217.

Figure 8



Source: Diplomatic Bluebook 2004 and ODA White Papers various years.

Figure 9



Source: Diplomatic Bluebook 2004 and ODA White Papers various years.

From 1979-2001, China received four yen-loan packages from Japan. The first yen-loan package (1979-84) totaled 331 billion yen ($1.4 billion in 1979 U.S. dollars, $2.1 billion in current U.S. dollars). The second yen-loan package (1984-89) totaled 470 billion yen ($1.9 billion in 1984 U.S. dollars, $4.2 billion in current U.S. dollars). The third yen-loan package (1990-95) totaled 810 billion yen ($6 billion in 1990 U.S. dollars, $7.2 billion in current U.S. dollars). And the fourth yen-loan package (1996-2000) totaled one trillion yen ($8.6 billion in 1996 U.S. dollars, $8.8 billion in current

U.S. dollars). From the 1980s until the year 2000, China was consistently the first or second largest Japanese aid recipient.

Not only was the amount of aid to China conspicuous, but China enjoyed the role of a "special" aid recipient. Although yen loans were normally given to aid recipients on an annual basis (to ensure flexibility and oversight by the Japanese side), China was the one recipient to which Japan awarded multi-year commitments. These commitments were coordinated to coincide with the timing and intentions of China's own five-year plans. In addition, according to one media commentary, "After the yen loan decision is made, Japan's Import-Export Bank will come in, and many of the items that were not included in the yen loan will be included in bank loans. Only China gets this type of convenience."[89] In other words, Japan's aid program worked in close collaboration with the Chinese government and gave a level of commitment to China that it did not give to other aid recipients.

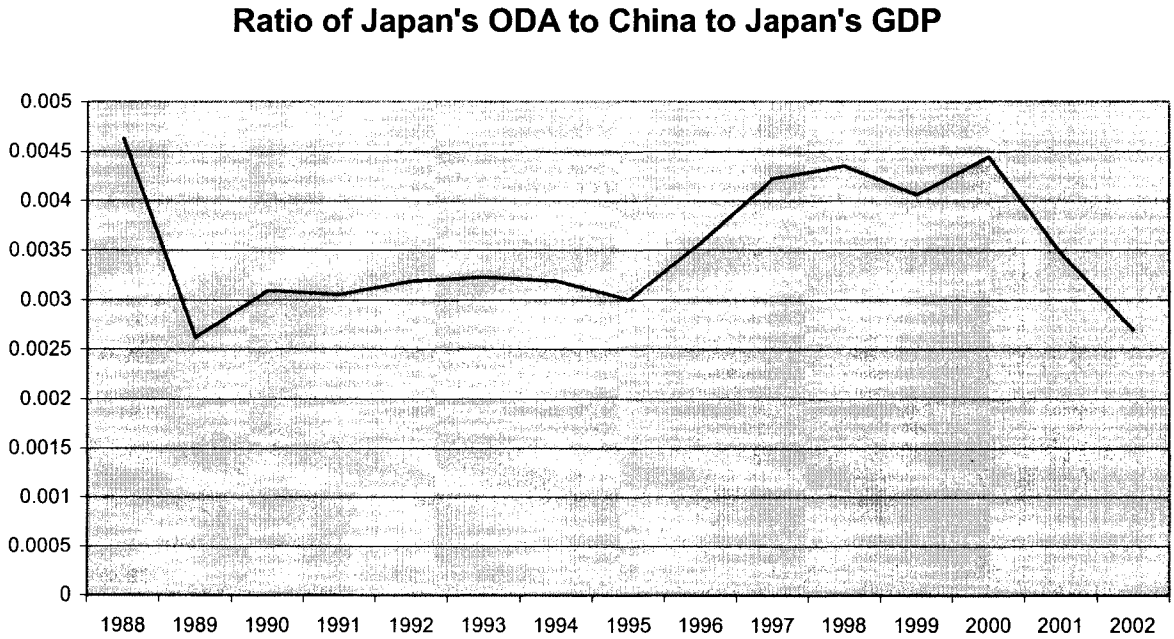
During his 2000 visit to Japan, the Chinese premier expressed China's gratitude by stating that, "Japanese ODA has been a big help to China's economic development."[90] And, in an effort to quantify Japanese ODA's contribution to Chinese economic development, Japan's Ministry of Foreign Affairs (MOFA) has

[89] "Enshakkan kyouyo 'Nihon ni rieki' handan mo shourai no taichuu shousen niramu (kaisetsu)." *Yomiuri Shimbun* 23 Dec. 1994, morning ed.: 6. Please note that all translations from Japanese-language sources are author's own.

[90] Quoted in "Kansha no kotoba (mado – ronsetsuiinshitsu kara)." *Asahi Shimbun* 23 Oct. 2000, evening ed.: 3.

said that, for instance, ODA furnished 35% of railroad electrification and 13% of large-scale pier construction.[91]

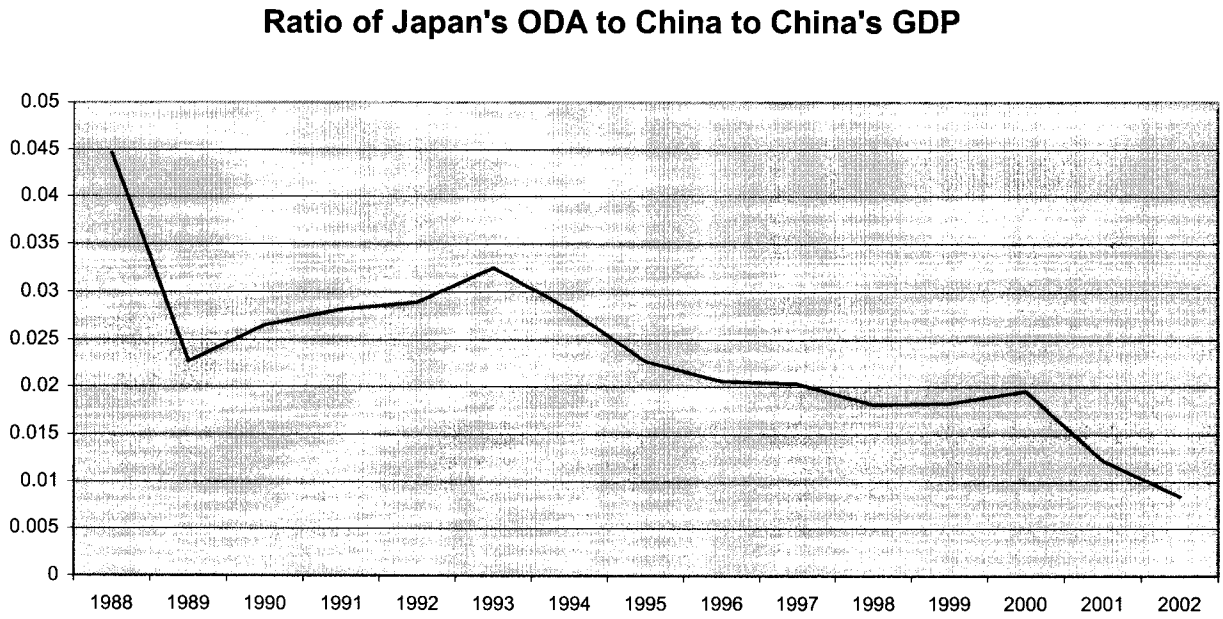
Figure 10



Source: Figures calculated form various ODA White Papers and International Financial Statistics.

[91] "Gengaku wa jizen na koto da, taichuu ODA (shasetsu)." *Asahi Shimbun* 28 Oct. 2001, morning ed.: 2.

Figure 11



Source: Figures calculated form various ODA White Papers and International Financial Statistics.

Figure 12

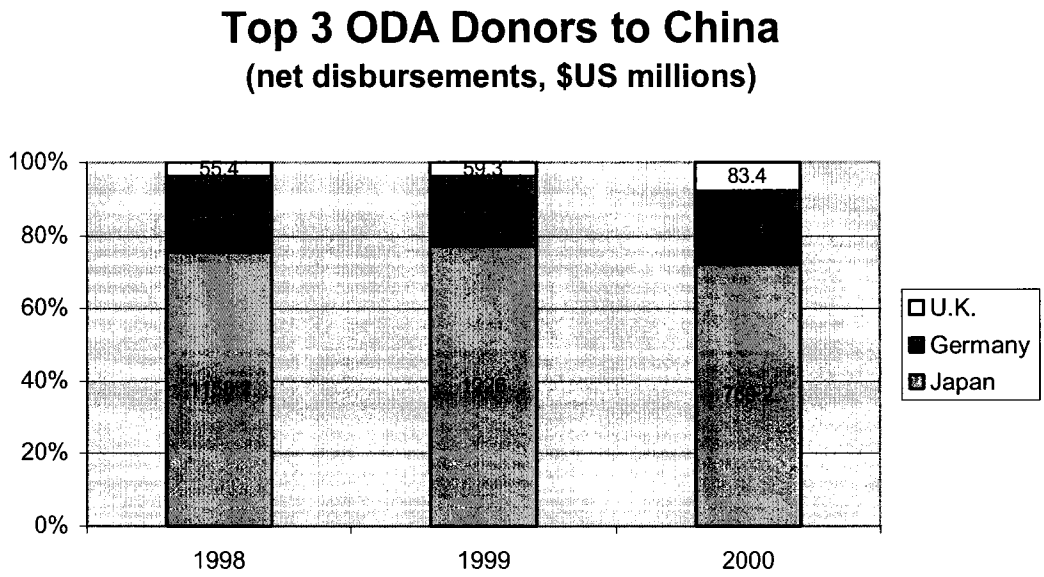
Top 3 Recipients of Japanese ODA*

Net disbursement basis (US$ million)

Year	Rank	Country	Amount
1996	1	Indonesia	965.53
	2	**China**	861.73
	3	Thailand	664.00
1997	1	**China**	576.86
	2	Indonesia	496.86
	3	India	491.80
1998	1	**China**	1,158.16
	2	Indonesia	828.47
	3	Thailand	558.42
1999	1	Indonesia	1,605.83
	2	**China**	1,225.97
	3	Thailand	880.26
2000	1	Indonesia	970.10
	2	Vietnam	923.68
	3	**China**	769.19
2001	1	Indonesia	860.07
	2	**China**	686.13
	3	India	528.87

*This includes yen loans, grant aid, and technical assistance.
Source: various ODA White Papers

Figure 13



Source: ODA White Paper 2001.

Despite this policy of long-term engagement, there have been three periods of crisis in Japan-China aid relations. The first was after the Tiananmen Square Incident in 1989, when Japan imposed economic sanctions against China. The second was after China's nuclear tests in 1995, when Japan froze grant aid to China. The third was the review and reform of Japanese ODA to China beginning in 2000. Each of these cases reveals a turning point in Japan-China aid relations as Japan struggled to respond to international phenomena given the constraints of domestic politics. Furthermore, each showed Japan in somewhat of a leadership position in the international community.

My goal in this research is to explain what led the Japanese government to make the policy decisions it did in each of these cases. By what process did Japan decide to impose economic sanctions against China after Tiananmen? And what led to the early resumption of aid beginning a little over two months after the incident? Why did Japan choose to freeze grant aid after China's 1995 underground nuclear tests (the 42nd and 43rd of such tests by China) and maintain that freeze until China declared a moratorium on such tests? Finally, what factors led to the 2000 review of aid to China that culminated in a reduction of aid beginning in 2001? I seek to understand why Japan moved from policies of long-term engagement with and increasing aid to China, to policies where it was willing to utilize economic sanctions and a reduction of aid, as well as to comprehend what forces moderated the changes that were made. My argument is that I can find the answer in the principal-agent relationships between politicians and bureaucrats and between politicians and voters, as influenced by the media and the business world.

Relevance of the Three Cases

Economic sanctions after Tiananmen, the freeze in grant aid after China's nuclear tests, and the reform of ODA from 2000 are the only instances in the history of Japan-China aid relations where Japan reduced or suspended aid. Instead, for 20 years, the core of Japan's China policy was aid and the core of aid policy was engagement. Therefore, examining these three cases is an investigation of the whole universe of

cases where Japan departed from its longtime policy of engagement with China through aid. In each of the cases there are multiple observations of policy decisions to increase aid, maintain aid, decrease aid, or alter aid.

Furthermore, they are an interesting set of cases through which to explore my research question about the role of domestic actors because Japanese bureaucrats, politicians, businessmen, media, and the public were all interested parties in aid policy to China during these periods. Each held firm preferences and had a stake in the various policy decisions that were made prior to, during, and after each of the crises. Some of the issues related to these cases were at the core of these actors' concerns: relations with China, relations with the West, profits, nuclear proliferation, taxes, economic recession, national security, nationalism.

In addition, as discussed in the previous chapter, policy decisions in the three cases cover both the divergence and convergence of preferences across the various important actors with regard to aid policy to China. For instance, during the 1995 and 2000 crises, political and bureaucratic, and political and business, preferences eventually diverged. During the 1989 crisis, engagement was the preferred policy of all three of those actors throughout the period of study. This allows there to be variation across my observations.

Overview of Cases

Case One: Tiananmen Square Massacre

Aid to China has been considered a major part of Japan's China policy since its inception. It has been a policy of "carrots," or economic engagement, to promote a stable bilateral relationship. The quantity and type of aid has been such to develop China, economically and socially, and to tie Japan and China together in an interdependent relationship.

Yet, in 1989, it appeared that the way in which Japan engaged China in terms of ODA had changed. After the Tiananmen Square Incident, when democracy activists were violently suppressed by the Chinese military, Japan imposed sanctions against China, including a freeze of ODA. This was the first time that Japan had ever suspended ODA to China.

Even today, some bureaucrats refuse to call the actions the government took against China in 1989 "sanctions." Instead, they emphasize that the suspension of economic activity was a response to the imposition of martial law. The facts suggest this is only a small part of the story. First, martial law was lifted in Beijing in January 1990, but ODA was not reinstated until late 1990 (and not fully resumed until 1991). Second, Japanese officials also stress that the country was not seeking to stand out, as not in step with worldwide reaction to China. This statement is corroborated by the fact of close consultation with the U.S. and the other G7 members, prior to all major policy decisions that Japan made with regard to China between June 1989 and 1991. The

general policy decision to suspend aid actually reflected another basis of Japanese foreign policy: reaction to and cooperation with the West, particularly the United States. The U.S. and Western Europe had imposed sanctions against China after Tiananmen, and pressured Japan to act in kind, so as not to undermine U.S. and Western European efforts. It was clear that the Japanese decision was in response to these pressures and did not indicate a fundamental change in Japan's ODA policy strategy towards China.

However, the role of Japanese domestic actors was also significant in this case. It was domestic actors who determined the specific policy decisions that were made throughout the crisis period and the timing of those decisions. The Japanese government, politicians and bureaucrats, continued to favor ongoing economic engagement with China. As early as August, MOFA displayed its true preferences in declaring that Japan wanted to resume all ODA as soon as possible.[92] Yet it also felt the need to be responsive to U.S. and worldwide opinion. In order to balance priorities with regard to China and priorities with regard to the U.S. and the West, Japan could not merely mirror Western policy towards China. Instead, Japanese officials used speech to soften their own message to China. In addition, and perhaps more importantly, Japan sought to use its influence with the Western world to soften worldwide condemnation of China. The political statement that emerged from the G7 summit in July 1989 did not include a united effort to restrict aid to China. Instead, the language of the statement was such so that each country could follow its own

[92] "Seifu, chuugoku wa kaihou gutaisaku wo – 'kaikaku rosen mada futoumei.'" *Nihon Keizai Shimbun* 18 Aug. 1989, morning ed.: 2. (*Nihon Keizai Shimbun* hereafter called *Nikkei Shimbun* or *Nikkei*.).

policy preferences. The feeling within Japan was that this reflected Japan's influence and that the Western leaders had paid attention to Japan when it emphasized not isolating China internationally.

Politicians played the role of keeping engaged with China. While PM Sosuke Uno and PM Toshiki Kaifu felt compelled not to visit China as prime ministers during the period of crisis,[93] they sent others as their emissaries (including former PM Noboru Takeshita who had been prime minister in 1989). As early as September 1989, a nonpartisan group of Diet members traveled to Beijing, even meeting and shaking hands with Deng Xiaoping.[94] Their role was indispensable as a bridge between Japan and China, and helped lead to the lifting of MOFA's advisory against travel to Beijing (which helped the resumption of business and tourism).

Further, although MOFA did not always support business during this time (Japanese businesses that resumed business in China too quickly were harshly criticized by the Foreign Minister), business supported the Japanese government. One Japanese business leader, whose company had a major presence in China, described how they reported to MOFA about what the situation was on the ground after Tiananamen, even while making their own decisions about whether to stay or in what capacity to stay.[95] All business negotiations with MOFA and the political machinery were

[93] PM Uno never did visit China while in office. PM Kaifu became the first G7 leader to visit China after the Tiananmen incident, when he visited in August 1991.

[94] The U.S. was actually also engaging China, but in secret. Japan's actions of engagement were public knowledge.

[95] Author's interview, August 24, 2004. (#11)

behind the scenes, utilizing both formal and informal networks. In fact, both the government and business were in virtually the same situation, playing a "wait and see" game. The objective of Japanese business was to resume business (including ODA) with China as soon as possible. The objective of MOFA was to resume business (including ODA) with China as soon as possible, while maintaining a good international image and relationship with the US. The objective of most politicians was to resume business (including ODA) with China as soon as possible, while maintaining business and public support.

Japanese newspapers were also supportive of the government. They described Japan's role in this crisis as the one it must play, caught as it is between Asia and the West. Newspaper editorials merely reflected what the ongoing discussions were within the Japanese government. They did not push for a specific government policy outside of what the government was already doing or seeking to do. Media coverage of the freeze of economic activity barely mentioned the Japanese public or their preferences. Instead, it talked in depth of the plights of government and business. For its part, the public was highly critical of China for the violence at Tiananmen Square. There was a great deal of disillusionment. However, the public was no more supportive of the isolation of China than was the government.

The end result was generally favorable to most parties, given the situation. Japan was the first country to lift sanctions against China and China showed an understanding of Japan's position. All the domestic actors worked together to limit the negative impact

of the crisis on Japanese interests. The policy decisions that were made throughout the crisis reflected the convergence of political and bureaucratic preferences. The bureaucrats took the lead with the ongoing support of politicians, who were bolstered by business, public, and media preferences to promote engagement with China.

Case Two: China's Nuclear Tests

In 1995 the world witnessed the second case of Japanese aid sanctions against China. This case was extremely different from the 1989 case and, in fact, *did* indicate a fundamental change in Japan's ODA policy towards China. This change was guided by politicians, in response to public preferences. The Chinese, for their part, were much more dismayed by this action of the Japanese than they had been in 1989.

From 1989 to 1995, the role of ODA in Japan's China policy did not change. At the time of the 1995 freeze of grant aid to China, Japan was enjoying its fourth consecutive year as the world's largest aid donor. ODA was a major way in which Japan interacted with the developing world, including with China. China had just become the largest recipient of Japanese ODA (surpassing Indonesia). The fourth yen loan, which Japan and China negotiated in 1994, hit a record high of 580 billion yen for the first three years of a five-year package. It was expected that the final amount would reach approximately one trillion yen (~10 billion US dollars) over five years. Japan was, by far, the largest aid donor to China. In other words, ODA remained a major pillar of Japan's China policy.

In addition, MOFA's strategic priorities had not changed with regard to China. Overall, the Japan-China relationship continued to be of the utmost importance to Japan (second only to that with the U.S.). Nor had the means changed. The main objective in Japan's China policy was to maintain good, stable relations, and the provision of ODA continued to be a major tool towards that end.

Yet, in the spring and summer of 1995, the Japanese government chose to compress and later freeze grant aid to China, in response to Chinese underground nuclear tests. This was decided amidst growing domestic pressure.

China conducted its first nuclear test in 1964. Japan began ODA to China in 1979. For 16 years China's nuclear tests did not affect Japanese ODA to China. However, in 1992, the Japanese Cabinet created the ODA Charter, with the purpose of putting in writing the basic philosophy of Japanese ODA in the post-cold war era. According to the Charter, before assistance is granted, the administrators of Japan's ODA must consider the following Four Principles: 1) Japan's ODA should seek to advance sustainable development, 2) ODA should not be used for military purposes, 3) aid decisions should not support the allocation of resources towards the development and production of weapons of mass destruction (WMD) or the export and import of arms, 4) assistance should be granted only after taking into account the promotion of democratization, the introduction of a market-oriented economy, and the advancement of basic human rights and freedoms in the recipient country.

Following the passing of the ODA Charter, some argued that China did not abide by the Four Principles, particularly in terms of WMD and arms. Still, MOFA continued to favorably evaluate China's steps toward a market economy and liberalization, and, thus, determine that aid to China was in tune with the ODA Charter. However, in 1995, the link between Chinese nuclear tests and Japanese ODA began to take center stage.

In mid-May 1995, China conducted its 42nd underground nuclear test, which was the first test of the year. This was done only days after the Japanese prime minister's visit to China and the indefinite extension of the Nuclear Nonproliferation Treaty (NPT). After the test was conducted, the Japanese prime minister stated that there would be no review of ODA, despite vague threats that Japan had been making to China for over a year that implied a connection between nuclear tests and aid.

The major newspapers in Japan all ran editorials calling for or showing support for a review of ODA to China. This both reflected and encouraged strong public opinion against the status quo of ODA to China. As the government gradually showed a stronger form of protest, the newspapers reported that this was in response to the strength of public opinion. However, overall, the early actions that the government did take did not assuage the growing discontent among the Japanese public. Nor did the newspapers let up. In particular, they argued that even greater attention should be paid to public preferences and that, although Japan-China relations were important,

the preferences of the Japanese public should be more important to the government than relations with China, when making policy.[96]

Politicians also began to raise their voices against the weak government stance. This was both outside, as well as within the LDP. Particularly strong statements came from the opposition Shinshinto (New Frontier Party), as they called for a freeze of all ODA (not just grant aid), if tests did not stop.

In mid-August China went ahead with its second nuclear test of the year. Even the traditionally pro-China Asahi Shimbun harshly criticized the test. They argued that strong action would be worth it even if it injured Japan-China relations, because it would express the extent of the feelings of the Japanese people on this issue. The political parties within Japan, including the LDP, also responded with increasingly strong voices that called for action over rhetoric. The LDP proposed a freeze of grant aid to China and prudence with new yen loans, threatening that if this was not accepted the Diet would not approve the budget for 1996. The Chief Cabinet Secretary acknowledged the role of public opinion in the political response.

Within two weeks of the August test, MOFA informed China that it was suspending all grant aid to China (other than emergency measures) and would not resume grant aid until China agreed not to conduct any further nuclear tests. This was not MOFA's preferred response to the nuclear tests, but it had no choice due to political pressure.

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[96] For example, see "'Shasetsu' Chuugoku wa enjo asshuku wo karuku miru na." *Yomiuri Shimbun* 25 May 1995, morning ed.: 3.

Long (1999a) showcases this case, along with three other cases, as evidence that "reveal a Japan that is more assertive and autonomous in pursuing its foreign policy interests and a domestic policy-making structure more attuned to elected officials and public opinion than conventional wisdom appreciate" (330).

Grant aid suspension to China was not lifted until March 1997,[97] about seven months after China announced a moratorium on nuclear testing and about six months after it signed the Comprehensive Test Ban Treaty (CTBT). Yen loans to China were never suspended, but there was some delay in the initial disbursement of loans from the Fourth Yen Loan Package that began in 1996.

Although this final policy decision has been accepted as largely symbolic (due to the scope and target), it was extremely significant in that it was a different policy approach than Japan had ever utilized towards China previously, and it revealed the influence of domestic actors in foreign policymaking in Japan. As political and bureaucratic preferences diverged, due to public dissatisfaction with the status quo, politicians intervened and ensured that their preferred outcome would be achieved.

The evidence also suggests that the media played a number of indispensable roles here. Whereas it had acted more like a government stooge in the previous Tiananmen case, in the nuclear test case, it was more of a public advocate. It revealed public preferences to both political elites and to the public itself (allowing individuals to

[97] The lifting of the suspension was officially announced by FM Ikeda during his March 1997 visit to China. This formality reinforced the view of aid to China as a "gift."

view group preferences). It also focused sustained attention on the issue and the policy options, helping to force government responsiveness. On the other hand, it allowed politicians to publicly argue with MOFA, to garner public support and showcase their responsiveness to the public. At the same time, it benefited the government by explaining both sides of the issue and why it would not benefit Japan to be overly aggressive to the point of damaging Japan-China relations, allowing the issue to basically come to a close after September 1995.[98]

The acquiescence of the business world in these policy decisions revealed shifting priorities and changing economic and personal relationships with China. There was no benefit to business in general in opposing the freeze of grant aid. Furthermore, they guaranteed that yen loans would not be suspended.

Case Three: Reform and Reduction of ODA to China

Since it first began in 1979, Japanese ODA to China had regularly increased year by year. However, as early as 1995 there was some discussion of reducing ODA to China. This mostly stemmed from Japanese public opinion and the media. Some have even called it a media campaign against ODA that began in the mid and late 1990s. According to one Japanese journalist who regularly writes about ODA, "The Sankei Shimbun, [a conservative newspaper,] had a campaign based on 'how we are not appreciated.' It reported that the Chinese people do not appreciate Japan's aid."[99] In addition, in the mid 1990s, scandals involving ODA became national news and the

[98] Although the freeze of grant aid continued until 1997, the debate was virtually over by September 1995.

Japanese public began to have some concern about how its tax money was being used. ODA to China became an issue of specific consideration. Finally, by the late 1990s, China was being seen as a business competitor and as an emerging military power. Japanese public opinion had turned both against ODA and against China and, most particularly, against ODA to China. "From 1998 public criticism was very harsh," declared one MOFA official.[100]

At the same time, business interest in ODA had become minimal by the end of the 1990s. There were a number of opportunities within Japan even without Japanese ODA. China was able to pay for its own infrastructure projects and Japanese companies had already developed contacts within China. Furthermore, close to 100% of Japanese ODA had become untied, meaning that businesses from any country were able to bid on ODA projects. The number of Japanese businesses actually benefiting from Japanese ODA was thus further reduced. As one former METI official, speaking in his individual capacity, explained the situation in the late 1990s and early 21st century,

> Local industry is often not ready, so Japanese firms are the suppliers. But, in the case of China, local industry is now ready. They can do it for themselves and don't need Japanese [business] assistance. In general, Japanese industry procurement is low. But procurement in China is the lowest in comparison to other countries. The Japanese procurement ratio is 20% worldwide, but less than 5% in China. This is disappointing for Japanese business and the Japanese taxpayer.[101]

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[99] Author's interview, November 20, 2003. (#30)

[100] Author's interview, June 21, 2004. (#26)

[101] Author's interview, July 13, 2004. (#3)

Politicians began to rise up with strong voices against ODA to China. This occurred, particularly, among the younger generation politicians. They criticized ODA to China on a number of fronts, including the Japanese economy, national security, and public interest. "The influence of politicians [on ODA policy to China] was significant," stated one MOFA official.[102]

MOFA took various measures in response to this negative sentiment. First, it reduced ODA by 10% in 2000 (an amount that Japanese politicians had agreed upon after intense debate). The same year it created the Advisory Group on Japan's Economic Cooperation to China in the 21st Century to solicit opinions on ODA from various groups and sectors. To ensure that its own preferences were being considered, the LDP issued its own Summary of and Guidelines for Economic Assistance to China. Finally, in 2001, MOFA formulated the Economic Cooperation Program for China and developed a new ODA policy toward China. The LDP gave its approval before the plan was formally announced. One significant change was moving from a multi-year commitment to a single-year commitment for aid to China. Prior to 2001, China had been the sole recipient of multi-year commitments. This represented the special relationship between Japan and China, and the important role that ODA played in that relationship. Therefore, one can say that by losing multi-year commitments, China also lost its unique status. The way in which MOFA decided upon the amount of ODA was also reconsidered, with the implication that ODA to China would be further reduced in future years. In addition, new aid policy emphasized environmental and

[102] Author's interview, June 21, 2004. (#26)

health-related projects over infrastructure projects, and stated that all ODA projects in China should be in the national interest of Japan.

At the same time, MOFA took a number of countermeasures to educate the Japanese public and convince them of the importance to Japan of ODA to China. Public relations became a significant part of MOFA's job. They arranged for trips for Japanese citizens to visit ODA project sites in China; they paid for pro-ODA documentaries that were aired on NHK; they re-tied a portion of ODA, only allowing Japanese businesses to bid on certain projects. The re-education and re-investment of the Japanese public and business sector became a major priority for MOFA. This was in response to the role that the public and media had played in helping to turn political sentiment against ODA to China, resulting in policies that were not in tune with MOFA's preferences.

As political and bureaucratic preferences diverged even more in 2000 and 2001, with public pressure on politicians to be more assertive, political intervention became more frequent. Each policy decision, in the series of policies of reduction and reform of ODA to China, was a political initiative or in response to a political initiative. MOFA sought to reverse political preferences by shifting public preferences back in favor of ODA. After 2002 they had some success in this with regard to ODA in general, but not with regard to ODA to China. This was until 2006, when public opinion again shifted back in favor of ODA to China, as Japan-China political relations deteriorated.

Conclusion

ODA to China has been a major pillar of Japan's China policy since the 1980s. It has been characterized by increasing flows of aid, multi-year commitments, and close collaboration with the Chinese government. This was for the purpose of long-term engagement, upon which to build stable bilateral relations. However, despite this history of engagement, there were three times when Japan chose sanctions over engagement, or "sticks" over "carrots": economic sanctions after the Tiananmen Square Massacre, the freeze of grant aid after Chinese nuclear tests in 1995, and the reform and reduction of ODA in 2000. I argue that these cases reveal that when bureaucratic and political preferences diverge, politicians have the ability to intervene and secure their preferred outcome. In the 1990s, political preferences shifted with regard to aid to China, while bureaucratic preferences remained the same. Politicians forced fundamental changes in ODA policy to China, in accordance with their preferences. Political preferences changed as a result of public preferences becoming more negative towards ODA to China, while business became less interested in ODA to China. The media took on the role of forcing government responsiveness.

Chapter 4: The Case of the Tiananmen Square Incident and Japanese Economic Sanctions

Overview

In the case of the Tiananmen Square Incident, political and bureaucratic preferences converged. This was accompanied by a continuation of the delegation of policymaking duties to the bureaucracy. Political and bureaucratic preferences converged here because both groups sought a measured reaction to China, while seeming responsive to the public, on the part of politicians, and to the U.S. and European governments, on the part of bureaucrats. In this sense, politicians and bureaucrats both wanted the same thing.

There was a slight divergence between the status quo (bureaucratic preferences) and public preferences in that the public wanted some additional concern shown for the Chinese people and some additional protest against the Chinese government, than was initially exhibited by the Japanese government. Still, the Japanese public had no interest in isolating China or severely sanctioning the country, as some in the West had in mind. Therefore, politicians were able to show responsiveness to public sentiments by expressing concern for the Chinese people, while continuing to actively engage China. In addition, when it came to electoral success for politicians, although public sentiments were considered important, politicians had not yet felt the full wrath of voter volatility. The LDP was suffering electorally, but it had not yet lost its

role as the ruling party of Japan. Therefore, although public preferences were known to be consequential, they were not the sole, or perhaps even the most important, determinant of political preferences. Stability of the country was of primary concern. Another concern was the preferences of various interest groups, including big business.

In 1989 Japanese business was still deeply invested in Japanese ODA to China. The business opportunities that would arise after Deng's 1992 reforms were not yet available. Therefore, business championed the maintenance of stable aid relations with China for the purpose of profit, current and future. However, rather than business preferences determining policy, business served as a support for government policy. Businesses were most successful in helping to create an atmosphere in which aid was able to be resumed at the earliest stage and Japan-China relations were not unduly hurt by the sanctions. These things were in the interests of both bureaucrats and politicians, as well.

The Tiananmen Square Massacre and its Aftermath

Prior to June 1989, relations between Japan and China were friendly and cooperative. Although the so-called "history issues" were first raised by China in the mid-1980s, this was not having a seriously negative impact on bilateral relations at the time. The leaders of Japan and China enjoyed a successful meeting in April 1989, during which the Chinese premier, Li Peng, talked of the friendly relations between the two

countries, and PM Noboru Takeshita[103] stressed the three pillars of the relationship with China as cooperation in international peace, the expansion and strengthening of ODA, and cultural exchange.

In 1988 Japan-China bilateral trade (imports and exports) totaled over $21 billion. Foreign direct investment from Japan reached $296 million. The 1988 Economic Cooperation White Paper, published by MITI in May 1989, included China as one of its prime focal areas. The paper called on Japan to cooperate with China to increase China's export base, to utilize ODA to promote Chinese industrial adjustment, and to promote investment in China by facilitating joint ventures and technical cooperation.

However, within weeks of these positive developments, diplomatic and economic relations were at a virtual standstill, not only between China and Japan, between China and all the countries of the developed world, as the world watched the events unfolding within China with shock and dismay.

In April 1989, students in Beijing mourning the death of Hu Yaobang, a high-ranking Communist leader and reformer, began to call for greater democracy in China. The movement grew strength and the demonstrators who had gathered in Tiananmen Square began a hunger strike in support of their cause. The thousands gathered disrupted the normal workings of government, including the state visit of Soviet leader Mikhail Gorbachev, who was there to usher in a new era of friendly relations

[103] Noboru Takeshita was prime minister November 6, 1987 - June 3, 1989. He was considered a strong ally of China.

between the Soviet Union and China. These protests embarrassed the Chinese government on an international stage, as the international press covered the domestic unrest, along with Gorbachev's visit.

In response to the public demonstrations, martial law was imposed in Beijing in May. However, the situation drastically worsened on June 4, 1989, when the Chinese government ordered the military to forcefully remove the democracy activists who had gathered in the Square. Hundreds of protestors were killed and scores were injured when the military opened fire on the crowds. After the incident, thousands of dissidents were arrested and some were executed.

In response to this violent government suppression, the U.S. and Europe implemented a number of sanctions measures against China, including suspending diplomatic relations, imposing an arms embargo, and freezing ODA. The U.S. government also worked to postpone the granting of new loans to China from international organizations.[104] Perhaps owing in part to the optimism with which it viewed U.S.-China relations prior to the incident, the Tiananmen Massacre was a blow to the U.S. Although the Bush administration emphasized a measured response, the U.S. Congress took a harsh view of the situation and voted for sanctions against China that went beyond those initially imposed by the Bush administration.[105] The European governments also took a tough stance.

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[104] "Chuugoku wa koritsuka wo yoke taiwa wo motomeyo (shasetsu)." *Nikkei Shimbun* 22 June 1989, morning ed.: 2.

In contrast, the reaction of the Japanese government to the incident was generally one of caution. The immediate response from Japan was that it was a "matter of grave concern" and "regrettable."[106] On June 7, Japan's administrative vice foreign minister called the Chinese ambassador to his office and "requested that the Chinese government exercise self-control, stating that the action taken by the Chinese government could not be tolerated from a humanitarian standpoint."[107]

Towards its own nationals, MOFA announced an advisory against visits to Beijing. In the days following the Massacre, they extended this advisory to include the whole of China. However, as was reiterated by MOFA on many occasions, this was due to the imposition of martial law, rather than to any thought of sanctioning China. MOFA also offered the Chinese ambassador emergency medical and food aid.[108]

On June 6th, two days after the Massacre, Chief Cabinet Secretary Masajuro Shiokawa stated that the Japanese government was reacting prudently to the situation in China, instead of with the punitive measures that were immediately taken by the US and Western European governments. He explained that this was due to the historical past that Japan and China shared. Furthermore, he declared that "We are not considering any sanctions measures now."[109] PM Sosuke Uno, who was voted in

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[105] Kennedy (2003).

[106] Japan. Ministry of Foreign Affairs. *Diplomatic Bluebook 1989.*

[107] Ibid.

[108] PM Uno speech at a Plenary Session of the House of Representatives on June 7, 1989.

[109] "Taichuugoku, kunou no seifu 'kako' ga bureeki, hihan wo abitemoshirezu" *Asahi Shimbun* 7 June 1989, morning ed.: 3.

as prime minister the day before the Massacre, also emphasized the difference between Japan's relationship with China and that of the Western countries and China. He explicitly called attention to the negative influence that Japan had had on China during the Pacific War.[110] This was a tone that was reiterated by MOFA in its statement that Japan's "speech must be prudent, due to the past war of aggression."[111]

The rationale that Japan must respond to the crisis with a caution that was not necessary on the part of the Western countries was repeated by the prime minister and foreign minister throughout these early days of the crisis.[112] The importance of the Japan-China relationship, as a relationship between neighbors with a long history, was stressed; as was concern for the Chinese people. However, an additional point that was underscored was concern for Japanese nationals within China. In speeches before both the House of Representatives (lower house) and the House of Councillors (upper house), PM Uno drew attention to the 8100 Japanese nationals living in China. He talked about fear for their safety if Japan acted towards China "as an enemy."[113]

In fact, fear abounded in the government, particularly in MOFA, that if Japan were too critical of China, the students would turn their voices of opposition towards

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[110] PM Uno conveyed this in a speech during a Plenary session of the House of Representatives on June 7, 1989. Minutes from all Diet proceedings accessed through http://kokkai.ndl.go.jp/.

[111] "Taichuugoku, kunou no seifu 'kako' ga bureeki, hihan wo abitemoshirezu" *Asahi Shimbun* 7 June 1989, morning ed.: 3.

[112] See, for instance, Prime Minister Uno at the June 9 Plenary session (no.14) of the House of Councillors and Foreign Minister Mitsuzuka at the June 14 Foreign Affairs Committee Meeting (no.4) of the House of Representatives.

[113] Plenary session of the House of Representatives on June 7, 1989 and Plenary session of the House of Councillors on June 8, 1989.

Japan. The Japanese government was afraid of how the Chinese government and the Chinese people would react to harsh criticism by Japan. It not only feared the effect on its nationals living in China, but on Japan-China relations in general.

On June 8th, MOFA's Economic Cooperation Bureau (ECB) announced that all ODA projects had been suspended because of the worsening state of affairs in China, including the lack of information and transportation problems.[114] It had evolved into a situation where it was not feasible to continue work. JICA had already called home the 75 employees and specialists it had working in Beijing (and their families, which totaled 100 individuals). Half of the technical cooperation teams in China also returned to Japan.[115] Although the 90 employees and specialists JICA had elsewhere in China were not called back, most of them were not engaged in actual work during this period. The Asahi Shimbun related one story of four employees who had been dispatched from the private sector to work on aid projects. Although not called back to Japan, they secluded themselves in a Shanghai hotel for safety, while the turmoil unfolded after Tiananmen.[116] MOFA's ECB bureau chief, Koichiro Matsura, talked about the circumstances in Beijing and in the entirety of China as a "serious blow" to the work they were trying to do and described his personal "sinking feeling."[117]

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[114] "Taichuu ODA jigyou shuudan, ukeire taisei mahi, ribarai chien kenen, gaimushou." *Asahi Shimbun* 9 June 1989, morning ed.: 3.

[115] "Minshuuka danatsu ookiku koutai taichuu bijinesu (keizai sukoopu)." *Asahi Shimbun* 13 June 1989, morning ed.: 11.

[116] Ibid.

[117] "Minshuuka danatsu ookiku koutai taichuu bijinesu (keizai sukoopu)." *Asahi Shimbun* 13 June 1989, morning ed.: 11.

Not only were the day-to-day activities of ODA under stress, so were the financial underpinnings of the system. On June 6, the Nikkei Shimbun reported that a fear was appearing among ODA practitioners, as the banking world reexamined the granting of loans to China. The newspaper predicted that this would be an obstacle to the execution of the second yen loan and negotiations for the third yen loan package to China. This reexamination was not based on a censuring of China, but on a questioning of the stability of China.

In these ways, all of the actions taken by the Japanese government in relation to the aid program were based more on the reality of conditions in China than on any idea of economic sanctions. This is revealed by the accounts above and by the continuing accommodating attitude of the Japanese government towards China. On the morning of June 13th, MOFA made the following announcement about ODA to China: "We promised to help [China's] development, and humanitarian issues are separate. We want to follow through on the promise as a promise."[118] MOFA then presented a plan to go forward with economic cooperation as planned in order to support Chinese modernization. This is not to say that MOFA had become apologists for China. MOFA stressed that Japan would criticize China's actions from a humanitarian standpoint. However, they did not want or intend for this to have an impact on ODA or other economic relations.

[118] "Chuugoku to no 'keizaikyouryoku no yakusoku hatasu' gaimushou shunou." *Asahi Shimbun* 13 June 1989, evening ed.: 1.

An editorial about ODA in the Yomiuri Shimbun on June 9, referred to this suspension in the same way that the government had framed it, by simply mentioning the stoppage of yen loans to China as due to "practical reasons of disorder" following the Tiananmen Square incident. Similar to the sentiment in the Yomiuri, the Nikkei Shimbun called the "delay" of ODA "inevitable" given the state of affairs in China, in a news article on June 7. And, as early as June 13, the Asahi Shimbun stated that the Japanese government was moving towards the resumption of ODA projects. The newspapers reiterated the government view that actions with regard to ODA were not sanctions. Nor did the newspapers suggest that there should be aid sanctions. In fact, the newspapers made no connection between the Tiananmen Square Incident and possible Japanese aid sanctions at this point in the crisis. This was regardless of the fact that Western governments had already implemented aid sanctions and those within the Japanese government were debating the issue as well.

The Japanese Government Rethinks its Response

Public Opinion and Politicians

Despite official assertions by the Japanese government that it was not going to impose economic sanctions against China, it was feeling the pressure of international and domestic public opinion that it take a stronger position against the Chinese government's suppression of human rights.

The Japanese public complained that the Japanese government should do more. It has been argued that it was the Tiananmen Square Massacre that altered Japanese public opinion towards China and, once altered, it never recovered from the shock and disillusionment.[119]

The Japanese public had never had a negative view of Chinese communists, despite the cold war. Communism was considered to be a much less insidious form of government to the Japanese than it was to Americans. The Japan Communist Party (JCP) had received 9.5% of the vote in upper-house elections in 1986 and 7% of the vote in upper-house elections in 1989.[120] Plus, with the "panda diplomacy" of the 1970s and the cultural similarities that Japan and China share, the Japanese public was supportive of and interested in everything Chinese during the 1970s and 1980s.

However, this did not keep the Japanese people from reacting negatively to the incident in Tiananmen Square. The Japanese public reaction to the Massacre was similar to that of publics worldwide. With the momentous occasion of Gorbachev's visit to China occurring at the same time, the international media was focused on Beijing. Chinese journalists, students, and activists were also able to send information and pictures to friends and associates abroad. For these reasons, pictures of the crisis at Tiananmen were able to be shown around the world. One of the most famous photographs of all time is the picture of the sole citizen standing before a line of tanks in Tiananmen Square. Such pictures permeated the public consciousness and

[119] As was discussed in Chapter 2, public opinion polls reveal that the number of those expressing closeness to China never rebounded.

made the enormity of the Chinese government decision to crackdown on protesters in Beijing come home to the average Japanese.

In addition, in some ways the shock was greater for the Japanese than for the Western publics because of the historical and cultural connections between Japan and China. As was reported, "For the many Japanese who harbor romantic sentiments toward Chinese civilization the psychological shock from Tiananmen was quite profound."[121]

Proof of the changes in Japanese public sentiment that the Tiananmen Massacre occasioned lies in the Prime Minister's Office annual public opinion polls. In 1985, over 75% of Japanese responded that they felt close or sort of close to China. However, "the amity suddenly diminished . . . with the Tiananmen Incident of 1989."[122] In the first poll taken after the Massacre, those feeling close or sort of close to China fell slightly below 52%. Although still constituting a majority of Japanese, it was a sharp decrease when compared to the percentage prior to the Massacre.

Some politicians within the opposition parties reacted similarly. They implicitly, if not explicitly, pointed to the shock and dismay of the Japanese people in their political statements. MP Koshiro Ishida, speaking as a representative of Komeito, declared, "There were no Japanese who were not grieved at heart by the portrayals in

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[120] See Curtis (1999) Appendix 4.

[121] "Business: Viewpoint: A Need for Summitry: Japan and China should talk more to create trust." *Asiaweek* 25 Oct. 1996: NOPGCIT. 12 Dec. 2006. <http://gateway.proquest.com/openurl?ctx_ver=z39.88-2003&res_id=xri:pqd&rft_val_fmt=ori:fmt:kev:mtx:journal&genre=article&rft_id=xri:pqd:did=000000084508662&svc_dat=xri:pqil:fmt=text&req_dat=xri:pqil:pq_clntid=15403>.

[122] Ibid.

the newspaper reports and on television of the horrible disaster of students and citizens falling to gun point and tanks." He continued, saying, "From a humanitarian viewpoint it is unjustifiable." Ishida went on to criticize the prime minister's failure to speak about the June 4th Incident during a speech he gave on June 5. "For someone who is responsible for the whole country, this is unsatisfactory."[123]

Ishida's Komeito colleague, Hideo Yahara, continued in this vein, saying that "Seeing this incident reported on television and in the newspaper, we are very sorry. It cannot be permitted to have such a situation of the army turning guns on unarmed students and citizens. The [Japanese] government's posture of remaining a spectator for the reason that we cannot intervene in the domestic affairs of another country needs to be clarified."[124]

Isao Naitou, a representative of the Japan Communist Party (JCP), also criticized the Japanese government as "having the world's vaguest response" to the Massacre.[125] Similarly to the other political critics, Naitou was not convinced by the rationale that MOFA and the prime minister had put forward as reasons for why Japan was not more assertive in its reaction.

It is not surprising that political criticism came from these quarters. Komeito has its roots in the lay religious association, Soka Gakkai, based on Nichiren Buddhism,

[123] Plenary session of the House of Representatives on June 7, 1989.

[124] Plenary session of the House of Councillors on June 8, 1989.

[125] Plenary session of the House of Councillors on June 9, 1989.

which emphasizes peace and the dignity of life.[126] Komeito remained a viable party because of its ability to mobilize the believers of Soka Gakkai.[127] For its part, JCP was quite concerned about the effect that the Tiananmen Massacre would have on support for its party. It made sure to exert itself in showing opposition to the actions of the Chinese government and in stressing that the actions were in violation of the ideas of socialism, and not related to them.

However, some within the Japanese ruling party, the LDP, also criticized this cautious approach to the Massacre. There were LDP members quoted as calling the approach "indecisive."[128] And a survey conducted in June found that some LDP members of parliament favored the imposition of some type of sanctions against China.[129] Given the reality of Japanese public reaction to the Massacre and subsequent Japanese government actions, this should not have been unexpected. In fact, it supports one of the hypotheses of this research. Namely, that politicians are responsive to public preferences to the degree that their electoral success depends on it. For, in 1989, electoral success did depend on it.

In 1989 the LDP was in a position where it was necessary to respond to public criticism. The year of the Tiananmen massacre in China was a year of political

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[126] Yahara Hideo discussed these ideals as the underpinning of Komeito at the Plenary session of the House of Councillors on June 9, 1989.

[127] When Komeito lost its ability to secure votes in the mid-1990s, it merged with the Peace Party, with which they shared these ideals.

[128] "Taichuugoku, kunou no seifu 'kako' ga bureeki, hihan wo abitemoshirezu." *Asahi Shimbun* 7 June 1989, morning ed.: 3.

[129] *Japan Times*. 25 June 1989.

turmoil in Japan. Curtis describes the challenges the LDP was facing as it entered the late 1980s, the period when this study begins. By 1986, the LDP had become a dominant party with weak support, meaning that the LDP achieved popular support only because there was no attractive alternative for voters. In the lower house elections that year, the LDP received a larger share of the popular vote than ever before. However, voters were less likely to identify themselves with the party. And decreased political partisanship among Japanese voters meant voting patterns were potentially volatile. This was a warning sign for the election results in July 1989 and the condition of politics in Japan through the 1990s.

From November 1987 – June 1989, Noboru Takeshita was prime minister. Under the Takeshita administration, protections for domestic rice producers were reduced, hurting farmers.[130] In addition, the Recruit scandal[131] promoted public anger over political corruption and so-called "money politics." The political backlash for the collapse of domestic rice protection and increasing incidence of political corruption was severe, with Takeshita's resignation. Takeshita was succeeded on June 3, 1989 by LDP politician Sosuke Uno. This succession took place in the midst of the domestic crisis within China and only hours before the Tiananmen Massacre.

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[130] This reduction was the result of the federal budget deficit and foreign pressure to open up Japan's rice market (Curtis 1999).

[131] The Recruit scandal was a scandal of political corruption where there was an illegal transfer of stock shares that was extremely lucrative for the politicians who received the shares. Takeshita was implicated in the case. Twelve individuals, including two politicians, were later convicted.

This type of political tumult produced a situation where the LDP was divided in its preferred reaction to the Tiananmen Incident. Traditionally, the LDP supported the government stance of continued engagement with China. Japan's relationship with China was one of the underpinnings of Japan's entire foreign policy framework. And economic cooperation was one of the pillars of Japan's China policy. Since the age prior to normalization, many Japanese politicians had actively supported engagement with China, under the rubric of the pro-China group. Many had ties with prewar, wartime, and postwar China. As a reflection of this, in discussing his hope of the end of the freeze of new yen loans to China, MP Kazuhiko Tsuji reminisced about his postwar travel to China as a youth.[132] For such politicians, PM Uno and Foreign Minister Hiroshi Mitsuzuka's statements, about proceeding with caution for the sake of Japan-China relations, were quite persuasive.

However, at the same time, with public dissatisfaction towards the ruling party high and domestic politics relatively tumultuous, there was a need for the LDP to illustrate its ability to effectively respond to such an international crisis as the Tiananmen Massacre. LDP politicians also needed to actively exhibit their sympathy towards the feelings of the Japanese public during this time of astonished disappointment towards a long-favored neighbor. This is why we see some LDP support for sanctions, despite the fact that sanctions against China were unprecedented and contrary to the mainstream thought within the Japanese government.

[132] Budget Committee Second Subcommittee Meeting, House of Representatives, April 27, 1990.

The months following June did nothing to reduce the need for the LDP to illustrate its ability to rule the country competently, while being responsive to public preferences. In July 1989, the LDP lost its majority in the upper house.[133] This was the LDP's first loss of a legislative majority since the party's founding in 1955.[134]

The situation was no better for the man at the top. PM Uno only lasted in office for two months, before being forced to resign in August due to scandal.[135] His downfall was the result of a sex scandal, in which his affair with a geisha and his poor treatment of that mistress was uncovered. This was not good for a party trying to resurrect itself from under a series of scandals. On August 9, Toshiki Kaifu succeeded Uno as prime minister, for a two-year stint, through November 1991.[136] The LDP supported his leadership because he had a reputation as a reformer. They hoped this would assuage the public and media outcries against political corruption.

However, not only did the LDP feel an electoral need to be responsive to the Japanese public, the opposition parties did as well. For JCP there was a fear of electoral loss, although for different reasons than faced the LDP. As mentioned, JCP worried that the shock of the Tiananmen Massacre in communist China would cause a backlash against their party within Japan. For the other opposition parties, there was also an

[133] The immediate cause of the loss was the introduction of a consumption tax.

[134] On July 23, 1989 there was an upper-house election with the LDP receiving only 27.3% of the proportional representation vote, securing only 15 of 50 seats. The LDP came away with 30.7% of the vote (21 of 76 seats) in the prefectural districts. For the first time, the LDP lost its majority in a legislative election. In that same election, JSP received 35.1% of the proportional representation vote (20 seats) and 26.4% of the vote in prefectural districts (26 seats); Komeito received 10.9% of the PR vote (6 seats) and 5.1% of the vote in prefectural districts (4 seats) (Curtis (1999) Appendix).

[135] Sosuke Uno was prime minister from June 3, 1989 – August 9, 1989.

opportunity for gain. This argument is supported by the statements made by the Komeito MPs in both the upper and lower houses, as they sought to illustrate through words how their reaction to the Tiananmen Massacre echoed that of the Japanese public.[137]

In summary, in 1989, both the ruling LDP and the opposition parties felt a need to be responsive to a public that was disillusioned and angered by the actions of the Chinese government in violently suppressing scores of peaceful protesters. This argument is supported by statements that politicians made during Diet proceedings and to reporters, as well as by their responses to a survey of Diet members on possible government reaction to Tiananmen.

MOFA Considers a Response

Even within MOFA, some thought that Japan should make a more direct statement against the democratic crackdown in China. Although these voices were in the minority, they could not be completely discounted because they were allied, not only with domestic public opinion, but with international opinion. Therefore, as Kesavan (1990) discusses, "Although the Japanese government was reluctant to impose 'sanctions' against China, it was not in a position to ignore public criticism, whether from at home or abroad" (672). For, just as politicians felt an electoral need to be

[136] Toshiki Kaifu was prime minister from August 9, 1989 – November 5, 1991.

[137] In fact, Komeito wound up doing well in the 1990 and 1993 lower house elections. In the 1989 and 1992 upper house elections they were moderately successful.

responsive to a dissatisfied and disillusioned public, MOFA felt a diplomatic need to be responsive to Western governments and international public opinion.

However, neither group (politicians nor bureaucrats) had their hands completely tied by domestic or international opinion. One important reason for this was that they had allies among the Japanese public, as well as among Western and non-Western governments, for a non-confrontational, or only mildly confrontational, stance toward China.

Although the Japanese public was dismayed by the Chinese government actions, the majority continued to feel close to China, as reflected in public opinion polls. In addition, the greatest concern of the Japanese people was for the Chinese people. This suggests support for continued aid to those people, not a curtailment of it. Finally, the belief of politicians that the public did not favor the isolation of China was proven correct by the widespread public support for PM Kaifu's resumption of ODA in 1991. Therefore, given the nature of the constraints on and opportunities before the Japanese government, it was able to show leadership in continued engagement with China, wrapped in words and actions of concern for both the Chinese and Japanese people, and generally satisfy its own people, the Chinese government, and the Western governments.

At the end of June 1989, Foreign Minister Mitsuzuka was scheduled to visit the US and meet with his American counterpart, Secretary of State James Baker. A major

goal of this meeting was to discuss US and Japanese approaches to the situation in China, in preparation for the G7 summit meeting that was to take place in July. The Japanese government decided that, in advance of this meeting, it was necessary to formulate a basic policy on ODA to China that they could present to the Western countries. Towards that end, MOFA created a special investigations group so that all the related departments, such as the Asia Bureau and the Economic Cooperation Bureau, could examine the question of ODA to China together. Their intention was to decide on a specific policy that would not change the basic framework of "continuation" of aid, but would acknowledge the virtual "delay."[138]

On June 21st, the special investigations group of MOFA presented its policy of separating new and existing aid projects to China. It would continue to implement existing projects, but would freeze all new aid, including the third yen loan package. The government had expected to confer with China about the third yen loan during the summer of 1989 and decide on details about the 42 targeted projects. Now it would postpone those negotiations. As for existing aid projects, in principle there was a continuation, but MOFA acknowledged that there would be a "material delay" and difficulty in actual implementation.[139] All aid would be resumed when China was evaluated by Japan to have achieved calm and normality, which would include things such as the end of martial law. In deed, if not in word, it was an economic

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[138] "Taichuu seifu kaihatsu enjo okureru, gaimushou ga tenkenkyougi ni chakushu." *Yomiuri Shimbun* 20 June 1989, morning ed.: 2.

[139] "Taichuu shinki enjo wo touketsu, daisanji enshakkan nado, gaimushou houshin." Asahi Shimbun 21 June 1989, morning ed.: 1; "Taichuu bijinesu, mahijoutai, jimusho heisa aitsugu – komotsuyusou, ichibu sutoppu." *Nikkei Shimbun* 7 June 1989, morning ed.: 5.

sanction. However, even today some MOFA officials loathe to call it that, with one official stating that it was not a sanction, but the "suspension of a favorable measure."[140]

In its China policy at the time, the Japanese government had two goals. One was to follow a distinctive policy that was in its own interests. The second was not to fall too far out of step with the international response to China. Therefore, although MOFA had emphasized that it would implement its own policy towards economic cooperation and one that was unrelated to U.S. or European sanctions,[141] in explaining the new policy, the MOFA ECB bureau chief stated that, "The [Japanese] position that projects that have already been formally contracted will continue is the same as that of West Germany[142] and the World Bank."[143] In this way, Japan tried to justify its actions to the international community by placing them within the context of global trends.

On June 26th FM Mitsuzuka met with Secretary of State Baker in Washington, DC. Mitsuzuka's objective was to explain Japan's China policy and to receive understanding from the U.S. on that policy and on Japan's intentions to negotiate a constrained G7 response towards China at the July summit meeting. An

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[140] Author's interview June 7, 2004. (#24)

[141] "Chuugoku wa koritsuka wo yoke taiwa wo motomeyo (shasetsu)." *Nikkei Shimbun* 22 June 1989, morning ed.: 2.

[142] West Germany was the second largest aid donor to China, after Japan. However, the amount of aid was not comparable, as Japan gave ten times that which West Germany gave to China.

[143] "Taishuugoku enjo, oubei no seisaku ni hairyoshite shinki ODA wo jijitsujou touketsu." *Asahi Shimbun* 28 June 1989, morning ed.: 11.

understanding was worked out on these terms and there an expectation was developed that the US and Japan would stay in close consultation with each other on each country's China policy.

Over the next couple of weeks, Japan solidified its basic approach to the G7 meeting that was to take place in Paris. PM Uno planned to assert that Japan was against economic sanctions towards China that were aimed at isolating China.[144] However, he would criticize the country from a humanitarian point of view, highlighting that China's suppression of democracy was "not compatible with Japanese values."[145]

On July 14, the G7 met in Paris. The group together decided on a *Declaration on China* that condemned the Chinese government for the repression of human rights. It also stated that the group had agreed on the suspension of World Bank loans to China. However, in general, the statement was purposively vague. This was decided with the intention of allowing each country to make its own policy decision.

Although some have argued that the declaration reflects a failure of the Japanese government to persuade the developed world not to impose sanctions on China,[146] Katada (2001) argues that, "The absence of any mention of 'joint sanctions against China' in the Paris summit declaration was a clear endorsement of Japan's position at

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[144] See comments by Minister of Finance Ryutaro Hashimoto, House of Representatives Budget Committee second subcommittee meeting, April 27, 1990.

[145] "Kouzoukaikaku, sankakoku kyoudou de – seifu, samitto sengen e kihonhoushin kettei." *Nikkei Shimbun* 8 July 1989, morning ed.: 1.

[146] For example, Arase 943.

the summit" (45). This latter view is supported by Japanese political and media reports.[147] The feeling within Japan was that the Western leaders had paid attention to Japan as it emphasized not isolating China internationally. This outcome was pleasing to most of the domestic audience within Japan. For example, according to Kesavan (1990), "The opposition political parties in Japan . . . welcomed the summit statement on China" (674). Politicians and bureaucrats agreed on Japan's stance, in the context of the G7 meeting.

Business Adds Its Voice

As discussed previously, after the normalization of relations between Japan and China in the 1970s, there were two booms of investment, as Japanese firms rushed into China with the hope of establishing stable economic relations. However, Japanese business tended to be disappointed by the outcomes of these early investment booms. For instance, in 1981, China decided to suddenly dissolve about 300 billion yen in contracts with Japanese companies, after much of the contracted work had already begun and equipment delivered. This is known as the "Baoshan Shock" and adversely affected a number of large Japanese companies, including Nippon Steel, Mitsubishi Heavy Industry, and Mitsui Trading Company, as well as many smaller subcontractors.[148]

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[147] Kesavan also backs the argument that Japan successfully won support during the Paris summit for its position of not isolating China (674).

[148] Johnson (1995) 253.

As mentioned previously, in 1988 Japan-China bilateral trade totaled over $21 billion. The Chinese share of Japan's total world trade was about 4%, while the Japanese share of China's total world trade was almost 19%. Foreign direct investment from Japan reached $296 million. This growth in investment was a result of improvements in the conditions for investment and regulations on investment within China. However, the post-reform boom in investment (earlier called the "third boom") had not yet begun.

It was not until Deng's reforms, starting in 1992, that investment began to take off. The statistical evidence is supported by personal accounts. A retired businessman from Mitsubishi Heavy Industry, who was actively involved in the company's business with China throughout this period, related how the company did not begin to make money in China until after Tiananmen. In 1989, Japanese businesses engaged with China because of the prospect of *future* opportunities.[149] A former Marubeni Trading Company employee explained how, in the 1980s, all China had was the land or maybe a building; it needed Japanese money and know-how to actually start and conduct business.[150]

Still, of course, there were Japanese businesses involved in China in 1989 and there were employees on the ground in China at the time of the Tiananmen Massacre. As reported in the Nikkei Shimbun, by June 6, almost all companies in all types of industries had indicated that they were shutting down their offices in Beijing and

[149] Author's interview August 17, 2004. (#8)

recalling their Japanese workers. This included Matsushita Electrical Industrial, Toyota, Kawasaki Heavy Industry, Mitsui Shipbuilding, Suntory, and Sumitomo Metalworking.[151]

According to employees of those Japanese businesses in China, the companies adopted a "wait and see" attitude after the Tiananmen Massacre. Some discussed their plans with other firms from Japan and elsewhere that had offices in China. Others based their decision to stay or go on information from the Japanese government. Marubeni Trading Company made the decision to stay in China after receiving secret information from the Japanese intelligence services that the situation in China was not that dire.[152]

However, once sanctions were implemented, an individual who was in MOFA's Asia Bureau at the time said that he was barraged by business complaints about the sanctions. In fact, Eishiro Saito, the president of Keidanren, is said to have been "furious" and immediately went to see the prime minister to ask him to end sanctions.[153] Saito implicitly explained the thinking behind this stance, when he stated, "As PM Li Peng said, China is now trying to see who its real friends are."[154] Saito wanted Japan to prove itself as the friend of the Chinese government, even if it

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[150] Author's interview July 9, 2004. (#6)

[151] "Taichuu bijinesu, mahijoutai, jimusho heisa aitsugu – komotsuyusou, ichibu sutoppu." *Nikkei Shimbun* 7 June 1989, morning ed.: 5.

[152] Author's interviews with Japanese businessmen.

[153] Author's interview with former MOFA official July 30, 2004. (#14)

[154] Quoted in Arase (943).

was a repressive government, by continuing engagement when the rest of the developed world was seeking to isolate it.

Katada (2001) explains the Japanese government's policy approach after Tiananmen as "a typical case of Japan's economic interests driving its foreign aid policy and of Japan's 'reactiveness' to foreign pressure" (44). According to this argument, Japan went along with Western sanctions after the Incident, but made every effort to resume economic cooperation as soon as possible in order to restart business exchanges with China.

I will address the former claim, with regard to foreign pressure, below, but, in terms of economic interests, certainly both bureaucrats and politicians had such preferences in mind when taking policy stances. However, it was not the determining factor in choosing post-Tiananmen policy towards China. In this instance, MOFA's preference for continued engagement to promote stable Japan-China relations and the peace and prosperity of Japan and Asia happened to coincide with business preferences for making profits within China. Therefore, one former MOFA official directly involved in the dialogue among MOFA, business, and politicians, declared that "without this [business] pressure I think the outcome would have been the same."[155]

In fact, one event occurred during this period of crisis that specifically supports this view and reveals that MOFA was not overly concerned about business preferences.

Where business preferences did not agree with those of MOFA, MOFA was not shy to state it as so. This occurred when FM Mitsuzuka publicly criticized Japanese businessmen for returning to China too quickly. Although subsequent media and business reports lead one to question the factual evidence upon which Mitsuzuka's statement was based, the importance of his statement remains. When international reports critical of the behavior of Japanese business activities after Tiananmen began to arise, Mitsuzuka was quick to respond. However, rather than supporting Japanese business, he threw them to the wolves by adding his word of criticism. Political actors did not stop him from doing so.

Media Reports Reflect Debates Within Government

On June 22, 18 days after the massacre at Tiananmen Square and one day after MOFA announced the freeze of new aid to China, the Asahi Shimbun printed its first editorial related to the Tiananmen Square Incident and ODA to China. It was generally supportive of the government policy of watching China and international trends. Still, it emphasized that economic assistance is meant to help the Chinese people and it cannot be supported if it is not accomplishing that. This reflected the concerns of the Japanese people.

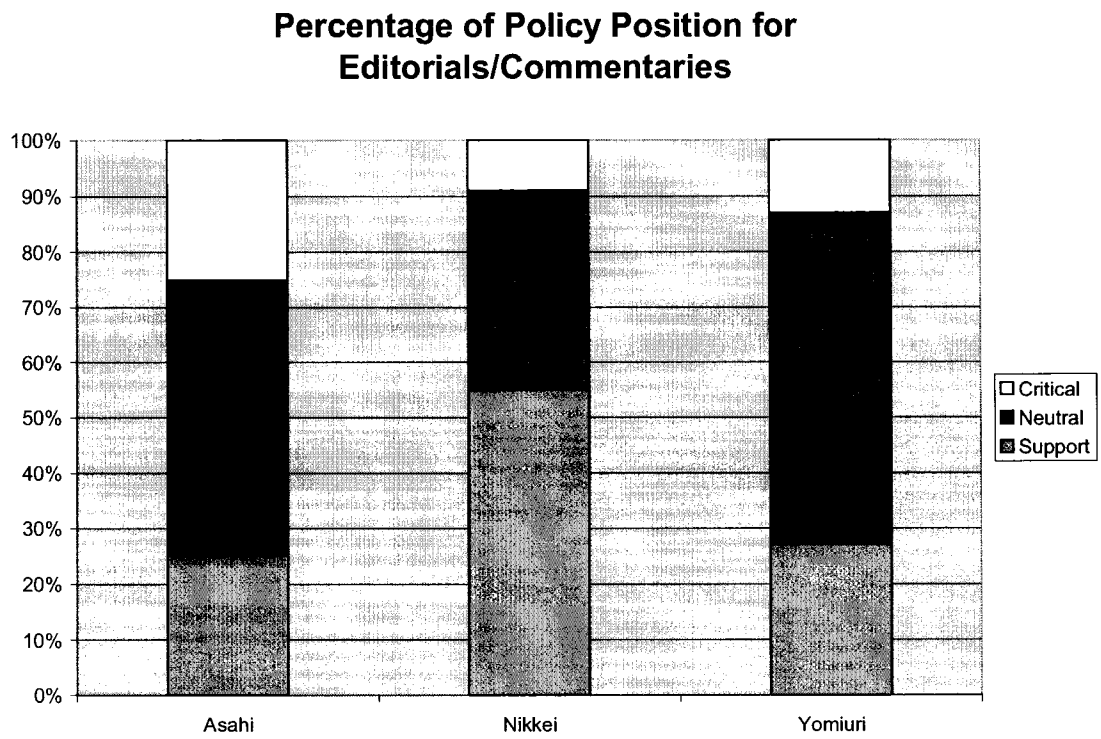
The Nikkei Shimbun also printed its first editorial discussing the Tiananmen Square Incident and Japanese ODA to China, on June 22. It examined the pros and cons of Japan implementing economic sanctions. The editorial discussed how such sanctions

[155] Author's interview July 30, 2004. (#14)

would hurt the general welfare of the Chinese public. Conversely, it stressed that, if Japan ignored the human rights element in international aid policy, it would be isolated in the West. There was also implicit support for some type of suspension of aid to China on moral grounds, due to the suppression of human rights. In conclusion, the article appealed for a revival of dialogue with China. In these ways, it did not place itself clearly in any camp, but basically endorsed government policy while continuing to support its business readership's interest in ODA, wrapped in concern for the Chinese people.

These editorials merely reflected what the ongoing discussions were within the Japanese government. They did not push for a specific government policy outside of what the government was already doing or seeking to do. Nor did the three newspapers' editorials or news stories and commentaries differ significantly from each other. The Nikkei Shimbun was slightly more supportive of leaving aid in place, as compared to the Asahi and Yomiuri. This can be connected to its focus on Japanese business. However, generally speaking, there was a great deal of consensus among the newspapers and between the newspapers and the government.

Figure 14

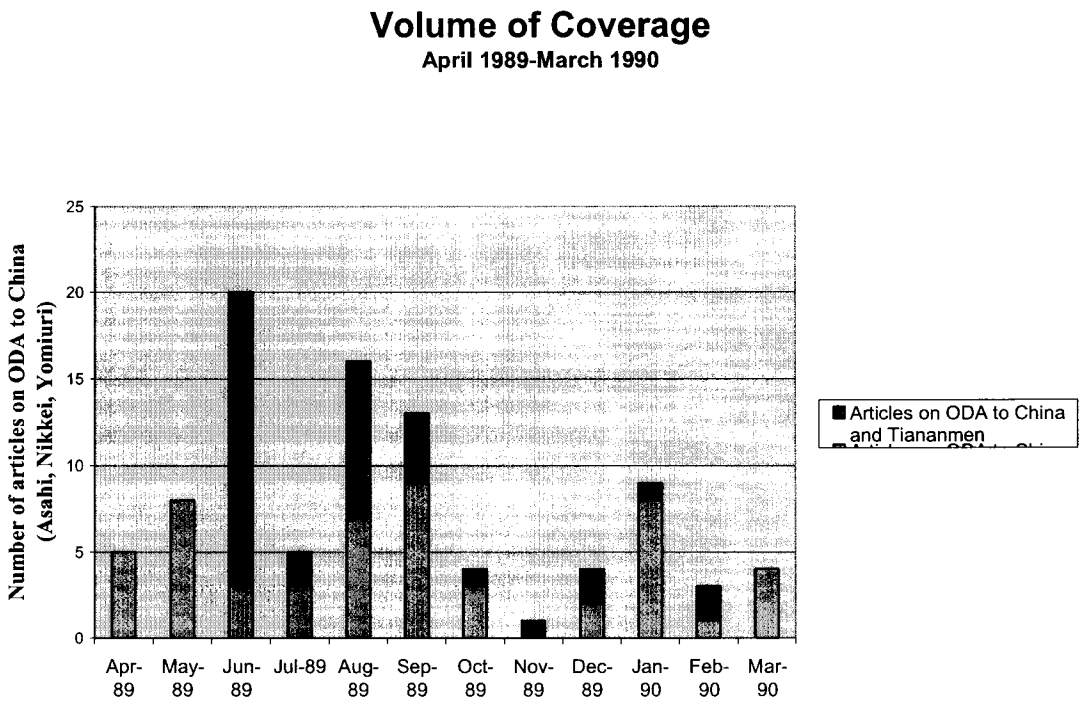


Note: "Support" means to leave aid as is; "Critical" means to stop aid to some degree as a punishment

In terms of volume of coverage, the Asahi was the most assertive in making the initial connection between the Tiananmen Square Incident and ODA to China. It published 12 articles on Japanese ODA to China in June 1989, 10 of which mentioned aid in connection with the Tiananmen Incident. Nikkei and Yomiuri gave less attention to that connection at the start of the crisis, but sustained attention through August 1989 (whereas Asahi coverage dwindled off after that high peak in June). However, in all three newspapers, once continuing aid projects were resumed, there was minimal attention given to the subject (despite the fact that new aid continued to be frozen). In

fact, from October 1989 on, there was no more than a single article during any month in any of the three newspapers that discussed aid in connection with Tiananmen. Through the end of my period of analysis, the last article that mentioned the topic was in Nikkei in July 1990. (The reinstatement of new aid was officially declared in September 1990.)

Figure 15



Japan Begins to Reengage China

On August 18 1989, Japan lifted its travel warning to all areas outside of Beijing. It also resumed existing economic assistance projects. ODA personnel that had temporarily returned home to Japan went back to their posts.[156] This was with the exception of Beijing-area economic cooperation projects and related personnel, since Beijing was still under martial law. During the previous two months, the Chinese side had continued to work on the projects, but this announcement by the Japanese government meant a full-scale resumption of implementation.

Within the Japanese government there was a concern that, if this action were not taken, China would complain that Japan was violating international law, since the projects were contracted. As I mentioned, private Japanese companies had also complained to the government, pushing for the resumption of projects. [157]

However, new aid, including negotiations for the third yen loan package, continued to be frozen. With regard to the freeze, MOFA declared that, "It is difficult to suggest a resumption of aid when there is martial law in Beijing."[158] The government was also waiting for the World Bank to resume funding, as a sign that Japan was not going

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[156] "Pekinshi nozoki 18nichi kaijo e, taichuu tokou jishuku kankoku." *Nikkei Shimbun* 13 Aug. 1989, morning ed.: 2.

[157] "Taichuu enjo, keizoku anken saikai e – tokou jishuku, Pekin nozoki kaijo." *Nikkei Shimbun* 29 July 1989, morning ed.: 1.; Author's interviews.

[158] "Taichuu bijinesu sorosoro saikai, seifu 'medatameyou setsudo wo.'" *Nikkei Shimbun* 5 Aug. 1989, morning ed.: 3.

against international trends. Still, MOFA displayed its true preferences in declaring that "we want to resume [new ODA] as early as possible."[159]

The resumption of aid was a topic of conversation as the foreign ministers of Japan and China met in Paris in late August and in New York in late September. In August the Japanese foreign minister promised that "If China returns to its previous situation, we will resume economic cooperation."[160] Implicitly this meant that once martial law was rescinded, aid projects and funding would resume as normal.

September also witnessed a resumption of Japanese political, economic, and youth delegation visits to China. On September 17th, the nonpartisan Japan-China Friendship Alliance, led by the LDP parliamentarian Masayoshi Ito, went to China. At the end of September, about 20 leaders of Japanese business, who had deep connections with China, visited the country. Also in September, a 150-member youth delegation led by another LDP Diet member traveled to Beijing. The significance of these events was that, as the Japanese government was waiting for a return to total calm within China, as well as international trends that supported the resumption of all economic cooperation with China, it wanted to remain continuously engaged with China. Japanese politicians played an indispensable role here. Rather than undermining bureaucratic efforts, they actively supported them. There was clear convergence of preferences between the bureaucracy and the politicians. These

[159] "Seifu, chuugoku wa kaihou gutaisaku wo – 'kaikaku rosen mada futoumei.'" *Nikkei Shimbun* 18 Aug. 1989, morning ed.: 2.

[160] "Keizaikai shunou aitsuitde houchuu e, seifu youjin tomo kaidan, tenanmonjiken atosome." *Asahi Shimbun* 17 Sept. 1989, morning ed.: 1.

preferences also coincided with those of business, which similarly acted as a bridge between Japan and China. Engagement was at the top of everyone's list.

On September 21st, after the Japan-China Friendship Alliance returned to Japan, MOFA decided to rescind the travel advisory to Beijing, as of the 25th of the month. This was seen as a call for the return of tourists, as well as the families of those workers who had already returned to their posts in Beijing. This was slightly earlier than first indicated, and was in response to positive reports from the Japan-China Friendship Alliance and the Japanese embassy in Beijing. It also meant the full resumption of all existing aid projects in Beijing.

Despite these positive developments, on September 23rd, it was announced that at least two continuing ODA projects, which were not subject to the freeze of new projects, would be postponed. This was because the necessary preparations were unable to be done, due to the state of affairs following the Tiananmen Square Incident, such that the projects could be ready to be included in the next fiscal year budget. Once again, the announcement emphasized the practical situation within China and avoided any connection with economic sanctions.

On October 8th, an editorial in the Yomiuri referred to the stoppage of aid to China as an example of the increasing incidence of the entanglement of politics and aid. The act itself was not criticized but it was stressed that the policy aims of aid must be explained to the Japanese people in an easily understood manner. This illustrated a

slight push from the newspaper towards the government to be more responsive to the needs of the public. Still, an editorial in the same newspaper on November 26th stated that China must move towards improving relations with the West, in order for Japan to be able to fully resume all aid.[161] Again, as in earlier editorials in all three newspapers, this was merely a reflection of Japanese government policy. In addition, it was useful as providing an explanation to the Japanese people of why new aid projects had not yet resumed, despite an earlier emphasis by the government and newspapers on the practical aspect of the freeze.

In January 1990 China ended martial law in Beijing. The country expected that this would mean an end to Western and Japanese sanctions. In fact, Japan did begin to take serious steps to resume aid and make preparations for the third yen loan package. MOFA invited the Chinese state planning commissioner; Zou Jiahua, to visit Japan, and the government then sent an economic envoy to China. According to US media sources, the meetings represented the highest-level diplomatic contacts between the two countries since June, and were widely seen as the first step toward resuming normal ties. MOFA also favorably evaluated China's rescinding of martial law in Beijing, its release of some of those who participated in the Tiananmen protests, and its continuation of efforts towards economic liberalization and reform.[162]

However, Japan was not only closely watching China to make the decision of when to resume full engagement, it was also closely watching both international and domestic

[161] The main subject of the editorial is aid to Eastern Europe. The connection to China was socialism.

trends. Japan was hesitant to take the first step toward normalization of relations with China, because it did not want to spark a harsh reaction from its Western allies. It was very sensitive to criticism of this type. One example of this was FM Mitsuzuka's severe criticism of Japanese businessmen who returned to China at a time judged by international viewers as too soon after Tiananmen.

Still, Japan did not want to miss out on the opportunity to be one of the first to reengage China either. Therefore, it looked carefully, but with some suspicion and anxiety, at US movements to resume economic activities with China as early as December 1989.

Therefore, when the World Bank decided to resume some of its lending to China on February 27, Japan was greatly pleased. According to Kesavan, "This decision and Washington's flexible approach seemed to have cleared the path for Japan to restore its earlier economic relations with China" (675-6).

Still, when full relations would be resumed continued to be an issue of discussion and debate. Some government and business sources within Japan began to discuss the resumption of new aid occurring as early as February 1990.[163] At a meeting with the Keidanren on January 21st, the LDP declared their plan to start the third yen loan

[162] See comments by Sakutaro Tanino, MOFA Asia Bureau, at House of Representatives Foreign Affairs committee meeting, March 28, 1990.

[163] Nickerson, Colin. "Japan Quietly Resuming China Ties." *Boston Globe* 14 Jan. 1990: 2.

slightly later, saying, "We are preparing to start on April 1st."[164] During the previous December, the Ministry of Transport was already looking towards the future and the full resumption of aid to China, announcing that technical cooperation would resume the following spring.[165]

However, in an interview in February, Kouwata Shoushichi, ECB bureau chief, stated that, as for the resumption of aid to China, "still there is no universal plan. [We will make a decision] after we look closely at the situation in China."[166] This wound up being the most accurate account, as new ODA was not resumed in February or on April 1st. In late April, on the occasion of deliberations over the budget, the Finance Minister, Ryutaro Hashimoto, informed the Diet that the ECB bureau chief had recently returned from a visit to China and he suggested that bilateral relations (including aid) would soon be normalized.[167]

In an effort to speed the process along, China also made a plea to Japanese business. A businessman formerly of Marubeni Trading Company described a company delegation to China to see top officials in the government. They met with Premier Li Peng and he asked them to persuade the Japanese government to lift sanctions. They were happy to play this role because it allowed them to meet with high-ranking

[164] "Dai3ji taichuu enshakkan 4gatsu kaijo jimintou shunou houshin hyoumei." *Yomiuri Shimbun* 22 Jan. 1990, evening ed.: 2.

[165] "Taichuu kijutsu kyouryoku, unyushou, raishun ni saikai." *Nikkei Shimbun*, 7 Dec. 1989, morning ed.: 5.

[166] "'Kao' Nihon no ODA no atarashii kajitori, Kohata Shoushichi san." *Yomiuri Shimbun* 24 Feb. 1990, morning ed.: 13.

[167] Budget Committee, Second Subcommittee Meeting, House of Representatives, April 27, 1990.

Chinese officials, with whom they previously would probably not have been able to meet. It also paved the way for future business opportunities for Marubeni in China.[168] Here business was able to play an important role as an intermediary between China and Japan.

An editorial in the Asahi on April 16, 1990 supported the resumption of the part of ODA to China that dealt with improving the welfare of the people. This was in response to reports that the government was considering this very resumption. Once again, it was not calling for any new policy direction, but just supported what the government was already planning.

In the latter half of April 1990, representatives from both majority and minority parties in Japan began to visit China one after another in succession and showed support for the reinstating of aid to China.[169] And at a House of Representatives Budget committee meeting on April 27, MP Kazuhiko Tsuji pushed Finance Minister Hashimoto on when the freeze of the third yen loan would be rescinded.

In May 1990, former PM Uno (who had by this time been succeeded by Kaifu) visited China. Uno showed support for the resumption of aid to China, saying, "It is our promise that we will continue to make quiet efforts such that we will resume quickly, if China continues to pursue reform and openness. We expect that China,

[168] Author's interview July 9, 2004. (#6)

[169] "Ringoku toshite kangaerubeki koto (shasetsu)." *Asahi Shimbun* 16 April 1990, morning ed.: 5.

like other nations, will be able to participate in Japan's untied aid."[170] These examples illustrate, once again, how politicians served as a bridge between Japan and China during this difficult time. Where MOFA could not yet act, Diet members acted in its place.

Still, MOFA itself was making continuous efforts to show leadership in reengaging China. In preparation for the July 1990 G7 Summit in Houston, a MOFA official revealed their intentions by saying, "We have consistently appealed to the international community that it is not the right thing to isolate China. The important thing in the summit is to send out a political signal that the international community, while not fully satisfied with their reform efforts, still hopes to see China reintegrated or returned to normal relations with the international community." [171]

The political statement, with regard to China, that emerged from the Houston Summit was largely in tune with MOFA's preferences. It recognized some improvement within China and proposed additional World Bank loans to further support China's economic reforms and environmental conservation.

However, more importantly, the Houston Summit was an opportunity for Japan to exercise its leadership in a more direct way. At the Summit, PM Kaifu declared his intention to resume aid to China, stating, "The third yen loan is a political

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[170] "'Chuugoku no genjitsu wo kakkoku ni tsutaete' Uno shi tono kaidan shushou de Li shushou yousei." *Asahi Shimbun* 8 May 1990, morning ed.: 2.

[171] Quoted in "Japan to Make Case for Aid to China / It will oppose Soviet aid at Texas talks." *San Francisco Chronicle* 6 July 1990, final ed.: A20.

commitment by the PM, [former PM Takeshita]. I am unable to break a promise. From the medium and long-term viewpoints of China's economic stability and political reform, after the Summit we plan to gradually cancel [the freeze]."[172]

President Bush and British PM Margaret Thatcher expressed an understanding of this position. However, others, including President Francois Mitterand of France, did not. Some in the U.S. Congress also criticized Japan for re-engaging China through aid. This led to the view that Japan was striking out on its own to fulfill its own interests. The Asahi Shimbun declared that "Japan is showing self-assertion at this summit."[173] The *Diplomatic Bluebook 1991* similarly interpreted the reception that Japan received. It recorded that the response of the other Summit participants "illustrated the arrival of an era in which other countries respect Japan's decisions on issues in the Asia-Pacific region when they are made with Japan's own judgment and on its own responsibility."[174]

Wang (1993) explains how this policy decision by Japan can be interpreted as showing real leadership.

> The growing assertiveness of this policy was evident at the Houston G-7 summit in the summer of 1990, where Prime Minister Kaifu took a bold step in declaring that Japan would resume its third package of yen loans to China. This surprising move elicited overt criticism from the leaders of West Germany, France, and Canada at the summit, as well as from members of the U.S. Congress who charged that Japan was seeking economic interests in China at the expense of moral principles such as human rights. Kaifu also had

[172] Quoted in "Hamon umu taichuu enshakkan kaijo." *Asahi Shimbu*n 28 July 1990, morning ed.: 4.

[173] "Hamon umu taichuu enshakkan kaijo." *Asahi Shimbu*n 28 July 1990, morning ed.: 4.

[174] Section 2. Objectives and Priorities of Japan's Foreign Policy, 2. Japan's Foreign Policy at a Turning Point. *Diplomatic Bluebook 1991*. Tokyo: MOFA. <http://www.mofa.go.jp/policy/other/bluebook/1991/1991-1-2.htm>.

> objected to the wording of part of the summit's draft declaration that criticized China's human rights record, and the wording was eventually toned down . . . Japan's decision at the Houston summit also marked a significant departure from its previous ODA policy toward China, and was a far cry from 'Ohira's Three Principles' announced in 1979, which stated that Japan would seek to coordinate its aid policy toward China with industrialized countries (634-5).

Despite Wang's claim about the disjuncture between the policies of Japan and of Western governments, Japan's actions were not contrary to evolving international trends. On May 29, the World Bank had approved a $300 million reforestation loan to China. The Bush administration supported this loan. A bank representative further declared that there were "more loans are in the pipeline."[175] The position that PM Kaifu took in Houston was exactly what MOFA had long sought. It allowed Japan to be a leader in fully reengaging China, while maintaining a close relationship with the West, particularly the US.

In September 1990, former PM Takeshita (who had been out of office for a little over a year) visited Beijing to convey the decision to resume the third yen loan package to China. Education Minister Kosuke Hori also visited China in September to attend the opening ceremony of the Asian Games in Beijing. This was the first minister-level visit to China since Tiananmen. The Japanese public approved of these moves.

In August 1991, PM Kaifu became the first leader of an industrialized democracy to visit China after Tiananmen. The Chinese heartily welcomed him. "The present Japan-China ties are like the spring sun rising high in the heavens," Sun Pinghua,

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[175] Quoted in "Bush's China Policy Gets Japanese Nudge Tokyo frees up Beijing aid, but Congress stays adamant." *Christian Science Monitor* 11 July 1990: 1.

president of the China-Japan Friendship Association, told the official Chinese news agency. "There exist no major obstacles in the Sino-Japanese relationship, and thus it should continue to develop on the present favorable basis." [176]

Conclusion

This case was typical of political-bureaucratic relations with regard to China prior to the 1990s. Although the incident of the massacre in Tiananmen Square was not typical, the Japanese government response was. There was a clear convergence of preferences. The Japanese bureaucracy consistently emphasized that the suspension in aid projects and the delay in ODA negotiations were due to the practical situation on the ground and not to any type of sanctioning measure. Japanese MOFA officials today, who were also in the ministry at that time, continue to argue against the use of the word "sanctions" to describe Japanese government actions after the Tiananmen Massacre. Politicians supported MOFA's efforts by engaging with China on many fronts even while aid was suspended. Bureaucrats and politicians also worked together on the international stage to limit the likelihood that China would be isolated or any international sanctions measures would be implemented. In response, the Chinese were appreciative of the Japanese effort and support.

The Japanese public was extremely agitated and disillusioned by the Tiananmen Square Massacre. Their chief concern was for the Chinese public. They wanted the

[176] Quoted in "Japan's Kaifu Going to China with Gifts / First major leader to visit since Tiananmen." *San Francisco Chronicle* 9 Aug. 1991, final ed.: A17.

Japanese government to take a more assertive position in reaction to the tragedy. This led to a division within the Diet about how strong a stand to take. Some politicians called for sanctions, but most of those who were on the side of taking a firmer stance just asked for a clearer condemnation of China. They realized that the Japanese public was no more supportive of isolating China than was the government.

In addition, despite the loss in the upper house of parliament and in local elections in 1989, the LDP still maintained its majority in the lower house and its mandate to rule the country. Incumbents still felt relatively secure. Therefore, although LDP politicians felt it necessary to be responsive to public preferences, they did not feel the need to make a big show of that responsiveness.

Japanese business criticized the sanctions measures that Japan took and worked to continue economic engagement with China and resume all economic activities as soon as possible. Business played a supporting role to the Japanese government, as well as an intermediary role going back and forth between the Japanese and Chinese governments. Still, it is doubtful whether pleas to the Japanese government made any difference in government policy, since, in this case, business and diplomatic preferences largely coincided. Japan resumed all economic engagement with China at the earliest opportunity. However, as an illustration of how diplomatic concerns trumped business concerns, economic engagement was not fully resumed until Japan felt secure that it had the support of the U.S.

The role of the newspapers during this crisis after the Tiananmen Square Incident was basically to showcase and explain government policy to the Japanese public. However, the coverage also reflected the concern of the public with regard to the welfare of the Chinese people. Nikkei raised this issue in support of aid; Asahi mentioned it as a possible questioning of aid. Still, the only explicit mention of Japanese foreign policy needing to be responsive to the Japanese public was in a single editorial in the Yomiuri in October 1989. Showing oneself responsive to the public on policy issues was not as important in 1989 as it would show itself to be from the mid-1990s on.

Chapter 5: The Case of China's Nuclear Tests and Japanese ODA

Overview

In the early and mid 1990s, while MOFA continued to champion a continuation of aid to China, the public became increasingly critical of providing aid to a country that was conducting nuclear tests. When China conducted two nuclear tests in 1995 – the first, days after the Japanese PM's visit to China and an international meeting on the extension of the Nuclear Nonproliferation Treaty (NPT), and the second, days after the 50th anniversary of the atomic bombings of Hiroshima and Nagasaki – Japanese public criticism soared. With public and media criticism mounting, politicians began to raise their voices in support of action that would back up Japan's antinuclear rhetoric. Politicians did this as they sought to illustrate their responsiveness to a public that was less loyal and more volatile when it came to party identification and voting, as they became increasingly disillusioned with both the political and bureaucratic worlds. At the same time, politicians did not feel the pressure from the business world to continue aid that they would have felt in an earlier age, as business became less reliant on ODA for business opportunities in China. The result for ODA to China was a freeze of grant aid that lasted until 1997 after the Comprehensive Test Ban Treaty (CTBT) went into effect and China declared a moratorium on all nuclear testing.

The Bureaucratic Role in ODA Changes

with the Creation of the ODA Charter

1994 was the 40th anniversary of Japan's ODA program and it was also Japan's fourth consecutive year as the world's top ODA donor.[177] In 1994 Japanese bilateral aid increased 16.3% from the previous year and constituted .28% of GNP. The Japanese government publicized the fact that, while other advanced countries were reducing aid expenditures in this post-cold war, pre-9/11 era, Japan was increasing expenditures. This is something Japan was proud of and sought to continue to make itself known for in the international community. MOFA championed ODA as a core component of Japan's foreign policy framework and "Japan as aid donor" as a major element of Japan's identity in the international realm.[178] In addition, MOFA was successful in persuading the financially conservative MOF that this was an important role that Japan had to play.[179]

However, the early 1990s also saw public pressure to become more transparent about the use of aid. There was domestic and international criticism that aid without conditions or strict guidelines meant that Japanese ODA was helping authoritarian leaders, like Iraqi leader Sadaam Hussein, to stay in power. As such debates raged within Japan, politicians sought to reduce some of the bureaucratic discretion in aid policymaking, in order to respond to these types of negative critiques. In the context

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[177] If ODA is calculated to include debt relief for military goods, then the US was #1 in 1991 and 1992, meaning that 1994 was Japan's second consecutive year as the world's top aid donor.

[178] *ODA White Paper*, multiple years.

[179] See "Enshakkan, kinri sage isogu, ocurra no teikou, genkai ni – enjo gaikou, zaisei to itaba sami." *Nikkei Shimbun* 27 May 1995, morning ed.: 5, for discussion of MOFA persuasion of MOF about role of Japan as an aid donor.

of discussions within the Diet about drafting an ODA law to establish guidelines for giving, the Cabinet created the ODA Charter in 1992. These were the first formal rules to guide ODA decision making, since the inception of the ODA program in the 1950s.[180]

According to the Charter, decisions on ODA giving must consider the following Four Principles: 1) Japan's ODA should seek to advance sustainable development, 2) ODA should not be used for military purposes, 3) aid decisions should not support the allocation of resources towards the development and production of weapons of mass destruction (WMD) or the export and import of arms, 4) assistance should only be granted after taking into account the promotion of democratization, the introduction of a market-oriented economy, and the advancement of basic human rights and freedoms in the recipient country.

MOFA did not fully support the creation of the ODA Charter. MOFA's "Asian Bureau was opposed to the Charter itself because there was a concern about China. They foresaw the possible problems, [with regard to military weapons, democratization, and human rights]."[181] Still, it was considered better for the bureaucracy than legislation passed in the Diet, since, as one MOFA official put it,

[180] See Yasutomo (1986) for discussion of how the drafting of the ODA Charter came about and how politicians played an indispensable role.

[181] Author's interview May 27, 2004. (#22)

"We didn't want to be bound by law...[The ODA Charter] ward off the pressure of enacting a law."[182]

As foreseen by theories of political delegation in parliamentary democracies, it was the Cabinet that was able to most easily and immediately reign in the bureaucracy and limit bureaucratic discretion in aid policymaking.[183] For, although the ODA Charter was not a bill passed by the legislature, it imposed constraints on how ODA was to be used by the bureaucracy. Bureaucrats no longer had the largely free reign that they had previously enjoyed, with regard to ODA giving.

Politicians felt the need to limit bureaucratic discretion in ODA giving at this time because ODA policy was one of the hot button issues for voters. Voters complained to politicians that ODA was being used ineffectively, inefficiently, and inappropriately, at a time when the pie was getting smaller and the Japanese people themselves were beginning to suffer from recession, unemployment, and factories moving abroad.

In December 1991, the Mainichi Shimbun conducted a poll asking a series of questions about ODA. In response to whether the government should increase ODA, 50% said that it should not increase aid because there are economically troubled people *within* Japan that the government should be focused on helping. In a separate question, the same percentage said that they did not believe aid was useful to the

[182] Ibid.

recipient country. Sixty percent responded that there was insufficient information about how money was spent and how effective ODA projects were.

A set of guidelines, like the ODA Charter, was one change in which the public expressed an interest. In the same poll conducted by Mainichi, when asked if respondents supported the creation of an ODA Charter that would require the government to pay special attention to trends in military expenditures and democratization, 44% said they supported the new guidelines so that Japan would not support dictatorship or corruption through its aid. Only 18% indicated reserve with regard to the new rules and criticized the use of aid as an international political tool.

In addition, the ODA Charter was an extremely useful mechanism for politicians. Politicians could cite the Charter provisions at any time to influence the implementation of ODA for political reasons, in order to respond to, or manipulate, voter interests. Through the ODA Charter, ODA became an explicit political tool.

With the creation of the ODA Charter, the Economic Cooperation Bureau (ECB) of MOFA was given the task of upholding the principles of that Charter in ODA policymaking. MOFA's regional bureaus, naturally, wanted to continue or increase aid to their regions of interest, regardless of these new principles. This was in keeping with MOFA's long-held view of aid as a tool of engagement to fortify foreign relations and bolster Japan's international reputation. Therefore, the creation of the ODA Charter produced a basis for conflict within MOFA about ODA giving.

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[183] See, for example, Huber and Shipan (2002).

One MOFA ECB official jocularly explained, "There is always conflict or confrontation [between the ECB and the regional bureaus] over how to use ODA...We never go so far as to get into fistfights with each other...But the regional bureaus always want to do more...[Still,] we find an equilibrium."[184]

ODA Charter Spurs Debate Over Aid to China

Following the passing of the ODA Charter, some argued that China did not abide by the Four Principles, particularly in terms of WMD and arms. Defense expenditures, modernization of arms, and especially nuclear tests were all mentioned in this regard. Nuclear tests were important for two reasons. First, they were significant in the context of growing Chinese military power and questions about Chinese intentions in the region. Second, they were conspicuous in contrast to Japan's anti-nuclear stance, given its experience as the only country to have ever suffered atomic bombings.

Still, MOFA's official view of ODA to China did not change. MOFA continued to favorably evaluate China's steps toward a market economy and liberalization, and, thus, determine that aid to China was in tune with the ODA Charter. Others mused that if the ODA Charter were strictly applied to all aid recipients, then the only aid recipient in Asia would be Mongolia.[185] Prior to this debate over China, mostly small

[184] Author's interview June 3, 2004. (#23)

[185] See "'Kansha' to 'nattoku' no ODA – jitsu no aru enjo e dai5 no gensoku wo (kazamidori)." *Nikkei Shimbun* 31 July 1995, morning ed.: 2.

African and Latin American countries had "felt the wrath of the ODA Charter. These were countries that were relatively unimportant to Japan."[186]

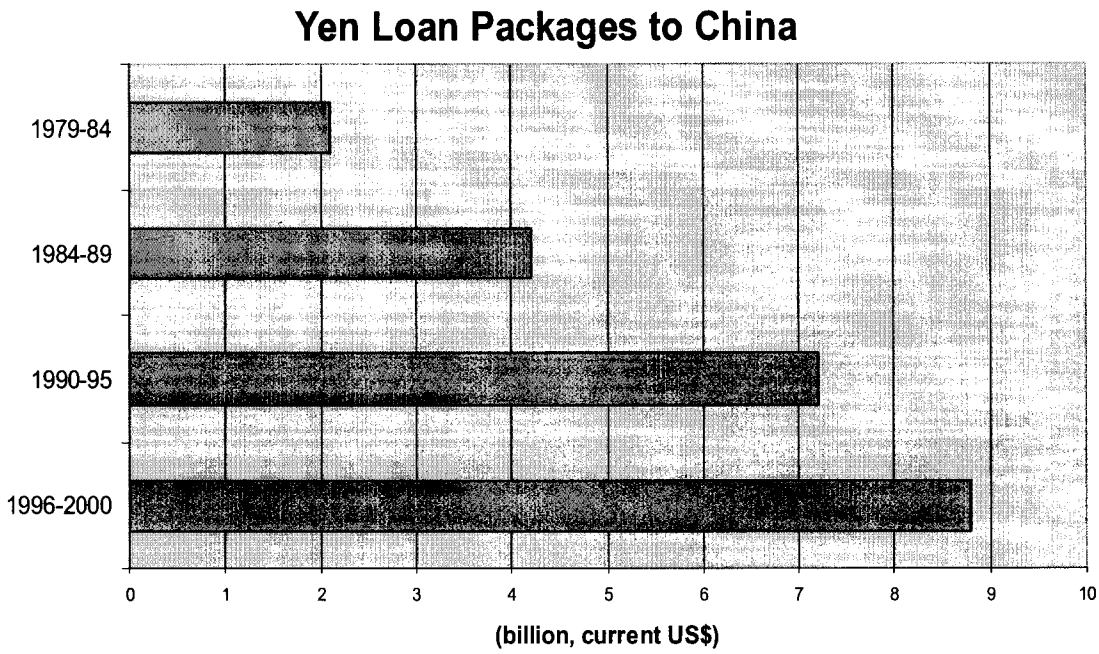
Furthermore, MOFA's Asian Bureau was fully behind a continuation of aid to China as part of a policy of long-term engagement. The ECB mandate did not change this preference. One MOFA official explained, "On China, the Asian Bureau is more influential [than ECB]. The Asian Bureau is in charge of political decisions."[187] The Asian Bureau's preferences coincided with MOFA's traditional policy towards China, of continued engagement. There was no difference between the Bureau's preferences and MOFA's long-held policy of engagement.

As late as 1994, MOFA's preferences, with regard to engagement, were continuing to be adhered to in the implementation of aid to China. In 1994, China was in the fourth year of the third yen loan package from Japan. China continued to actively seek a continuation of Japanese aid and was requesting approximately one trillion yen for the next five-year package (1996-2000). Negotiations for this package were already underway. Cumulatively, China was the second largest Japanese aid recipient after Indonesia. Aid continued to be a main pillar of Japan's China policy and a major priority for MOFA.

[186] Author's interview with MOFA official May 27, 2004. (#22)

[187] Ibid.

Figure 16



Public Criticism of Aid to China Begins to Build

at the Same Time as Electoral Reform and Voter Behavior Make Politicians

More Responsive to Public Preferences

However, despite MOFA's official statements in support of ODA to China, the debate was poised to become more contentious. Aid to China was increasingly losing public support, as criticism mounted that aid to China was not in line with the ODA Charter. Politicians too began to question ODA to China. In 1994 this led politicians from the LDP and JSP to request MOFA do a review of aid to China.[188]

[188] In 1995, MOFA acknowledged that a review of ODA to China might become necessary, but stressed that any such review would be for the purpose of making aid from Japan more closely fit the needs of the Chinese people.

This type of political action with regard to ODA to China was in response to public sentiments. Politicians needed to show responsiveness to voter preferences for the purpose of electoral success. The need for political responsiveness focused on voter attitudes and behavior in the 1990s, including voter apathy, voter volatility, and public dissatisfaction with politics and policy.

Voter apathy and dissatisfaction were quite high in the mid-1990s. In a Yomiuri Shimbun poll conducted in early August of 1993, over 60% of respondents said that they did not support any political party. No political party had a following that exceeded a single-digit percentage. When asked which political parties they *disliked*, the Communist party received the most votes with 41%, followed by Komeito with 21.4%, and the LDP with 13%. This reflected general displeasure with the status quo and business as usual in politics. The ruling Miyazawa administration (which was in its final days) was enjoying only minority support from the Japanese people.

The Japanese public had made the same statement a month earlier with their votes in the general elections. In the elections in July 1993 the LDP lost 50 seats and control of the lower house for the first time ever.[189] The first non-LDP coalition came into power since the formation of the LDP in 1955. Curtis argues that the LDP loss of power in 1993 was the result of a combination of factors: factional conflict, personal ambition and grudges, media exposure of corruption, public demands for political reform, and changes in international politics (end of cold war). The end of the cold

[189] LDP received 36.6% of the vote, JSP 15.4, DSP 3.5, JCP 7.7, Komeito 8.1, Shinseito 10.1, Nihon Shinto 8.1, Sakigake 2.6, Independent/Minor 7.8 (Curtis (1999) Appendix 4).

war meant that LDP factional disputes could lead to a split of the party and defecting incumbents brought voters with them. In addition, the LDP was known as the anti-reform party at a time when reform was the catchword in the media and public discourse.

The non-LDP coalition government that took control in 1993 consisted of seven parties.[190] This was the first time that any of these parties had been in power. From August 9, 1993 – April 28, 1994 the Japan New Party's Morihiro Hosokawa served as prime minister of this coalition government. Hosokawa was a newcomer to national politics and was considered to be a political reformer, notions that were popular with voters. There were high expectations of Hosokawa bringing in political change. However, the great diversity and inexperience of the coalition government did not bode well for its success.

One reform that the Hosokawa administration did succeed in bringing about during its short time in power was electoral reform.[191] One intention of the reform was a newfound focus on policy over personality.[192] Ramseyer and Rosenbluth predicted

[190] Japan Socialist Party, the Shinseito, the Komeito, the Nihon Shinto, the Democratic Socialist Party, the Shinto Sakigake, and the United Social Democratic Party

[191] The pre-1994 system was a single-entry nontransferable vote (SNTV) system with multimember districts. The new system was a mixed system with 3/5 of the lower house elected in single-member districts, while 2/5 were elected under proportional representation.

[192] Under pre-reform single-nontransferable vote (SNTV) multimember districts, major parties had multiple candidates run in each district. Therefore, candidates from the same party could not run against each other on a party platform but on the basis of name recognition, experience, and the networks of their support organizations.

that the new system would "shift electoral competition toward issue-based politics" and "increase the importance of party platforms" (Preface).[193]

In keeping with this expectation, after the reform, Japanese politicians started to engage more with the public on certain policy issues. Blaker (1996) describes how "more policy-oriented party leaders" moved to the center of the stage (47). He discusses how Ryutaro Hashimoto's policy expertise helped his bid for the prime ministership in 1996. "Hashimoto has been polishing up his policy skills as a counter to Ozawa Ichiro [of the LDP's rival, Shinshinto] – even publishing a book, *Vision for Japan* – and now is seen as the LDP's number one 'policy man'" (47).

One of the policy issues with which politicians engaged was ODA to China. This political focus on ODA to China was not a necessary result of the electoral reform nor was it solely the result of electoral change. However, electoral reform made it more likely that politicians would turn their attention to public preferences on policy issues and ODA to China was a policy issue that was beginning to capture public and media attention.

[193] Some electoral theorists posit that single-member districts tend towards two-party systems and a greater policy focus. However, Curtis (1999) states that the arguments that single-member districts would end one-party rule, pork-barrel politics, and political corruption are not persuasive. Park (1998) provides evidence that, in fact, electoral system reform did little to change politics or campaigning in Japan. And Pempel (1997) argues that the reform actually reinforced local bias and pork-barrel politics. Curtis and Pempel further argue against the idea of the 1993 electoral reform resulting in a change in Japanese politics towards more policy debate.

The Case of China's Nuclear Tests and Japanese Aid Sanctions

In March 1994, PM Hosokawa[194] visited China. He expressed concern over China's military expansion and stressed the ODA Charter. For the first time, a Japanese PM made an explicit connection between aid and China's nuclear tests.

Despite the PM's stated concerns and invocation of the ODA Charter during his visit, two months later, in June 1994, China conducted its 40th underground nuclear test. In response, the Vice Minister for Foreign Affairs (Kunihiko Saito, who served in the position from 1993 through November 1995) told the Chinese ambassador to Japan that the test was "regrettable" and might affect ODA to China. Still, no real action was taken by Japan, to backup such warnings.

As during the 1989 Tiananmen crisis, this was a time of political turmoil in Japan. Between Hosokawa's March visit and China's June test, the Japan Renewal Party's Tsutomu Hata[195] had succeeded Hosokawa as prime minister, with a five-party coalition government. By July, after two short-lived non-LDP coalition governments, the LDP came back into power through an unlikely coalition with the Japan Socialist Party (JSP) and the New Party Sakigake.[196] JSP politician Tomiichi Murayama[197] became prime minister with an LDP-dominated Cabinet. This meant three prime

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[194] Hosokawa was prime minister August 9, 1993 – April 28, 1994.

[195] Tsutomu Hata was prime minister April 28, 1994 – June 30, 1994. Like Uno during the Tiananmen crisis, Hata was only in power for two months.

[196] The Sakigake was comprised of politicians who had left the LDP in 1993. The JSP was the LDP's long-time rival.

[197] Prime minister June 30, 1994-January 11, 1996.

ministers in one year, each ruling different coalitions of parties. It also meant three different foreign ministers heading MOFA.

Much of the skepticism and disgust with politics-as-usual that had ushered in the 1990s and the LDP fall from power, continued through the mid-1990s. This led to record-low voting rates and lack of support for established politicians. As one illustration,

> In local elections held throughout the country in the spring of 1995, voters demonstrated their disillusionment with mainstream political leaders and their parties by electing more mayors and governors who were not supported by any of the [major] parties than had even before been the case. In the elections for governor in both Tokyo and Osaka, Japan's two largest cities, voters elected former show-business celebrities who eschewed ties with any of the established parties over the former high-ranking bureaucrats who ran with the backing of the LDP (Curtis (1999) 204).

The LDP coalition government under Murayama understood that they faced this type of electoral uncertainty. The coalition partners agreed to "on the basis of broad public support, create a politics for the people and advance the cause of environmental protection and disarmament on a global scale."[198] This coalition statement reflected what the parties sought from MOFA in fine-tuning (or even reforming) its foreign policy platform to better conform to what the public wanted. Once again, this was an effort to illustrate apparent responsiveness to public

[198] *The Murayama Cabinet's Three-Party Policy Accord*, quoted in Curtis (1999) 200. However, in order to join in a coalition with the LDP, the JSP had to reverse many of its foreign policy positions, including those on the Self-Defense Forces and the US-Japan Security Treaty. It completely alienated its left-wing, pacifist branch by making this deal with the LDP. Curtis argues that Murayama was able to make this deal because he himself was known as a liberal, left-wing lawmaker and he was able to soften some of the voices of protest. However, this reversal did alter JSP rhetoric and did eventually undermine the JSP support base, as I will discuss.

preferences. This was responsiveness that was deemed necessary given the political tumult.

On October 7, 1994, China conducted its second nuclear test of the year. MOFA indicated that it was not prepared for such a move and called it "quite a blow."[199] Foreign Minister Yohei Kono[200] suggested publicly that China's nuclear tests might have some negative influence on the fourth yen loan package that was being negotiated at the time. He called the tests "very regrettable."[201] As before, the Vice Minister for Foreign Affairs Saito protested to the Chinese ambassador and warned that the test might have a negative impact on the yen loan. He also proposed a meeting between Japan and China to discuss nuclear nonproliferation. As a further protest against the nuclear tests, the government suspended the trip of the Japanese delegation that was scheduled to go to China on October 17th to conduct the final stage of negotiations on the fourth yen loan package.

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[199] "Kakujikken, Chuugoku ni tsuyoku kougi – seifu 'keizaikyouryoku ni eikyou mo.'" *Nikkei Shimbun* 8 Oct. 1994, morning ed.: 2.

[200] Kono is an LDP politician who was recognized as in the pro-China camp. Interestingly, he was FM during both the nuclear crisis and the reform and reduction of ODA crisis that this study is investigating.

[201] "Chuugoku kakujikken, enshakkan ni eikyou mo, Kouno gaishou ga shisa." *Asahi Shimbun* 11 Oct. 1994, evening ed.: 2.

Figure 17

Chronology of Events[202]

October 5, 1993	**China conducts nuclear test #39**
March 1994	Hosokawa declares connection between ODA and Chinese nuke tests
April 1994	*Hata succeeds Hosokawa as PM*
June 10, 1994	**China conducts nuclear test #40**
June 1994	*Murayama succeeds Hata as PM*
October 7, 1994	**China conducts nuclear test #41**
May 2-6, 1995	PM Murayama urges halt to tests during visit to Beijing
May 11, 1995	Permanent extension of NPT by 175 nations; China votes in favor of CTBT (during NPT Review)
May 15, 1995	**China conducts nuclear test #42**
May 15, 1995	Japan condemns and says it may have to review aid policy
May 22, 1995	Japan makes symbolic cut in grant aid to China
August 6/9, 1995	Anniversaries of atomic bombings of Hiroshima and Nagasaki
August 17, 1995	**China conducts nuclear test #43**
August 30, 1995	MOFA informs China of suspension of grant aid in protest; will not resume until China foreswears any further tests
January 1996	*Hashimoto succeeds Murayama as PM*
March 1996	**China conducts military exercises and fires three test missiles near Taiwan**
April 1996	Russia and G-7 countries agree to ban all future nuclear tests; Yeltsin says he will urge China to sign on at state visit; Yeltsin says he got encouragement from China that it will sign; Japan considers limiting or freezing yen loan in response to Chinese behavior towards Taiwan and nukes
June 6, 1996	**China announces that it may sign CTBT after summer tests; diplomats find this encouraging**
June 8, 1996	**China conducts nuclear test #44; announces that after one more they will adhere to moratorium on nuclear tests**
June 28, 1996	**Deadline for concluding CTBT (in order to be included in the fall session of the UN)**
July 29, 1996	**China conducts nuclear test #45**
July 1996	**China announces moratorium on nuclear testing to start July 2**
Sept. 24, 1996	**China signs CTBT (along with U.S., Japan, and other states)**
Fall 1996	MOFA recommends resumption of grant aid after China decides to stop nuclear testing and sign CTBT
March 1997	Grant aid suspension lifted upon visit of FM Ikeda

Key
Chinese action
Japanese response
Japanese domestic political changes
International or other notable events

[202] Source for nuclear tests information: "China's Nuclear Tests: Dates, Yields, Types, Methods, and Comments." James Martin Center for Nonproliferation Studies (CNS), Monterey Institute of International Studies. Online. Internet. 7 March 2007. <http://cns.miis.edu/research/china/coxrep/testlist.htm>.

MOFA did not support this delay in negotiations and did not want to make such a direct link between aid and nuclear tests. They pushed for a quiet continuation of the negotiations. However, the delay became inevitable, as MOFA lost domestic support for action-less protests of the tests. Even MITI supported a delay in negotiations, arguing that international public opinion would find a continuation of plans to aid China immediately after the nuclear tests senseless. In discussing this decision, MOFA officials stated that the government was responding to public opinion and they backed down from their insistence on a seamless continuation of negotiations. As the media reported, "According to MOFA, they fear the opposition of China, but fear even more public opinion from both inside and outside Japan."[203]

On October 29, Asahi ran an editorial stating that the Japanese government cannot excuse China from the requirements of the ODA Charter, if it seeks the confidence of the international community, and of the Japanese people. It called on the use of ODA as a diplomatic tool.

China, for its part, dismissed any criticism of its nuclear program. In comparison to nuclear testing worldwide, China declared that it was not a major player. The United States conducted 1,030 tests (or 51 percent of tests worldwide) from 1945-1992. The Soviet Union conducted 715 tests (or 35 percent of tests) from 1949-1991. France conducted 210 tests (10 percent of all tests) from 1960-1996. Great Britain conducted

[203] "Sougaku kettei sagyou oodume de chuudan, chuugoku e no enshakkan – kakujikken ni kougi." *Nikkei Shimbun* 16 Oct. 1994, morning ed.: 3.

45 tests (2 percent of all tests) from 1952-1991. China conducted 45 tests (2 percent of all tests) from 1964-1996.[204]

However, what sparked international criticism was that China, unlike the other declared nuclear powers, continued to test in 1993 and 1994, despite a worldwide trend towards moratorium. Among the nuclear states, only China conducted four nuclear tests in October 1993, June 1994, October 1994, and May 1995. In June 1995 France announced it would resume testing in the Pacific but gave a concrete timetable of eight tests to be conducted before the signing of the CTBT in 1996. China, on the other hand, refused to provide the number or schedule of tests, merely saying it would suspend tests after the CTBT went into effect.

Still, MOFA was strongly against any talk of ending ODA to China. The Ministry declared that 1) China's GNP is still low and aid is still necessary, 2) China's liberalization and reform is linked to its stability and to Asian security. They asserted the solid opinion that it was the influence of ODA that caused China not to boycott the Hiroshima Asian Games despite opposition to Taiwan's participation in the tournament.[205] In addition, MOFA continued to emphasize the importance of increasing aid to China for the purpose of stable Japan-China relations that would serve as the foundation for a secure Japan and Asia. They voiced the concern that not only would cuts injure national security and the future of Japan-China relations, but it

[204] Author's calculation based on figures in *Arms Control Today* 26.6 (Aug 1996): 38.

[205] "Dai4ji taichuugoku enshakkan, seijishoku koku, kankyou-nougyou mo juushi, kyouyo houshiki tankika." *Asahi Shimbun* 10 Oct. 1994, morning ed.: 1. The Asian Games took place in October.

might also cause China to retaliate against Japanese business.[206] As expected, the Asian Bureau, in particular, was opposed to sanctions.[207]

At the APEC meeting in Indonesia in November 1994, PM Murayama made a direct plea to Jiang Zemin to understand Japan's position on nuclear weapons, but indicated that yen loan negotiations would soon be revived and completed within the calendar year. On the same day that this news was reported, Nikkei ran an editorial that criticized China's continuing nuclear tests despite opposition from countries around the world. The editorial stated a worry that if Japan furnished the new yen loan package while such tests were ongoing, it would turn the ODA Charter into a "dead letter." It also expressed a wish that PM Murayama had given a clearer warning to the Chinese government about how the continuation of tests would have a negative impact on yen loans.

On all these occasions, China's response was less than satisfactory to the Japanese government. For example, in October, as MOFA was warning of a possible negative impact on yen loans, China told U.S. Secretary of Defense William Perry that China would continue to conduct tests until 1996. In addition, Yoichi Funabashi, columnist for the Asahi Shimbun writes that: "[At the November APEC meeting] when the Japanese side pointed out that China's nuclear tests might have a negative impact on

[206] "Chuugoku, 1chou5000okuen wo youkyuu, dai4ji enshakkan de risuto." *Asahi Shimbun* 20 Oct. 1994, morning ed.: 1.

[207] Author's interview with MOFA official May 27, 2004. (#22)

ODA, the Chinese side responded as if to say, if that's the case we don't need your ODA."[208]

Still, negotiations for the fourth yen loan to China were successfully concluded on December 22nd. The result was yen loans worth 580 billion yen for the first three years of the yen loan package, with an additional two years to be decided later. It was an amount that exceeded the previous yen loan package (the third yen loan) by 43%. And it rocketed China into the first-place slot of Japanese ODA recipients, bypassing traditional first-place recipient Indonesia. Media outlets announced that "It will be an unprecedented amount for Japan to give."[209] The loans have 10-year deferment and 30-year repayment at an interest rate of 2.6%.

Therefore, in terms of the completion date (Japan and China always sought to complete the negotiations by the end of 1994) and the amount (unprecedented and in tune with what China wanted), China's nuclear tests had no impact on Japan's China policy. In fact, there was some implication that this high amount was actually a use of carrots to discourage Chinese nuclear tests.[210] In other words, it was a promise of large amounts of aid, with the implicit request that China cooperate with Japan on nuclear nonproliferation.

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[208] "Sengo 50nen shimposhium-Ajia no mirai to sekai, dai2bu." *Asahi Shimbun* 26 November 1994, morning ed.: 19.

[209] "Chuugoku e no enjo to gaikou kensoku (shasetsu)." *Asahi Shimbun* 29 Oct. 1994, morning ed.: 5.

[210] "4nen renzoku sekaiichi, Nihon no 94nen ODA jisseki gaku." *Asahi Shimbun* 30 May 1995, evening ed.: 2.

However, in terms of content and timetable, it is arguable that there was some negative impact from Chinese nuclear tests, as well as from increasing Chinese military expenditures and Chinese military modernization. In the fourth yen loan there was a slight shift in focus away from infrastructure (such as roads, railways, and harbors, which could be used by the military) towards environmental protection.[211] FM Kono made the connection between the emphasis on environmental projects and China's nuclear tests at a Budget Committee meeting of the House of Representatives on May 18, 1995. Fifteen of the forty projects listed for support in the first three years of the fourth yen loan were environmental projects. Also, Japan has decided to split the yen loan into two periods: first three years, then two years. This would allow flexibility and, potentially, opportunities to apply the ODA Charter if China continued nuclear tests and military expansion.[212] Finally, at the conclusion of negotiations, the Japanese government reiterated the terms of the ODA Charter. China responded that they understood the sensitivity in Japan about the nuclear tests.[213]

In January 1995, the Yomiuri Shimbun conducted a public opinion poll asking what issues concerning China Japanese respondents cared about. For the first time, nuclear weapons were added to the list of possible responses. 25.8% of those polled chose

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[211] However, this shift also reflected growing concern within Japan that pollution and acid rain originating in China were becoming problems for Japan. In addition, the environment was an issue that the Japanese public readily supported. Chinese environmental problems (such as acid rain) impacted Japan, so it was more clearly in the national interest than the building of airports or hospitals in China.

[212] "Enshakkan kyouyo 'Nihon ni rieki' handan mo shourai no taichuu shousen niramu (kaisetsu)." *Yomiuri Shimbun* 23 Dec. 1994, morning ed.: 6.; "Taichuu enshakkan, shourai misuete, towareru gaikou houshin, enjo gensoku no junshu youkyuu wo (kaisetsu)." *Yomiuri Shimbun* 8 Dec. 1994, morning ed.: 21.

nuclear weapons as a concern. However, rapid economic expansion (43.7%), population growth (35.9%), democracy and human rights (30.5%), and the future of Hong Kong (28.3%) each received a larger percentage of votes.[214] This suggests that, although China's nuclear tests were becoming an issue of concern for the Japanese public, it had not yet supplanted other important issues.

Reflecting this (and perhaps helping to sustain the relative mildness of the concern), during the first three months of 1995, the newspapers were quiet on the issue of ODA and Chinese nuclear tests. However in an editorial on April 7, the Nikkei Shimbun revived the issue by discussing how to apply the Four Principles of the ODA Charter in a practical manner. One case the article analyzed was Chinese nuclear tests. Nikkei maintained that aid to China was still necessary, but added that a continuation of nuclear tests should elicit more than verbal protest from Japan.

In early May 1995, PM Murayama visited Beijing. He brought the fourth yen loan package with him as a "gift." This was the common practice of the Japanese government.[215] Together with the gift, it was expected that Murayama would explain Japan's stance in supporting China's openness and reform through ODA, trade, and FDI, and, in particular, would focus on China's environmental problems.[216]

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[213] "Zenhan 3nen de 5800 okuen, dai4ji taichuu enshakkan no kyougi ga kecchaku." *Asahi Shimbun* 23 Dec. 1994, morning ed.: 2.

[214] Military strength received a 21.5% response. This was relatively equal to the response in previous years.

[215] It also reinforced the idea of aid as a "carrot."

[216] "Beichou kyougi, Chuugoku ni shien yousei – Murayama shushou, houchuu de houshin." *Nikkei Shimbun* 28 April 1995, morning ed.: 2.

However, Murayama also made another plea to the Chinese leadership to halt nuclear tests. Jiang Zemin expressed China's "understanding," but no promise or commitment was made.[217] In the context of these discussions, Murayama also asked for an explanation for China's increasing military activity and called for a negotiated resolution to the territorial dispute over the Spratly Islands, which six countries, including China, claim. Such discussions were described as conducted by Murayama with "unusual sharpness."[218] It was an opportunity for Murayama, who was often considered a relatively weak leader, to demonstrate leadership in relations with China.

A few days later, on May 11, 1995, it was decided by 175 countries (including China) that the Nuclear Nonproliferation Treaty (NPT) would be indefinitely extended. The Final Document of the NPT conference included a decision on the "completion by the Conference on Disarmament of the negotiations on a universal and internationally and effectively verifiable Comprehensive Nuclear-Test-Ban Treaty no later than 1996. Pending the entry into force of a Comprehensive Test-Ban Treaty, the nuclear-weapon States should exercise *utmost restraint* [in nuclear testing]." [italics added][219] Japan was highly

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[217] Budget Committee Meeting, House of Representatives, May 18, 1995.

[218] "Asia: What, no kow-tow?" *The Economist* 335.7916 (27 May 1995): 31.

[219] *1995 Review and Extension Conference of the Parties to the Treaty on the Non-proliferation of Nuclear Weapons Final Document.*

supportive of these measures of restraint and of the passage of the CTBT. China also expressed support.

However, on May 15, a mere nine days after PM Murayama left Beijing, and four days after the countries of the world decided to extend the NPT, China conducted its 42nd underground nuclear test. The timing was called a "shock" to the Japanese government and people, who were "put on edge" with the feeling that "China ignores us."[220]

The timing of the tests may indeed appear insensitive. However, considerations such as Japanese PM visits to China had never stopped China before from conducting its military affairs as planned. For instance, as mentioned previously, China chose to "test-fire its first submarine-launched missiles" during PM Suzuki's visit to the country in 1982.[221] Furthermore, such examples could support a Chinese view that Japan would not react in any overt way to China's behavior in this regard. In 1982, Japan did not make a diplomatic issue of the missile tests. In fact, there was no Japanese media coverage of the tests.[222]

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[220] "Tsuyomaru Chuugoku e no ishihyouji (shasetsu)." *Nikkei Shimbun* 23 May 1995, morning ed.: 2.; Also see "'Shasetsu' Kokusaikyouchou ni somuku Chuugoku no kakujikken." *Yomiuri Shimbun* 19 May 1995, morning ed.: 3.

[221] Johnson (1995) 256.

[222] Ibid.

At the time of the May 1995 nuclear missile test, MOFA protested to the Chinese government, as had become its custom.[223] It called the test "extremely regrettable" and stated that "Japan strongly urges China not to repeat nuclear testing in the future."[224] The Vice Minister of Foreign Affairs conveyed this directly to the Chinese ambassador in Tokyo.[225] There was no mention of ODA or sanctions. On the following day, May 16, PM Murayama stated that there would be no review of ODA to China in response to the nuclear test.[226]

This mild response was almost unbelievable coming from a Socialist prime minister whose pre-ruling coalition party platform had renounced nuclear power of all sorts. It is best explained as a weak leader going along with the status quo, after having given up some basic Socialist ideals in order to make an alliance with a long-time rival, the LDP. Murayama and the JSP were to suffer both in public opinion and electorally for such policy decisions. [227]

On May 16, Nikkei ran another editorial strongly protesting China's nuclear tests, and advising the government to take a stronger stance, including reviewing ODA to China. The following day, Asahi ran an editorial condemning the tests and calling for

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[223] See FM Kono's response to MP questions at the House of Representatives Foreign Affairs Committee meeting on May 26, 1995.

[224] Press Secretary/Director-General for Press and Public Relations of the Foreign Ministry on China's Nuclear Testing, May 15, 1995. <http://www.mofa.go.jp/announce/announce/archive_2/chinant.html>.

[225] See statements by FM Kono at Budget Committee Meeting, House of Representatives, May 18, 1995.

[226] The mayors of Hiroshima and Nagasaki also sent statements of protest to the Chinese embassy. See Budget Committee Meeting, House of Representatives, May 18, 1995.

[227] As Blaker describes, "The end of the Cold War, the coalition with Liberal Democrats, and the recanting of long-held policy positions left the Socialists without a politically credible raison d-etre" (44).

a review of ODA to China, if the situation did not change. On May 19, Yomiuri followed with its own condemnation of the tests and a declaration that it was natural for the Japanese public to seek a review of ODA to China. Thus, editorials across ideological lines agreed that the government position was too weak and that stronger action, including a reduction or freeze of ODA, should be seriously considered. These editorials were both repeating public opinion and helping to focus public attention in on the issues.

In Diet sessions on the days following the test, politicians from the ruling parties and the opposition expressed regret for China's decision to conduct nuclear tests while the world was moving towards approval of the CTBT. On May 17, MP Iwao Matsuda of the LDP specifically questioned whether Japan should continue economic cooperation with China while China conducted an underground nuclear test on the heels of the conclusion of the extension of the NPT.[228] On May 18, the specter of the ODA Charter was raised in relation to China's nuclear tests at a Budget Committee Meeting of the House of Representatives. Records of Diet proceedings through May reveal the increasingly strong political statements connecting China's nuclear tests and ODA. In response to such political statements on May 17 and May 18, FM Kono just continued to emphasize that Japan-China relations were an extremely important relationship that needed to continue to be nurtured.[229]

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[228] Budget Committee Meeting, House of Representatives, May 17, 1995.

[229] For example, Budget Committee Meeting, House of Representatives, May 17, 1995, May 18, 1995.

However, even within the Japanese bureaucracy, Murayama's statement sparked some controversy. Opinions were divided over what to do. MOFA's ECB, which is in charge of ODA policymaking, stressed the position of the ODA Charter, not to extend aid to countries that proliferate WMD. In addition, among the younger MOFA staff, there was greater influence of negative political and public sentiments and the nascent idea that perhaps it was no longer appropriate to regard China as a special case, with multi-year loans and dispensation from the military rules of the ODA Charter.[230] The lack of domestic support for the status quo outside of MOFA and the increasing divisions within MOFA were exactly what politicians seeking a policy change needed to ensure that their preferences would not be overshadowed by MOFA's preferences. This would become increasingly important as 1995 progressed.

Finally, in response to public, political, and media criticism, on May 19th, MOFA announced that grant aid would be "compressed." This followed a meeting of the ruling parties where the pros and cons of such a move were discussed. This indicated a policy shift, but one that continued to be reserved and cautious with regard to China.

On May 22nd, China's embassy in Tokyo was officially notified of this stronger stance by the acting Director-General of ECB, Hideaki Ueda. This was the first time that Japan's warnings to China over its nuclear tests took on a form beyond verbal

[230] "Dai4ji taichuugoku enshakkan, seijishoku koku, kankyou-nougyou mo juushi, kyouyo houshiki tankika." *Asahi Shimbun* 10 Oct. 1994, morning ed.: 1.

protest. The MOFA press secretary stated that "We are sincerely hoping that the Chinese Government will understand the great sensitivity of the Japanese people toward the question of nuclear testing."[231]

Japanese media reports described this move as "unprecedented."[232] The Western press called the announcement to cut grant aid by some unspecified amount evidence of a "new way of thinking" about China and ODA within Japan.[233]

An article published in Asahi on May 23, stated: "Since China's nuclear tests on the 15th, the government response has become gradually stronger, with the background of this being that the feeling has grown among the public that not enough was being done."[234] In an editorial on the same day, Nikkei indicated the growing public sentiment within Japan against the tests, and put forth the hope that China would seriously understand that the compression of grant aid was an escalation of Japan's protest.

However, the Japanese action continued to be rather vague, and revealed that there was no real consensus within the government on how to react. The Japanese

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[231] Press Conference by Press Secretary of MOFA, May 23, 1995. <http://www.mofa.go.jp/announce/press/1995/5/523.html#3>.

[232] "Oyobikoshi no taichuu 'kougi', enjo asshuku wa shougaku no 'mushou' taishou, kakujikken mondai oyobigoshi no taichuu 'kougi', enjo asshuku wa shougaku no 'mushou' taishou, kakujikken mondai." *Asahi Shimbun* 20 May 1995, morning ed.: 2.

[233] "Asia: What, no kow-tow?" *The Economist* 335.7916 (27 May 1995): 31. See also "China and the limits of realism, Tiananmen six years on: time for another crackdown." *The Guardian* 23 May 1995: 12; Woollacott, Martin. "The China syndrome." *The Guardian.* 23 May 1995: 13.

government statement to the Chinese government about the compression of grant aid emphasized the permanence of Japanese economic cooperation with China, and seemed to highlight how similar this policy was to previous policy, rather than how different. This suggests that elements continued to exist within the Japanese government that did not want to take even this minor action against China and wanted to downplay it as much as possible, particularly to the Chinese audience.

In addition, no concrete plan was made in terms of how much grant aid or what specific items would be affected. The Chief Cabinet Secretary Kozo Igarashi said that that decision would be made later by evaluating individual projects and no monetary amount would be designated up front. However, even if all grant aid was frozen, grant aid was only a small portion of total aid to China. And, while, yen loans tended to support large-scale infrastructure projects, grant aid tended to go towards humanitarian needs, including medical services.

Furthermore, MOFA refused to use the term "sanctions." The following exchange took place between a reporter and the press secretary of MOFA at a press conference on May 23.

> Q: This means that, generally speaking, there may not be any punitive measures in so far as grants-in-aid, because you could, in any case, refuse grant-in-aid requests for particular projects. So, it seems to me this symbolism is more for *domestic consumption* rather than to serve some notice on China.

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[234] "Seifu, jiremma tsuduku, Chuugoku e enryo kiezu, kakujikken ni kougi shi keizai kyouryoku asshuku." *Asahi Shimbun* 23 May 1995, morning ed.: 2.

> A: I hate to characterize this sort of diplomatic action using the term which you referred to. What is of significance is that we are trying to convey our very strong feelings with respect to the nuclear test through this diplomatic action. *We are not imposing any sanctions at all.* We are sincerely hoping that our feeling should be well understood by the Chinese Government. Anyhow, let me emphasize that we attach great importance to the maintenance of the good and friendly relationship between Japan and China. The stable scene of the Japan-China relationship is quite an important aspect of relations in the Asia-Pacific region, in terms of the maintenance of peace and security. [italics added][235]

This exchange revealed the journalist's belief that the vague action being taken by MOFA was to assuage Japanese public opinion and there was no intent to sanction China by actually cutting ODA. The press secretary's response does nothing to contradict this. Instead, it suggests that the reporter is, indeed, correct in his interpretation. The MOFA press secretary states that the intention is to illustrate to China the feelings of Japan (meaning the feelings of the Japanese people) and not to sanction, or punish, China in any way. Some reports suggest that the Japanese government considered making the compression of grant aid a secret action that was privately conveyed to the Chinese government. It is no wonder that this was not carried out, since, clearly, the most important audience members that the government sought were its own public.

In these ways, the scale, the targeted items, and the wording of MOFA's statements were all designed to limit real impact on Japan-China economic cooperation. This was, without a doubt, MOFA's intention. In Diet sessions, FM Kono emphasized

[235] http://www.mofa.go.jp/announce/press/1995/5/523.html#3.

that, although the nuclear tests were "regrettable," Japan-China relations must come first.[236]

Still, as expected, the Chinese government criticized this move by the Japanese government. Chinese Foreign Ministry spokesman Shen Guofang declared, "We are against politicizing economic issues and linking economic cooperation with political issues as a means to exert pressure, this move by the Japanese is insensible and detrimental to the healthy development of Sino-Japanese relations." [237]

In addition, this seeming compromise position did not assuage Japanese public or Diet criticism. The public and the Diet pressed hard for a more definite response.[238] In fact, Diet members became increasingly vocal on this issue.[239] FM Kono acknowledged that "the sentiment of the Japanese people is that they want to stop nuclear tests."[240] According to one MOFA official, "The public was supportive of the measure [to compress grant aid], but wanted more. The public criticized the Japanese government [for not doing more]."[241]

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[236] Foreign Affairs Committee meeting, House of Representatives, May 26, 1995.

[237] Washio, Ako. "Diplomatic fallout." *Japan Times* 35.22 (5 June -11 June 1995) Weekly international ed.: 7.

[238] "Seifu, jiremma tsuduku, Chuugoku e enryo kiezu, kakujikken ni kougi shi keizai kyouryoku asshuku." *Asahi Shimbun* 23 May 1995, morning ed.: 2.

[239] See Diet proceedings, May 1995. http://kokkai.ndl.go.jp/

[240] Foreign Affairs Committee meeting, House of Representatives, May 26, 1995.

[241] Author's interview May 27, 2004. (#22)

At a Foreign Affairs Committee meeting of the House of Representatives on May 26, LDP parliamentarian Shinzo Abe[242] questioned by how much grant aid would be reduced. He then declared that there should be a total freeze of grant aid and, if China did not respond positively, perhaps it should spread to yen loans. He went on to criticize MOFA's stance that Japan cannot disturb China for the sake of Japan-China relations. "Our party sufficiently recognizes the importance of Japan-China relations," he said, but then went on to imply that MOFA's way of thinking led to an inability for Japan to sufficiently protest any action of China's.

This view was reiterated at the House of Councillors Foreign Affairs Committee meeting on May 30, by MP Junichi Kasahara. He stated that, "The opinion has become overwhelming that Japan's diplomacy towards China is very weak. We just listen to what China says. There are people who hate China . . . Because of this I think a serious problem will come for Japan-China relations. Such sentiments are spreading among the Japanese people."

Meanwhile, questions abounded over what would happen if there were another nuclear test. Unofficial reports suggested China would conduct at least three additional tests before signing the CTBT, presumably in 1996. And, as journalists reported, "Few analysts believe China will alter its nuclear policy simply because of a tiny reduction in Japan's economic assistance."[243] This was MOFA's dilemma –they feared that bold actions would hurt Japan-China relations without making any

[242] Shinzo Abe became prime minister of Japan in September 2006.
[243] Washio, Ako. "Diplomatic fallout." *Japan Times*. 35.22. (5 June-11 June 1995) Weekly international ed.: 7.

difference in Chinese actions, while mild actions would fail to silence domestic criticism and would increase political pressure. In an editorial on May 25, Yomiuri spoke of the decision to compress grant aid as a decision that considered relations with China, but warned that the government cannot neglect Japanese public opinion.

On June 23, Shinshinto,[244] the largest opposition political party, stated that the government should take a stronger stand against Chinese nuclear tests, including a freeze of all ODA (not just grant aid), if tests did not stop. Shinshinto had been created in 1994, in the aftermath of the loss of power of the LDP, by former LDP parliamentarian Ichiro Ozawa, who had been instrumental in that loss of power. Ozawa's intention was to create a two-party system, with the LDP and Shinshinto as the two parties.[245]

With regard to the current Murayama administration, Shinshinto sought to show its policy stance as different. The party criticized Murayama's administration as "grandstanding, applause-seeking, and rigid."[246] It also called Murayama's policy towards China's nuclear tests "a distortion of principles and ambiguous."[247] This example is illustrative of the opportunities that the political turmoil and voter volatility presented for political entrepreneurs, and how ODA to China and nuclear

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[244] Shinshinto is translated into English as the New Frontier Party.

[245] Curtis (1999) 22. In 1995, Blaker (1996) actually saw a trend towards a two-party system in Japan, with the LDP and Shinshinto as the two parties. However, that did not materialize.

[246] "Ichimi chigau gaikou shisei, sonzaikan wa ima hitotsu, shinshintou houchuudan." *Asahi Shimbun* 25 June 1995, morning ed.: 2.

weapons was one of the policy debates of choice. Shinshinto was able to capitalize on the weakness of the ruling coalition, particularly on an issue on which it was being severely criticized by the Japanese public.[248]

Shinshinto reiterated this position of taking a stronger stance against the nuclear tests on a visit to China later that same week of June. China responded that nuclear tests and ODA should not be connected because ODA was related to Japan's invasion of China and China's waiving of war reparations. The Chinese showed dissatisfaction with Japanese perceptions of the war and implicitly threatened that this might hurt Japan's ability to become a permanent member of the Security Council.[249]

Such threats caused consternation within MOFA, as they sought to limit the negative impact of Japanese political statements and actions on Japan-China relations. One Yomiuri staff writer described the political debates with regard to Chinese nuclear tests as purely "emotional." "[Politicians] didn't think about what influence the aid freeze would have."[250] Calls for a freeze of ODA were electorally expedient, but the impact on Japan-China relations was more complex.

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[247] "Shinshintou, kakujikken mondai de taichuugoku mushou enjo teishi mo shiya ni (seiji tanshin)." *Asahi Shimbun* 23 June 1995, morning ed.: 7.

[248] Shinshinto was a successful political entrepreneur in the summer of 1995. "Shinshinto surpassed all pre-election estimates, taking more of the proportional vote than any other party (30.8%) and winning 40 seats, which when added to its previous 16, gave it 56 seats" (Blaker 44).

[249] See, for example, "Baishou, hyakumae no kutsujoku, Chuugoku wa wasurezu (genzaishi waocchingu)." *Asahi Shimbun* 27 June 1995, morning ed.: 7.

[250] Author's interview November 21, 2003. (#33)

Japanese business, for its part, was relatively quiet in its response to the debate over China's nuclear tests and the possible imposition of sanctions, as compared to the voice of business during the Tiananmen crisis. In June, the Chairman of the Association of Japan's Trading Companies announced support for the Japanese government's decision to "suspend grant aid, but continue yen loans" to China. Some businessmen mentioned that they are part of the Japanese public too and were just as alarmed by the nuclear tests.[251] However, it is also true that Japanese business was not much concerned about how the compression would affect their profits. "The grant aid is not such a large amount and there are only a limited number of trading houses involved in it," an official at a private Japanese bank active in China said. "We do not see this as having a very big economic impact."[252]

Not only was grant aid a small proportion of overall ODA to China, Japanese business had less of a role in ODA projects than previously. By 1993, 96.9% of yen loans were untied, meaning that aid projects were available for open bidding. A journalist for the Yomiuri Shimbun who covered MOFA, and particularly ODA policy, from 1995 to 1996, explained the changing interests of business thus:

> Before untied aid, there was no separation between public and private (bureaucracy and industry). The [ODA] projects may have been occurring overseas but they were all Japanese. It was Japanese money and Japanese companies building the bridges or whatever. But after untied aid became common practice, I heard a lot of complaints by Japanese companies.[253]

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[251] Author's interviews with businessmen.

[252] Quoted in "Japan Cuts China Aid to Protest A-Tests." *The Washington Post* 23 May 1995: A12.

[253] Author's interview November 5, 2003. (#32)

Reflecting this change that was already in place by the mid-1990s, the Yomiuri Shimbun reported in April 1995 that "According to the OECF China office, Japan ODA projects tend to be 1/3 Chinese companies, 1/3 Japanese companies, 1/3 to America or another country."[254] This means that Japanese businesses had less of a stake in ODA than they had had years earlier. Therefore, Japanese businesses had less of an incentive to lobby the Japanese government with regard to ODA to China, as they had during the Tiananmen crisis.

In July 1995, a House of Councillors (upper house) election was held. It was a serious disappointment for the ruling coalition. The party of the prime minister, JSP, emerged from the election with only 38 seats in total, "less than 15% of seats in a 252-member chamber where it had boasted an absolute majority just six years ago" (Blaker, 44). The LDP "support rate of 19.5% was a historic lowpoint" (Ibid). The election also underscored the continuation of public apathy and dissatisfaction with politics. Only 44% of eligible voters went to the polls, setting a new record low.[255] A month before the elections were held, a public opinion poll conducted by Chuo Koron found that 68% of respondents were dissatisfied with politics.[256] As described above, the one victor of the July election was Shinshinto, a party seeking to take advantage of public dissatisfaction with the status quo.

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[254] "'Himonashi enjo' keizaikai ni fuman, Nihon kigyou no rakusatsu ritsu teika (kaisetsu)." *Yomiuri Shimbun* 26 April 1995, morning ed.: 17.

[255] Blaker 44.

[256] Ibid.

On August 6 and 9, Japan commemorated the 50th anniversaries of the atomic bombings of Hiroshima and Nagasaki. Naturally, Japanese sensitivities were heightened in relation to nuclear weapons. A few days earlier, on August 4, both houses of the Diet had unanimously passed a resolution, Protesting Against Nuclear Tests, which called for the end of the development and use of nuclear weapons, specifically condemning China's nuclear tests and France's plan for resumption of nuclear tests.[257] These resolutions were multipartisan. In the House of Representatives the resolution was proposed by the LDP, Liberal league, Shinshinto, JSP, and Sakigake. In the House of Councillors, the resolution was proposed by the LDP, JSP, and JCP. PM Murayama clearly stated his support for the resolutions prior to the votes.

Still, on August 17, China went ahead with its second nuclear test of the year. The Japanese government immediately decided that it would suspend more grant aid to China. In a statement by the Chief Cabinet Secretary, added to the repeated concerns that had been first stated upon the incident of the May test, it was declared that "China's nuclear testing today is regrettable also from the viewpoint of the ODA Charter. Japan will have to cope with its future economic cooperation with China restrainedly, taking account of the present nuclear testing as well, as part of our policy considerations." Foreign Minister Kono notified the Chinese ambassador Xu Dunxin of this decision and Japan's position on that very afternoon.[258]

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[257] Japan. Ministry of Foreign Affairs. *Diplomatic Bluebook 1996.* Tokyo: MOFA.

[258] "Comment by the Chief Cabinet Secretary on China's Nuclear Testing." 17 Aug. 1995. Internet. Online. 13 April 2007. <http://www.mofa.go.jp/announce/announce/archive_2/nuclear.html>.

Since 1992, the Vice Minister of Foreign Affairs had protested to China about the nuclear tests. However, this time the Foreign Minister protested directly to the embassy, showing a strong posture. China called these steps "disappointing" and once again expressed an objection to linking political items to economic cooperation. However, within Japan, the view to suppress further grant aid grew strength.[259]

The political parties within Japan also responded with strong voices. The LDP proposed a freeze of grant aid to China and prudence with new yen loans, threatening that if this was not accepted they would not approve the budget for 1996.[260] The Socialist Party said China was defying international public opinion. Sakigake called it an "act of betrayal."[261] Shinshinto asked for an immediate freeze of all ODA (grant aid and yen loans) to China.[262] The Communist party asked China to abandon its nuclear weapon program. The Chief Cabinet Secretary acknowledged that domestic public opinion was pushing for a government action beyond words.

In an editorial on August 18, Asahi took a more assertive stance than ever before in connecting ODA and China's nuclear tests, by calling for a freeze on a portion of yen loans that support large-scale projects in China. In addition, the newspaper said that

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[259] "Chuugoku kakujikken de mushou enjo sarani yokusei, Kouno gaishou ga chuunichichitaishi yobi kougi." *Yomiuri Shimbun* 18 Aug. 1995, morning ed.: 1.

[260] "Kakujikken kougi de taichuu mushou enjo asshuku mo, yotou touketsu yousei ni kikai, Nozaku kanbouchoukan." *Asahi Shimbun* 26 Aug. 1995, morning ed.: 3.

[261] "Chuugoku kakujikken kyoukou, yoyatou kakutou ga taichuu kougi." *Yomiuri Shimbun* 18 Aug. 1995, morning ed.: 2.

it would be worth it even if it injured Japan-China relations, because it would express the extent of the feelings of the Japanese people on this issue.

Long (1999a) describes the negotiations among the political parties and MOFA that ensued following the tumultuous public and political response to China's August test:

> Following consultations with the ruling Liberal Democratic Party and other parties and ministries, the Ministry of Foreign Affairs (MOFA), chose the more modest step[263] of suspending grant aid to China on August 29, 1995. Although sufficient Cabinet support existed to suspend loans also, MOFA was able to moderate the sanction for the sake of overall bilateral relations and because Tokyo still supported the economic reforms taking place in China (334).

On August 30th, MOFA informed China that Japan was suspending all grant aid to China (other than emergency measures) and would not resume grant aid until China agreed not to conduct any further nuclear tests. Discussing the integral role of politicians in the outcome, Long states, "The responsiveness of foreign assistance policy to domestic political pressure in this instance represents a departure from the norm of bureaucratically driven policy" (336). One MOFA ECB official described the decision in the following way: "The suspension of grant aid after the nuclear tests was to send a message. Public opinion and the media were angry about the tests."[264]

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[262] "Shinshintou, taichuu ODA touketsu wo moushiire, Chuugoku no chikakakujikken." *Asahi Shimbun* 18 Aug. 1995, morning ed.: 3.; Long (1999a) 334.

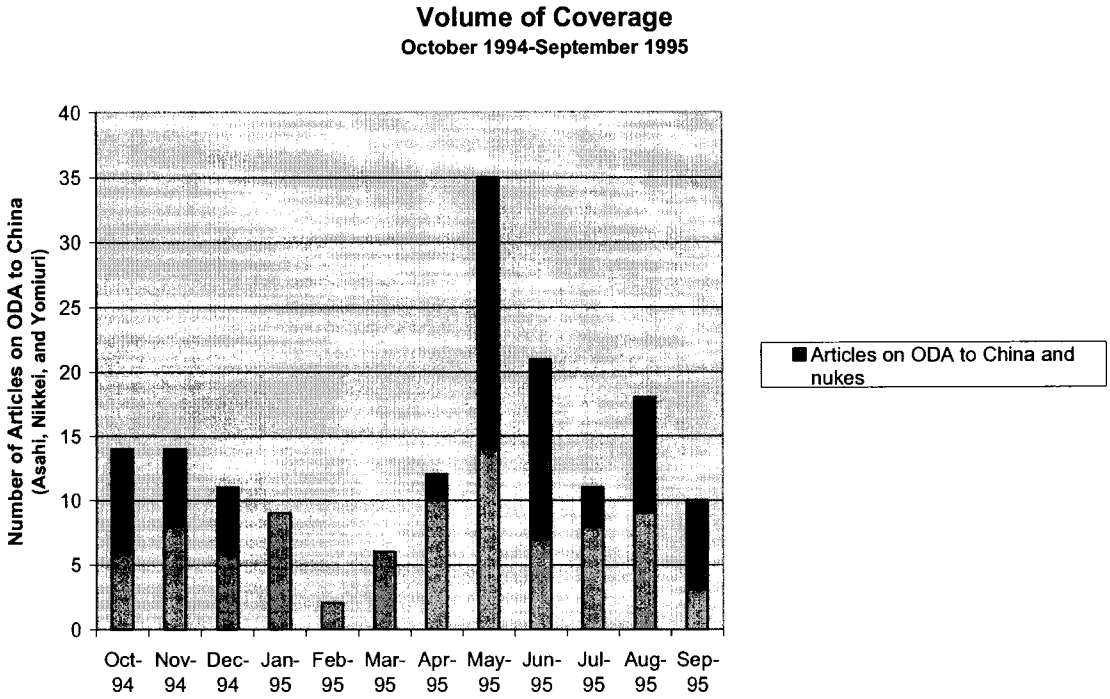
[263] The freeze of grant aid was a "modest step" as compared to Shinshinto's call for a freeze of all ODA, including yen loans.

[264] Author's interview June 3, 2004. (#23)

The Role of the Media

The volume of media coverage during this entire period was quite high, as illustrated in the chart below. During my period of interest, there were a total of 163 articles that discussed Japanese ODA towards China in the three newspapers of Asahi, Nikkei, and Yomiuri. Seventy five of those articles made an explicit link with Chinese nuclear tests. There were 54 more articles on ODA to China during the nuclear crisis than during the Tiananmen crisis. Interestingly, Nikkei had the exact same number of articles as it did on aid and Tiananmen during the earlier period. This is despite a much higher number of articles on aid to China, in general. Asahi and Yomiuri had more than double the number of articles referring to aid to China and nuclear tests, as they did on aid and Tiananmen.

Figure 18



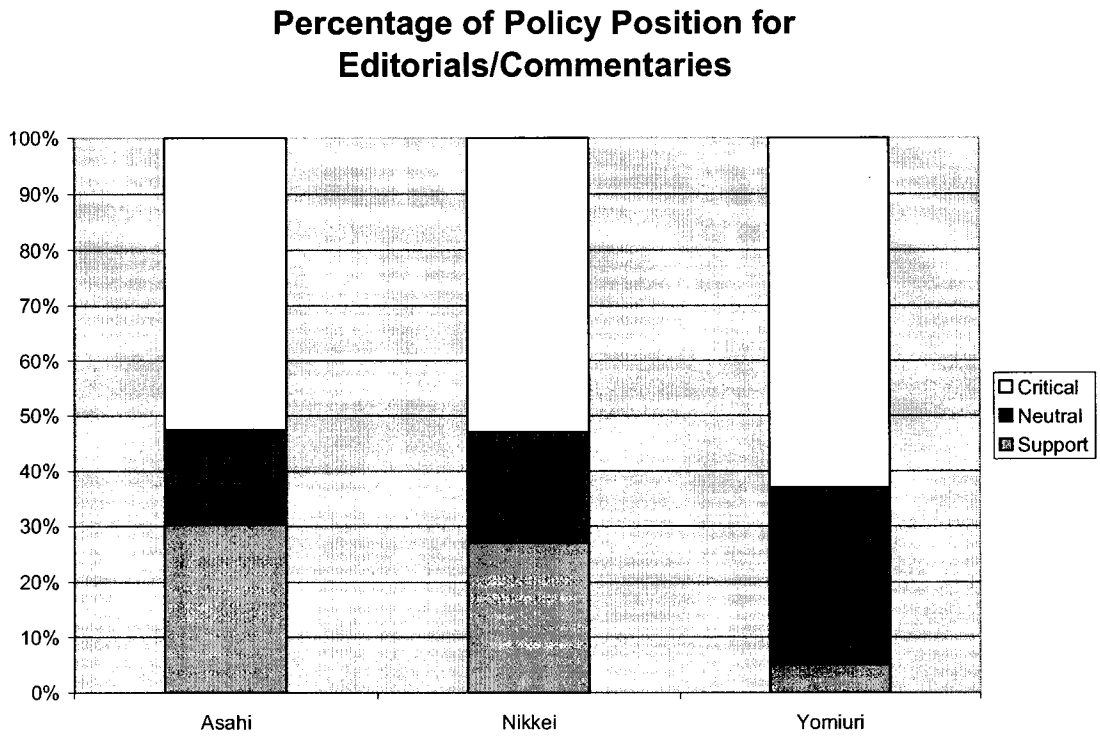
The volume of coverage followed fairly closely with the ebb and flow of Japan-China relations, with one major exception. While there was a peak in the month of May (and for Asahi, in the month of June as well) when Japan responded to China's first nuclear test of the year by compressing grant aid, there was no such peak in the month of August when Japan responded to China's second nuclear test of the year by taking concrete measures to suspend all grant aid (other than emergency aid).

Why the difference between May and August? One plausible explanation is that the Japanese government was ready to be responsive to China's nuclear tests in August in

a way that it was not immediately prepared to be in May. In May, perhaps the media needed to focus on the issue in order for there to be some government action. In August, it was clear that the government was taking concrete steps.

Turning to editorials and commentaries, during my period of study, 52% of Asahi, 53% of Nikkei, and 58% of Yomiuri articles were critical of ODA to China. Compared with Tiananmen, this is a 100% increase for Asahi, a 489% increase for Nikkei, and a 346% increase for Yomiuri. At the same time, 30% of Asahi, 27% of Nikkei, and 11% of Yomiuri articles were supportive. Compared with Tiananmen, this is a 25% decrease for Asahi, a 51% decrease for Nikkei, and a 59% decrease for Yomiuri. In other words, the general trend was for articles to be more critical of ODA to China during the nuclear crisis than during the Tiananmen crisis. The differences that do exist across the newspapers are as expected, given the ideological position of each paper.

Figure 19



Note: "Critical" means that the article expresses the opinion of stopping (freezing/ending) aid to China as a punishment; "Support" means that the article expresses the opinion of wanting to keep aid to China as is

Responses to Japanese Government Policy

China criticized Japan's policy decision, with regard to the freeze of grant aid. The monetary impact was estimated at about a $75 million loss in grant aid to China. Foreign Ministry spokesman Chen Jian remarked that the suspension could be "highly detrimental to the sound development of Sino-Japanese relations." [265] The Japanese press described China's response in the following way. "China strongly opposed this

[265] Quoted in "Japan Freezes Grants To China as Protest." *San Francisco Chronicle* 30 Aug. 1995: A.11.

move through three arguments: It is not fair for Japan, who is under the nuclear umbrella of the U.S., to object to China's nuclear tests; the Japan-China economic relationship has mutual benefits and it is strange to entangle this with nuclear tests; in modern times, China was damaged by imperialism, but the greatest damage was done to it by Japan."[266] Johnstone (1998) describes how, "Although the frozen funds represented only a small percentage of Japan's overall aid to China – and were restored less than two years later – the move represented a striking departure from Tokyo's normally nonconfrontational diplomacy. Officials in Beijing denounced the action, counseling Tokyo to recall the wartime suffering Japan inflicted on the Chinese people." (1067).

The international viewpoint was that Japan was showing a new openness to be assertive in its foreign policy.[267] In this regard, PM Kaifu's declaration of resuming economic cooperation with China in 1990 had a similar reception. However, unlike the 1990 case, Western governments were not putting pressure on Japan to act in any way. As described by Long (1999a), this case undermines many mainstream arguments about Japanese foreign policy making because it demonstrated Japanese leadership on the international stage, as well as responsiveness to public and political preferences on the domestic stage (330).

In September 1995, the Yomiuri Shimbun conducted a public opinion poll and asked whether the nuclear tests of China and France should be permitted. 84.1% of

[266] "'Yomiuri sougou anpo taikou' dokusha no gimon ni kotaeru, sekai no heiwaiji shiya ni." *Yomiuri Shimbun* 27 Sept. 1995, morning ed.: 11.

respondents replied that they should not. 8.3% responded that nuclear tests are inevitable. The poll then asked whether people's impressions of China had changed after it conducted the two nuclear tests in 1995. 60.7% of respondents replied that their impression of China became worse. In response to a question about the Japanese government action of freezing grant aid, 68.6% said it was an appropriate response, but 18.4% said the action should be more severe. 6.6% said it was too severe.

In October 1995, the Asahi Shimbun asked the following question: "Recently, China and France conducted nuclear tests. Do you feel angry?" 90% responded that they did feel angry. (Only 6% responded that they did not.) The poll went on to ask: "To protest China's nuclear tests, the government has frozen one part of economic cooperation with China. What do you think of this action by the government?" 45% said it was an appropriate response, 44% said it was lenient, and 3% said it was too severe.

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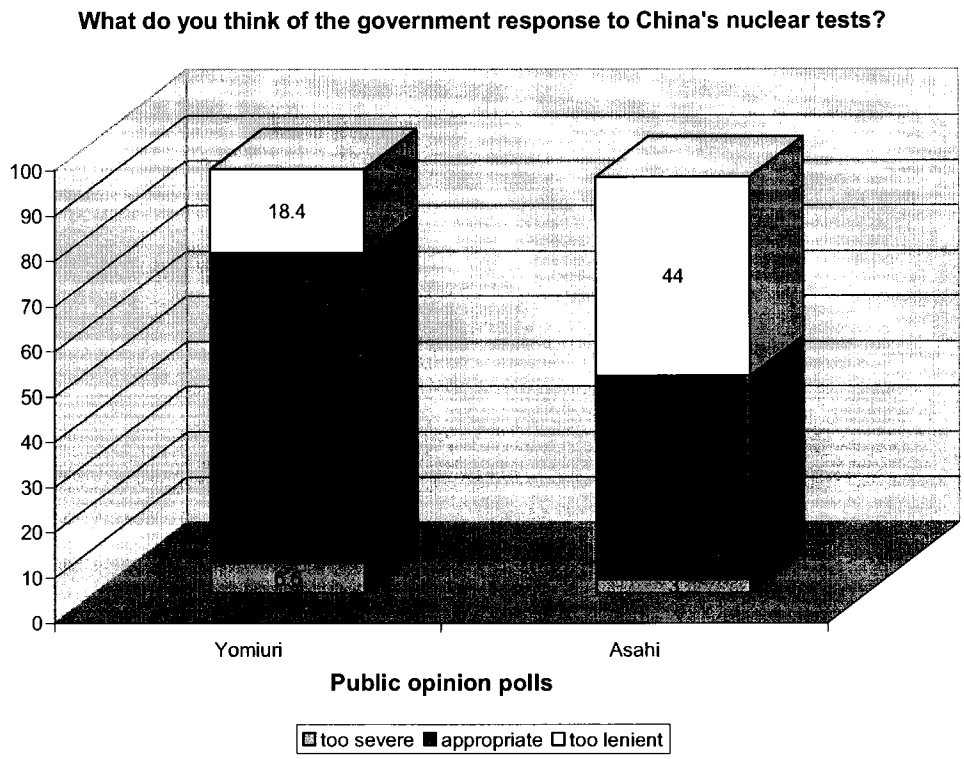
[267] See, for example, "Japan halts China grants in protest of nuclear tests." *Wall Street Journal* 30 Aug. 1995, eastern ed.: A8 and "Japan Halts Grant Aid to China." *The Los Angeles Times* 30 Aug 1995: 11.

Figure 20



This reveals that, although the policy finally decided upon in August, was in response to public opinion, it was not the most radical policy that the public supported. Instead it was a policy that showed responsiveness to public preferences, while also taking diplomatic and business preferences into account. By diplomatic preferences I am referring to the priority of stable Japan-China relations. By business preferences, I am referring to the business desire to avoid the freeze of yen loans.

The Aftermath

At the end of September1995, MOFA put out its ODA White Paper. It was clearly conscious of the criticism of aid, particularly of aid to China. Emphasizing the use of positive sanctions, the document uses terms such as "friendly persuasion" and "quiet diplomacy" with regard to the ODA Charter Principles. In addition, it stresses MOFA's long-held position on engagement with China ("carrots" rather than "sticks") by saying, "It is difficult to transition a country to a desirable direction if we cause them to be isolated from the international community." This statement could have as easily have been said in 1989 as it was in 1995. This illustrates how MOFA's policy preferences with regard to China had not changed. Whether the issue under debate was human rights or nuclear tests, MOFA continued to champion economic engagement with China.

In June 1996 China declared that it would probably sign the CTBT and would impose a moratorium on testing after September. Despite additional nuclear tests in June and July, these statements were considered positive developments in the direction that Japan wanted China to go. Therefore, although the Chief Cabinet Secretary called the tests "extremely regrettable,"[268] PM Hashimoto[269] told reporters that he was "very disappointed," and there were street demonstrations in Hiroshima and Nagasaki,[270]

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[268]"Comment by the Chief Cabinet Secretary on China's Nuclear Testing." 8 June 1996. Online. Internet. 13 April 2007. <http://www.mofa.go.jp/announce/announce/archive_2/china_nuc9668.html>.

[269] Ryutaro Hashimoto was prime minister January 11, 1996 - July 30, 1998.

[270] Mufson, Steven. "China Conducts Nuclear Test While Negotiating Ban; Blast Worries Other Participants In Comprehensive Treaty Talks." *The Washington Post* 9 June 1996: A.22.

there was no additional government action taken after China's final nuclear tests in June and July 1996.

Grant aid suspension to China was not lifted until March 1997,[271] about seven months after China announced a moratorium on nuclear testing and about six months after it signed the CTBT, along with the U.S., Japan, and other countries. Yen loans to China were never suspended, but there was some delay in the initial disbursement of loans from the fourth yen loan package that began in 1996.

Despite some officials' claims that there was an expectation that China would alter its behavior in response to the sanctions, the overall evidence suggests that MOFA never believed it could stop Chinese nuclear tests through a cut in ODA. They continued to believe throughout the crisis that China would continue the tests until 1996 when the CTBT was negotiated. As one MOFA official stated, "It would have been unrealistic to expect China to change its behavior. The intention was to express policy preferences to China and the world."[272]

Conclusion

Political and bureaucratic preferences diverged with regard to economic sanctions on Chinese nuclear tests in 1995 and 1996. Throughout this nuclear crisis, MOFA's policy preferences did not change. They did not want to utilize negative sanctions

[271] The lifting of the suspension was officially announced by FM Ikeda during his March 1997 visit to China. This formality reinforces the view of aid to China as a "gift."

towards China, nor did they believe those sanctions would cause China to alter its behavior. When they were pushed to implement a freeze in grant aid, they tried to minimize the impact on Japan-China relations.

Politicians, on the other hand, were primarily concerned with growing public and media criticism. Although described as making an emotional response to the nuclear issue, they were, in fact, making a rational response to the sentiments of the public. Uncertain electoral prospects made politicians feel the need to be increasingly responsive to public preferences on policy issues. And the Japanese public was increasingly critical of giving ODA (taxpayer money) to a China that was conducting nuclear tests with apparent total disregard for its neighbor's concerns. The nature of Japanese public sentiments, as well as the increased uncertainty of electoral success, made the need for political responsiveness relatively greater than in 1989. This is why we see more assertive political statements and actions in 1995 than we did in 1989.

As expected, the divergence of opinions between the bureaucrats and the public were quite clearly observed, as the public criticized the lack of government action, through the media, through public opinion polls, and through contact with their elected representatives. Political behavior followed that of the public, as politicians became increasingly vocal against China's nuclear tests. We see this through the statements of individual politicians, such as MP Abe, in May, followed by consensus building within political parties that ultimately led to extremely strong statements from every

[272] Author's interview May 27, 2004. (#22)

political party after China's nuclear test in August. Politicians even threatened the passage of the budget if their preferred policies were not implemented. My expectations were that when political and bureaucratic preferences diverged, we should expect to see such limits placed on bureaucratic discretion in aid policymaking. One of the tools for politicians, in this regard, is passage of the budget.

The private sector was a subdued voice in this debate. It did not make loud demands as it had in 1989. There are various reasons for this. First, Japanese business interest in ODA had dwindled after untied loans had reduced the ability for Japanese companies to procure ODA contracts and economic reforms within China created a proliferation of opportunities for businesses outside of ODA. Second, as the sole victim of an atom bomb attack in history, nuclear weapons are a hot button issue for the Japanese. Japanese businessmen felt this as much as their compatriots did. Finally, as long as only grant aid and not yen loans would be affected by the freeze, Japanese businesses knew that the economic impact would be minimal.

This analysis further shows that newspaper coverage tended to follow the same trends across papers. Coverage was much more likely to be supportive of ODA to China during the Tiananmen crisis than during the nuclear crisis. It was significantly more likely to be critical during the nuclear crisis. The timing of the articles, the high volume of coverage, the larger number of editorials, and the policy positions taken in

both opinion and news stories reveal that, during the 1994/95 crisis, the newspapers sought to sway public opinion and government policy.

The evidence suggests that the media played a number of indispensable roles here. It revealed public preferences to both political elites and to the public itself (allowing individuals to view group preferences). It also focused sustained attention on the issue and the policy options, helping to force government responsiveness. At the same time, it benefited the government by explaining both sides of the issue and why it would not benefit Japan to be overly aggressive, allowing the issue to basically come to a close after September 1995.

Although the final policy decision to freeze grant aid has been accepted as largely symbolic (due to the scope and target), it was extremely significant in that it was a different policy approach than Japan had ever utilized towards China previously, and it revealed the influence of non-economic domestic actors in foreign economic policymaking in Japan.

Chapter 6: The Case of the 2000-01 Review of ODA to China

Overview

By 2000, it had become apparent that the Japanese government would be conducting a review of ODA to China. However, the domestic debate was fierce about what the outcome of such a review should be. MOFA emphasized that the outcome would be more efficient and effective ODA that would answer China's needs. Politicians stressed a reduction of ODA, especially as a means of sanctioning China for increasing and opaque military expenditures and activities. The Japanese public had become increasingly concerned about Chinese intentions and the role of China in Japan's future economic and military security. Still suffering from electoral uncertainty, politicians began to spout anti-China rhetoric as a way to show leadership and strength to the Japanese electorate. Although Japanese business did not approve of any actions that would injure Japan-China relations, the business sector was largely absent from the debate, as it had moved from an interest in ODA to an interest in investment and the Chinese market. The ODA plan eventually proposed was one that was in accordance with political preferences, in terms of a reduction of the amount of aid to China and an explicit connection between the reduction and increases in Chinese military expenditures. This illustrated an unambiguous victory for political preferences over bureaucratic preferences. The plan proposed also clearly revealed that one of the main audience members for this plan was the Japanese public.

Debate Over Aid to China Begins

By 1999, Japan had given China 2.6 trillion yen in ODA funding for approximately 300 projects. 90% (2.535 trillion) was in yen loans. The total amount was about 12% of all yen loans Japan had given to date. An additional 118.5 billion yen was given in grant aid. 116.3 billion yen was given for technical assistance. In total, this was approximately 15% of all Japanese ODA.

The year 2000 was the final year of Japan's fourth yen-loan package to China (1996-2000, 580 billion yen). In 2000 the Japanese government furnished China with 197.1 billion in yen loans, for 23 projects. Cumulatively, China maintained its status as the second largest Japanese aid recipient after Indonesia. For over two decades China had been one of the top recipients of Japanese ODA.

In 2000 China was still seeking ODA from Japan for the coming years. Although China's GDP had reached $1 trillion,[273] annual economic growth was at double digits, and the southeastern coastal areas were becoming prosperous, this success only underscored the tremendous developmental disparities across China and the fact that there continued to be millions of people who did not have their basic daily needs of food, clothing, and shelter met. Therefore, in 2000 China began embarking on a large-scale program to develop the western inland areas. It sought to correct the east-

[273] In 2000 China's GDP had reached $1 trillion using nominal exchange rates and $5.7 trillion using purchasing power parity (PPP). This latter figure was higher than Japan's GDP at $3 trillion PPP. However, per capita GDP continued to be quite low. In 2000, Chinese GDP per capita was $875; GDP per capita PPP was $4, 753. See Morrison 2001.

west development disparity. This became a priority for Chinese leader Jiang Zemin's administration and was particularly highlighted as important for the purposes of social and political stability.

As it had with its previous five-year plans, China sought Japan's help with this program. Knowing the turning tide of Japanese public opinion away from ODA, China expressed to Japan the urgency with which it was tackling these challenges, with the Chinese vice minister of economic cooperation saying in early 2000 that aid would become a necessary counter-measure to poverty in the inland areas, given the growing population and insufficient provisions.[274]

Increasing its desire for Japanese aid, China was met with less aid from abroad, as it worked out this new development plan. In 1999 China graduated from the World Bank's International Development Association, which provides low-interest-rate loans to the world's poorest countries.[275] In 1997 Britain had ended government loans to China and was only providing grant aid and technical assistance. Of course, Japan's traditionally stated objective in giving aid to China (ensuring stability) fit well with China's developmental goals in the inland areas. Therefore, China sought to shore up Japanese support in the face of these losses of other low-interest resources.

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[274] Cited in "Chuugoku, shokuryou zousan enjo wo youkyuu, Nihon e houshin shimesu, 'gensan to mujun sezu.'" *Asahi Shimbun* 2 Feb. 2000, morning ed.: 12.

[275] China continues to be eligible for loans from the Bank's International Bank of Reconstruction and Development (IBRD).

However, by 2000, the Japanese government was publicly discussing a possible reduction of ODA to China. In 1995, as Japan and China were negotiating the fourth yen loan, MOFA was already considering a plan to restructure yen loans to China starting in 2001. MOFA asserted that this rethinking was a response to international trends in aid to China, as well as growing Japanese public dissatisfaction with aid to an increasingly prosperous China. It was suggested that the review of yen loans to China would consist of a move from multi-year to single-year loans and a refocus from coastal infrastructure to inland areas and environmental projects. There was also mention of avoiding any projects that could conceivably be linked to military uses, revealing the new political rhetoric of the so-called "China threat."[276] However, what continued to be unclear was whether such a review and reform by MOFA would result in an overall reduction of aid to China or just a reconfiguration of the content of aid. By 2000, as the fourth yen loan package was nearing its conclusion, this issue was being hotly debated in the context of bilateral relations that were becoming increasingly strained.

In his visit to China in 1999, Japanese PM Keizo Obuchi commented on the good relations the two countries enjoyed. However, the truth was that relations had continued to worsen through the late 1990s. Economically, China was developing rapidly and preparing to enter the WTO. In the meantime, Japan was experiencing further financial woes after a decade of recession. Some perceived a "hollowing out" of Japanese industry as factories and jobs moved to China. Small and medium-sized

[276] "Taichuu enshakkan houshiki minaoshi, 2001nendoikou, gaimushou kentou – kyouyo, 1nen goto ni ." *Nikkei Shimbun* 1 Jan. 1995, morning ed.: 3.; "Soumuchou happyou, dai2kisen kansatsu keikaku, taichuu enshakkan mo

businesses in Japan complained that aid to China was helping to put them out of business.

Militarily, Chinese military expenditures had grown by double digits annually since 1989 without any disclosure of where that funding was going. Although China began publishing a defense white paper, the Japanese government complained that many aspects of it were opaque. In addition, from spring 2000, increased activity of the Chinese naval fleet in Japanese coastal waters, including in Japan's exclusive economic zone (EEZ), invited Japanese suspicion. According to the 2001 White Paper on Defense, "with respect to the recent increase in activities of Chinese ships near Japan, it is important to pay attention to Chinese naval activities and possible naval strategy behind them because it is pointed out that China is aiming at building the so-called "the Blue Water Navy" in the future." This led to questions about China's intentions in the waters outside of its immediate vicinity.

In addition, the Japanese public and politicians continued to talk negatively of Jiang Zemin's 1998 visit to Japan, when he repeatedly raised the so-called "history issues" in what some Japanese perceived to be an aggressive manner. Lam (2005) describes how Jiang's "harping on the history issue and demands for an apology [for the war] at virtually every stop of his itinerary alienated many Japanese" (278). Lam goes on to explain the reasons for the Japanese people's anger and resentment, including the viewpoint that Japan had apologized enough for the war and the widespread sentiment among those born after the war that such historical issues have nothing to

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taishou." *Nikkei Shimbun* 31 July 1995, morning ed.: 2.

do with them. However, Jiang's statements did not only provoke a defensive posture from the Japanese people, but an offensive one as well. This was as the Japanese public not only smarted from Jiang's criticism, but criticized China in turn: particularly for increasing and opaque military expenditures.

For all these reasons, many in the Japanese domestic sphere began to question aid to China, in terms of the Chinese need (is China too rich?), the Japanese ability (is Japan too poor?), and the suitability of aid (should we be aiding a growing military power?). In terms of suitability, the ODA Charter was invoked once again. The ODA Charter stated that decisions to provide aid were supposed to take military activities into consideration. Therefore, the question being asked was, at a time when China is expanding its military, is it appropriate to provide aid? In addition, it was argued both that infrastructure built with Japanese ODA could be used for military purposes and that ODA allowed China to spend money on its military that it would have otherwise spent on infrastructure and human welfare projects.

The Japanese public criticized the government for being too passive towards China. This was in the economic realm (allowing Japanese industry and jobs to go abroad to China), as well as in the security realm (not being more forceful in protesting Chinese naval vessels in Japanese waters). Another element of perceived passivity was ODA to China. Aid continued to be a major pillar of Japan-China relations, despite serious questions about the use of that aid.

In a public opinion poll conducted by the Yomiuri Shimbun in January 1997, 63.7% of those polled considered that China would become at least a minor threat to Japan's security in the future. 73.6% believed China would become at least a minor threat to Japan's economy in the future. According to Yomiuri polls from 1995 to 1997, those who considered China a friend was reduced from 45.4 to 40.9%, while those who considered China as a rival increased from 19.8 to 27.3%. In April 1997, the Mainichi Shimbun conducted a poll where 54% of respondents thought that China's increasing military power would become at least a fair threat to peace in Asia. In October 1997, in a poll conducted by the Yomiuri, 31.5% responded that China and Taiwan were the *greatest* military threat to Japan. In May 1998, a poll by the Asahi Shimbun reported that 63.1% of respondents thought China was a threat. When asked what type of threat, 22% said military, 20% said economic, and 18% said political. These polls revealed a significant amount of unease with regard to China. After Jiang Zemin's 1998 visit, these sentiments only intensified. The question continued to be repeated: Why does Japan give aid to China?

In addition, at a time of economic recession and financial woes, ODA in general received some sharp criticism from the Japanese public. According to a poll conducted by the Yomiuri in 1998, by far the largest complaint by people about ODA was that it was not clear how the money was being used. Secondary complaints were that ODA funding was only profitable to certain people and it was not useful to the general populace in the recipient country, in part because it did not take the actual

reality of the country into account when developing the projects or deciding which projects to fund.[277]

Japanese responses to ODA to China were also becoming increasingly emotional. As the Japanese public impression of China was becoming worse, this was not only in terms of China as a security or economic threat, as discussed above. China was also seen by some Japanese as being ungrateful for ODA – never saying thank you.[278] As mentioned previously, this sentiment was reinforced and promoted by an anti-ODA to China campaign by the conservative Sankei Shimbun.

On March 8, 2000, Nikkei published an editorial that called into question both the appropriateness and domestic support for a continuation of aid to China. It focused on Chinese military expansion, criticized high military expenditures and an opaque military budget, and called for further transparency. Finally, it invoked the ODA Charter and declared that "voices of doubt [within Japan] will make ODA to China impossible." This set the stage for what was to follow in the public and media discourse for the remainder of 2000 and 2001.

[277] Still, the poll also indicated that although 34.3% of respondents thought the government should further reduce the amount of ODA given, 48.4% were satisfied with the current level. The content of aid (efficiency, effectiveness, transparency) was most important to respondents.

[278] Author's interviews.

Political Responses to Public Unease

By 2000 the number of politicians willing to support an engagement policy with China was greatly reduced. Self (2002/2003) describes the situation thus:

> Most other senior figures of the ruling party[279] who had helped foster friendship ties both before and after normalization [with China] have passed away, leaving only a few vocal advocates of compromise. Hiromu Nonaka,[280] the most prominent of these supporters, has worked to defend China's interests as an influential member of the LDP's largest faction, which has the strongest ties to the Chinese. Nonaka is old, however, and his heir apparent, Makoto Koga, lacks Nonaka's power and connections (78).

Given generational change and a public increasingly critical of ODA, there was diminishing overt support for China within the political circles in Japan. However, not only was there less support, but much more criticism. In the media it was declared that "the nationalistic 'hate China sentiment' was growing" among politicians. In addition, just like the public, it was argued that these anti-China voices were becoming increasingly emotional when they discussed aid to China, speaking much of the lack of appreciation in China for Japanese aid.[281]

Statements made at Diet sessions during this period reflect these changes. For instance, there are many examples to support the claim of emphasis on the lack of appreciation emanating from China. On August 4, 2000, at a Foreign Affairs Committee meeting of the House of Representatives, MP Masao Akamatsu, of Komeito, expressed concern over ODA to China. He discussed the lack of

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[279] His use of the word "other" refers to those outside of former PM Noboru Takeshita, who had a close relationship with China, but who died in 2000.

[280] Nonaka retired in 2003, but, as recently as 2001, was considered one of the most powerful politicians in Japan.

knowledge and understanding within China about Japanese ODA, due to a failure of the Chinese government to publicly acknowledge Japan's contributions. On November 7, at a Security Committee meeting of the House of Representatives, MP Masahiro Tabata, also of Komeito, discussed lack of gratitude for Japanese ODA within China. He said that this suggests that the content of aid needs to be changed, perhaps to human resource development or training and person-to-person exchanges, where Chinese come to Japan and get to know the country. He argued that this should be emphasized over infrastructure or other projects.

Other members of parliament focused on Chinese foreign policy as a rationale for reconsidering aid. For example, on August 7, at a Budget Committee meeting of the House of Councillors, Sanzou Hosaka, of the LDP, supported a review of ODA to China on the grounds that China gives aid to third countries and uses that aid to isolate Taiwan and cause other countries to break ties with Taiwan. Still others called attention to the needs of the Japanese constituents who were being ill-served by ODA to China. For instance, on September 26, at a Plenary session of the House of Councillors, Yoshitada Kounoike, of the LDP, criticized aid to China at a time when Chinese competition is burdening small and medium-size companies within Japan. He suggested that money spent on ODA should go to ease the financial difficulties of Japanese firms instead.[282]

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[281] "Nicchuu no kankei, kawaru kouzu, Chuugoku, tainishi kairyo mo, jimin wakate niwa 'iyachuu.'" *Asahi Shimbun* 20 Aug. 2000, morning ed.: 2.

[282] These examples are representative of all statements made by members of parliament about ODA to China during Diet sessions in 2000. They were selected as being representative after the author's analysis of all Diet proceedings that included discussion of ODA to China.

At the heart of criticism of China were the younger generation Diet members. They viewed an economically and politically emerging China as a potential competitor and rival in East Asia and beyond. There was also extreme criticism of China's use of the history card. A generation that came of age after the war found the continual discussions of history anachronistic and manipulative rather than genuine.[283] Lam supports this view and emphasizes the impact of generational change on Japan-China relations, stating that "The attitudes of younger LDP politicians towards China are generally different from their retired elders who were conscious of Japan's invasion of China, and experienced the privations of war and the catastrophic defeat of Japan in World War II" (285).

The domestic political context of this was that the LDP was continuing to struggle. Prior to the July 1998 upper-house election, political pundits and practitioners predicted that the LDP would have a successful election result. However, not only did the LDP fail to regain its majority (which it had lost in 1989), it wound up actually losing a seat. In addition, even professed LDP supporters failed to support their party, with only 61% of such supporters voting for LDP candidates in district elections.[284] The LDP coalition partners also fared poorly. Sakigake had another major defeat (losing its three seats) and dissolved in October 1998. The Social

[283] Author's interviews.

[284] Curtis (1999) 210.

Democratic Party (SDP) (which was the new name for JSP) received only 5 seats in total, a loss of 11 seats.[285]

In the wake of the disappointing election results, PM Hashimoto[286] resigned. Keizo Obuchi succeeded him fully aware that the LDP needed to regain the confidence of the Japanese electorate in order to secure its future in power.[287] They also needed to form a new coalition in order to effectively govern. The Obuchi administration formed a coalition government with the Liberal Party. Although this partnership did not give the government a majority, it did give them leverage in the parliament. In October 1999 Komeito[288] also joined the government, so that it became a three-party coalition of the LDP, the Liberal Party, and Komeito.

In April 2000, Obuchi suffered a massive stroke from which he never recovered. Yoshiro Mori[289] took over the prime minister post in a somewhat opaque transition. Also in April 2000, the Liberal Party left the coalition. However, not all Liberal Party members agreed with this departure from the coalition. Therefore, the Liberal Party subsequently split and the emergent New Conservative Party joined the LDP-Komeito coalition government.

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[285] Election results come from Curtis (1999): Appendix 4.

[286] Ryutaro Hashimoto was prime minister January 11, 1996 - July 30, 1998.

[287] Obuchi had been chief cabinet secretary in the late 1980s and served as foreign minister under Hashimoto.

[288] In 1998 Komeito re-formed as New Komeito.

[289] Mori was prime minister April 5, 2000 – April 26, 2001.

In June 2000, a lower-house election was held. The LDP won 233 seats, a loss of 6 seats. New Komeito won 31 and New Conservative Party won 7. The Democratic Party of Japan (DPJ) won 127.[290] DPJ, which was formed in 1998 from the consolidation of four smaller parties, had become the second largest party in Japan and the main opposition to the LDP. In a sense this was a tremendous victory for the DPJ, even though they did not come close to overtaking the LDP lead. This was because they seemed to be becoming strong competition for the LDP. However, as in 1998, those who voted for the opposition parties tended to be more likely to be voting against the LDP than for any particular party with which they identified.

This type of political turmoil, including voter volatility, the division and dissolution of parties, and voter dissatisfaction, meant that a show of responsiveness of politicians to public opinion continued to be necessary for electoral success. The legitimacy of the ruling coalition depended on an appearance of government effectiveness. And one area of measurement by the Japanese public and media was the way of dealing with China.

As I mentioned above, negative sentiments towards China within Japan swelled with the discovery of Chinese naval vessels in Japanese coastal waters in the spring and summer of 2000.[291] Particularly within the LDP, harsh words of criticism were

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[290] For elections results see http://www.economist.com/countries/Japan/profile.cfm?folder=Profile%2DPolitical%20Forces.

[291] Japan. Ministry of Foreign Affairs. *Diplomatic Bluebook 2001*. Tokyo: MOFA.

voiced against China.[292] Once again ODA was raised as a possible means to impose a negative sanction against China. LDP sources close to PM Mori threatened that the budget for ODA to China might not be passed.[293] This was a threat aimed at reigning in MOFA and showing a more assertive approach towards China. Like the ODA Charter in 1992 and LDP threats to the budget in 1995, this is an example of political use of ex ante incentives. If the bureaucracy did not agree with political intentions to sanction China, politicians would take the matter into their own hands.

In May 2000, the LDP officially called for a review of ODA to China, highlighting the negative sentiment of the Japanese public towards ODA to China.[294] The LDP explicitly sought a drastic reduction in aid to China.

In these ways, by 2000, discussions of a review of ODA to China within and across public, political, and media circles had become inextricably linked to increasing and nontransparent Chinese military expenditures and activities. Therefore, it became inevitable not only that there would be a review of ODA to China but that it would have to be discussed in the context of Chinese military activities.

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[292] See records of Diet proceedings, http://kokkai.ndl.or.jp. Examples provided above.

[293] "Chuugoku no unyushou houchuu kyohi, kyoukouha to onkenha, seifu – jimin wareru." *Nikkei Shimbun* 19 Aug. 2000, morning ed.: 2.

[294] "Rekishininshiki de kugi sasu, ODA minaoshi de Nihon oushutsu, Chuugoku gaishou hounichi." *Asahi Shimbun* 12 May 2000, morning ed.: 3.

Business and MITI Continue to Shift Attention Away from ODA

Despite this worsening of sentiment between Japan and China, the economic relationship continued to thrive. As mentioned previously in chapter 2, imports and exports continued to steadily increase. Japanese nor Chinese consumers appeared to be in any way affected by the tension in the political relationship. Meanwhile, Japanese FDI to China began to experience its fourth boom of investment in 2000, as Japanese industry anticipated China's entry into the WTO. With this newfound focus, there was minimal business sector lobbying for a continuation of aid to China.

Traditionally the Japanese businesses with the most interest in ODA to China were trading companies. A businessman from Mitusbishi Trading Company explained that although interest in ODA remains, the volume is small because of the changing focus of ODA. "[Today] ODA goes to basic needs and training. There are not big business opportunities in those fields, in general...Rather than chasing ODA, we are now focusing on investment."[295] One freelance journalist was even more blunt saying, "Japanese companies don't care if ODA stops. There has been great criticism of ODA related to scandals, corruption, and waste of funds. So the companies involved with ODA are not even getting good PR."[296]

In addition, as mentioned previously, by the mid-1980s, Japan had moved to a system of untied loans. This meant that the Japanese business benefit from ODA was radically lowered. In fact, Japanese company procurement of contracts for projects in

[295] Author's interview July 28, 2004. (#7)

China is particularly low. As mentioned in Chapter 3, one former MITI official estimated that the Japanese procurement ratio is 20% worldwide, but less than 5% in China.[297] This is due to the fact that Chinese companies have the capacity to conduct many of the projects themselves, while industry in other developing countries may not be as advanced.

Furthermore, campaign finance reform had helped to alter the relationship between business and politicians. Besides electoral reform, one of the other reforms that was passed during the Hosokawa administration in 1994 was campaign finance reform. Political donations from the private sector could no longer go to individual politicians. Contributions became party based, rather than individual based. The objective of the legislation was to reduce corruption and politicians who were indebted to special interests. The law went into full effect in 2000.[298] Therefore, the upper house election in 2000 was the first to be conducted under this new system.

Another, perhaps unexpected, problem for MOFA in its pursuit of a continuation of aid to China was the loss of other bureaucratic support for continued aid to China. Katada (2002) explains that MOFA "captures over 50% of Japan's ODA budget every year" and, this alone, would suggest that MOFA is "the most influential ministry when it comes to ODA policy" (337-8). MOFA was described by one

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[296] Author's interview November 19, 2003. (#34)

[297] Author's interview July 13, 2004. (#3)

[298] Blechinger (2000).

official as having "almost 90% control of ODA" by 2000.[299] Speaking of it as a positive development, a MOFA bureaucrat explained, "Because of the smaller role of ODA, the interest of the other ministries has decreased."[300]

Yet this decreasing interest of ministries outside of MOFA meant decreasing active support for ODA. In particular, the interest of MITI had severely dwindled. As one former MITI official speaking in his individual capacity explained,

> Our attempt to increase the involvement of Japanese business [in ODA] is to promote projects that involve Japan's high-tech sectors, sectors that are not yet sufficiently developed in China. MITI's interests are different from the explicit ODA statements. Government statements don't say we are trying to serve Japanese business...The Chinese reality is that there is great regional disparity. Therefore, the Japanese government says we should focus on the Western region. But there is not need for high-tech projects there. There is a lack of consistency between MITI's goals for ODA and the ODA stated objectives. This is a dilemma...We can't justify spending taxpayer money in richer areas.[301]

Therefore, although MITI still theoretically supported continued aid to China (illustrated in statements such as "we still support massive aid to China rather than massive aid to Africa"[302]) there was no incentive to actively join the debate against politicians. This is particularly due to the fact that even if aid to China was not reduced, it was unlikely to be in high-tech areas or the more prosperous, southeastern region of China, where Japanese business sought opportunities.

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[299] Author's interview May 27, 2004. (#22)

[300] Author's interview October 4, 2004. (#22)

[301] Author's interview July 13, 2004. (#16)

[302] Ibid.

Review of ODA to China Goes Forward

As the Japanese government proceeded with its plans to review ODA to China, it became imperative that these discussions include China. In May 2000, the Chinese foreign minister, Tang Jiaxuan, visited Japan. During that visit, FM Kono conveyed Japan's intention to review ODA to China. The two reasons for the review that he gave were increased military expenditures (as well as lack of military transparency) and negative Japanese public opinion towards ODA to China. According to news reports at the time, this was the first time that the Japanese government publicly and explicitly tied Chinese military expenditures and ODA.[303]

Although MOFA clearly recognized the domestic necessity for a review of ODA to China by 2000, it did not want to change the basic engagement policy with China. ODA was regarded as an indispensable foreign policy tool and engagement with China through ODA had been a pillar of Japan's China policy for 20 years. MOFA officials did not want to contemplate a time when they would no longer have that tool. They did not want to contemplate a reduction either. However, as it became more apparent, due to the public and political atmosphere, that a reduction would probably have to be accepted, they began to work to reduce the impact that a reduction would have on Japan-China relations. MOFA continued to maintain its

[303] See, for example, "ODA minaoshi ni genkyuu, Shu (Zhu) shushou, 10gatsu hounichi, nicchuu gaishou kaidan." *Asahi Shimbun* 11 May 2000, morning ed.: 1.; "Chuugoku shushou 10gatsu rainichi, gaishou kaidan, taichuu ODA minaoshi hyoumei." *Nikkei Shimbun* 11 May 2000, morning ed.: 1.; "Taichuu ODA, kankyou – jinzai ikusei ni juuten, gaimushou ga kondankai – keizai seichou nado kouryo." *Nikkei Shimbun* 21 May 2000, morning ed.: 2.; Nasa, Tadahiko. "Reconsideration of ODA programs toward China, out of concern for decline in public confidence; Japan-China talks likely to run into difficulties." *Tokyo Shimbun* 12 May 2000: 3.

support for ODA to China. A former ambassador to China declared that, "No one would support zero ODA to China. We need to consult with China. But what level? That's the question."[304]

Therefore, when MOFA discussed the review and reform of ODA with Chinese officials, it sought to emphasize that this review was a result of Chinese economic development and Japanese financial circumstances. We see this rationale for the review expressed by MOFA officials on countless occasions. Even as late as July 2001, when FM Tanaka discussed the review with the Chinese foreign minister, she merely stated that the review was part of an overall review of Japanese ODA to all recipient countries and that there was no relationship between the review and the political debate over the reduction of ODA to China due to increasing Chinese military expenditures.[305]

However, political pressures undercut this MOFA strategy of emphasizing mild or neutral rationale for the review when talking with Chinese officials. As mentioned earlier, when FM Kono announced the review in May 2000, the rationale he gave to the visiting Chinese foreign minister was China's increasing and nontransparent military expenditures and negative Japanese public opinion towards aid. Although the rationale of negative Japanese public opinion was a rationale given by MOFA even more often than the economic rationale and was nothing new or extraordinary,

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[304] Author's interview July 30, 2004. (#14)

[305] "Tanaka kaishou ni seikoku sanpai no saikou wo youkyuu, Chuugoku gaishou 'yuukou no kiban kuzureru.'" *Asahi Shimbun* 25 July 2001, morning ed.: 1; "Nicchuu gaishou kaidan no aruji na yaritoti." *Asahi Shimbun* 25 July 2001, morning ed.: 4.

the military rationale was not one MOFA wanted to use with China. However, in May 2000, it became necessary to cite this rationale, in addition to the less inflammatory rationale of Chinese economic development and Japanese financial circumstances, because of the pressure of Japanese politicians spurred by Japanese public opinion. This was in the wake of questions about and criticisms leveled at ODA to China during Diet sessions through March, April, and May of 2000.[306] Over the course of 2000, FM Kono appeared to become increasingly defensive in his responses to the questions, comments, and demands made by members of parliament in such Diet sessions.

Once MOFA announced the review, the LDP indicated that it was creating its own special ad hoc group within the party (Special Committee for Aid to China) that would be linked to the government review, but would come up with its own proposals.[307] The LDP did not want to surrender this issue to MOFA, but wanted to keep involved in the outcome of any review. There was clear political reasoning here as the LDP sought to show the voters that it was actively responding to public preferences and were acting as leaders. In addition, it wanted to make sure that the outcome of the review reflected its political preferences. These preferences were a reform of ODA to China, so that projects could not have any military use, and a reduction of ODA, as a sanction against opaque and increasing military expenditures.

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[306] For example, Diplomacy and national defense committee meetings, House of Councillors, March 28, March 30, April 20, May 11, 2000.

[307] "Taichuu ODA, kankyou – jinzai ikusei ni juuten, gaimushou ga kondankai – keizai seichou nado kouryo." *Nikkei Shimbun* 21 May 2000, morning ed.: 2.

In July 2000, MOFA announced it would collect a group of experts, called the "Advisory Group on Japan's Economic Cooperation to China in the 21st Century," for the purpose of reviewing ODA to China. Officially the group was an advisory body to the director general of the ECB. The group was composed of 15 members gathered from the private sector, the media, academia, and NGOs. It was chaired by the former Director General of the Economic Planning Agency, Isamu Miyazaki.[308] It was scheduled to have a proposal by the end of the year and MOFA agreed to decide on a new aid plan to China on the basis of that proposal.[309] MOFA did not commit to a reduction of ODA to China, but merely a change in the content of aid.

Review Goes Forward, as Japan and China Seek to Improve Relations

The review of ODA to China was a focus of attention at every meeting between Japanese and Chinese officials during the summer and fall of 2000, including FM Kono's August meeting in China and the Chinese premier's October visit to Japan. Both the Japanese FM and PM highlighted the necessity of Japanese public support of ODA to China. It appeared to become the mantra of Japanese officials in discussing the review with Chinese officials: "The understanding and support of the Japanese public is indispensable."[310]

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[308] Japan. Ministry of Foreign Affairs. *ODA White Paper 2001*. Tokyo: MOFA.

[309] "Taichuu ODA minaoshi e kondankai (seisaku)." *Nikkei Shimbun* 18 July 2000, morning ed.: 2.; Japan. Ministry of Foreign Affairs. *ODA White Paper 2002*. Tokyo: MOFA.

[310] PM Mori during Chinese premier's visit, quoted in "Shuyouki (Zhu Rongji) shushou, keizaikyouryoku ni shai, nicchuu shunoukaidan." *Asahi Shimbun* 13 Oct. 2000, evening ed.: 1.; Stated in press conference, 17 Oct. 2000. Online. Internet. 28 February 2007. <http://www.mofa.go.jp/announce/press/2000/10/1017.html#2>.

As mentioned earlier, there were serious concerns within MOFA over how China would react to the review, reform, and reduction of ODA. Some in the Japanese government were concerned that the Chinese response would be negative and that it would cause problems in Japan-China relations.

When the Chinese foreign minister was first informed of the review in May 2000, he would not accept a connection between military expenditures and aid. He later told Chief Secretary of the three-party ruling coalition and LDP politician, Hiromu Nonaka, that the connection between ODA and military buildup is "truly regrettable."[311] However, he was sensitive to the opinion of the Japanese public, thanking Japan for ODA and conveying the Chinese government's intention to exert efforts to deepen understanding of Japanese ODA within China.[312] In fact, the Chinese government began to show a real appreciation for the fact that Japanese public opinion was growing increasingly negative towards ODA to China.

In October 2000, the Chinese government held a reception commemorating the 20th anniversary of the start of Japanese ODA to China. The aim was to express gratitude for Japan's ODA. Chief Secretary Nonaka attended the reception. During the ceremony, the Chinese premier applauded ODA for the extensive role it played in Chinese modernization, saying China evaluates Japanese ODA highly and wants to

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[311] "Rekishininshiki de kugi sasu, ODA minaoshi de Nihon oushutsu, Chuugoku gaishou hounichi." *Asahi Shimbun* 12 May 2000, morning ed.: 3.; "Yotou 3tou kanjichou, 29nichi kara hounichi – kokkashusekirato kaidan." *Nikkei Shimbun* 11 May 2000, evening ed.: 2.

[312] *Japan-China Foreign Ministers Meeting: Summary.* 10 May 2000.

express gratitude to the Japanese government and people. He also called ODA one symbol of Japan's policy of friendship towards China.[313]

The discussion continued when the Chinese premier traveled to Japan a few days later. The Chinese premier reiterated what he had said at the anniversary reception, expressing gratitude and saying how much ODA has done for China. In Japan he also highlighted that it had contributed to the promotion of Japan-China relations. The Chinese premier frankly acknowledged that there had not been sufficient publicity of ODA to the Chinese public and he expressed an intention to strengthen publicity of Japanese ODA to China within Japan.[314] At the same time, he requested the "preservation" and "expansion" of ODA to China.[315] In particular, he asked for Japanese cooperation on China's inland development project.[316]

Both the Chinese and Japanese governments were extremely pleased with the premier's visit to Japan. A Chinese spokesman called the visit "a complete success."[317] China had responded to the introduction of the review of ODA to China

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[313] "Shu (Zhu) Chuugoku shushou no kaiken youshi." *Nikkei Shimbun* 9 Oct. 2000, morning ed.: 9.; "Chuugoku no Shuyouki (Zhu Rongji) shushou, rekishi mondai de juunan shisei, 'Nihon wo shigeki shinai." *Asahi Shimbun* 9 Oct. 2000, morning ed.: 3.

[314] "Wadakamari kaishoushi nicchuu kankei saikoushiku wo (shasetsu)." *Nikkei Shimbun* 14 Oct. 2000, morning ed.: 2.

[315] "Shu (Zhu) shushou to socchoku ni hanase, taichuu ODA (shasetsu)." *Asahi Shimbun* 12 Oct. 2000, morning ed.: 2.

[316] "Shuyouki (Zhu Rongji) shushou, keizaikyouryoku ni shai, nicchuu shunoukaidan." *Asahi Shimbun* 13 Oct. 2000, evening ed.: 1.; "Wadakamari kaishoushi nicchuu kankei saikoushiku wo (shasetsu)." *Nikkei Shimbun* 14 Oct. 2000, morning ed.: 2.

[317] "Kansha no kotoba (mado – ronsetsuiinshitsu kara)." *Asahi Shimbun* 23 Oct. 2000, evening ed.: 3.

much as MOFA wished, with gratitude and promises to improve publicity of Japanese aid within China.

Yet, at the same time, the Chinese government continued to refuse to accept the linkage between ODA and military expenditures or activities, and criticized such a connection when given the opportunity. Therefore, in October, prior to his visit to Japan, the Chinese premier stated: "To exert pressure on China using the ODA card is not appropriate. Those people who have that way of thinking do not understand the history of friendship between the two countries."[318]

Asahi published a related editorial on October 12th. It declared that ODA had become an issue that would be discussed on the visit because "there are no big pending problems [between the two countries]." Still, it agreed that it was proper that MOFA conduct a review of ODA to China. However, the reasoning given was that China's financial circumstances had changed drastically over the past 20 years. In addition, it emphasized revision over reduction, reminding people that China is still a developing country with a GDP per capita only 1/50 of Japan's. It also warned against connecting aid and Chinese military activities, saying, "Of course, military expansion is not good, but if you make a lot of noise about China being a threat and connect a drastic cut in aid to China's being a threat, maybe you will only increase regional tension." This editorial reflected MOFA's own sentiment and preferences with regard to the review.

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[318] Quoted in "Chuugoku no Shuyouki (Zhu Rongji) shushou, rekishi mondai de juunan shisei, 'Nihon wo shigeki shinai." *Asahi Shimbun* 9 Oct. 2000, morning ed.: 3.

In an editorial on October 14th, Nikkei called for renewed cooperation with China. It also saw many positive developments in the Chinese premier's visit. In these ways it was much more hopeful than the previous editorials from Nikkei had appeared.

In an editorial on the same day, Yomiuri called attention to public sentiments against aid to China, reinforcing the prime minister's statement that Japanese public support is necessary for the continuation of aid. And it left the reader with a question that continued to emphasize the negative: "What is the purpose of ODA if China has developed through Japanese aid to become a power that increases its military expenditures annually and menaces the region?"

Japanese Politicians Stir Fire,

Despite Diplomatic Efforts to Lower Temperature

Despite the success of the Chinese premier's visit, the political atmosphere towards aid to China continued to worsen. This can be illustrated through an incident occurring in November of 2000. LDP politician Shizuka Kamei proposed a 30% cut of the total ODA budget. Kamei was head of the LDP's Policy Research Council in 1999 and had aspirations to one day be prime minister.[319] Although the proposed cut was for all aid, Kamei explicitly stated his particular concern with regard to ODA to China. He explained his position saying, "There is a sense within the LDP, and among the Japanese public, that there is no connection between aid to China and the

[319] Kamei ran against Junichiro Koizumi for prime minister in 2003.

essential meaning of ODA."[320] He criticized Chinese military expenditures and the assistance that Japanese aid might indirectly provide for China's military expansion. He also implicitly suggested that if China's increasing military strength caused insecurity for Japan, aid to China should be completely withdrawn.

The proposed 30% cut in the ODA budget was a radical proposal that Kamei later called "shock therapy." There was strong opposition from Cabinet members.[321] In addition, the Asahi reported that, in response to the proposal, "MOFA became pale," wondering what such a cut would mean for Japanese diplomacy.[322] The truth was that Kamei wanted to shake things up and change the debate from "should there be a reduction" to "how much of a reduction should there be." He also wanted to get rid of the previous government position that ODA was a "sacred cow" and a necessary diplomatic tool that could not be reduced. He was trying to force MOFA's hand.

The primary outcome was a 3% reduction in the overall ODA budget for 2001,[323] a cut Kamei accepted. The secondary outcome was increased discussion over what to do about aid to China. Kamei continued to insist that the debate was not over and the budget would be slashed further in future years.

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[320] Quoted in "Taichuugoku dousuru (ODA sakugen: ue)." *Asahi Shimbun* 31 Jan. 2001, morning ed.: 13.

[321] "Ikura Kamei san demo ODA sakugen (shasetsu)." *Asahi Shimbun* 12 November 2000, morning ed.: 2.

[322] "Nihon gaikou 'daisan no michi' wa . . . ODA sakugenron taitou, saredo saidai no shudan." *Asahi Shimbun* 31 Dec. 2000, morning ed.: 4.

[323] The Japanese fiscal year is April 1 – March 31, meaning that a reduction in the 2001 budget was implemented on April 1, 2001.

In fact, cutting ODA soon became the suggested solution for every political criticism of China. In February 2001, the controversial governor of Tokyo, Shintaro Ishihara, suggested to the government that the amount spent repatriating Chinese illegal immigrants should be deducted from ODA to China. He purported that groups of Chinese illegal immigrants were becoming a type of mafia conducting systematic illegal activities in Tokyo.[324] In April, an unnamed parliamentarian was quoted in the Asahi Shimbun as saying that "When China complains [about safeguards], we should reduce ODA." And, if there is Chinese retaliation with regard to safeguards, "we should end yen loans to China." This suggestion was repeated and promoted by other politicians.[325] In July, the Asahi reported a source close to the PM suggesting that if China aggressively pressured the PM to stop visiting the Yasukuni shrine honoring Japan's war dead, Japan would stop ODA to China.[326] Finally, in November, a member of the House of Representatives, Yoshiko Sakurai, declared that Japan should cancel or freeze ODA to China if the country continues the oppression of Tibet.[327] These examples illustrate the increasing ease with which Japanese politicians talked about using ODA as a negative sanction against China. This was whether the topic was Chinese illegal immigrants, safeguards, the Yasukuni shrine, Tibet, or any one of a score of other criticisms.

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[324] "Soukanhibun, ODA heraseba? Chuugoku fuhounyuukoku mondai de Ishihara chiji teian e." *Asahi Shimbun* 24 Feb. 2001, morning ed.: 37.

[325] "Chuugoku wo neraiuchi? (kishaseki)." *Asahi Shimbun* 26 April 2001, morning ed.: 4.; "Nashonarizumu miegakure (Nihon no yokan 'kaikaku' no hikari to kage:2)." *Asahi Shimbun* 8 July 2001, morning ed.: 1.

[326] "Omoi yakusoku, Tanaka gaishou ni shounenba 'sanpai chuushi wo shushou ni shingen" seikoku mondai." *Asahi Shimbun* 28 July 2001, morning ed.: 4.

[327] Commission on the Constitution #5, House of Representatives, November 30, 2000.

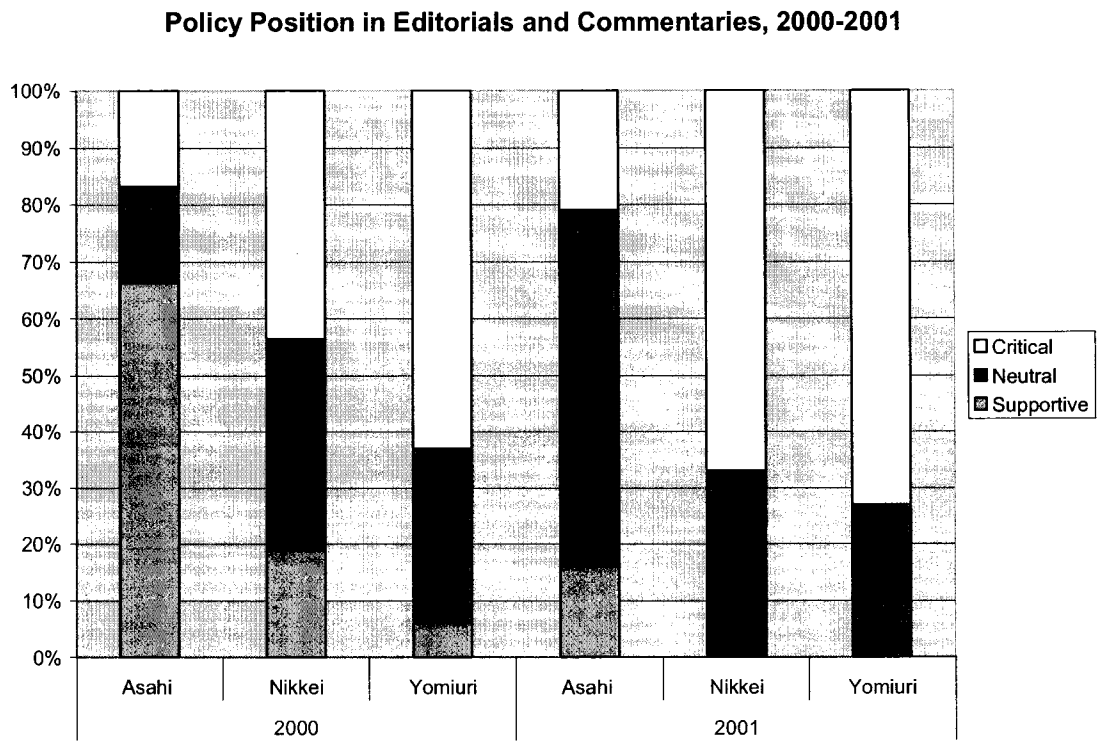
Self (2002/2003) explains that "Outright anti-China sentiment has become increasingly mainstream among Japanese politicians. Japanese leaders are increasingly likely to back Taiwan, pay tribute at the Yasukuni shrine, and call for a sterner approach toward China, including further cuts in aid" (80). Such strength and diversity in political remarks against ODA to China has no equal in the twelve years of this study.

The Role of the Media in Focusing and Reflecting Public Attention

In discussing the role of the media in the 2000/01 reform and reduction of ODA to China, many emphasize the role of the conservative Sankei Shimbun and its so-called "media campaign" against ODA to China, spearheaded by Yoshihisa Komori.[328] However, these sentiments became widespread in the media. Even the liberal Asahi gradually became less supportive and more negative towards ODA to China, as it was influenced by increasingly negative public sentiments.

[328] Author's interview November 11, 2003. (#50)

Figure 21



Note: "Critical" refers to critical of ODA to China.

In 2000, the liberal Asahi continued to emphasize the positives of the bilateral relationship and the need to continue ODA to China, while the conservative Yomiuri emphasized the negatives and the reasons to cut or end aid. Nikkei continued to be in the middle of the road, although more critical than it had been previously. Editorials in each of the newspapers, following the announcement of the new Advisory Group, is illustrative of this point.

In late August 2000, a month after MOFA announced its team of experts who would provide suggestions for the reform of ODA to China, FM Kono went to China. This

was immediately preceded by an editorial in the liberal Asahi discussing what Japan-China relations should be like in the 21st century. Asahi warned about overreacting to Chinese naval activity in Japanese waters and criticized the harsh words of politicians who threatened yen loans. The newspaper called for a calm response to China.

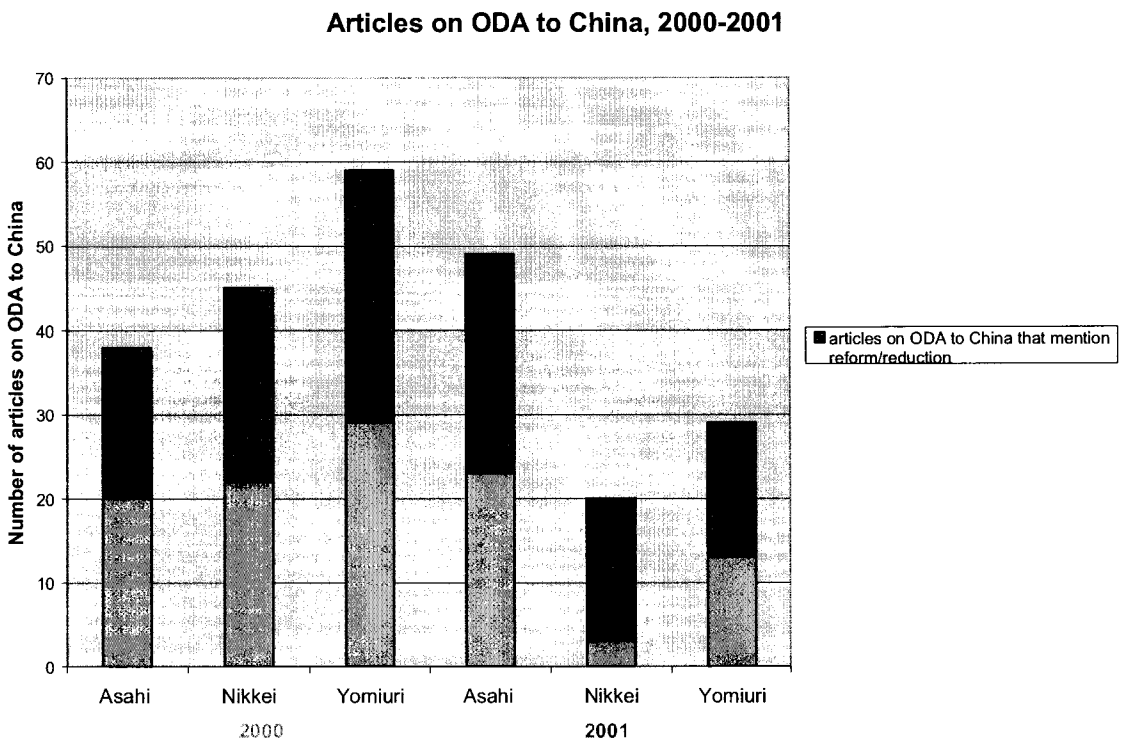
The next day the more conservative Nikkei published an editorial that discussed the same issues, but emphasized the negative in Japan-China relations. It mentioned failures within Japan that had led to the deterioration of relations. In particular, it criticized the content of ODA to China, calling for a change of focus from infrastructure to technical training and cooperation in areas such as market economy and the environmental field.

The subsequent day was Yomiuri's turn to put their spin on the issues. In an editorial on the day that FM Kono arrived in China, Yomiuri referred to the suspicious maritime activities of China and the potential impact it would have on economic cooperation. They also made an explicit connection between the review of ODA to China and Chinese increasing military expenditures, citing the ODA Charter.

Two days later Nikkei again published an editorial related to Japan-China relations and mentioning ODA. Although seeing some progress due to FM Kono's visit to China, the editorial pointed out the remaining problems in the relationship. It called on the government to quickly proceed with the review of ODA to China.

However, from 2000 to 2001, the trend in newspaper coverage was for editorials and commentaries from all newspapers to become increasingly critical of ODA to China. The biggest change was seen in the Asahi Shimbun. The Asahi went from 67% of its editorials and commentaries that mentioned ODA to China being supportive to only 16% being supportive. Critical articles only increased from 17% to 21%, but neutral articles increased from 17% to 63%. Nikkei decreased its supportive articles from 16% to zero, while increasing its critical articles from 44% to 67%. Similarly, Yomiuri decreased its supportive articles from 6% to zero, and increased its negative articles from 63% to 73% of all editorials and commentaries that mentioned ODA to China.

Figure 22



In terms of the volume of coverage, in 2000, Asahi published 38 articles that mentioned ODA to China, 18 of which specifically referred to the issues of reform and reduction. Nikkei published 45 (23 of them on reform/reduction). Yomiuri published 59 (30 of them on reform/reduction). The coverage of ODA to China was even greater in 2000 than during the peak of the nuclear crisis in 1995. In 2001, this coverage was generally reduced. In 2001, Asahi published 49 articles that mentioned ODA to China, 26 of which specifically referred to the issues of reform and reduction. Nikkei published 20 (17 of them on reform/reduction). Yomiuri published 29 (16 of them on reform/reduction). This reduction in coverage from 2000 to 2001

can be explained by the fact that by 2001 the reform, and even reduction, of ODA was well underway. In this way, the character of news coverage was similar to that during the 1995 nuclear test case. Coverage was high in May 1995, but relatively low in August 1995, once politicians were united on the side of sanctions against China.

Review Proposals Published

MOFA had promised a proposal for the reform of ODA to China by the end of 2000 and they kept to this schedule. However, the LDP beat them to the punch.

In mid-December the LDP made public their proposal for the review of ODA to China, called the Summary of and Guidelines for Economic Assistance to China. It explicitly called for a reduction of aid to China, although the amount was not specified.[329]

Immediately following this, on December 18, MOFA's group of experts submitted its proposal on aid to China to FM Kono. One important element of the proposal was the explicit connection between aid and military activities, bringing attention to the ODA Charter. The report declared that: "It is necessary to be careful such that we do not increase the military might [of China]."[330] In addition, the proposal pointed out various criticisms that had been leveled against aid to China by the Japanese public,

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[329] Taichuu ODA gengaku fukume minaoshi (daijesuto)." *Nikkei Shimbun* 15 Dec. 2000, evening ed.: 2.

[330] "'Gunjiryoku kyouka ni chuui hitsuyou' taichuugoku ODA de gaimushou no kondankai da teigen." *Asahi Shimbun* 19 Dec. 2000, morning ed.: 4. ; "Gaimushou kondankai, taichuu ODA gengaku – naikyoukaihatsu ni juuten." *Nikkei Shimbun* 19 Dec. 2000, morning ed.: 2.

with the intention of addressing those criticisms in the new aid plan. The anti-aid arguments mentioned included the following: aid is contributing to Chinese military might, China is a kind of vested interest, and Japan's aid is not known within China. The content of this proposal was clearly influenced by the public and political arguments that had been made against ODA to China as it included and responded to those criticisms that had been voiced in Diet sessions, in public opinion polls, in the media, etc. It was not the ideal proposal that MOFA had discussed when the review first began in early 2000.[331]

In terms of the amount to be given, the report declared that judgment about funding should be made on a case-by-case basis and should not use previous aid awards as a guide to future aid awards. Since traditionally one major factor in deciding on aid amounts to China was previous amounts (as well as being one rationale that had been given earlier by MOFA as to why the amount of ODA to China could not be reduced), this was an important proposed reform for those who wanted to see a reduction. In terms of content, the committee also proposed that the focus of aid be moved from social infrastructure to environmental conservation, inland welfare improvement, human resource training, and technical cooperation. [332]

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[331] As discussed earlier, MOFA had emphasized increased efficiency and effectiveness in serving the needs of a developing China. Although some of the items discussed in the review can be connected to these objectives, the connection with Chinese military expenditures cannot.

[332] "'Gunjiryoku kyouka ni chuui hitsuyou' taichuugoku ODA de gaimushou no kondankai da teigen." *Asahi Shimbun* 19 Dec. 2000, morning ed.: 4.; *ODA White Paper 2002.*

The precisely expressed connection between a review of aid to China and Chinese military activities was probably the most striking and potentially controversial item in the proposal. It clearly reflected what was going on in the public, political, and media discourse. However, after the release of the proposal, MOFA sought to downplay any impression of sanctions due to Chinese military activities (or for any other reason) and stated that there was no intention to punish China through the review and reform of ODA but rather to improve "focus and efficiency overall."[333] This had been MOFA's objective in conducting a review since as early as 1995 when the discussion of a future review was just beginning. This had not changed.

As long as the Japanese government continued to emphasize the economic and financial rationale for the review, as well as place the review within the context of an overall review of Japanese ODA, China accepted the review. When the Japanese government placed the reduction in the context of Japan's own economic troubles, the Chinese government had no choice but to accept, and no problem with accepting, the Japanese decision with respectful regret. So, in January 2001, the Chinese finance minister called the reduction "regrettable," but then said, "[As the reduction is not solely targeted at China] we respect the decision of the Japanese government."[334] In September 2001, the Chinese ambassador declared that China does not object to a reduction of yen loans if the reason is Japan's financial difficulties.[335]

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[333] "Ookura genan, kouzoukaikaku kewashii michi – saishutsu, keizaikyouryoku, ODA 3% mainasu." *Nikkei Shimbun* 20 Dec. 2000, evening ed.: 2.

[334] "Chuugoku zaiseishou, 'zannen da' Nihon no ODA sakugen." *Asahi Shimbun* 9 Jan. 2001, morning ed.: 8.

[335] "Zaiseinan nara enshakkan sakugen 'OK'? Chuugoku taishi ga 'izonnai.'" *Asahi Shimbun* 1 Sept. 2001, morning ed.: 4.

This also reflected the Chinese government's choice to accept the MOFA rationale for and explanation of the reduction, as opposed to some of the more anti-China sentiments within political circles that had originated the push to reduce ODA to China. This was as both governments sought to improve bilateral relations, even amidst negative sentiments toward the other among public and political circles.

Instead of worrying about the reduction of aid, the Chinese government stressed the need to continue a stable amount of aid (even at a reduced level) and improve the content of aid. [336] Their agreement and flexibility on these points revealed their desire to improve the Japanese public's view of aid to China and secure a continuation of aid. In a way, they were working together with MOFA in this.

MOFA's New Plan for ODA to China

PM Mori resigned in April 2001, with low popularity. He was succeeded by LDP maverick Junichiro Koizumi, who became prime minister as a result of widespread public support. During the tenure of the Koizumi administration, there were divisions within the party on many issues of policy and reform.

The Koizumi administration was also witness to a crisis within MOFA as FM Tanaka both tried to shake up MOFA and was at the forefront of conflicts between the

[336] "Nihon no ODA sakugen ni Chuugoku koukan ga rikai." *Asahi Shimbun* 5 Feb. 2001, morning ed.: 2.

bureaucracy and the political world. She had confrontations with Diet members on the use of funds, the leak of diplomatic information, and ODA policy.[337]

In 2001 there was an upper house election. The LDP won 65 seats. New Komeito won 13 seats. The nearest competitor to the LDP, DPJ, won 26 seats.[338] This was a victory for the LDP.

It was expected that the MOFA plan based on the proposal of the Advisory Group on Japan's Economic Cooperation to China in the 21st Century would be ready by March 2001. However, continued opposition to aid to China in political circles, particularly within the LDP, caused delays in creating a plan that would be acceptable to the ruling coalition. Finally, on October 22nd, after consultations with the LDP, MOFA officially presented its new Economic Cooperation Program for China. Of particular interest for the purpose of this study, the new aid plan explicitly mentioned Chinese military activities.

The new aid plan changed yen loans from multi-year to single-year commitments. Since China had been the only special case that received multi-year commitments, this made aid to China just like aid to other recipient countries. The target of aid would move from coastal infrastructure to poverty countermeasures and environmental policy such as water resource management and forest preservation. However, the two most important features of the new plan were the following. First,

[337] Author's interview June 3, 2004. (#23)

there would be a reduction of ODA to China (although no numerical target was indicated). Second, MOFA would convey to China the anxiety of the Japanese people in increased Chinese military expenditures. These are the two points on which the pro-aid bureaucrats and anti-aid politicians had initially disagreed. The plan reflected the preferences of the politicians.

At the same time as MOFA was trying to limit the fallout in Japan-China relations with regard to the review, they were trying to reduce the likelihood that the review would lead to large-scale reductions. Therefore, they turned their attention to public relations within Japan. MOFA was reported as comparing ODA to "herbal medicine" and emphasized the usefulness of ODA for Asian peace and stability. [339]

The 2000 ODA White Paper, which was released in March 2001, showed MOFA's awareness of public criticism, but maintained the intention to continue aid to China, declaring "Japan has a deep political, economic, cultural connection with Asian countries such as China...It is in Japan's interest to ensure their stability and prosperity." The report stated that MOFA was giving serious consideration to criticism of aid to China that was based on China's high economic growth and increase in military expenditures, as well as the activities of China's navy. It asserted that the government would give aid such as it agrees with Japanese national interests and receives the support and agreement of the Japanese people. The purpose of this section of the document was to both increase support for Japanese ODA to China and

[338]For elections results see http://www.economist.com/countries/Japan/profile.cfm?folder=Profile%2DPolitical%20Forces.

show government (bureaucratic) responsiveness to public opinion. I will explore this objective of MOFA's in greater depth below.

Responses to the New Plan

One day after MOFA's new plan for aid to China was released, Yomiuri published an editorial congratulating the government on finally forming a concrete plan, including a large-scale reduction. They also supported the content of the reform. However, significantly, they continued to emphasize Chinese military expansion and entreat the government to threaten aid sanctions (withdrawal of ODA) if China did not use restraint in its military acceleration.

A couple of days later Nikkei also wrote an editorial supporting the new plan. They heralded it as including "every aspect of proposals and criticism related to aid to China." However, they acknowledged that the Japanese public continued to be critical of aid to China. And they asked the important question: "until when?" Until when will Japan continue aid to China?

At the end of the month Asahi too put their stamp on the issue. They generally supported the new plan for aid to China and they accepted the reduction. They admitted that China should not indefinitely have the largest aid amounts next to Indonesia, given China's successful path to development.

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[339] "Nihon gaikou 'daisan no michi' wa . . . ODA sakugenron taitou, saredo saidai no shudan." *Asahi Shimbun* 31 Dec. 2000, morning ed.: 4.

Despite the general approval of the government plan in the press, it was also apparent that the issue was not over. The utility and appropriateness of aid to China would continue to be debated in the media and among the public. In contrast to the nuclear case, there was no sense of putting this issue to bed, of closure. Instead, these final editorials of 2001 asked important questions about the future.

Politicians did not stop asking questions either. Even after the acceptance of the Economic Cooperation Program for China, political voices were raised questioning the future of ODA to China, given nuclear weapons, expanding military activities, conflict over the Senkaku Islands, and disagreements over school textbooks.[340] Takeo Hiranuma, Minister of Economy, Trade, and Industry, responded to these questions in the House of Councillors by emphasizing how the new aid plan for China would be based on the idea that "we should give aid that receives the understanding and support of the Japanese people" and that adheres to the four principles of the ODA Charter.[341]

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[340] Economy, Trade, and Industry Committee meeting, House of Councillors, October 30, 2001.

[341] Ibid.

MOFA Changes Its Focus

Bureaucratic Responses to Public Unease

We have seen continued efforts on the part of MOFA to respond to the questions and concerns of the public, particularly as voiced by politicians and through the media. As one MOFA official explained,

> In light of pressure, we have revised aid programs to China recently. We won't allocate to industrial and coastal areas. The environment is important because it affects Japan. The "yellow sand" phenomenon brings sand from the Gobi Desert to Japan. Another concern is infectious diseases. Japan wants to mitigate the risks. This is understood by the Japanese people. We are concentrating on the environment and health issues. This is to avoid further cuts in ODA to China. I don't know how China would react if Japan totally ended all aid. There's a Japanese saying: end of money, end of relations. We cannot cut the entirety of ODA to China.[342]

Even prior to 2000 it was apparent that MOFA was fearful of what negative public opinion meant for the future of ODA as a diplomatic tool. One MOFA ECB official commented that, "[From the late 1990s], negative public opinion [with regard to ODA] concentrated on China...MOFA has a web page that asks for comments or questions from the public. From this page, we have seen mainly negative opinions of ODA to China. This is direct evidence that public opinion is negative. MOFA is very aware of public opinion."[343] Of course, it is not direct evidence that public opinion is negative since there is self-selection in who chooses to log onto the web site. People are more likely to criticize a policy than write in to express their support for the status quo, especially if that support is mild. Still, it is important that MOFA officials saw it as such and responded in kind.

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[342] Author's interview May 27, 2004. (#22)

In 1999 MOFA began an ODA Private Monitor System that allowed citizens to see ODA with their own eyes. Katada (2002) explains the origin of this system as a result of media criticism (339-341). In 2000 a total of 104 people visited 10 Asian countries, including China. The participants' report was posted on the MOFA web page to expand the program's publicity and create the widespread impression that MOFA was responding to citizen opinions and complaints with regard to ODA.[344] The tours were described by one MOFA official as public relations campaigns where the Japanese delegation is greeted by crowds of local people waving Japanese flags.[345]

This is only one example of MOFA's attempts to sway Japanese public opinion. In 2001 MOFA began town hall meetings on ODA, with the stated objective of hearing the opinions of citizens. In a town hall meeting in Kobe in August 2001, criticism of aid to China followed one after another. MOFA official Norio Nishikawa, one of the meeting participants, tried to highlight the positives of ODA to China.[346] Meeting participants were not only MOFA officials, but stars of popular culture. This created a buzz and gathered crowds. MOFA officials then had a large audience to which to

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[343] Author's interview June 3, 2004. (#23)

[344] "ODA minkan monitaa katsuyaku – enjo no yukue shimin no me (kurabu 2000)." *Nikkei Shimbun* 4 Nov. 2000, evening ed.: 5.

[345] Author's interview, June 16, 2004. (#25)

[346] "Taichuu ODA e no hihan aitsugu, koubeshishi de shimin taiwa." *Asahi Shimbun* 27 Aug. 2001, morning ed.: 7.

publicize successful programs and try to persuade the public to support those programs.

MOFA officials described additional attempts to influence public opinion, such as documentaries on ODA paid for by MOFA and aired on NHK.[347] MOFA even created an e-mail address for opinions on ODA reform (ODAkaikaku@mofa.go.jp).

Public relations activities have reached schools as well. As one MOFA official described, "We are trying to actively introduce development education in schools, in elementary, junior high, and high schools. This is very important. The Ministry of Education is involved with this."[348]

As a summary of all these activities, one MOFA ECB official explained: "There are certain key words we use in ODA right now: strategic use, due to decreased budget, efficient use, more public participation. [The three pillars are] ODA is working and necessary, encourage broader public support, and work with NGOs...Take one away and the whole building falls."[349]

MOFA's PR and education activities illustrate how important they view public opinion. Since the MOFA bureaucrats are not elected officials, their interest in public opinion cannot be for the purpose of capturing votes. Instead, it is to create a

[347] Author's interview, June 16, 2004. (#25)

[348] Ibid.

[349] Author's interview June 3, 2004. (#23)

constituency that supports their activities, as Katada discusses. Such a constituency is essential because it wards off political pressure on and encourages political support of MOFA. MOFA's having dedicated so many resources and so much time to public preference formation reveals the significance with which they view public opinion in shaping political preferences and in impacting the likelihood that politicians will intervene in foreign policy. MOFA PR activities are not aimed directly at politicians, but, rather, at voters. Yet, their indirect goal is to influence political preferences.

From 1999 on, we witness MOFA making concerted efforts to try to change Japanese public opinion for the purpose of alleviating the political pressure they felt. Public opinion was altering the political debate and the ability for MOFA to achieve their preferred outcome with regard to ODA to China. Therefore MOFA sought to manipulate public opinion back in favor of ODA. This is as my hypotheses with regard to the bureaucracy and the public expected. As public and bureaucratic preferences diverged, in relation to ODA to China, the bureaucracy took concrete actions aimed at influencing domestic public opinion.

Bringing Business Back In

Importantly, one MOFA ECB official stated that one aspect of public opinion is business opinion, so they are trying to get business support back as well. "Business is part of public opinion. If business does not support our efforts, we have

problems."[350] Others have argued another aspect of this connection as well, saying, "If there are business benefits then the people can understand."[351]

In fact, rather than ODA policy being a product of business preferences, as some scholars have argued, MOFA is making serious attempts to increase business interest and stakes in ODA to China and elsewhere. One way in which they have done this is in retying some environment-related projects to Japanese business procurement.[352] Still, Japanese industries involved in such projects maintain that, given the investment opportunities in China, ODA is not a significant portion of their activities in China.[353]

Conclusion

As expected, the divergence of preferences between the public and MOFA, as the public became increasingly negative towards ODA to China, preceded the policy change in 2001. Politicians responded to this popular issue among the public by becoming increasingly assertive and outspoken against ODA to China, while threatening MOFA with failure to pass the budget if they did not take political concerns seriously. Business had become engaged elsewhere in trade and investment, lending slight voice to the debate. This was while the media largely supported and promoted negative public sentiments. By 2001, we see that all the

[350] Author's interview October 4, 2004. (#22)

[351] Author's interview November 17, 2003. (#29)

[352] Author's interview with JBIC official. (#18)

[353] Author's interviews with Japanese businessmen.

newspapers studied had become more critical of ODA to China, despite differences in their ideological stances.

MOFA had long known that a review of ODA would become inevitable. It also knew that there was the possibility that such a review would lead to a reduction of ODA to China. This was not MOFA's first preference, but it was accepting of a reduction as long as that reduction had the understanding of the Chinese. However, politicians forced the issue to become one of confrontation. The link between aid and Chinese military activities was sure to enrage the Chinese. Even as political relations worsened, Japanese politicians continued to make statements that revealed nationalistic, anti-Chinese sentiments. They began to explicitly or implicitly threaten China with a suspension of aid whenever China behaved in a way they did not like. This ranged from Chinese vessels in Japanese coastal waters to Chinese protests over PM Koizumi's visits to the Yasukuni shrine. This put MOFA in an awkward position as it strained to respond to political pressures while trying to limit the negative impact on Japan-China relations.

As expected from my hypotheses, one of the primary strategies of MOFA was to try to sway Japanese public opinion. It increasingly engaged in ODA public relations activities, from ODA trips abroad for Japanese citizens to development education in schools. This was with the intention of reducing political pressure, which it knew to be a product of public opinion.

Chapter 7: Conclusion

Overview of Argument

Since the inception of Japan's ODA program, Japanese politicians have generally delegated aid policymaking authority to bureaucrats. As long as political and bureaucratic preferences converged, it was in the best interests of politicians to provide bureaucrats with a large degree of discretion in policymaking. This is due to the fact that career bureaucrats have some degree of specialization through training and experience, which develop their expertise in certain policy areas. Given that the policy areas that fall within the government's domain are vast, diverse, and complex, politicians do not have the ability to be experts on all of them. Thus delegation is time and cost efficient. This is true as long as politicians can rely on bureaucrats to implement policies that coincide with their own preferences; in particular, the preference to get reelected. In Japan, a long-time dominant party, which used the bureaucracy as its virtual staff, made it more likely that politicians would allow bureaucrats a large degree of discretion in policymaking.

On the other hand, when political and bureaucratic preferences diverge, politicians will limit bureaucrats' abilities to choose their own policy options, through ex ante and ex post mechanisms of control, such as writing legislation, refusing to pass the budget, or removing chances for future promotion or other advancement in one's bureaucratic career. Political and bureaucratic preferences come to diverge when

political preferences are influenced by changes in public preferences. Public preferences are most influential when politicians are facing electoral uncertainty and are not closely tied to special interests. The media can play a number of different roles, influencing how politicians, bureaucrats, the public, and business interact.

In the case of Japanese aid to China, public preferences shifted dramatically in the 1990s, as public sentiment grew increasingly critical of a policy of awarding aid to a country that was conducting nuclear tests, increasing military expenditures, expanding its military activities, and growing economically at an incredible rate. While the media supported and promoted this public mood, the Japanese business sector no longer received substantial benefits from ODA to China and, therefore, would not make significant efforts to lobby the government in favor of ODA. Under the circumstances of volatile voting patterns and an electoral system that called for greater attention to policy issues, politicians became more responsive to such public preferences and acted to ensure that policy outcomes were generally in accordance with those preferences.

Summary of Findings

My first hypothesis (H1a) was that when political and bureaucratic preferences converge, we should expect to see a continuation of political delegation of aid policymaking duties to the bureaucracy. The 1989 Tiananmen Square Incident was the one case where preferences between politicians and bureaucrats converged. Both

supported a measured response. However, both also had to be responsive to outside parties that were calling for some degree of a more assertive response. For the bureaucrats, this was the Western governments. For the politicians, this was the Japanese public. While the politicians continued to delegate aid policymaking authority to bureaucrats, they served as a bridge during the crisis, when full engagement between Japan and China was not possible. Most visibly, they acted as a bridge by organizing and participating in delegations to China.

My second hypothesis (H1b) was that when political and bureaucratic preferences diverge, we should expect to see limits placed by politicians on bureaucratic discretion in aid policymaking. Limits that can be placed by politicians on bureaucratic discretion include the writing of legislation or regulations, threats to hold up passage of the budget, and agenda setting (determining issues for public legislative debate).[354] The two incidences of divergence in this study are the 1995 nuclear case and the 2000 reform and reduction case. Prior to either of these cases, as preferences between politicians and bureaucrats began to diverge with regard to ODA in general, limits were placed on bureaucratic discretion through the creation of the ODA Charter. The ODA Charter was then cited by politicians during the evolution of each of these crises. A further ex ante incentive used in each of these cases was the threat by parliamentarians that they would not pass the budget, if their preferred policy was not implemented with regard to ODA to China. Finally, by keeping the debate open

[354] This last example shows how politicians can reign in bureaucrats by utilizing their right to publicly raise issues with and question government officials during Diet sessions. By determining what is on the agenda, politicians can increase bureaucratic transparency and mold policy issues.

in Diet sessions, particularly through repeated questioning of the Foreign Minister and other government officials, politicians forced bureaucratic responsiveness.

My third hypothesis (H2a) was that we should expect to see political behavior follow that of public preferences. This occurred in each of the three cases, as political action was preceded by public protest, as reflected in the media, in public opinion polls, at town hall meetings, and through government web sites. However, the degree of political responsiveness depended both on politicians' electoral prospects and on the strength of the public sentiment. In the Tiananmen case, political messages that condemned the actions of the Chinese government were sufficient to quiet a disillusioned Japanese public. After 1993, electoral uncertainty was a more prominent feature of Japanese politics. The loss of the long-time majority party (the LDP), electoral reform, and efforts by Shinshinto and later the Democratic Party of Japan to create a two-party system, all enhanced the atmosphere of uncertainty (and opportunity). In the nuclear case, politicians were relatively slow in joining the criticism against aid to a nuclear testing China, until public opinion, especially as reflected through the media, became quite harsh. Then political voices were raised in protest until a freeze of grant aid was implemented. That policy decision received 69% of the public's support, according to a poll in the Yomiuri Shimbun. In 2000, politicians intervened to push through a review of ODA to China that resulted in reform, reduction, and an explicit connection between Chinese military practices and cuts in ODA. Politicians became increasingly willing to threaten ODA to China for Chinese behavior, as a way of demonstrating leadership and strength to their

constituents, who were becoming increasingly critical of aid to a China that was emerging as an economic and military power.

My fourth hypothesis (H3a) was that, prior to any policy change, we should expect to see a divergence between the preferences of bureaucrats and the preferences of the public. We observe this in each of the cases, although to differing degrees.

Throughout these periods of study, MOFA's continual preference was the maintenance of economic engagement with China. This was slightly skewed in the Tiananmen case when two preferences – economic engagement with China and policy coordination with the industrialized democracies, especially the U.S. – conflicted. However, MOFA was able to overcome this difficulty through speech and actions that showed deference to each priority.

On the other hand, public opinion was more likely to change over time. The public wanted a more assertive response by the Japanese government to the Chinese government after the Tiananmen Massacre. Their primary concern was the Chinese people. However, they did not favor the isolation of China. For both these reasons, they did not desire a freeze of ODA, even during those early days of the crisis. In 1995, the minimum that the public wanted was a cut in grant aid to demonstrate dissatisfaction with China's nuclear tests. However, with the second nuclear test that year, the public clamored for more. In 2000, the public sought reform and reduction of ODA to China. A cut in ODA and an explicit connection with Chinese military

expenditures and activities was their real objective. Therefore, only in the first case did the public generally support government policy. In the later two cases, the public sought policy change and this is what was achieved.

My fifth hypothesis (H3b) is that as public and bureaucratic preferences diverge, we should witness increasing efforts by the bureaucracy to influence the public through its own public relations. In 1989 and 1995 MOFA had similar responses to public criticism. It simply restated its traditional positions with regard to ODA to China, Japan-China relations, and Asian stability. This was more effective in 1989, when public sentiment was less incensed and less likely to alter political preferences. However, by the late 1990s, it had become clear to MOFA that if it wanted political support, it was going to have to earn public support. Interviews with MOFA officials support this claim, as do MOFA's actions. MOFA's public relations activities proliferated in the late 1990s. This included everything from elementary education to trips abroad to visit ODA sites to an emphasis on the importance of "public participation" in ODA activities. Related to this argument, I hypothesized that we should witness active efforts by the bureaucracy to influence the public through the media. One form that this has taken is documentaries.

My seventh hypothesis (H4a) is that as long as Japanese access to Chinese business opportunities relies on ODA, we should see significant business lobbying to continue the policy of engagement with China through ODA. On the other hand, as business opportunities rely less on ODA, we should see less lobbying. This was clearly

apparent as we compare the Tiananmen case with the nuclear and reform/reduction cases. Japanese business relied much less on ODA after China's reforms in 1992. As expected, lobbying was significant in 1989, but relatively absent in 1995 and 2000.

My eighth hypothesis (H4b) was that as long as Japanese economic growth is positively impacted by Japanese companies gaining access to China through ODA, we should see significant political support for ODA. Once again, after 1992 this was much less of an issue. Japanese business no longer needed Japanese ODA to gain access to China. Therefore, the economic impact on Japanese business of the freeze of grant aid in 1995 and the reduction of ODA in 2000 was minimal. Political support for ODA to China had also dwindled.

My ninth hypothesis (H5a) is that we should expect to see the volume of media coverage impact the level of political intervention in proportion to the volume of said coverage. Low volume should elicit a minor political response; high volume should elicit a larger political response. As expected, the volume of coverage was highest during the cases that received the most political attention. Comparing across cases, there were 54 more articles on ODA to China during the nuclear crisis than during the Tiananmen crisis. The level of political intervention was also much greater during the nuclear case. (The 2000 case is difficult to compare with the others, with regard to volume of coverage, because the time period was much longer.) When examining volume of coverage within each case, we see that the volume was highest immediately preceding the period when politicians were most vocal against ODA to

China. Focused political attention followed the articles, rather than the other way around. Finally, in the minutes of Diet proceedings throughout my three case periods, the content of media coverage on issues was often mentioned by politicians, to what seemed to me a surprising degree (despite my hypothesis). In particular, it was used as the basis for questions being directed at government officials.

My final hypothesis (H5b) is that we should expect the policy positions of the papers to reflect their political stance. This means that the leftist Asahi Shimbun would have a liberal slant on the issues; the rightist Yomiuri Shimbun would have a conservative slant on the issues; and the middle-of-the-road Nihon Keizai Shimbun would be more impartial. These differences across newspapers were as expected, given the ideological position of each newspaper. The left-leaning Asahi had the largest percentage of articles supportive of ODA to China. The middle-of-the-road Nikkei had the greatest percentage of neutral articles and the closest balance of critical and supportive articles among the three newspapers. However, when comparing across cases, the difference in policy position during the nuclear crisis and the Tiananmen crisis could hardly be more dramatic. Asahi, Nikkei, and Yomiuri were all five times more likely to be critical in the nuclear case. Comparing the nuclear and reform/reduction cases, which case received more critical reporting depended on the newspaper. Yomiuri was more critical of ODA to China during the 2000-2001 period. Asahi was much more critical of ODA to China during the 1994-95 period. This was a reflection of changing public sentiment, as well as a shifting relationship between the government, on the one hand, and the public and media, on the other.

Implications

What are the implications of this research for the study of Japanese policymaking? I argue that the findings of this dissertation have larger implications in terms of our understanding of the role of the public and the role of the politician in Japanese policymaking.

First, public sentiments are an important factor in understanding political stances, even on foreign policy issues that do not impact the daily lives of Japanese citizens. Having realized this, MOFA continues to make efforts to win over public opinion, particularly with regard to ODA.

Second, this study illustrates that a strong prime minister is not required for there to be political intervention. When legislators are facing electoral uncertainty or electoral opportunities (because of the electoral uncertainty or failures of others), this research suggests that they will assert themselves on issues that have promise to improve their fortunes. In fact, weak prime ministers, often with short tenures, were an important factor in opening up this space for political entrepreneurs within the legislature to push for policy change. ODA to China was the policy of choice because of negative public opinion that was reflected in and promoted by the media. It was also the policy of choice because criticizing ODA to China was virtually a no-lose situation

for legislators, as business developed much less of an interest in that aspect of economic relations with China.

Third, the three cases further reveal that those politicians who were the most assertive in putting forth a critique of the status quo, seemed to be those with greater political ambitions, such as Shizuka Kamei and Shinzo Abe. The cases also illustrate that those parties that pushed most forcefully for more aggressive policies in 1989 and 1995 tended to do well in the next elections. For example, Komeito in 1990 and Shinshinto in 1995.

What are the implications of this study for more general theories of policymaking and principal-agent relationships? I argue that this study supports the expectations of principal-agent theory in terms of the mechanisms that politicians will use to reign in bureaucrats (such as threatening not to pass the budget) and the timing of the utilization of those mechanisms (when political and bureaucratic preferences diverge). It also supports those who argue that Japanese politics can be placed into a generalizable theory, such as principal-agent theory, where there are assumptions (such as the preferences of politicians to get reelected) that hold across cases and across countries.

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Appendix A

List of Acronyms

APEC	Asia Pacific Economic Cooperation
CTBT	Comprehensive Test Ban Treaty
DAC	Development Assistance Committee
DPJ	Democratic Party of Japan
ECB	Economic Cooperation Bureau
EEZ	Exclusive Economic Zone
EPA	Economic Planning Agency
FDI	Foreign Direct Investment
FM	Foreign Minister
GNP	Gross National Product
JBIC	Japan Bank for International Cooperation
JCP	Japan Communist Party
JICA	Japan International Cooperation Agency
JSP	Japan Socialist Party
LDP	Liberal Democratic Party
METI	Ministry of Economy, Trade, and Industry
MITI	Ministry of International Trade and Industry
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MP	Member of Parliament
NGO	Nongovernmental Organization
NHK	Nippon Housou Kyoukai
NPT	Nuclear Nonproliferation Treaty
ODA	Official Development Assistance
OECF	Overseas Economic Cooperation Fund
OTCA	Overseas Technical Cooperation Association
PM	Prime Minister
PRC	People's Republic of China
SDP	Social Democratic Party
SNTV	Single Nontransferable Vote
WMD	Weapons of Mass Destruction
WTO	World Trade Organization

Appendix B

List of Interviewees

Interviewee #	Position	Affiliation	Interview Date
1	Banker	Mizuho Corporate Bank, China Business Promotion Division	August 10, 2004
2	Banker	Shinsei Bank	July 1, 2004
3	Businessman	Investment Advisor	July 13, 2004
4	Businessman	Japan Foundation	August 9, 2004
5	Businessman	Keidanren	August 6, 2004
6	Businessman	Marubeni Trading Company, formerly	July 9, 2004
7	Businessman	Mitsubishi Corporation	July 28, 2004
8	Businessman	Mitsubishi Heavy Industry, retired	August 17, 2004
9	Businessman	NEC Corporation	August 11, 2004
10	Businessman	NEC Corporation	August 11, 2004
11	Businessman	Nippon Steel, formerly	August 24, 2004
12	Businessman	Toshiba, formerly	August 4, 2004
13	Businessman	Toshiba, formerly	August 10, 2004
14	Government official	Former Ambassador to China	July 30, 2004
15	Government official	Former Ambassador to China	August 17, 2004
16	Government official	Former Ministry of Economy, Trade, and Industry (METI) official	July 13, 2004
17	Government official	Former Ministry of Economy, Trade, and Industry (METI) official	August 10, 2004
18	Government official	Japan Bank for International Cooperation (JBIC)	August 16, 2004
19	Government official	Japan International Cooperation Agency (JICA)	July 30, 2004

20	Government official	Japan International Cooperation Agency (JICA)	December 2004
21	Government official	Ministry of Economy, Trade, and Industry (METI)	July 16, 2004
22	Government official	Ministry of Foreign Affairs (MOFA)	May 27, 2004, October 4, 2004
23	Government official	Ministry of Foreign Affairs (MOFA)	June 3, 2004
24	Government official	Ministry of Foreign Affairs (MOFA)	June 7, 2004
25	Government official	Ministry of Foreign Affairs (MOFA)	June 16, 2004
26	Government official	Ministry of Foreign Affairs (MOFA)	June 21, 2004
27	Government official	Ministry of Foreign Affairs (MOFA)	June 30, 2004
28	Government official	Ministry of Foreign Affairs (MOFA)	July 29, 2004
29	Journalist	Advisor to JICA, formerly of Yomiuri Shimbun	November 17, 2003
30	Journalist	Asahi Shimbun	November 20, 2003
31	Journalist	Asahi Shimbun	December 2003
32	Journalist	Yomiuri Shimbun	November 15, 2003
33	Journalist	Yomiuri Shimbun	November 21, 2003
34	Journalist/Scholar	International Christian University, Toyo Keizai	November 19, 2003
35	NGO	Japan Center for International Exchange (JCIE)	June 18, 2004
36	Politician	MP, House of Councillors	August 5, 2004
37	Politician	MP, House of Councillors	August 20, 2004
38	Politician	Political secretary, House of	July 22, 2004

		Representatives	
39	Researcher	Asahi Shimbun	July 30, 2002
40	Researcher	Japan Institute of International Affairs (JIIA)	August 2, 2004
41	Researcher	Japan-China Economic Association	August 23, 2004
42	Scholar	Aoyama Gakuin University	December 2003
43	Scholar	International Christian University	November 10, 2003
44	Scholar	National Graduate Institute for Policy Studies	July 11, 2002
45	Scholar	Research Institute of Economy, Trade, and Industry (RIETI)	August 9, 2002
46	Scholar	Research Institute of Economy, Trade, and Industry (RIETI)	December 8, 2003
47	Scholar	Rikkyo University	November 13, 2003
48	Scholar	Sophia University	December 4, 2003
49	Scholar	Tokyo International University, School of International Relations	December 11, 2003
50	Scholar	University of Tokyo	November 11, 2003