The Policymaking of Japan’s Aid Sanctions for Democracy: 
The Case of Japan’s Reaction to the Tiananmen Incident

Li Min*

日本援助凍結の政策決定と民主化—天安門事件後日本の対応を中心とした事例研究—

李敏*

Abstract
After the Tiananmen Incident on June 4 1989, Japan imposed aid sanctions on China in an inconsistent fashion. In early June, Japan refrained from taking any punitive measures against China; in late June, it moved to suspend economic assistance to China; in July, Japan, with U.S. support, dampened calls for further sanctions against China at the subsequent Paris G7 summit. Why and how did Japan impose aid sanction as it did? Japan’s sanctions for human rights and democracy is not unique to the Tiananmen Incident case. It has been an emerging phenomenon in Japan’s economic diplomacy since the late 1980s. So far, the reactive state model remains the dominant approach in explaining Japan’s economic sanction. Since the Tiananmen Incident case is one “crucial case” in defining the reactive state model, this paper use that very case to see if new causal mechanism apart could be found. The reactive state model adequately addresses Japan’s accommodative attitude to U.S. demands, but it fails to explain Japan’s self-restraint response in early June and activism in persuading the West not to adopt new sanctions against China. Instead, the rational actor model is a better explanation for the above mentioned two points. In addition, the domestic politics model notes the role of domestic criticism to which the Japanese government had to clarify its stance on human rights issues. This paper concludes that our understanding of Japan’s aid sanctions on human rights violations would be greatly improved by supplementing the reactive state model with the rational actor model and domestic politics model. A combined use of these three models may apply to the subclass of economic diplomacy under which Japan imposes aid sanctions to countries which have close relations with Japan.

Key words: the Tiananmen Incident, aid sanction, human rights and democracy, foreign policymaking.

* Graduate school of Asia-Pacific Studies, Waseda University, Doctoral Degree Program.

141
The Japanese government has long believed that its Official Development Assistance (ODA) was the major instrument used to engage China. The first five-year package of Yen Loan (1979–1984, U.S. $1.5 billion for six projects) was committed by Prime Minister Ohira Masayoshi during his visit to Beijing in December 1979; the second (1985–90, $2 billion for seven projects) was committed in 1984; and the third (1990–95, $5.4 billion) was announced by Prime Minister Takeshita Noboru in August 1988. Japan’s economic diplomacy was carried out smoothly throughout the 1980s in spite of occasional bilateral problems, such as the controversial suspension of the Baoshan contract by China in 1982. However, Japan’s aid policy underwent a sea change in the name of human rights and democracy in 1989. On June 4, the Chinese military cracked down the student-led demonstrators in Tiananmen Square who were against the government’s authoritarianism and voiced calls for more economic change and democracy. One of the major measures Japan took in reaction to the Tiananmen Incident was to freeze its $5.4 billion government loan to China, the third Yen loan which had been scheduled to be released to China in April 1990. The sudden breakdown of Japan’s ODA provisions to China turned out to be a major setback in Tokyo’s policy of engagement with the mainland.1

Japan’s use of the economic power for human rights and democracy is not unique to the Tiananmen Incident. For example, following the military coup in March 1988, Japan suspended economic assistance to Myanmar, as other major donors did. Support for human rights and democracy with economic might was further promoted in 1990s. In 1991, Prime Minister Toshiki Kaifu announced the “Four Guidelines of ODA”. In the following year, the Four Guidelines were officially incorporated into Japan’s “ODA Charter”. The fourth principle of ODA charter proclaimed to observe the conditions of human rights and democracy in the recipient countries when disbursing ODA. Since then on, ODA become more widely used by Japan to influence the political situations in the developing countries. From September 1991 to October 1998, Japan imposed aid sanction on human rights violations for 14 times.2 The rising frequency of economic

---


2 Shinomura yasutami, Nakagawa junji, Saito jun ODA taiko no seiji keizai gaku (The political economy of ODA charter), Tokyo: Yuhikaku, 1999, p.117.
sanctions mirrored a major change of Japan economic diplomacy: by employing economic power, Japan shows willingness to contribute to the creation of a new world order based on those values.

Nonetheless, decision-making literature has barely followed the real world change of Japan's economic diplomacy practice. Most works on decision-making remains focused on the provision of economic assistance. Some have indeed paid attentions to the economic sanction issues; but these works uniformly followed the reactive state thesis by arguing that Japan's economic sanction is merely a byproduct of U.S. pressure. However, the reactive state approach may overlook other causes by overwhelmingly focusing on U.S. impact on Japan.

There are three objectives for this paper. Firstly, the paper is attempted to explain the Japan's move to aid sanction after the Tiananmen Incident. Improved understanding of Japan's move to economic sanction after the Tiananmen Incident depends in part on more information and more probing analyses of available evidence. Secondly but more importantly, the Incident serves primarily as grist for a possible more general investigation. Since the Tiananmen Incident case is one "crucial case" in defining the reactive state model, this paper use the very case to see if new causal mechanism apart from the reactive state model could be found. If new causal mechanisms are found, this "most likely case" will heavily modify the reactive state model. Thirdly, the conditions in generalizing the new causal mechanisms will be specified.

The structure of the following part is as follows. The first section introduces three policymaking models on Japan's economic sanction. Secondly and thirdly, by tracing the policymaking process of Japan's move towards aid sanction, this section attempts to sort out the answer for the question how and why Japan took the aid sanction on China as it did. Forthly, it concludes with a summary of the findings and the conditions under which those models apply.

1. Analytical framework for Japan's aid sanctions

Scholars have tentatively proposed some models for the Japan's economic assistance decision-making. Each model draws on one aspect of Japan foreign aid policymaking. By modifying these existing models, this section will chart out a reper-

5 There are two basic versions of a crucial case. In the first, a case is chosen because it has come to define, or at least to exemplify, a concept or theoretical outcome. A second sort of crucial case reveals a result that is unexpected in light of the causal inference under investigation-either a least-likely case is shown to be positive (with respect to the predicted outcome) or a most-likely case is shown to be negative. See, John Gerring, Social Science methodology: a criterial frame, New York: Cambridge University Press, 2001, pp.219-220.
toire of causal mechanism of Japan’s move to economic sanction. These new models work as road maps that plot the underlying causes of Japan’s decision to impose aid sanctions.

First, the reactive state model claims that foreign pressure plays a crucial role in shaping Japan’s postwar foreign policy. The role of the U.S. on Japan’s aid policy could happen in three ways: the first is direct pressure from the U.S. on Japan; the second could be called “pre-emptive”, as at this level, both bureaucrats and political figures can use foreign aid as a mean to demonstrate that Japan shares both the economic and security burdens with the U.S.; the third level is a transnational coalition building in which the U.S. allies with MoFA against other domestic actors for bilateral policy coordination. In the first and second level, Japan’s unusual responsiveness to U.S. preference stems in large part from the asymmetry of interdependence between the two countries. Because Japan continues to depend on the U.S. for two crucial “commodities”: (1) export and (2) security. In the third level, Japan’s responsiveness stems from the diversity of policy stances among government institutions. When the U.S. demands Japan to change its policy, it finds domestic support, especially from MoFA.

Second, the rational actor model assumes that Japan’s foreign policy stems from a centralized policymaker who has concrete objectives and consistently pursues clear-cut interests. Japan selects actions that will maximize strategic goals and objectives. Commercial variants of the model note the commercial motivation underlying Japanese ODA activities. Strategic variants point out the objectives of advancing its technological and economic position in the global hierarchy. Denying aid provision to developing countries would forgo political, economical and security interests. If universal values, such as human rights and democratization, is inferior to the above mentioned interests, Japan, as a rational actor, tends to sacrifice the former for the later. And restraining the economic sanction is a natural choice.

Third, the domestic politics model claims that policy outcome is the consequence of innumerable and often conflicting smaller actions by individuals at the level of bureaucratic organs as well as the Diet. The model sees no unitary state actor but rather many sub-state actors as players. Focused on the scope of the administrative system, the model emphasizes the involvement of many bureaucratic actors and diversity of

6 Robert M. Orr, The emergence of Japan’s foreign aid power, p.108.
Table 1: models and hypotheses on aid sanction for democracy

<table>
<thead>
<tr>
<th>Models for aid sanctions</th>
<th>Hypothesis</th>
</tr>
</thead>
</table>
| The rational actor model      | Aid sanction will be avoided by Japan if costs by economic sanction over-
|                               | whelm the benefits.                                                        |
| The domestic politics model   | Aid sanction is a result of the pulling and hauling among central admin-
|                               | istrative institutions and between the administrative system and the Diet.|
| The reactive state model      | Aid sanction is mainly a byproduct of the pressure from the U.S.            |

their preferences; policy act is not made by a single, rational choice but by the pulling and hauling that is politics. Initially fully articulated by Graham Allison, this model perceives no clear-cut policy goals. The intensive bargaining process among central administrative actors is essential in making Japan's foreign aid policy. By extending the focus beyond administrative organs, the domestic politics model also notes the role of the Diet in shaping government's final policy. While the Diet is believed to have a relatively low interest in foreign policy issues, it enjoys the constitutional power to share governance with Japan's administrative organs.

Following the logic of these three models, three hypotheses could be generated about Japan's economic sanction for human rights and democracy (see table 1).

Two strategies of inquiry are adopted: the process-tracing strategy seeks to examine the decision-making process by which various initial conditions are translated into outcomes; and the within-case analysis utilizes “within-case” observations to evaluate causal relations between independent variables and the dependent variable, as predicted by the various models. These two strategies are complementary and while the latter can test the explanatory capability of models, the former can find some extra stimuli missed by the models.

2. The process of Japan's moves towards aid sanction after the Tiananmen Incident

Restraint response in early June

When news of the Tiananmen Incident was reported, the U.S. and other major Western states reacted promptly with harsh condemnations of China's bloody suppres-

11 Alan Rix, Japan's economic power: policy-making and politics, London: Croom Helm, 1980, pp.2-5. Robert M.
12 Murakawa Ichiro, Seisaku kettei katei: nihonkoku no keishikiteki seifu to jisshitsuteki seifu (The policymaking
13 Alexander L. George, Timothy J. McKeown, “Case Studies and Theories of Organizational Decision-Making,”
in Robert Coulam and Richard Smith, eds., Advances in Information Processing in Organizations, Greenwich,
14 Ibid., pp. 29-30.
sion of peaceful demonstrations in Beijing. In the U.S., President George H.W. Bush condemned the Chinese decision “to use force against peaceful demonstrators and the consequent loss of life” on June 4.\(^{15}\) Ambassador to the U.S., Han Xu, was called to the State Department to hear America’s “deep concerns” regarding this issue.\(^{16}\) Partially as a reaction to the aggressive demands of Congress, on June 5 President Bush ordered: (1) a suspension of American military sales to China, (2) a halt to the exchange of military delegations, (3) the granting of visa extensions to Chinese students, (4) an offer of humanitarian assistance.\(^{17}\) Among the European Communities (EC) members, France froze all bilateral ties with Beijing apart from diplomatic relations, and West Germany suspended ODA totaling $290 million, which was to be disbursed for the 1989 fiscal year.

In contrast, the Japanese government’s initial response was one of self-restraint, condemning the bloodshed in Beijing but only describing it as “regrettable.”\(^{18}\) No specific attempt was made to use aid sanctions to punish the Chinese government in the name of human rights abuse. During the first few days, Ministry of Foreign Affairs (MoFA) officials maintained that Japan would carefully monitor events and refrain from interfering in China’s internal affairs. On June 4, MoFA spokesman Watanabe Taizo issued one official statement: Japan was very much concerned about the bloodshed and strongly hoped that the situation would not deteriorate further.\(^{19}\) On June 7, Vice Foreign Minister Murata Ryohei summoned Chinese Ambassador Yang Zhengya to his office and conveyed Tokyo’s official stance on the issue: (1) although Japan had restrained its comments on China’s internal affairs, the Chinese government’s action could not be accepted from a humanitarian viewpoint; (2) Japan had no intention of interfering in China’s domestic issues, but it strongly requested Beijing exercise self-restraint.\(^{20}\) Prime Minister Uno Sosuke also closely followed MoFA’s stance and on June 7 at the plenary session of the lower house, he made his first public comment on the Tiananmen Incident, criticizing the People’s Liberation Army: “Firing at its own people is a grievous thing that shouldn’t have happened.”\(^{21}\) Nevertheless, he made it clear that his government had no intention of imposing sanctions on Beijing.

In spite of those restrained language, the Japanese government did take some measures, including the de facto suspension of economic cooperation with China. On

21 *Kokkaikiroku (Diet debate records)*. 114th Diet, Upper House, No.18, Gaimuinkai (foreign affairs committee) 4, June 14, 1989.
June 4, MoFA advised Japanese travel agencies, airlines companies and businesses to refrain from visiting Beijing. On June 5, MoFA and JICA suspended plans to send around a dozen development examination teams to China on the grounds that the situation there made it impossible for the teams to carry out their missions.\textsuperscript{22} Vice Foreign Minister Murata suggested on June 5 that the implementation of Japan's second Yen loan to China (470 billion Yen for 1984-1989), only 40\% of which had been disbursed by May 1989, could be further delayed due to the confusing situation within China.\textsuperscript{23} On June 6, MITI postponed ten economic cooperation missions out of concern for the safety of their members; and on June 7, MOFA advised Japanese citizens to leave China. Over the following weeks, many other plans for economic cooperation and cultural exchange were either canceled or postponed.

However, the Japanese government tried to avoid any impression that these steps had been taken to express its criticism of China. As MoFA officials often explained, Tokyo did not publicly describe these and other measures as sanctions. Instead, they argued that these were the result of "physical incapacity to implement" those projects due to the disorder in China.\textsuperscript{24} On June 13, one MoFA official made this point quite clear, saying: "Our commitment to help China's development is different from the issue of human rights. We plan to perform those projects as promised."\textsuperscript{25}

\textbf{Moving towards aid sanction}

Japan did not take any punitive measures until the second half of June when they suspended aid to China, among other actions. During interpellation in June, senior MoFA officials repeatedly told the Diet that their economic aid policy would be based on two factors — the policies of Western nations and the situation in China.\textsuperscript{26} Since China appeared to remain defiant, the reaction of America and other Western countries would be crucial to understanding Japan's change in policy.

Condemnation from the West became even harsher in mid-June, and in spite of major Western powers' displeasure of the Chinese government's disregard for human rights, the Chinese authorities did not relent in their claim that they had the right to take actions to restore order in the capital. On June 15, a Shanghai court sentenced three protesters to death, followed by a further eight on June 17.\textsuperscript{27} The verdicts triggered another wave of western criticism of the Chinese government. The U.S. govern-

\textsuperscript{22} Ibid.
\textsuperscript{23} Mainichi Shim bun, June 6, 1989.
\textsuperscript{24} Asahi Shim bun, June 7, 1989.
\textsuperscript{26} Kokkai Kiroku (The Diet Debate records), No.114, Upper house, Gaimuinkai (foreign affairs committee) 4, June 14, 1989.
ment summoned the Chinese ambassador Han Xu and handed him a statement that demanded those protesters lives be spared. In addition, on June 29, the U.S. Senate passed an amendment to the foreign aid bill, unanimously calling for (1) the suspension of new and previously authorized funds to be paid to China by the Overseas Private Investment Corporation and Export-Import Bank; (2) a ban on the export of crime control equipment (including satellites) and nuclear equipment that could be used for military purposes; and (3) stricter application of COCOM (Coordinating Committee for Export Control) rules regarding technology transfer. Two weeks later, the Senate put a review of China's MFN's status and other bilateral trade agreements onto its agenda. Western European countries took a similarly harsh, if not harsher stance than the U.S. International institutions also joined the condemnation and took punitive measures, and on June 26, the World Bank indefinitely postponed $780 million in new loans, $450 million of which had already been put on hold by mid-June.

The weight of foreign pressure, supplemented by that of public pressure domestically, took effect in shifting Japan's China policy. In the second half of June, Japan's official stance suddenly underwent a major policy shift. On June 23, Secretary of Cabinet Office clarified the official stance; no change in Japan's policy of supporting China's efforts to liberalize and reform; compared to Western countries' relationships with China, Sino-Japanese relations had unique historical and cultural aspects. In appearance, no reference was made to aid sanctions. In reality, by June 20, Japan had hardened its basic stance in adopting aid sanctions. Aid to China was split into two parts: ongoing aid projects and new aid projects. The Japanese government had already frozen all the ongoing projects due to physical difficulties in implementing them but would resume on principle. In the mind of the Japanese government, there was no sufficient rationale to continue new projects in the third package. When it would take to resume aid projects depended on the situation in China. Specifically, China should revoke martial law and deal with the now out of favor Communist Party Secretary, Zhao Ziyang in a liberal manner. To keep pace with Washington, the Japanese government took further measures. On June 30, MoFA announced that Japan would suspend minister-level contacts with Beijing and join the other G7 nations at the Paris summit in condemning the military crackdown.

---

32 Yomiuri Shimbun, June 24, 1989.
34 Mainichi Shimbun, June 30, 1989.
Complying with dictates of the U.S. or allying with the White House?

Due to the heavy pressure of the U.S., Japan replaced self-restraint behavior with aid sanctions. However, Japan's change of aid policy and its harsher verbal criticism did not mean that Japan was giving up its interests underlying its China policy. In fact, the Japanese government started to engage in quiet diplomacy. On the one hand, the Japanese government tried to narrow the gap of the stance between Japan and the West; on the other hand, Japan also wanted to convince the West of the importance of avoiding isolating China. Japan's immediate objective was to prevent harsh criticism and further sanctions demanded by the U.S. congress and France at the coming Paris Summit in July. According to Mitsuzuka, Japan was prepared to act as a moderator between the West and China.35 Through its Foreign Minister's visit to the U.S., Japan actively built a transnational coalition with the White house pitting against Congress.

There was a deep policy division within Washington on how to deal with the China issue. Congress took a hard-line approach. Soon after the Incident, both the House and the Senate passed concurrent resolutions condemning the Chinese government for the suppression of democracy demonstrators. They urged the president to suspend trade credits and official Development loans, making them dependant on human rights conditions in China.36 However, the Bush administration took a soft-line approach and although the President Bush declared the Incident as intolerable, he opposed taking any measures that could lead to a total break in U.S.-China relations. The president made it clear that he wanted to preserve relations with China and a U.S. response should plot a "prudent" course. In the eyes of the White House, the harsh criticism and economic sanctions demanded by Congress would be popular politically and satisfying emotionally, but had no effect on the hard-liners within China; more importantly, it would even damage U.S. interests.

This policy division within U.S. provided Japan with an opportunity to build a transnational coalition. Between June 25 to 28, Foreign Minister Mitsuzuka visited Washington to find a common ground with the U.S. government. While condemning China's military suppression of the demonstrators and the subsequent crackdown on dissidents from a humanitarian point of view, he argued that China should not be isolated and sanctions should be avoided if peace and stability in Asia were to be ensured.37 Bush responded "we should continue trying to convince the Chinese leadership that it is in their interests to keep reform moving forward."38 Both agreed not to isolate China from the International community and during discussions with Secretary of

36 Congressional quarterly weekly report, 10 June 1989, p.1411.
38 Japan times, June 28.
State James Baker, Mitsuzuka praised U.S. on the "balanced" China policy. He also added that Japan would continue to ask Beijing to listen to international opinion and govern "in a spirit of reconciliation and restraint."\textsuperscript{39} For a White House under siege by Congress, Japan’s appreciation of the U.S. China policy was just the warm international support it needed. Mitsuzuka's visit took place when the White House and its allies in Congress were gearing up for a House floor fight over proposed new U.S. sanctions against China, including economic sanctions that President Bush had so far opposed. General agreement within the White House offered Japan a certain amount of relief. As one MoFA official said: "There is no difference between the China policies of the U.S. and Japan. It seems that we can avoid criticizing China harshly at the Summit."\textsuperscript{40} Later, at the July Paris Summit, Japan’s consultation with the White House proved to be quite helpful in cementing an accord.

No new joint sanctions against China in the July Paris Summit

At the 15\textsuperscript{th} G7 summit, held in Paris from July 14 to 16, 1989, the participants were divided by the China issue. Some European countries, France in particular, advocated strong accusations and sanctions in order to demonstrate the West’s firm commitment to democracy and human rights. On the other hand, Japan claimed that the tone of criticism, if announced at all, should be kept to a minimum. It pointed out how harsh measures would only force China to deviate from the modernization program and resort to an "anti-foreign" policy that may have dangerous implications for the Asia-Pacific region.\textsuperscript{41} On the morning of July 15, President Bush told Prime Minister

<table>
<thead>
<tr>
<th>Measures declared at the G7 Summit</th>
<th>Measures already taken by the U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Suspending bilateral Ministerial and high-level contacts</td>
<td>The Bush government had suspended contact between military heads as well as all cabinet level contact.</td>
</tr>
<tr>
<td>2 Suspending arms-trade with China</td>
<td>The Bush government already banned governmental and commercial weapons exports to China.</td>
</tr>
<tr>
<td>3 Postponing the examination of new loans by the World Bank</td>
<td>Under pressure from the Bush government, the World Bank delayed financial disbursement totaling $750 million to China.</td>
</tr>
<tr>
<td>4 Extending the stays of those Chinese students who desired</td>
<td>U.S. Immigration and Naturalization Service extended Chinese students’ F visa and Chinese visiting scholars’ J visa for one year.</td>
</tr>
</tbody>
</table>

\textsuperscript{39} The Washington Post, June 27, 1989.
\textsuperscript{40} Asahi Shimbun, June 28, 1989.

150
Uno that his country shared Japan's opinion and wanted to keep in close contact with Tokyo on China issue. Bush's stance proved to be crucial in avoiding new sanctions.

The final outcome of the conference did not include the imposition of any new joint sanctions against China, but merely listed the unilateral measures that the participating countries had already taken.

In addition, the communiqué adopted the portion as follows: "we look to the Chinese authorities to create conditions which will avoid their isolation and provide for a return to cooperation." This was indeed a compromise as Western countries had no intention of making it explicit in the communiqué that the isolation of China should be avoided; on the other side, Japan insisted on the inclusion of the item "Avoid isolating China." As a compromise, the communiqué stated that China itself should make every effort to avoid being isolated. This was believed to be at least a partial victory for Japan.

3. A focused analysis of Japan's aid sanction
A first cut: the role of foreign pressure and the limits

The reactive state model catches the crucial role the U.S. had had in shaping the Japanese foreign policy. The purpose of Japan-U.S. coordination set one major limits of Japan's independence in making the China policy. Japan's sudden change in policy from self-restraint to sanctions was largely the result of U.S. pressure.

Firstly, the U.S. directly showed dissatisfaction with Japan's low profile on China's human rights issues and demanded Japan's policy coordination. Congress was pushing to impose sanctions on China that were far stricter than those proposed by the White House. Congress' pressure on Japan was on the rise and Chairman of the Human Rights Committee, Tom Lantos, showed his anger at Japan's one dimensional emphasis on commercial interests and argued that the key for the success of economic sanctions depended on Japan's policy coordination. In addition, the success of the coming Paris Summit also relied on the coordination of the G7 members' policies on China. The Paris Summit was being led by President Bush, who had been emphasizing Japan-U.S. coordination and by June 13 had started to consult Japan and Western Europe on how to multilaterally impose economic sanctions on China. He needed this international cooperation if he was to successfully delay the World Bank's and Asian

45 Asahi Shinbun, June 21, 1989.
Development Bank's financial loans to China.

Secondly, but more importantly, Japan wanted to preemptively accommodate U.S. demands. While Japan was not willing to forgo the heavy interest in the aid activity to China, deterioration of U.S.-Japan relations was an even worse scenario.

After World War II, the Japanese conservative government, led by Yoshida Shigeru, chose to ally itself with the U.S. by signing a security treaty with Washington at the 1951 San Francisco peace conference. Since then, the U.S.-Japan security treaty had become the foundation of Japanese foreign policy. Meanwhile, the alliance benefited Japan enormously by contributing Japan's national security and economic prosperity in the postwar era. However, entering the 1980s, Japan-U.S. relations were challenged by the rapid rise of Japan as a major world economic power. The U.S. perception of Japan-U.S. bilateral relation had changed from the previous patron-client relationship to that of competitive partners. In the eyes of the U.S., Japan's rise could even fundamentally destroy the Breton Woods system created in 1945. Consequently, Japan's economic power was perceived as a possible threat to U.S. security.

By the late 1980s, U.S.-Japan trade disputes, in particular, had reached a historical zenith. In 1988, Congress passed the Super 301 provision of the Omnibus Trade and Competitiveness Act, which was clearly targeted at Japan. It required U.S. Trade Representative to identify "priority" unfair trading countries and demand reforms in the unfair policies of those nations under the threat of sanctions. In May 1989, the Bush administration named Japan on the Super 301 hit list, responding to the demands of Congress. With the consideration of limiting the damage to U.S.-Japan relations, the Bush administration launched the coercive series of talks (The SII). Considering its heavy dependence on the U.S. market, Japan was not willing to worsen the bilateral trading disputes.

Japanese policymakers did not want to risk the increasingly vulnerable U.S.-Japan relationship by departing from the U.S. on China policy. This point is supported by various historical episodes in Japan's China policy in post-World War II era. From the early 1950s on, Japan was forced to subordinate its China policy to the dictates of America's anti-communist containment strategy in East Asia. In spite of Yoshida's strong desire to make a genuine peace with China through a bilateral treaty, Japan was under strong American pressure to deny its diplomatic recognition to the PRC. Instead, Tokyo chose to recognize Taiwan as the sole legitimate government of China.

47 Inoguchi Takashi, "Gendai Kokusai Seijii no Nihon (Modern international politics and Japan)", Tokyo: Chikumashobo, p.117.
In 1971, American president Richard Nixon surprised the world by announcing his decision to travel to Beijing to repair Sino-American relations. Not until the “Nixon shock” did the Tanaka government normalize diplomatic relations with Beijing. During the Tiananmen Incident, Japanese businessmen did not slow their pace of expanding market share in China. By late June, a large number of Japanese businessmen had returned to Beijing to resume their work despite the political turmoil. For these businessmen, commercial stakes in China were so big that they were not sensitive to public criticism; their haste was exacerbated by the fact that many other Western businessmen were reported to have returned. The U.S. and Europe became increasingly worried that the Japanese government had adopted a mild stance over Tiananmen Incident issue in support of the business community becoming the dominant force in the Chinese market. In the late 1980s, with U.S.’ growing dissatisfaction with Japan on both security and trade issues, Tokyo was quite sensitive to Washington’s demands. There was no change in Japan’s China policy after the Tiananmen Incident. This point was revealed by Foreign Minister Mitsuzuka in a speech to the lower house when he noted that MOFA had received a number of complaints from foreign diplomats that Japanese firms were “trying to make money like a thief at a fire.” This revelation came on the same day that the Japanese government decided to advance the date of Foreign Minister Mitsuzuka’s visit to the U.S., bringing it forward from early July to late June. After the Tiananmen Incident, it was natural that Japan would coordinate with U.S. on China policy.

In addition, foreign aid had been used by Japan as a means to assume more international responsibility under U.S. demands. As early as the 1950s, the U.S. had encouraged Japan to share more defense and aid responsibility. By early 1978, Japan’s foreign exchange reserves had reached a historic zenith and it increasingly used foreign aid to recycle its trade surplus. Japan was willing to play a greater role in burden sharing with the U.S. and frequently gave and suspended foreign aid for the purposes of policy coordination with the U.S.

Within the Japanese government, there was no open challenge to MoFA on its final policy of U.S.-Japan coordination. In an era of rising U.S.-Japan economic conflicts, other ministries were deeply worried that the government’s support of companies rushing back to China might trigger another round of “Japan bashing” from the U.S.. In the case of MITI, the ministry could not ignore U.S. Congress’s aggressive attitude to the mainland and in spite of trying to deepen economic interdependence be-

49 On June 14 and 15, 74 and 85 businessmen, respectively, returned to Beijing. See Nihon Keizai Shimbun, June 16, 1989.
50 Asahi Shimbun, June 20, 1989.
51 Kokaikiroku (Diet debate records), 114th Upper House, Gaimuinai (Foreign affairs committee), No.4.
tween Japan and China, it had never planned to prioritize economic relations with China over those with the U.S.\(^{52}\)

Thirdly, the reactive model predicts a game of transnational coalition games in Japan. However, this predictions failed as not much evidence show the U.S.'s involvement in Japan's bureaucratic games. This mainly derives from the reality that not much bureaucrats politics was found within Japan right after the Tiananmen Incident as explained in the following part.

The second cut: A high stake in maintaining the aid provision and avoiding isolating China

The rational actor model notes that Japan's self-restraint response in the early June was a reasonable choice. For Japan, the costs of breaking down economic cooperation relations far weighted the benefits of laying economic sanction on China. The same logic applied to Japan activism in allying with the White House to avoid any new sanctions on China in Paris Summit.

It was true that economic sanction could improve Japan's image worldwide. Since the end of World War II, the values of democracy and human rights had been widely accepted in Japan. However, By the late '80s, human rights was still not a major theme of Japan's foreign policy. For Japanese policymakers, the universal value of human rights was never prioritized over their strategic, economic and political interests. There was no exception to Japan's foreign aid policy to China. In a speech at Beijing University in 1984, Prime Minister Nakasone Yasuhiro said: "Japan and China should bypass the differences in their political systems, devote their efforts to development and maintain a peaceful and friendly bilateral relationship targeted towards the 21st century.\(^{53}\)

However, the adoption of aid sanctions was doomed to cost Japan dear.

Strategically, Japanese policymakers were worried that China may be pushed away from the West. Some scholars deny the existence of any strategic consideration in Japan's economic diplomacy with China in the 1970s and the 1980s.\(^{54}\) However, the Japanese ODA and other economic cooperation indeed contributed to an increase in China's trade and technological dependence on Japan and Western countries, and eventually did help separate China economically from the Communist bloc. In addition, as a formal American ally, it was no surprise that Japan treated China as its *de facto* ally

---

52 So Son Won, *Nihon no keizai Gaiko to Chugoku* (Japan's economic diplomacy and China), p.46.
against the Soviet Union. As one Japanese defense analyst remarked, a de facto anti-
Soviet alliance between Japan and China had already existed throughout the 1970s and
1980s. On the other hand, the isolation of China by breaking its economic relations
with the West might eventually drive Beijing back into the arms of the Soviet Union.
On June 18, Prime Minister Uno expressed his hope that China should not be isolated
internationally. On June 26, after discussions with President George H. Bush and
Secretary of State James Baker in Washington, Foreign Minister Mitsuoka Hiroshi
said that Japan and the U.S. "can not tolerate the Chinese government's human rights
abuse, but also should not push China into a position of isolation from the interna-
tional community." At an ASEAN foreign ministers' conference held in Brunei in
July, Foreign Minister Mitsuoka clearly stated "If we isolate China, we will drive it
closer to the Soviet Union. It may not be a wise policy."  

Politically, the aid sanctions might disturb the complex political wrestling within
China. A major policy objective pursued by the Japanese government through aid ac-
tivity in China was to support the political power of reformist Chinese leaders. While
the liberalization and open-market policy was started in December 1978, there was no
guarantee that the new policy could be sustained. From the infant stages of the open-
market policy, pro-reformers like Deng Xiaoping faced strong resistance from conserva-
tive factions within the leadership. The consolidation of reformers' power base heavily
depended on the success of their reform policies; if they were to fail, it would not only
threaten the authority of reformist leaders, but also indicate that they may be usurped
by conservative leaders. Even at the end of '80s, there was still a fierce power tussle
between radical reformists, such as Zhao Ziyang and Hu Yaobang, and ultra-
conservatives, such as Chen Yun. While Deng Xiaoping wanted to pursue the policy of
economic reform, he was still quite cautious of any form of mass participation that
even remotely reminded him of the Cultural Revolution. The split in the Chinese
leadership between the reformers and conservatives was widely known about in Japan.
When China asked Japan for economic assistance in 1979, its direct purposes was to al-
leviate the shortage of foreign currency in importing foreign equipments and tech-
niques, a then major handicap for reform efforts. So Japan's foreign assistance took a
unique position in China's reform efforts. Once assistance was denied to China for
human rights issues, it was the reformer leaders rather than conservative who would
be cornered in the power game within China. The support of reformist Chinese leaders

56 Tanaka Akishiko, "Tenanmon jiken o meguru Kokusai Kankyo (The international environ-
ment surrounding China after the Tiananmen Square Incident)", Kokusai Mondai, No.358, Jan, 1990, p.42.
by maintaining aid provision was clearly in the interests of Japan as they were more likely than the conservatives to guide China into an open, liberal and cooperative direction through further reform of the Chinese economic system.

From the perspective of security, bashing China by breaking its economic relations with the West would create much uncertainty for Japan’s security. As China’s neighbor, Japan had a vested interest in China’s political and economic stability. Firstly, the destabilizing of China might result in an outflow of refugees to neighboring countries, including Japan. In view of China’s billion-plus population, the breakdown of the Chinese economy and society would have a negative impact not only on Japan, but also on the region and even the world.59 “Such fear has existed in the minds of some since the 1970s, and assumed an added sense of urgency and came to be shared by more people in the year of the Tiananmen Incident”.60 In fact, from May 1989, there was a new wave of ‘Vietnamese refugees’ arriving in western Japan by boat. Many of the 3,498 “refugees” who arrived in 1989 were suspected of being from southern China. The figure was quite outstanding, since only 219 “refugees” arrived in 1988.61 The Japanese government came to prioritize supporting the stability of China.62 Secondly, in the minds of Japanese policymakers, a politically and economically chaotic China was likely to adopt aggressive foreign and military policies. During the Great Leap Forward (1958–60) and the Cultural Revolution (1966–1976) period, Chinese foreign and security policy had largely been dominated by radical ideology, rather than the accepted rules and norms of orthodox international relations. Without exception, the PRC’s foreign and defense policy towards Japan became quite aggressive. Once involved in a domestic power struggle, the Chinese leadership might embark on foreign policy that cemented their domestic power, even if it might undermine China’s national interests abroad.63 These episodes in history suggested that if China’s domestic politics were chaotic it could precipitate radical and aggressive foreign policy. Such fear was further fueled by the negative image of economic sanctions in the minds of Japanese policymakers, many of whom shared the notion that adopting sanctions brought them a stage closer to war; once it was over-used, the situation may become

far more complex and dangerous; similar to containment, it was quite an ineffective diplomatic instrument. This point was clearly noted by some Japanese officers who argued that: "sanctions were likely to strengthen Chinese hard-liners and heighten a nationalistic reaction, and that political instability and economic stagnation on the mainland jeopardized a peaceful and prosperous Asia-Pacific region".

Commercially, the economic cooperation between Japan and China had reached such a huge scale that economic sanctions would cause major damage to China's economy, and eventually Japan's economic interests. During the period from 1979 to 1988, foreign debt was the dominant form of foreign capital injected into China, totaling $45.4 billion, with Japan alone providing $27.3 billion. The Yen loan and an untied loan from Japan's Oversea Economic Cooperation Fund were the two major types of government loan. Focused on the economic infrastructure sector, these two types of loan implied a strong government commitment to promoting the economic interests of China. By 1987–88, Japan's economic relations with China were stronger than ever before. During the period 1979–1987, its investment in China was only next to that of Hong Kong and the U.S.. The Political crisis in China occurred at a time when Japanese companies were poised to make big moves into the mainland and it created uncertainty among Japanese businessmen. The Japanese government shared the concerns of the business community about the shortage of capital flows to China, which was worsened by the suspension of private loans and other lending by bilateral donors and international financial institutions. China's international isolation, along with the domestic instability, would shatter the dreams of both the Japanese government and businessmen of gaining access to China's huge market.

Psychologically, some policymakers were still unwilling to use coercive diplomacy on China, mainly due to Japan's invasion of China half century earlier. At a June 7 meeting between the government and LDP leaders, Prime Minister Uno further reiterated his views: "Today's relations between Japan and China have been cultivated against various historical odds. It is not appropriate for Japan to use similar expressions to those of the U.S. or EC nations."

---

64 Nihon Keizai Shimbun, June 16, 21, 1989; Tanaka Akihiko, "Shizukanagaikou ga hitsuyonotoki (when a silent diplomacy is needed)". Chuo Koron, No.8" 1989, p.95.
65 The interview was done by Zhao Quansheng, see Zhao Quansheng, Japanese policymaking: the politics behind politics: informal mechanisms and the Making of China policy, Westport: Praeger, 1993, p.167.
The third cut: domestic criticism of China's suppression as an environment for aid sanction

The domestic politics model opens the black box of the Japanese state to reveal just how the process of policymaking itself matters to the policy outcome. There were no powerful demands which had successfully moved the government to lay economic sanction on China. Most of those domestic actors were either supportive to the aid provision or indifferent to the China issue. But the domestic chorus of condemnation of China created a broad environment in which the government had to clarify its stance on human rights issues. These domestic voices can be analyzed by focusing within the scopes of administrative and extending to the relations between the administrative system and the Diet.

Of Japan's ministries, MoFA played a dominant role in dealing with human rights issues. MoFA was most conscious of the political and diplomatic impact and implications of economic assistance; and played a dominant role in managing Japan's response to the Tiananmen Incident. As the government agency primarily responsible for diplomatic relations with all foreign states, as well as governmental and non-governmental international organizations, MoFA had an unchallengeable policy-making capability, far larger than that of any other agencies.69 Other bureaucratic bodies, including Ministry of International Trade and Industry, Ministry of Finance, were not willing to challenge MoFA's policymaking power in the human rights field and merely made administrative responses.

Indeed, there were some conflicts within MoFA on the way to deal with the Tiananmen Incident. Since June 4, senior officials had huddled together each day to discuss how to handle the China issue within MoFA. On June 6, MoFA launched the "Special Investigation Center on the Situation in China," a team of high officials mainly drawn from the Asian Affairs Bureau, the American Affairs Bureau and the Eurasian Affairs Bureau. Their opinions were split into two.70 The Asian Affairs Bureau contended that Japan should respond under proper check, listing the following reasons: owing a historical debt, the Japanese could not adhere simply to the principle of promoting human rights; if economic cooperation was conditional on the human rights criterion, more than a few Asian countries would end up being ostracized; Japan should act as the representative for the Asian region. However, the American Affairs Bureaus and the European Affairs Bureau argued that if Japan adopted clear measures as a member of the western bloc, it would work more to Japan's advantage; and based on the Helsinki Declaration of 1975, comments on human rights mattered no matter

69 Takamine Tsukasa, *Japan's development aid to China*, p.78.
whether it constituted interference in another nation's internal affairs. Eventually, the Asian Affairs Bureau prevailed and the special team reached a consensus that Tokyo, as a member of advanced democracies, would stand for human rights but refuse to issue any harsh condemnation or sanction. The security, political and economic implications of taking a harsh line were the major rationale the Asian Affairs Bureau used to convince the pro-West Bureaus.

Meanwhile, domestic criticism of the Japanese government from both its political rivals and the public was on the rise, but the impact of these voices was quite limited. The Japan Communist Party (JCP) was probably the most vocal of the parties in denouncing China and on June 4, immediately after the Tiananmen Incident, issued an official statement condemning Beijing for "an act of violence that tramples on socialist democracy;" six days later, they repeated their criticism once again. Since the JCP had broken off connections with the Chinese Communist Party (CCP) 22 years earlier; it was no surprise that they exercised no restraint in denouncing Beijing. However, the policy of other parties differed little from that of the Government. Some Diet members from the ruling Liberal Democratic Party (LDP) joined in with criticism of the Japanese government for the vague China policy. However, the chorus of condemnation was not strong enough to mobilize neither the Executive Council nor Policy Affairs Research Council (PARC) in the LDP. It is relevant to note that the mainstream factions within the party, such as the Takeshita and Suzuki factions were in general friendly towards China and it was the faction boss Takeshita Noboru who actually committed the Yen loan's third package to China in 1988. Considering the dominant role of mainstream factions within LDP and their favoring attitude to China, the condemnation was unlikely to bring a major change to LDP's stance on the China aid issue. The stances of major opposition parties were not much different from the Government's. The Japan Socialist Party (JSP) and the Democratic Socialist Party (DSP) said the Incident was "truly regrettable." The Parliamentarian League for Japan-China Friendship, made up of Diet members from both the ruling and opposition parties, held meetings on June 6 and 7. But their resulting resolution fell short of clearly criticizing the Chinese authorities. It merely stated that the incident was "regrettable from a humanitarian viewpoint". In addition, it further raised a hope that the Chinese government would settle the situation in a peaceful manner, regaining the international community's confidence.

---

71 Ibid.
72 *Nihon Keizai Shimbun*, June 8, 1989.
73 Within the Leading LDP, there has been a clear split of the pro-mainland and pro-Taiwan group. The pro-Taiwan group had been displeased anyway with being on good terms with the China. Tanaka Akihiko, *Nitchu Kankei 1949-1990 (Japan China relations 1949-1990)*, pp.198-204.
The necessity of good relations with China was almost universally accepted by
the Japanese people, so much so that strongly denouncing the Chinese authorities was
not considered as a serious option, let alone the imposition of aid sanctions. In addi-
tion, it is relevant to note that China did not figure as an issue in 1989 election cam-
paigns, as the JSP Diet member and chairman of the party’s committee on China
affairs, Kawakami Tomio commented that the Party knew from its own experience
that foreign policy questions had very limited sway over voters.74 At that time their
major political issues were the Recruit scandal,75 and the consumption tax controversy,
which undermined the LDP’s credibility and attracted the attention of most political
parties. Meanwhile, the mainstream public held a quite positive image of China in the
1980s. This point was clearly revealed by a yearly cabinet poll on the public’s view to-
wards other countries.76 In 1988, 68.5% of the respondents held affinity to China.
China’s appeal to the Japanese public was seconded only to the U.S., which scored
73.6% in 1988. Although the Tiananmen Incident threw cold water on the China fever,
51.6% of the respondents remained holding affinity to China. This statistic was far
higher than 45.0% in 1996, and 31.8% in 2008. So, playing the China issue in domestic
election games would not win much vote from the public for those political parties.

4. Conclusion

As the Tiananmen Incident case shows, our understanding of aid sanctions on the
human rights issues would be greatly improved by supplementing the reactive state
model with the rational actor model and domestic politics model.

First, Japan’s moves regarding aid sanction after the Tiananmen Incident was a
result of three factors. First, the U.S. played a big role in pushing Japan to aid san-
cctions. To a certain extent, the U.S. applied direct pressure on Japan for coordination
over economic sanctions; but more importantly, Japan accommodated U.S. demands in
a preemptive manner. Second, heavy interests behind Japan’s China aid policy kept
Japan different from the West. Strategic, commercial, political and psychological con-
siderations explained Tokyo’s restraint in early June and its active diplomatic efforts
to prevent further sanctions against China at the July 14-16 Paris G7 summit. Third,
the domestic chorus of condemnation of China created a broad environment in which
the government had to clarify its stance on human rights issues. If any one of the
three factors is missed, the story of Japan’ move to sanction is incomplete.

Second, there exist at least two other causal mechanisms apart from the

75 The Recruit Scandal was an insider trading and corruption scandal that forced many prominent politicians
to resign in 1988.
76 http://www8.cao.go.jp/survey/h20/h20-gaiko/2-1.html
"reactive state model". Japan's reaction to the Tiananmen Incident is one "crucial case", which has been used to define, or at least to exemplify, a concept of "the reactive state thesis". The reactive state model adequately addresses Japan's accommodative attitude to U.S. demands but ignores Japan's own policy interest. However, in this "most likely" case, the reactive state thesis still finds it difficult to explain many parts of Japan's reaction. Instead, the rational actor model and the domestic politics model allows significant improvements in explanation and predictions. The rational actor model notes Japan reluctance to adopt aid sanctions when dealing with human rights issues. Even if aid sanctions were adopted, Japan might still think of ways to alleviate the negative impact on Japan's relations with the recipient country. In addition, the domestic politics model notes the domestic criticism to which the Japanese government had to clarify its stance on human rights issues.

Third, application of a combined use of three models should be conditioned. In other words, this paper only develops a typological theory rather than a general theory about Japanese economic diplomacy. The Tiananmen case is heavily conditioned by the heavy relations between Japan and China on economic, political, security and historical aspects. Japan has a high stake in maintaining a smooth relations China. On this point, Japan-China relations share more similarities with other sets of Japan' bilateral relations with Asia countries, East Asian countries in particular, than those with African countries. Whether relations are close or not matters. When human rights issues occur in recipient countries, Japan uses economic sanction more often to African countries than to Asian countries. The experience of the Tiananmen case will be less applied to Japan's aid relationship with African countries. A four-cell matrix about the subclass of Japan economic diplomacy is created by mixing the dimension of economic assistance v.s. economic sanction and that of close bilateral relations v.s. loose bilateral relations.

Table 3 : A typological theory on Japan's aid sanction for democracy in close bilateral relations

<table>
<thead>
<tr>
<th></th>
<th>Economic assistance</th>
<th>Economic sanction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close bilateral relations</td>
<td>Subclass 1 (Majority of the literature)</td>
<td>Subclass 2 (The combined use of three models)</td>
</tr>
<tr>
<td>Loose bilateral relations</td>
<td>Subclass 3 (Some literature)</td>
<td>Subclass 4 (Few literature)</td>
</tr>
</tbody>
</table>

77 Miyashita Akitoshi, "Gaiatsu and Japan's foreign aid: rethinking the reactive-proactive debate".
78 According to George Bannett, a typological theory is one that "specifies independent variables and provides not only hypotheses on how these variables operate singly, but contingent generalization on how and under what conditions they behave in specified conjunctions or configurations to produce effects on specified dependent variables". See Alexander George, Andrew Bennett, Case studies and theory development in the social science, Cambridge, Mass.: MIT Press, 2004, p.235.
Majority of the decision-making literature on Japan's economic diplomacy applies to subclass 1, in which Japan provides economic assistance to a recipient with close relation with Japan. A combined use of three models from this study could be preliminary applied to subclass 2, in which Japan imposed economic sanction to one country with close relations to Japan. However, there remain some risks of over-generalization since only one case is examined here; and some additional causal models may not been noted in this paper due to the lack of data about the Tiananmen case; the interaction between different models are also left blank. This demands more future research.