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Japanese Aid, Politics and the Growth of Regionalism in Eastern Asia

Kurtis H. Simpson

The West's fascination with Japan as "the economic miracle" has led us to both interpret and measure the actions of that country in largely unidimensional terms. Japanese initiatives are invariably associated with economic considerations and for most the matter ends there. What is missing from this simplification is recognition of the role that politics has always played in Japan's foreign policy decisions, and the degree to which the political dimension has increased since 1965.

This paper will begin by establishing the fact that Japanese aid has served as the country's chief foreign policy tool in the post-war period. While initially aid was designed to achieve economic ends it was never entirely divorced from political ambitions. As Japan developed, participation in multilateral aid programs legitimized that country's re-emergence as a regional power. By 1965 the United States was demanding that Japan play a larger role in the affairs of Eastern Asia. Japan complied by broadening its criteria for granting aid to include strategic as well as economic goals in the 1970s. As American interests in the Pacific receded and Japan's ability to project influence abroad increased, more aid was used as a means of guaranteeing political objectives. The Plaza Accord of 1985 and the likelihood of North American free trade have forced Japan to dramatically speed up the process of regionalization taking place in Eastern Asia, as it is now considered politically expedient to reduce Japan's dependence on the United States and "a new world order" that promises to be far less accommodating than before.

Japanese aid is best viewed as an instrument of Japan's national

policy to serve the *kokuetsu*, or national interest, of a "secularized post-war Japan" (Rix, 1980: 15). Initially, national interest was defined in strictly economic terms. From the mid-1950s to 1965 aid—provided as war reparations—was excessively tied and used primarily as a means to promote exports.

The work of John White chronicles, in some detail, the economic relationship of aid during this early period. He points out that virtually all Japanese credits were channeled through the Export-Import Bank of Japan. Article One of the Export-Import Bank Law stated that the Bank's purpose was "...to supplement or encourage the financing by ordinary financial institutions of exports and imports and overseas investments, for the purpose of facilitating through financial aid Japan's economic interchange (mainly in the field of trade) with foreign countries" (White, 1964: 14).

Given the limited amount of Official Direct Aid (ODA) available, Japan opted to concentrate on neighbours who shared a common heritage, history, culture, economic philosophy, or similar political orientation. By the end of the 1950s Japan was deeply involved in economic cooperation, private investment and technical assistance, and both official and private aid. Southeast Asia was identified as the main target area. Government to government reparation agreements strengthened an emerging geographical bias. The economic and diplomatic interest of several Japanese ministries were directed towards cultivating close and potentially large markets; it was hoped that regional economic development would ensure the economic, social and political stability of Asia (Rix, 1980: 25).¹

From the outset of Japan's aid program, the Ministry of Foreign Affairs has maintained that economic cooperation is a vital component of foreign policy. It staunchly defended the concentration of aid in Asia and underlined the importance of this region and its economic development to Japan (Rix, 1980: 36). The Ministry viewed Japan's economic and political interests as being tied intimately together.

At the official level under a policy referred to as *seikei bunri* (the separation of politics and economics) the Japanese government vowed

1. Foreign aid was the responsibility of several departments and organizations. These included: Ministry of Foreign Affairs (MFA), Ministry of Finance (MOF), Ministry of International Trade and Industry (MITI), Overseas Technical Cooperation Agency (OTCA) and Japanese International Cooperation Association (JICA).

to refrain from undertaking by itself any independent political initiative either in the realm of diplomacy or in domestic Southeast Asian politics. However, at the unofficial level Japan has been involved in regional politics since the 1950s when it made the decision to fully support American goals in Southeast Asia, primarily those of anti-communism and the maintenance of a free market system (Broinowski, 1982: 172). An early example of indirect political involvement can be found with Japanese-Indonesian relations. After the reparations issue was settled in 1958 Japan promised to provide 200 million Yen in aid to be tied to the purchase of Japanese goods and services. Japanese business leaders courted Indonesia's head of state employing various methods to gain influence over him, the most successful of which was the planting of an attractive Japanese woman (Nemoto Naoko) who succeeded in winning over Sukarno's heart. The two were subsequently married and the woman served as a conduit through which Japanese business interests travelled in order to reach Sukarno.

Throughout the 1960s Japan's influence in Eastern Asia grew, as that country gained increasing leverage over neighbouring states. Prime Minister Ikeda's view of Japan's primacy in Asia served as an early indication of the direction that Japanese foreign policy was adopting. Ikeda spoke of Japan as "the third pillar of the free world" and the "sponsor" of Asia (White, 1964: 16). His successor, Sato Eisaku, reiterated the common themes of interdependent economic and political futures shared by Japan and the region. Nevertheless, Japan's policy appeared so tentative as to be almost invisible. Strict attention was paid to keep from doing anything that might cause offense (White, 1964: 16).

Japan's developing Asia-centered diplomacy was further encouraged by the United States. The watershed year was 1965 (Halliday and McCormack, 1973: 36). America was becoming over-involved in Vietnam and subsequently cut foreign aid to countries like South Korea. Considerable pressure was exerted on Japan to help share the costs of policing the area. Washington commenced talks with Tokyo about the return of Okinawa. Johnson forced a speed-up in the Tokyo-Soul "normalization" talks. Sukarno was deposed and replaced by a coalition of Japanese trained generals led by Suharto and U.S.-trained technocrats, known collectively as the "Berkeley Mafia". As a result,

money and aid began to flow. Tokyo, with its good political connections to Suharto, co-ordinated the rehabilitation of the Indonesian economy after the Sukarno putsch (Halliday and McCormack, 1973: 36).

By the mid-1960s the Japanese were becoming confident with the fact that they were rapidly emerging as the Asian community's regional leader. This was in part through their participation in U.N. projects such as the Colombo Plan, and buttressed by membership in the Economic Commission for Asia and the Far East (ECAFE), the Development Assistance Committee and the Organization for Economic Cooperation and Development.

Multilateral initiatives permitted Japan to go beyond bilateral economic relations and affirm a political presence in the minds of its regional counterparts. The economic strength that Japan was acquiring enabled the Sato government to establish a consultative group on economic cooperation for Asian countries. Ministerial Conferences for the Economic Development of Southeast Asia proved extremely popular. The first was held in Tokyo in 1966 with the following countries in attendance: Indonesia, the Khmer Republic, Laos, Malaysia, the Philippines, Singapore, Thailand, and South Vietnam (Hasegawa, 1975: 108).

Conscious of the sensitivity of other Asian countries to Japan's pre-war position, participants were encouraged to put forth individual ideas and programs. Japan then carefully reviewed the various proposals submitted and agreed to promote those activities that it saw as enhancing its own *kokueki*. For the Japanese government this forum achieved three ends: first, it provided a means for explaining Japanese aid policy; second, it laid the basis for the role Japan would play in the reconstruction of Indo-China after the Vietnam War; and third, it provided a means for Japan to consolidate its leadership position in Southeast Asia, in effect, helping pave the way for Japan's overall ascendancy in Asia (Hasegawa, 1975: 109).

After 1965 Southeast Asia emerged as the major recipient of Japanese largesse. Concentrated aid flows tied economic cooperation closely with foreign policy. For reasons of "security and stability" the economic development of Southeast Asia was a matter of some concern to the Japanese, so much so that in 1967 Japan established rela-

tions with all five nations preparing to unite as Association of South East Asian Nations (ASEAN). The size of its membership and the geographical location made ASEAN significant when located within the context of the escalating crisis in Vietnam. Although its avowed intentions were expressed in purely economic terms, ASEAN's potential political nature was obvious (Broinowski, 1982: 177).

The policy adopted by Japan was to use its tremendous economic resources to contribute to the stability of ASEAN, in effect, helping prop up political regimes oriented towards free markets and continued economic relations with both Japan and the West. Aid used to promote social, cultural, technical and human development activities was not considered controversial because the word "politics" was left out; it did nevertheless influence politics towards a desired end (Broinowski, 1982: 177).

The period from 1966-1970 witnessed Japan taking advantage of its new organizational and political manoeuvrability in a number of different ways (Malmgren, 1972: 42). Although in gross figures Japan's level of assistance still lagged behind the United States it was now exerting a measure of economic influence in some areas that rivaled or even surpassed that of America. Southeast Asia (excluding Vietnam) was one such example. Moreover, important differences in perception were taking place. While continuing to shun an overtly political role Japan was taking on new initiatives and becoming more deeply involved in Asian affairs. In sharp contrast, the U.S. was beginning to exhibit signs of war-weariness and increasing introspection (Malmgren, 1972: 42). America appeared to be withdrawing.

Against this backdrop, Japanese aid underwent a significant development in the 1970s. Its rationale was broadened to include strategic as well as economic objectives. The first manifestation of this change in thinking can be traced to the Miki Cabinet (1974-1976) that envisioned the possibility of undertaking what has best been described as an "Asian Marshall Plan". While proving overly ambitious (and perhaps premature) this acted as an important precedent. The Fukuda Cabinet (1976-1978) furthered this new trajectory when it introduced the "Fukuda Doctrine"—a regional assistance plan which focused on a one billion dollar pledge to assist ASEAN area projects. However, prior to the Fukuda Doctrine's full implementation, Ohira Masayoshi

introduced a new Cabinet and a fundamentally new approach to aid.

The Ohira Cabinet (1978-80) was greeted by external crisis. The invasions of Afghanistan and Kampuchea, the Iran hostage crisis, and a second oil shock gave rise the concept of "comprehensive security". Japan's traditional diplomatic posture tended to be passive and reactive. It was decided that this approach no longer served the interests of the nation well, that threats to security were not limited to the politico-military field but were as likely, and in fact more likely, to occur in the economic field (Yasutomo, 1986: 26). What Japan required was a strategy to cope with non-military threats in peacetime as well as traditional military threats in the event of a crisis.

In line with this new approach the Ohira Cabinet substantially increased ODA to specific nations deemed strategically and politically important to both Japanese and Western interests. For example, aid to Thailand increased 200%, aid to Pakistan increased 370% and Turkey enjoyed a ten fold increase (Yasutomo, 1986: 43). "Countries bordering areas of conflict" received aid, and countries perceived as causing conflict were denied aid.

Ohira's search for non-military security options led to the creation of a study group on the question of comprehensive national security in April 1979. The report's conclusions were submitted to the new Prime Minister in the summer of 1980. Suzuki Zenko and his Cabinet subsequently adopted "comprehensive national security" as a national policy and singled out "economic cooperation" as a pillar of this new platform. Ever since, government officials have linked aid with the non-military aspect of Japan's national security policy (Yasutomo, 1986: 27).

In a 1981 policy address Prime Minister Suzuki acknowledged the importance of the U.S. security arrangement while stressing that Japan, in its role as an active contributor to peace and development in the world, had every intention of increasing its focus on cooperation with developing nations. Japanese leaders were beginning to recognize the need for their country to play a role in political and strategic areas as well as economic ones. As a foreign ministry official explained, "If we are to refrain from becoming a great military power in fulfilling our increased responsibilities in the field of international politics, it must be economic power that Japan relies upon as a tool to back up its posi-

tion in playing its role" (Yasutomo, 1986: 25).

Along these lines, Japan re-affirmed its commitment to Asian involvement. First, Japan planned to continue to expand cooperative relations with China. Second, it sought to promote the maintenance of peace on the Korean peninsula. And finally, Japan pledged continued support for the solidarity of ASEAN and the development of its members.

Under Suzuki "areas which were important to the maintenance of peace and stability in the world" became the measure for administering aid. This superseded the idea of "countries bordering on conflict", adding a degree of both flexibility and ambiguity to the equation. A shift from countries to the less defined word "areas" softened the tone of strategic aid, and the nuance of its objective no longer connoted conflict but rather the vague notion of maintaining "peace" (Yasutomo, 1986: 44).

Like Suzuki, Prime Minister Nakasone embraced the concept of comprehensive national security.

A nation's security is maintained by a combination of diplomatic efforts, economic cooperation, the building of international public opinion, resource policy and other elements ... the so-called defense of Japan, with the SDF as its core, is only a small part of such a comprehensive security policy and is intended for use only in the event of extreme emergency to deter or repel aggression (Yasutomo, 1986: 51).

The doctrine of "economic cooperation" proved attractive because its substantive content was never codified. As a result its meaning shifted according to who used it and the circumstances involved (Malmgren, 1972: 29). It is an approach to foreign policy that was widely supported by the general public because ODA symbolized official commitment; it constituted a viable measure for Japanese participation in international circles. Moreover, it remained non-military (Yasutomo, 1986: 23).

From the mid-1950s to 1985 Japan utilized aid as a foreign policy tool serving Japan's *kokueki*. True, this initially translated into nothing more than encouraging economic growth. However, the stronger Japan became the more it was expected to act internationally and aid

serving as Japan's "trump card" could not remain apolitical. Up until 1985, aid, dressed up as humanitarian assistance, or provided under the heading of economic interdependence, appeared innocuous. Yet, due to changes in the global environment, none more so than the increased tensions between Japan and the U.S., the objectives of Japanese aid have become clearer.

Finance ministers of the world's major industrialized countries met at the Plaza Hotel-New York in 1985 and participants agreed to bring about a weaker dollar and a stronger yen as a means of increasing the competitiveness of American products. The Yen rose from a value of 260 to the dollar to about 125 to the dollar. Revaluation of the Yen seriously undermined Japan's traditional position as the undisputed economic leader of Eastern Asia. America was suddenly substantially more attractive as a trade partner. For Japan, the Plaza Accord served as a lesson in politics.

A military power can, as a last resort, use or threaten to use force as a means of resolving international conflicts. The same option is not available to an unarmed economic power. Power is defined as a nation's ability to impose its will on others. In the case of outright hostility a wealthy nation lacking arms cannot use its wealth per se as a means of settling a conflict on its own terms. In this sense economic power is a contradiction in terms. On the other hand, a wealthy nation even lacking a military does have options it can exercise in the area of national security. Hostility between nations does not erupt in a vacuum. A nation can cultivate, if not command respect, prestige, and admiration from others through means other than military force by effectively employing the use of economic aid, technical assistance, cultural and educational exchanges (Ozaki and Arnold, 1985: 10).

Japan's ODA has shown a meteoric increase since 1985. Consistent with Japan's history of aid-giving, the region that has received the lion's share is Asia in general, and more specifically Southeast Asia. The significance of this is that government money precedes private investment. Which is to say, the government makes a political decision concerning a specific country's desired development rate and, either by ignoring it or focusing on it, largely determines the outcome. As will be illustrated, the classic example of this is the People's Republic of China.

Japan's direct foreign investment in China is minuscule relative to what other countries have invested and Japan's total investment in Asia. In 1989 China received a mere 438 million Yen or 5.3% of the Asian total; this amounted to less than 12% of Japan's total overseas private investment (*FEER*, 25 April 1991: 52). However, in 1982 the PRC (ten year's after receiving official recognition) debuted as the top recipient of Japan's ODA, an astonishing feat given Japan's penchant for slow, incremental commitments of aid to individual countries (Yasutomo, 1986: 98). Properly understood, what has brought Japan and China together is government to government ties—politics not economics.

Originally, Japan recognized an opportunity to influence and affect the course of political and economic development within China in a way not previously possible during the rule of Mao Zedong. The reforms of Deng Xiaoping permitted Japan to use aid as a means of encouraging internal political stability and prosperity. Always fearful of the geopolitical role China holds, Japan has been committed to funding that country's development. At the back of Japanese minds is the thought that if the U.S. continues to disengage Asia, China will likely prove the most important friend Japan has—prickly though the Chinese may be, they need Japan's economic cooperation (*Economist*, 21 July 1990: 34).

Like China the Philippines are another example of Japanese aid flows rooted in politics and not economics. The nature of this relationship is again best communicated by comparing Japanese foreign direct investment with aid figures. Out of the total 14.1 billion in Japanese investments directed towards Asia between 1985 and 1988 the Philippines received only 288 million or 2% of the Asian total (*FEER*, 2 May 1991: 46). Nevertheless, the Philippians have remained in the top three of Japan's aid recipients only behind China and Indonesia. Japan has increasingly filled America's declining political and economic role as is made clear by examining the divergence in aid sums recently promised by the two countries in February 1991: 1.3 billion versus a paltry \$160 million U.S. (*FEER*, 2 May 1991: 46).

The relationship between private funds following the lead of public funds is best illustrated by Japan's recently announced New Asian Industrial Development Plan (New Aid Plan). The plan's objective is

to link together Japan's aid, trade, and private-capital surpluses in an effort to channel the flow of Japan's direct investment into Newly Industrialized Countries (NICs) and countries on the verge of attaining this status. It is designed to establish a policy framework for Japan's future economic cooperation, signalling a move away from aid for specific infrastructure projects to providing support for the development of selected industries as well as encouraging structural economic adjustments (*Economist*, 15 July 1989: B12).

The New Aid Plan is administered in three stages (*Economist*, 15 July 1989: B12). In stage one Japanese officials conduct studies on a targeted country and select industries that appear to have the highest potential for being developed as internationally competitive exports. Next, development plans that rely on direct investment, the transfer of technology, official aid, and technical cooperation are drawn up. Subsequently, the Japanese Foreign Ministry engages in a policy of dialogue with the recipient country and on the basis of this master plan the two parties organize a joint steering committee and charge it with the task of arriving at a comprehensive plan. Stage two sees Japanese officials turn the comprehensive plan into strategic guidelines for the development of identified industries. And finally, in stage three when the question of finance and investment arises, the private sector is invited to fully participate.

Malaysia provides an example of how this approach works in practice. In 1990 the Japan External Trade Organization and the Japan International Cooperation Agency conducted three studies specific to the point of identifying the products Malaysia should specialize in to attract increased Japanese investment. Such surveys are viewed by some as a conscious effort on Japan's part to persuade ASEAN countries to follow a Japanese "blueprint" for regional development (*FEER*, 28 March 1991: 28). In this instance Japan is leading Malaysia to encourage joint-venture production in automated equipment such as word processors. This would benefit the needs of Malaysia's biggest end user—Japan.

Chandra Muzaffar, the president of a nationwide social awareness society in Malaysia, argues that Japan is setting the agenda for industrialization in Southeast Asia. In her view this is the nature of economies that are dependent and economies that are in a position to

dictate. Given the huge amount of aid and investment which Japan has poured into Malaysia "saying no to Japan would be tantamount to committing suicide" (*FEER*, 28 March 1991: 28).

In the Japanese case an aid policy that advocates horizontal integration is soon succeeded by business interests sharing the same outlook. Between 1985 and 1989 Japanese capital flows to Asia, particularly as direct foreign investment, increased six-fold (*Economist*, 21 July 1990: 30). Ken Ohmae, the head of McKinsey's Consulting in Japan, comments that the process has gone so far so fast that Japan's big businessmen no longer distinguish between Japan and the rest of Asia when making investment and marketing decisions (*Economist*, 21 July 1990: 30). A measure of the scale of Japanese investment in Asia according to Tokyo-based economist Kenneth Curtis is to relate it to GNP. Based on a ratio of investment to GNP, Japan's investment in 8 Asian countries is 8.3 times Japan's investment in Europe and 4 times greater than the investments found in North America (Terry, 1990: B13). Merrill Lynch estimates that Japanese direct investment in the region will average \$18 billion U.S. a year between 1991 and the year 2000.

Increases in investment flows have been matched by increases in the quality of Japanese investment. Beginning around 1987 Japanese consumer electronic companies commenced relocating some of their most advanced factories in the developing countries of Asia. Most notable among these were Thailand, Malaysia, and Indonesia. Japanese-sponsored factories in Asia have graduated to some extent from being parts producers to suppliers of the vast middle range of wares whose production Japan had until recently kept at home.

A major consequence of Japan's restructuring has been an increase in the economic integration between Japan and her Asian counterparts. Exports from Asian NIC's to Japan have risen since 1985 by an annual average of more than 20% in real terms (*Economist*, 15 July 1989: B9). In general, Japanese markets have opened up significantly. Consumers and purchasing managers have displayed an increased willingness to buy imports made cheaper by the rising yen and improving quality. Relating this to the consumer electronics industry (discussed above) the number of Asian-made colour television sets and video recorders imported from 1986 to 1987 rose from 25,000 to 370,000 and 15,000 to 138,000 respectively (*FEER*, 21 July 1990: 17). Conversely,

Japanese exports to East Asia have also been mounting. According to Paul Summervill of Jardine Flemming in Tokyo, Asia is likely to surpass North America as Japan's largest market this year with net sales of \$105 billion U.S. in goods, more than double the amount in 1986 (*FEER*, 25 July 1991: 53). Overall, inter-Asian trade has increased faster than most analysts forecast, with some predicting that regional trade flows will surpass Asia's flow of goods to North America by the early 1990s (*FEER*, 15 June 1989: 31).

The decrease in trade with North America can be explained to some extent by the revaluation of the Yen. The exchange-rate changes prompted cheaper Asian producers to penetrate more established markets like Japan. Also, manufacturers have had to shift factories to lower-cost areas which has encouraged plants to export goods back to their home country as "reverse imports". Neither of these factors however have had the significance of the tangible threat posed by free trade.

The vote by the U.S. Congress to grant President Bush "fast-track" authority in negotiating a free trade pact with Mexico has virtually guaranteed the emergence of a North American bloc. While new barriers will not be imposed on outsiders, member states will enjoy the advantage of reduced tariffs. Fortress Europe 1922 promises even greater isolation. The effect of these developments on Asia is already far reaching.

Put in a theoretical context, the closer a set or group of countries are to each other and the lower the resistance to trade among them the more they will trade with each other, the less they will trade with other countries, and the more other countries will trade amongst themselves. Therefore, the growing bias towards Pacific intra-regional trade has resulted from the intensification of trading ties within other regions, the heightened resistances to trade between Eastern Asian economies and those regions, as well as from the lowering of resistance to trade among Pacific countries as a whole (Drysdale, 1988: 103).

From a strictly economic standpoint, if this drift towards protectionism continues and the GATT process proves permanently stalled, the aid, investment and trade flows occurring within East Asia will transform the region into something akin to the EC, but without the need for a vast bureaucratic set-up (*FEER*, 25 July 1991: 53). As

Noordin Sopiee of Malaysia's Institute of Strategic and International Studies says, "the process of uninstitutionalized economic cooperation and interdependence is nothing short of remarkable. Asian governments need only to watch and wait while economic integration occurs naturally around them" (*FEER*, 16 November 1989: 44).

The opinion that "economic integration is naturally occurring" around the less developed countries of Eastern Asia fails to recognize the political role that Japan is playing. For the last decade Japan has assumed the position of a particularly influential player bearing great responsibility. In trade, finance, technology, and development cooperation whatever Japan has either done or failed to do has significantly influenced the countries of Eastern Asia and beyond (*FEER*, 16 November 1989: 44). And openly promoting increased regional cooperation has been a part of the Japanese agenda since at least 1980 when the Pacific Economic Cooperation Conference met for the first time to discuss the issue.

Following the Asia Pacific Economic Council's initial meeting in 1989 where the topic of regional free trade amongst the nations of Eastern Asia was brought up by Australia's Prime Minister Bob Hawke, Japan's Ministry of International Trade and Industry took credit for being the first to recognize that Asia's rapid economic growth has created the need for a framework of economic cooperation. In light of the background research on this issue carried out by the Japanese government it would be difficult not to concur.

The Economic Planning Agency sponsored a study in 1988 entitled "Promoting Comprehensive Economic Cooperation in an International Economic Environment Undergoing Upheaval: Towards the Construction of an Asian Network." While only a policy study, this piece of work clearly communicated the drift of thinking on regional economic integration under discussion in policy-making circles (*Economist*, 15 July 1989: 7). As clearly spelled out in the 1988 MITI White Paper and the EPA's 1988-92 five year plan:

The Japanese government is now committed to taking the initiative in promoting greater regional economic cooperation, starting in East and South East Asia. It will do so not on the basis of bilateral relations or even ASEAN as a bloc, but by regarding

Japan the NICs and the new NICs as one economy (*Economist*, 15 July 1989: 11).

On deciding whether or not Japan has attained the political skills necessary to bring about regional integration, and if so questioning the extent to which Japan would be willing to undertake the risks involved, exposure to three recent developments will provide the reader with a look at the degree of political influence that Japan is now exercising over its Pacific neighbours.

Prime Minister Kaifu recently toured Asia. During his trip, Kaifu showed a new willingness on the part of Japan to address domestic political issues in countries in which Japan has an economic stake (*FEER*, 17 May 1990: 13). For instance, in Indonesia he proposed a new initiative on Cambodia, offering to host talks between resistance leader Prince Narodom Sihanouk and Phnom Pehn Premier Hun Sen. Furthermore, Kaifu raised the delicate topic of the succession of President Suharto, thereby indicating Japan's desire to see a stable mechanism for the transfer of leadership in place well before succession occurs. While visiting India Kaifu voiced concern with regards to the strained relations between India and Pakistan over Kashmir. Again Kaifu offered to intercede. In addition to this he exhorted both Pakistan and India to sign the nuclear Non Proliferation Treaty. Prior to departing, Kaifu won India's support for Japan's desire to act as a dialogue partner on the South Asian Association for Regional Cooperation (Saarc)—filling the same role it already does with ASEAN.

Another example of Japan's heightened political status may be found with the most recent ASEAN Post Ministerial Conference. Two days before the conference started Japan informed its ASEAN hosts and fellow dialogue partners of a plan to propose a framework for discussion on security in the region. As indicated by the Indonesian Foreign Minister—"the Japanese are changing". The idea of using the ASEAN PMC as "a process of political discussions designed to improve the sense of security among members" is not a new or terribly innovative approach but as Canada's Foreign Minister Barbara McDougall pointed out: "What is important about the Japanese proposal is that is a Japanese proposal" (*FEER*, 1 August 1991: 10).

The extent to which Japan is setting the overall agenda in Eastern Asia must be viewed on two levels. First, as outlined, Japan now feels confident enough to engage in openly political subject areas, interfering in such a way as to determine outcomes that it finds favourable; but more than this, Japan is also influencing others at a much less conspicuous level or *vis-à-vis* indirect means. ASEAN economic ministers recently decided at a meeting in Kuala Lumpur on a package of proposals designed to establish an ASEAN free trade area (AFTA) within the next 15 years. It is of no small significance that this idea was first championed by Malaysian Prime Minister Datuk Seri Mahathir Mohamed whose "Look East" policy as a model of development has had the end consequence of absorbing Malaysia more and more into an industrial program dominated by Japan (*FEER*, 28 March 1991: 16).

To conclude, it is essential that one realizes that aid has, from day one, served as Japan's primary foreign policy tool—an instrument never truly apolitical. Japanese aid has always acted in Japan's *kokue-ki*. At first these goals were primarily economic but as Japan developed at a rate so much faster than its neighbours, it proved impossible not to become involved in regional political issues. Aid permitted Japan to influence its neighbours in a non-threatening manner, a role legitimized *vis-à-vis* multilateral agencies primarily associated with the United Nations. With this process in place, America encouraged Japan to play an ever larger regional role, all the while gradually reducing its own Pacific focus. Aid enabled Japan to become a politically motivated actor without ever really appearing as such. Political objectives were obscured under the doctrine of "economic cooperation" although realized nonetheless.

The Plaza Accord and the real possibility of North American free trade have forced Japan to dramatically increase the degree to which regionalization in Eastern Asia is taking place. The success Japan appears to be having in this regard aptly illustrates the political role that Japan has assumed, the extent to which others are willing to accept this, and the effectiveness of aid as a foreign policy tool.

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