

Aiding Regional Instability? The Geopolitical Paradox of Japanese Development Assistance to China

JOSHUA S. S. MULDAVIN

During the past decade, Japan established itself as the largest bilateral donor of development aid in the world, with more of it directed toward projects in China than any other recipient. Japan sees its aid flows to China as maintaining economic stability in East Asia, particularly as China's raw material and energy resources are articulated into regional markets. In this article, I argue that Japan's aid to China may unintentionally diminish Japan's and the East Asian region's long-term security for two reasons. First, similar to other nations receiving such assistance, this aid may allow China to reallocate scarce capital to military modernisation. Such military modernisation may enable China to both better suppress internal dissent and carry out a more aggressive foreign policy. Second, this aid does not address the fundamental structural aspects of China's present instability. Long-term structural instability has many sources, but the two discussed here are socio-economic inequality (both interregional and intraregional), and sustainable production and environmental problems. Taken together these have important regional and geopolitical implications and repercussions. This article fills a gap in the existing literature on East Asian geopolitics. Namely, that by attending only to relatively short-term corporate and perceived state interests of China and Japan, Japanese aid to China does little to ameliorate and potentially exacerbates long-term structural social and environmental problems for China's vast majority living in rural hinterlands. The potential for internal turmoil springing from this uneven and unsustainable development inside China is the real basis for China's 'threat' to East Asian security. Thus what appears to make good development and geopolitical sense at first look, Japan's current aid regime with China, paradoxically may actually be the worst path to follow.

China is presently the world's largest recipient of Japanese bilateral aid. The influx of Japanese development aid during China's reform period (1978 to the present) has served to legitimise and strengthen the Chinese state, as it has opened its economy to market forces, by subsidising numerous high-profile infrastructure projects throughout China. Japan has sought to articulate China into the East Asian regional economy so as to access low-cost production platforms, energy resources and other raw materials.

Joshua S. S. Muldavin is a Professor in the Department of Geography and Environmental Studies and is Chair and Director of the International Development Studies Program, UCLA. Email: muldavin@ucla.edu.

Importantly, Japan has also justified its aid flows to China as part of a strategy to maintain national and regional security in East Asia.¹

Regional security is here defined as both the long-term lack of conflict over territory and resources between nation-states, and the maintenance of political engagement without war.² I use *regional stability* here as referring to Japan's understanding of it in relations with China – the absence of social unrest, maintenance of domestic political institutions, economic growth, as well as a regional economy within which there are few barriers to transnational capital investment and accumulation.³

Despite its claims to the contrary, in the long term, Japanese development aid to China will most likely exacerbate structural problems in Chinese society and may *unintentionally* be a factor in diminishing East Asian regional security. This is for two reasons. First, Japanese development aid may *inadvertently* allow the Chinese state to reallocate scarce capital to military modernisation. In the short term, a modernised Chinese military may promote a particular version of regional 'stability' that benefits Japan, both by maintaining a secure domestic environment for corporate investors and by potentially deterring regional aggression by North Korea, Russia, Indonesia, and so forth. Japan's aid policy, however, would help institutionalise the need for an oppressive military apparatus in China by not attending to the causes of social unrest within society.

This possible scenario leads to the second reason why Japanese aid may indirectly be a factor in diminishing East Asian regional security. That is, regional economic growth and stability, while highly lucrative for potential investors, would nonetheless be built around structural imbalances and social suppression in China's present political economy. Japanese aid projects do not address the fundamental structural roots of China's present social instability, particularly the burgeoning gap between the nation's coastal, affluent and primarily urban minority and its increasingly vulnerable, hinterland and peasant majority. Compounded by unsustainable production practices and resulting environmental degradation, the long-term security of Japan and the East Asian region is ill-served by a development approach that fails to deal directly with the roots of these problems. Thus, a parallel and important goal I have in this article is to propose a redefinition of security and stability in East Asia incorporating a structural analysis of environmental and social problems.

There is presently a wide range of policy perspectives on the future of East Asian security and China's place within it.⁴ Segal's commentary 'Does China matter?' presents perhaps the boldest view: 'odd as it may seem, the country ... is overrated as a market, a power, and a source of ideas. At best, China is a second rank middle power that has mastered the art of diplomatic theater: it has us willingly suspending our disbelief in its strength.'⁵ This is

as an indirect response to the recent torrent of 'China threat' predictions in the foreign-policy literature, which views contemporary China as the new Leviathan – an unstoppable political, economic and military threat in East Asia. Bernstein and Munro, for example, contend that China's goal is regional hegemony, one that will lead it inevitably to conflict with the West.⁶ The reason they provide for exactly why China would be compelled to pursue aggressively East Asian regional hegemony, potentially jeopardising its economic ties with Japan, is simply that it has been a goal for hundreds of years, and now external circumstances and domestic growth finally bring it within China's reach. Theirs is an exaggerated view, because China is still an emergent nation-state and thus much less important politically, economically and militarily than would justify fears of impending regional hegemony and military threat to Japan.⁷ Further, incredibly strong trade, energy resource, and development aid ties have built up between the two countries during the reform period (1978 to the present) targeting technology transfers and promotion of Japanese private investment into China.⁸ The hundreds of billions Japanese yen invested in various development projects (including rail and highway construction, joint oil and coal exploration, industrial plants, as well as the building of several seaports and airports) point toward a long-term relationship between the two states that transcends episodic diplomatic crises (such as Taiwan relations and Korean reunification). The 'China threat' proponents, such as Bernstein and Munro, unfortunately neglect these facts.

Segal, a leading proponent of the opposing 'exaggerated China' thesis, similarly neglects the complexities of China's internal development, especially the implication of the particular development path that Japan is promoting through its Official Development Assistance (ODA). The 'exaggerated China' proponents are correct to view Japan's present development aid relationship with China as part of a 'comprehensive security policy ... that promotes Chinese economic interdependence and deters Chinese nationalism and militarism'.⁹ Indeed, the fact that China is seeking economic growth and development means that it is becoming increasingly tied to the international economy via multilateral development aid projects, regional trade organisation memberships, and participation in bilateral trade agreements and relations – all signs of this growing interdependence. However, Japan's ODA projects are building upon fundamental structural problems in Chinese society, which I critically review in this article. This volatile mix of internal structural problems and China's modernising military (the issue upon which the 'China threat' literature is founded) may, in the long term, lead to regional insecurity.

Scheyvens and others make the link between development aid and subsidisation of China's military modernisation.¹⁰ Development projects

promoted by international donors help reduce the Chinese state's involvement and burden to deliver capital and resources to particular sectors and regions, thus freeing limited capital for other kinds of investment and use, for example, for military modernisation.¹¹ Austin and Harsip share this view and argue that the Japanese state and polity are becoming wary of their aid going to support Chinese modernisation, a process which could also bolster the Chinese military and potentially threaten Japan's security.¹² Ironically, this scenario is precisely what Japan's comprehensive security policy (providing aid to China to tie it to the international economy) is seeking to avoid. Although a direct Chinese military confrontation with Japan is highly unlikely, the steady modernisation of China's military is a matter of concern, especially if used to suppress domestic unrest or for regional sabre rattling with Taiwan. When this concern is considered side-by-side with the structural problems in China's present political economy, their combined effects are unpredictable, if not perilous.

I argue in this article that Japan's development assistance to China presents a paradox. In the short term, development aid as now conceived may indeed serve Japan's regional economic and security interests.¹³ But in the long term, this particular kind of development assistance will exacerbate structural problems within China, and subsequently create instability in the East Asian region. Thus, while Bernstein and Munro believe that China will ascend to superpower status almost inevitably and Segal and others argue that it is a nation about which we are all too worried, I propose a more nuanced scenario that analyses both the unintended outcomes of development aid flows from Japan and the realities of growing social inequality and environmental degradation within China. I demonstrate this by first characterising Japanese development aid flows to China during the reform period, then by analysing the implications of Japanese aid indirectly subsidising China's military modernisation,¹⁴ and finish by examining the structural problems in China to which Japan's development assistance is contributing.

Geopolitical Consequences of Japan's Aid to China

Japanese Aid to China 1978–98

China is the largest aid recipient in the world, receiving \$2.5 billion from the World Bank, almost \$1 billion from Japan, \$1.2 billion in multilateral United Nations programme funding, and approximately \$750 million in European bilateral aid for a total of more than \$5.45 billion in 1996 (not accounting for the many smaller donors, both bilateral and NGOs). From 1978 to 1998 China received well in excess of \$50 billion in total multilateral and bilateral aid.¹⁵ Such massive aid to perhaps the world's

foremost emergent economy necessitates an analysis of its impact on regional security.

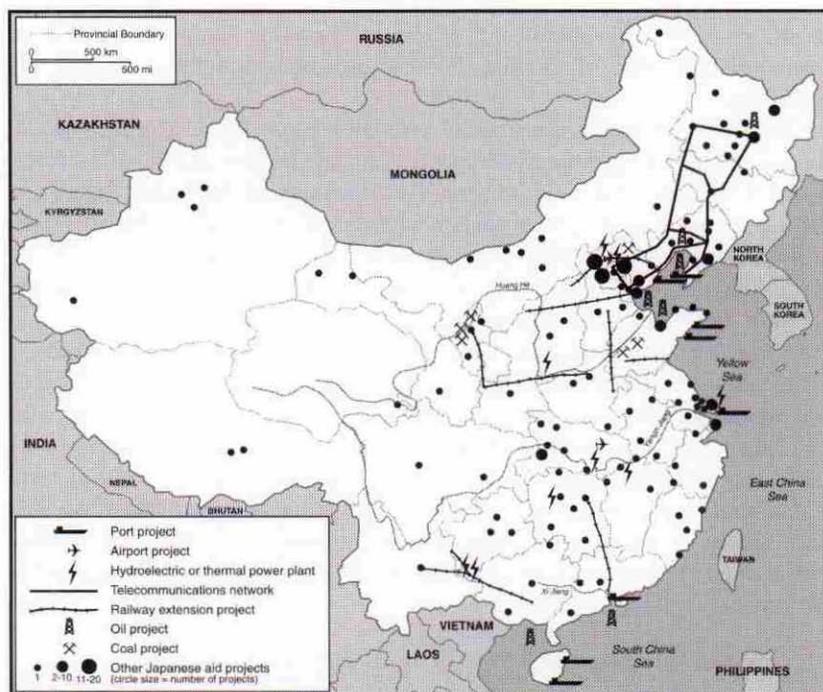
Japan is the biggest aid donor in the world,¹⁶ and its aid to China is greater than that of all other bilateral donors combined, amounting to more than \$35 billion in commitments over the past 20 years. In 1993, for example, Japanese aid made up 60 per cent of the total, rising to 62 per cent in 1994, and falling to 55 per cent in 1995.¹⁷ If we also include Japan's contributions to the Asian Development Bank, World Bank, and United Nations, Japan's aid to China is dominant in determining both the overall quantity of funding and, perhaps more importantly, the characteristics of aid projects.¹⁸

Japan's desire to secure sources of raw materials and food in East Asia (coal, lumber, minerals, and grain) is a primary motivation behind its aid programmes and is intimately tied to ongoing potential industrial development.¹⁹ Japanese investment in China (both Official Development Assistance and foreign direct investment) aims at securing alternative raw material and energy resources for the future,²⁰ and to expand Japanese corporations' potential in the overall East Asian regional economy in terms of labour markets, production sites, transportation infrastructure, and consumer markets.²¹ These transnational corporations, often unwilling or unable to bear the cost and risk of infrastructure development, await the preparation of key regions and sectors through highly subsidised, government-funded Official Development Assistance and other official flows. Thus, the vast majority of Japan's aid has focused on infrastructure projects, much related to energy and energy transport (Figure 1).²²

The results of Japan's infrastructure-related development aid are impressive. A new telecommunications network now spans north-east China. Between north-central China and the east coast, new railway extensions now link some of China's richest coalfields with expanded port facilities along the coast. Those port-expansion projects have also enabled increased oil exploration, recovery, and refining in the Bohai and South China Seas – another focus of Japan's lending programmes. New power plants have helped drive the eastern seaboard's industrial growth. Taken all together, the distribution of aid projects clearly shows Japan's emphasis on resource development, transport, and the creation of both markets and subcontracting regions primarily in eastern China, though increasingly utilising human and natural resources in the hinterlands.²³

As Grant and Nijman point out, 'Japanese officials emphasise the value of infrastructural investment as a stimulus for sustained economic growth.'²⁴ Critics of Japan's ODA approach, however, view it as self-serving.²⁵ The trickle-down modernisation paradigm that emphasises hard aid (that is,

FIGURE 1
CHINESE INFRASTRUCTURE AND OTHER DEVELOPMENT PROJECTS FUNDED
BY JAPANESE ODA



Sources: J. Muldavin, 'The Geography of Japanese Development Aid to China, 1978-1998', *Environment and Planning A* 32 (2000) pp.925-46; Japan International Cooperation Agency (JICA), 'Environmental Assistance of JICA, Environment, WID, and Other Global Issues Planning Department', <http://www.jica.go.jp/E-info/E-earth/E-env/E-env-cont/E-env001.html> (1998); Overseas Economic Cooperation Fund, *OECF Loans to the People's Republic of China*, (Tokyo: OECF 1997); Overseas Economic Cooperation Fund, 'The 25th anniversary of normalization of diplomatic relations between China and Japan - yen loans: contribution to environmental protection of China', press release, <http://www.oecf.go.jp/press97/1997/0912-e2.htm> (1997); E. Platte, 'The role of China in Japan's quest for energy security', *Hitotsubashi Journal of Economics* 37 (1996) pp.69-86.

infrastructure and productive technology and equipment) still dominates Japan's ODA structure despite its recent shift in rhetoric toward soft aid (that which emphasises human needs, the environment, and women in development).²⁶ Transfers of technology from Japanese transnational corporations to China, enabled by Japanese ODA, form a tight circle that meets the goals of both states, but sidesteps the needs of China's poorest people. As appealing as such a critical analysis of Japan's present ODA may

be, it underestimates the important enabling role and responsibility of recipient states. In the case of China, the full cooperation on the part of the state has been necessary to make this kind of ODA a dominant feature of these two countries' relationship. In short, 'Disparate goals can still lead to cooperative frameworks in the delivery of large amounts of capital and technology.'²⁷

Furthermore, the Japanese state officially views ODA as an important tool in maintaining Japanese lifestyles. Japan defines and justifies ODA projects such as these as making up for 'shortages of the technologies and capital so essential to ... economic development' in the Third World.²⁸ This contrasts sharply with the domestic exercise of convincing Japan's public of the important role aid plays in securing crucial imports and maintaining Japan's economy and society at current levels of production and consumption.²⁹ Referring to 'developing countries' the Foreign Ministry states that 'Actively furnishing them assistance in these areas is thus important, not only for improving bilateral friendship, but also in terms of assuring Japan access to reliable sources of food and energy supplies.'³⁰ As the Foreign Ministry also observes: 'Problems of developing countries form a potential threat to Japan'.³¹ Thus, by problematising the Third World,³² particularly in terms of pollution, disease, poverty, terrorism, and refugee crises, Japan legitimises ODA as a means of 'maintaining the quality of life for people who live in Japan'.³³

Aid: Subsidy for Poverty Alleviation or Military Modernisation?

As Japanese ODA to China has grown throughout most of the reform period, China's military expenditures have also grown. Are the two related? The Chinese government's own accounting of military expenditures reveal an increasing trend,³⁴ and outside sources assert that this is a conservative estimate.³⁵ The modernisation of the People's Liberation Army (PLA), as well as its navy, has China's East Asian neighbours concerned with its desire for regional hegemony.³⁶ This is also a concern among China's South East Asian neighbours, particularly in light of the ongoing sovereignty disputes over natural resources in the South China Sea and the evolving militarisation of the area.³⁷ However, in the present context of growing social unrest within China,³⁸ the large-scale deployment of military force against such domestic threats to the state is equally plausible.³⁹

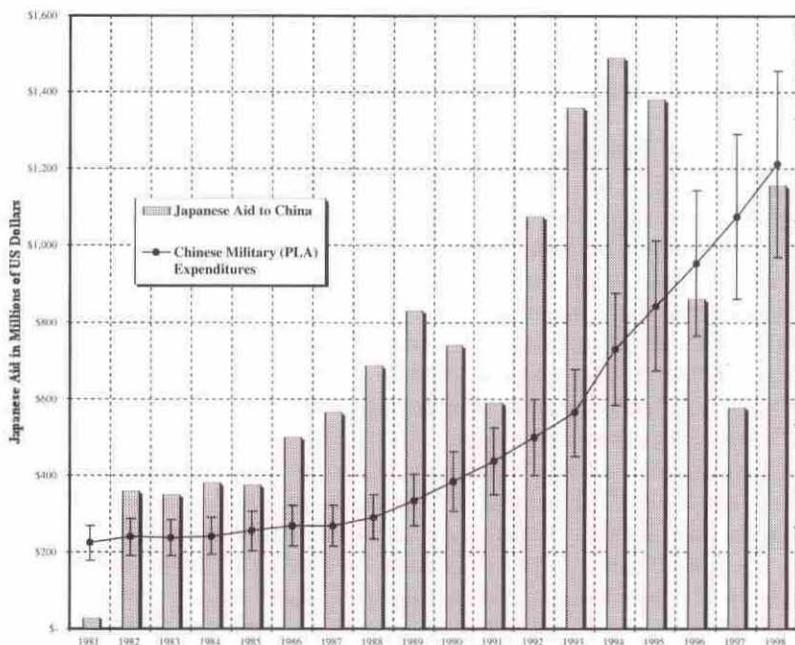
Military modernisation is a high priority of the Chinese government. During the Mao era, 1949–76, the People's Liberation Army was central to state legitimation due to its role in the 1949 revolution and its labour contributions to state farms, factories, and national infrastructure. The contemporary PLA, while inheriting the myths of the People's Revolution, is a different organisation that upholds at times unpopular laws, as well as

forwarding its own entrepreneurial agenda. Compared to the Mao-era PLA, which relied upon massive manpower as its primary strategic advantage, today's Chinese military is seeking to 'catch up' to the West, particularly after the Gulf War and Tian'anmen,⁴⁰ by relying less on conventional force and more on advanced military hardware (navy cruisers and destroyers, guided-missile and communication systems, long-range ballistic weapons, and so on).⁴¹

Obtaining the technology and foreign exchange needed to facilitate this modernisation of its military is a challenge for China, since its economic expansion has depended in part upon the state's regular investments into basic industrial and transportation infrastructure. With these competing demands upon state budgets (military modernisation and economic development⁴²), the massive influx of Japanese development aid funds during the reform era has inadvertently allowed the Chinese leadership more choices.⁴³ The secrecy of China's true financial data on state expenditures limits our understanding of the connections between Japanese ODA and Chinese military expenditures.⁴⁴ However, cursory analysis of this potential *indirect* subsidy is possible (Figure 2). At the very least, the large-scale transfer of cheap capital to China's treasury in the form of ODA has enabled other forms of expenditure on the part of the state.⁴⁵

By subsidising a large component of China's domestic development through its provision of aid, Japan may, therefore, be unintentionally allowing the Chinese state to free up more scarce capital to invest in military modernisation and expansion. I must add that this is a problem of not only Japan's aid programmes to China, but also one that plagues the international aid regime in general.⁴⁶ One unanticipated consequence of aid is that it allows a recipient government to concentrate budget expenditures on other budget lines such as the military. Japanese ODA policy, as codified in the 1992 Foreign Aid Charter, identifies military expenditure trends of recipient nations as an important measure to determine the level of continued aid flows.⁴⁷ But in the case of China and Indonesia, the two largest recipients of Japan's ODA, this aspect of the charter is ignored in practice. Still, despite many analysts' claims that a strong China may threaten East Asian security and, therefore, jeopardise the prosperity and security of Japan, another scenario is more likely to emerge. Namely, Japan will continue to invest in 'hard' development projects in China, further articulating the latter's labour, energy and raw materials into the regional economy. The Chinese military, rather than projecting threats externally, will be utilised by the Chinese government to squash growing waves of social unrest, particularly in rural areas unhappy with the uneven outcomes of the state's reform policies. In the short term, Japan's vision of 'stability' in East Asia, wherein regional military security and economic prosperity are goals, is achieved with a

FIGURE 2
JAPANESE OFFICIAL DEVELOPMENT AID TO CHINA AND CHINESE MILITARY EXPENDITURES



Notes: Error bars of ± 20 per cent are placed around the official figures for Chinese military expenditures to emphasise their politicised nature and substantial understatement of real expenditure. Figures of Chinese military expenditures for 1998–99 are SIPRI estimates derived from the data on the previous years, assuming the average growth rate from 1994 to 1996 will be the growth rates in these two years. 'Chinese military' in this figure refers to the Chinese central People's Liberation Army (PLA), and does not include local militias or the central and local People's Armed Police.

Sources: J. Muldavin, 'The Geography of Japanese Development Aid to China, 1978–1998', *Environment and Planning A* 32 (2000) pp.925–46; Ministry of Foreign Affairs (MOFA), *Japan's ODA Annual Report 1998* (Tokyo: MOFA 1999); Stockholm International Peace Research Institute (SIPRI), *SIPRI Yearbook [Various Years]: World Armaments and Disarmament* (New York: Oxford University Press 1981–99); US Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1996* (Washington, DC: US Government Printing Office 1997).

strengthened Chinese military. But what does this scenario engender for the long term?

The Structural Problems of China's Development: Ameliorated or Amplified by Aid?

China's first 20 years of economic reforms have produced significant, internal structural problems.⁴⁸ To understand how these deep-rooted problems are exacerbated by infusions of Japanese ODA, I now turn attention toward the most prominent contributors to China's growing internal instability: growing inequality, productive infrastructure decline coupled with environmental degradation, and limited definitions of development.

Structural Problems: China's Growing Interregional and Intra-regional Inequality

Inequality within China appears at two different scales, each with different causes, but nonetheless closely linked. *Interregional* inequality, that is, between the coastal and more developed areas of the country and the interior hinterlands and distant borderland areas, continues to be a long-term concern in China. Most private investors continue to favour the more industrialised eastern region. The rapid rise in foreign direct investment in reform-era China, particularly since 1992, has increased regional inequality.⁴⁹ The Chinese state sees such inequality as a cause of potential unrest. Western China, resource rich and militarily strategic, is perceived by the Chinese state as vulnerable to ethnic-based separatist movements.⁵⁰ If growing regional inequality is not countered through either financial transfers to support economic development,⁵¹ or other forms of livelihood improvement,⁵² then ethnic minorities who make up the majority of the population may rebel.⁵³ Furthermore, interregional inequality is also a serious issue between the more developed areas of the country and the hinterland areas devoid of minority separatist aspirations. Grinding poverty, declining infrastructure, loss of welfare entitlements, and lack of alternative livelihood strategies lead to two common outcomes: mass migration to wealthier urban centres and their suburban fringes; and social unrest as a response to people's declining living standards and rising vulnerability.

This last outcome is closely tied to the second kind of inequality that challenges the Chinese state: the rapid rise in *intra-regional* socio-economic inequality.⁵⁴ This is a serious phenomenon in both urban and rural China, but within China's less economically developed hinterlands such socio-economic inequality leads to frequent social unrest and delegitimisation of the local state.⁵⁵ Such inequality has a number of structural roots, but uneven redistribution of limited industrial assets at the village level has been a major bone of contention in these rural areas following the 1978–84

decollectivisation. The creation of a few newly rich households has, in contrast, left most villagers relatively impoverished. Beyond decollectivisation and the re-allotment of previously collective assets, there is declining access to social welfare services such as public health and education – now provided only on a fee-for-service basis to those who can afford it. Furthermore, the market incentives of China's hybrid economy do not favour maintenance of productive infrastructure, with a long decline in investment since 1978 in agricultural infrastructure that serves the broad majority of peasants.⁵⁶

Interregional disparities enhance these intraregional socio-economic inequalities, with some of the worst cases appearing in distant hinterlands where marginalised peasants face further hardship. While rich households within impoverished regions maintain ties to economic growth in the east, marginalised households lack the social and political means to obtain aid benefits, new jobs, or government services and thus to counter declining livelihood opportunities. Yet widespread reports of such problems also appear in the wealthier and economically developed coastal regions. Thus, this is not just a phenomenon the state can address through regional transfers of wealth, but also requires careful attention to the causes of rapid socio-economic differentiation, and the growing vulnerabilities of perhaps 400 million or more Chinese peasants.⁵⁷

Structural Problems: Productive Infrastructure Decline and Environmental Degradation

Structural problems of productive infrastructure decline and environmental degradation are the second major underestimated contributor to China's growing internal instability. After 20 years of plummeting infrastructure investment, combined with declining availability of collective capital and labour to maintain infrastructure following decollectivisation of the countryside, the sustainability of China's agrarian production is more fragile than ever.⁵⁸ Increases in grain and food production have come about primarily through investment in short-term strategies, such as increased use of fertilisers, while scarce capital and labour has been withdrawn from maintaining windbreaks, terraces, local waterworks and irrigation ditches, as well as grass and tree planting to combat erosion and flooding. Consequently, such common property resources that were previously maintained by the collectives have been effectively exhausted as land use has intensified on the commons, and lands under contract have been rapidly degraded in search of quick returns on the part of contracting peasants.⁵⁹ Taken together these processes are undermining the sustainability of China's agrarian system. Stagnation in production in some regions, destruction from historic flooding in others, are all signs of this growing

production crisis as a result of long-term degradation of infrastructure and environment. These problems are a crucial component of growing rural social discontent,⁶⁰ and yet are not typical components addressed by Japan's development projects in China.

Local county governments are caught between declining state allocations and rising local needs, and are subject to widespread corruption and abuse of power that further undermines their legitimacy. Many try to tax their way out of their problems, and in some cases do so without then delivering the promised services. No doubt, this can be partly attributed to structural political problems (a lack of accountability on the part of local leaders for one) that are amplified by severe limitations on opportunities to address production problems within the new hybrid economic context.⁶¹ Periodic land reallocation has in some areas led to a concentration of the best land in the hands of those closest to power. This mirrors the concentration of village and township industrial assets in the hands of a newly rich peasant class, leading to palpable discontent among their many less fortunate fellow villagers.

Structural Problems: Limited Definitions of Development

Typically, the definition of development is economic growth. But can this limited parameter, used to measure the success of development, truly improve the quality of life for the majority in China? Most aid agencies rarely ask this question since they assume that capital investment for industrialisation and technology transfer, the adoption of Western-style management techniques, and development of infrastructure and energy resources will all benefit the society as a whole. But this development-by-modernisation approach ignores both the geographic unevenness and the socially stratified impacts of economic development in general, as well as the environmental consequences of growth-based models. Even those critical of development *per se* often define sustainable development purely in technological ways, for example, having access to clean coal technology equals sustainable development, whereas dirty coal technology is unsustainable development regardless of scale and context.⁶² This oversimplification of the definition of development (not to mention 'sustainable development') seriously underestimates important *structural problems* in China's development – the growth of inequality and unsustainable production practices. Unfortunately, such structural problems are often obscured in the short term by annual growth statistics.⁶³

One outcome of this limited definition of development is that in almost all government accounts by both Japan and China, officials define China's principal problems purely in technical terms, which leads to purely

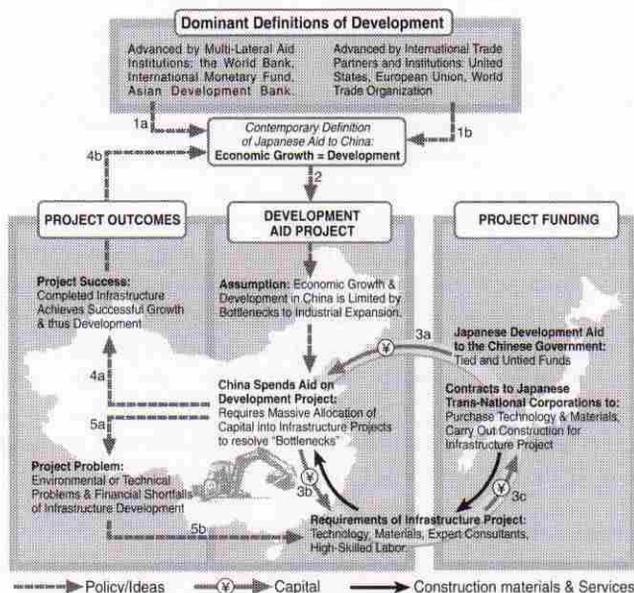
technical solutions.⁶⁴ Viewed conceptually through this lens, the problem of limited growth and development is primarily due to bottlenecks in energy supply, transport, and communications. Thus, investment in infrastructure will resolve these bottlenecks and maintain growth, and by extension maintain the progress of development.

Environmental degradation provides another example of Japanese ODA's technical definitions of both problems and solutions. Japan's aid agencies narrowly construe environmental problems around notions of air, water, and land pollution, usually from point sources such as a manufacturing plant.⁶⁵ Hence narrow responses follow, almost all of which are technical and capital intensive in their application. As such, they do not require any widespread change in production or consumption practices, or the way in which these social processes are organised. In this approach, all that is required is the availability of sufficient capital to purchase the needed technology to clean up the offending plant. Most of Japan's ODA projects that focus on the environment fall into this category.⁶⁶ For example, if the problem involves a vast number of small- to medium-sized plants discharging large quantities of highly toxic effluent into a river basin, the technical answer is twofold. First, factories can slowly put in place water-treatment technology. Second, the state can simultaneously construct water-treatment plants to take the highly polluted river waters and make them usable again. Thus, the state need not change the overall kind of intensive, industrial development strategy being pursued, but simply promote the cleaning of factory effluent, and if that is not directly possible, clean up the water downstream before it is reused by industry, agriculture, or local populations.

Another outcome of this limited definition of development is that solutions offered for problems of stagnant growth, such as the expansion of productive infrastructure, tend to require large amounts of capital for importing technology, materials, expert consultants and high-skilled labour. Japan plans and implements its development aid to China to create infrastructure, but also to increase purchasing of Japanese technology and to provide a ready platform for foreign investment by Japanese corporations. This technocentric development approach and its outcomes engender feedback effects that reinforce it. We can visualise this process in the way shown in Figure 3.

This view of development achieved through technological modernisation is rather neat and circular, but unfortunately requires little input from the *subjects* of development. To be sure, this limited development definition has definite benefits. The Japanese state is not blind to the value of its ODA for the highly industrialised nations of the world. As Japan's Ministry of Foreign Affairs states, providing economic assistance to

FIGURE 3
TECHNOCENTRIC MODELS OF DEVELOPMENT



Notes: This figure illustrates Japan-China development aid project funding and definitions, and how feedback mechanisms exist to reinforce the existing narrow definition of development. (1a) The narrow definition of development is advanced by multilateral aid organisations such as the World Bank, International Monetary Fund, and the Asian Development Bank. These institutions dominate the choice of development definitions because of the billions of dollars they are able to offer to developing nations now and in the future, and because of the debt owed by these nations on past loans. (1b) International trade partners and institutions (that is, the USA, European Union, Japan and the World Trade Organisation) all influence the definition of development since they underwrite much of the money going to the multilateral institutions (see 1a above). The international trade partners and institutions in turn are influenced by powerful transnational corporate lobbies that favour capital-intensive infrastructure projects. (2) The combined influence of (1a) and (1b) set the definition of development for Japanese development aid to China, which encourages the Chinese government and the aid project managers to identify problems as bottlenecks to industrial expansion. (3a) Aid money is transferred from Japanese aid agencies to the Chinese treasury. (3b) China spends aid funds on infrastructure projects to resolve the bottlenecks that are identified as inhibiting economic growth and development. (3c) China purchases technology, materials, expert consultants, high-skilled labour from transnational corporations, usually Japanese. The process is reinforced by the steady growth of Japanese aid to China in the reform era, increasing the overall number of aid projects as well as contracts for Japanese transnational corporations. There are two project outcomes: (4a) by overcoming the bottleneck to industrial expansion, projects are evaluated as a 'success' by both governments and experts from international aid institutions; and (4b) the 'success' of development projects reinforces the narrow definition of development as summary case studies are published by aid institutions, and projects are used as models for future development aid planning. (5a) Projects are evaluated as experiencing 'problems', such as shortfalls of funding, failures of technology (such as a stress fracture in a bridge support or road), or environmental pollution. (5b) Applying more capital-intensive technology or expert consulting solves the problems. Funding shortfalls are resolved by requesting more aid. Problems embodied in the project infrastructure itself are modified with different engineering approaches, and smokestack scrubbers, water-treatment facilities and pollution monitoring can mitigate pollution problems.

Source: Author.

developing countries 'will contribute enormously to the economies of the industrialized countries themselves'.⁶⁷ Since 'Industrialized countries do about 30 per cent of their trade with developing countries' and 'As it happens, over half of Japan's trade is with developing countries', such export promotion is crucial to Japan's prosperity.⁶⁸ Furthermore, rapid economic expansion spurred by Japanese ODA helps transform developing countries 'into increasingly important export markets for Japanese goods'.⁶⁹

Those promoting technical solutions devolving from the narrow initial definition of development pay little attention to the structural problems faced by China's vast majority in meeting their long-term livelihood needs. As already discussed, the symptoms of these problems include: a rapid increase in socio-economic inequality, environmental decline, declining productive infrastructure available to the majority of peasant producers, the loss of entitlements formerly guaranteed by the state, and growing unemployment (adding to China's large floating population of peasant labourers). These symptoms necessitate a redefinition of development that might address the real needs of those being developed.⁷⁰

Ameliorated or Amplified by Aid?

In sum, the role of Japan's ODA in addressing China's structural dilemmas is limited by both Japan and China's technocratic definitions of the problems and, thus, narrowly defined set of solutions. Most of the official documentation of Japan's aid agencies, as well as official positions, utilising a limited definition of development, discuss in great length the shift in aid to address two issues: environmental problems and growing regional inequality.⁷¹ However, specific goals of Japanese ODA, such as energy resource security, do little to address the imbalance in the distribution of ODA benefits within China. Moreover, many of these projects have localised adverse environmental impacts.⁷² Granted, the relocation of projects to the hinterlands and less developed regions of China has been somewhat successful.⁷³ However, despite this recent shift, the vast majority of projects are still located in China's most developed regions.⁷⁴ The relative paucity of livelihood opportunities available to residents in China's hinterlands as compared to the coastal and most developed areas further amplifies this regional disparity.⁷⁵

Indeed, although an increasing portion of Japan's aid may be going to western China, the location of these projects may do little to reverse China's growing regional inequality. Most of the energy projects actually serve the needs of China's eastern and most developed regions, and increasingly Japan's own needs. Their location in the west should not be equated with that area's development. On the contrary, many of these projects have very significant negative impacts on local areas: draining away resources;

principally relying on 'immigrant' technical labour and thus doing little to expand job opportunities for local residents; creating significant environmental pollution; diverting local state capital to supporting infrastructure and away from needed social services; and thus, lastly, adding to the overall inequality between the hinterland and coastal regions.⁷⁶ Addressing interregional and intraregional inequality through exploitation of a region's resources certainly does not guarantee a form of development that benefits the majority, and in particular the region's most vulnerable peoples. Likewise, growth-oriented industrial projects in the more developed coastal regions do little to address the growing socio-economic divide within these areas and between them and other parts of China. Similarly, the application of technical fixes to environmental problems does little to address the more fundamental causes of China's environmental degradation.⁷⁷ Hence, Japanese development aid presently provides only localised technical solutions to China's complex predicaments, fundamentally fails to address their root causes, and may in fact serve to further amplify their crisis status.

Conclusion

The competing goals of nation-states can often find mutual benefit in the challenges of the globalising world. This is clearly demonstrated by the intertwined economies of China and Japan, and their partnership in large-scale development aid projects and technology transfer programmes. But such aid can result in quite different outcomes than these states originally intended. Thus, it is unclear whether development strategies that serve to articulate the regional economy of north-east Asia, but fail to promote widely felt improvement in the quality of life for China's peoples, will actually reduce tensions in the region. This is a sharp contrast to the polarised literature regarding the future importance of China⁷⁸ and its relationship with Japan, a relationship which I predict will remain contentious yet still very much interdependent. Indeed, a more nuanced analysis is required that neither exaggerates or dismisses China's importance.

Aside from the short-term economic stability that its ODA is now buying, Japan's aid investments into China's most developed regions (emphasising technical solutions and commercially viable projects) may likely add to internal social and geographic disparities as well as environmental decline. Such difficult structural problems certainly challenge China's internal stability. Furthermore, the combined investments of Japanese ODA and Chinese military expenditures may contribute to external *instability* through a number of scenarios, the roots of which

already exist. The gap between the affluence materialising rapidly and daily in the eastern coastal provinces and the poverty and disenfranchisement of China's hinterlands is creating rising social tension in which the local state has in many cases already lost legitimacy and the ability to govern. Will the central government escape further criticism over the growing socio-economic inequalities for much longer? If not, the military may certainly be involved in any conflict that arises as the state seeks to exert its power and regain both social control and legitimacy. In this scenario, Japan's aid may indirectly help pay the cost of maintaining internal stability (paradoxically aggravated by its own projects) through repressive means. But such repression will not solve the structural problems that are at the root of the social unrest, and ultimately will resurface in social protest. Rather than distracting the state from external meddling in the region,⁷⁹ repression of internal unrest may justify the further build-up of China's military so as to be better able to handle both domestic enemies of the state and external geopolitical confrontations for resource access and territorial sovereignty. To view China as forced to choose between squashing internal unrest or extending threats externally severely underestimates the desire of the Chinese state to maintain control over its resource-rich hinterlands and uphold the indivisibility of China proper,⁸⁰ not to mention its goal of reunification with Taiwan.

In cases where economic recession or regional crisis have damaged the post-Deng Xiaoping government's legitimacy, its trump card has been to use nationalistic rhetoric and threats of external aggression to distract the public from the protracted domestic problems.⁸¹ The growing economic unevenness and regionalisation of China further complicate this scenario.⁸² Will the country's rich provinces contribute to the welfare of its poorer ones? And if vulnerable, disenfranchised groups in Chinese society are to become scapegoats to distract the nation from structural problems of the reform policies, will the country fragment politically? The economic and political security of East Asia could easily become entangled in China's internal problems if such a scenario played out.⁸³ Thus China's current internal instability, not ameliorated but perhaps enhanced by Japanese aid, may lead to long-term difficulties with regional geopolitical implications.

China is clearly becoming ever more tightly bound to the economic future of Japan.⁸⁴ Any potential Chinese domestic upheaval or outward military aggression will certainly reverberate through Japan's political economy to disrupt the stability of the overall world economy. In addition, as Japan and the West project their market-based model of development upon China (via ODA, trade agreements and private investment), the latter's structural problems will impact those markets as well. China's resistance to adopting financial integration measures, such as currency conversion, was

an important reason for its ability to withstand the worst impacts of the recent Asian economic crisis.⁸⁵ Yet China's predicted ascension to the World Trade Organisation (WTO)⁸⁶ may gradually eliminate this and other buffers, and more closely link China's internal problems with regional and global crises, both as cause and effect.⁸⁷ For example, the opening of China's agricultural market to world competition will bring peasant households into unsuccessful competition with low-cost grain imports. This may add tens of millions of China's peasants to its internal labour migration, further aggravating the resulting social problems.⁸⁸ And in reverse, assuming increased exports from the West to China via WTO market-opening measures, a drastic recession and decline in consumption in a future China would have reverberations that would be felt in communities around the world.

If my argument is accepted, then aid focused upon the most vulnerable in Chinese society is precisely the kind that is most important for Japan's long-term security, as well as the security of East Asia. If Japan is going to provide aid, and by extension influence China's development path, then Japan may benefit by carefully focusing that aid where it can do most to counter the rapid social stratification, rising rural and urban poverty, and environmental destruction of China's present political economy. By promoting a fundamental shift in Japan's aid policy to address China's long-term structural problems, the dual goals of regional security and a redefined development may be better achieved. But this also requires making China's management of ODA funds transparent and clearly separate from military budgets – a difficult though necessary precept. This shift could also be accompanied by a persistent demand for China to contain its military expenditures if it is to continue to receive international aid. There is much precedence for this position in other bilateral and multilateral relationships in the world.⁸⁹ In the long term, a redefined model of development could prevent the Chinese state's need for an institutionalised, repressive military apparatus, since development projects would confront the causes of today's structural problems. Otherwise, ODA can always be seen as *indirectly* subsidising military expenditures for either potential domestic repression or external aggression.

This conclusion necessitates a more critical analysis of China and Japan's development aid relationship, including a comprehensive analysis of the difficult realities facing the majority of China's people – rising socio-economic vulnerability and declining sustainability of production. Ultimately, an alternative model of development aid (one which simultaneously addresses China's structural problems while limiting potential indirect military transfers) will enable a more democratic and participatory form of development within China's existing political economy.

Resultant stability, if realised, would also help avert the potential Chinese projection of its internal problems against its neighbours via its military.

This policy prescription is quite different than aid focused upon maximising the output of raw materials for Japan's economy or maximising sales of Japanese industrial products and expertise. This alternative development aid strategy, directly focused upon the development needs of China's most vulnerable and less geared to Japan's own economic needs, will be difficult to legitimate politically in Japan's current situation – long-term recession, rising unemployment, and potentially declining standards of living. But until Japanese development aid addresses the realities of China's structural problems and their potential impact upon regional security, the consequences embodied in China's present political economy may turn against Japan in the long run.

The analysis I have presented provides an alternative view to the most vociferous commentators on China's role in the emergent global geopolitical order. The 'China threat' espoused by Bernstein and Munro,⁹⁰ with its exaggerated vision of China in pursuit of regional hegemony at almost any cost, lacks sufficient rationale for the inevitability of this conflict beyond a loosely argued historical assertion. And yet, Segal's easy dismissal of China as an overrated power⁹¹ neglects both China's complex internal development and structural problems, as well as the crucial impact its chosen development path may have on us all, particularly in environmental terms. Alternatively, I have argued that the 'threats' from China come from long-term structural problems, and these problems are potentially accentuated by development aid that not only fails to address these problems, but actually may exacerbate them. Aid in this context may also be inadvertently and indirectly subsidising China's rising military expenditures. Lastly, if we reconceptualise our understanding of security in East Asia as fundamentally requiring the fulfilment of livelihoods and reduction of vulnerability for those most at risk in the region, then Japan's aid programmes as now constituted, fail to address this essential component. Thus, paradoxically, Japan and East Asia's long-term security and stability is unintentionally diminished by development aid that has precisely such security as its stated purpose.

ACKNOWLEDGEMENT

I would like to acknowledge several people who contributed to this research. This article, first and foremost, grew out of discussions and debates with John Agnew concerning the literature on East Asian geopolitics. He continued to provide superb feedback on the manuscript throughout its development and completion. Joseph Nevins offered insightful comments and pointed out excellent sources on military spending. Patrick Burns splendidly assisted with literature research, copy-editing and formatting, as well as the layout of the argument. Chase Langford, UCLA's invaluable cartographer, transformed several of the article's key concepts into coherent and

aesthetic graphics. Two anonymous referees and the co-editor of *Geopolitics*, David Newman, also provided extremely helpful comments and suggestions. Of course, all shortcomings of the final manuscript are solely the responsibility of the author.

NOTES

1. R. Grant, 'Reshaping Japanese foreign aid for the post-cold war era', *Tijdschrift voor Economische en Sociale Geografie* 86/3 (1995) pp.235-48.
2. *National security* is often asserted to include the perceived needs of the nation-state in terms of access to resources - a common usage in the USA and Japan in relation to energy needs and subsequent economic dependency.
3. Of course, I herein use the conventional definitions of security and stability that dominate the discussion to which I am responding. For more critical views, see J. Agnew and S. Corbridge, *Mastering Space: Hegemony, Territory and International Political Economy* (New York: Routledge 1995) p.86; D. Campbell, *Writing Security: United States Foreign Policy and the Politics of Identity* (Minneapolis: University of Minnesota Press 1992). Drawing on Agnew and Corbridge, I see *security* as 'only possible for a tightly defined spatial unit endowed with sovereignty ... Security is then, by definition, the defence of a particular spatial sovereignty and the politics within it.' In essence then, security is the defence of the status quo. And yet, as Campbell argues, the inability of a state to succeed in the project of security is then the 'guarantor of the state's continued success as an impelling identity' (ibid. p.12). Still, given that *security*, as previously defined, is not possible outside of this 'tightly defined spatial unit' (if even possible there), the concept of *stability* provides a parallel and connected goal (though with a particularly economic emphasis) for nation-states in a region beyond direct sovereignty of any one nation-state.
4. G. Segal, 'Does China Matter?', *Foreign Affairs* 78/5 (1999) pp.24-36; G. Segal, 'The Coming Confrontation Between China and Japan', *World Policy Journal* 10/2 (1993) pp.27-32; S. Gill, 'The Geopolitics of the Asian Crisis', *Monthly Review* 50/10 (1999) pp.1-9; G. Austin and S. Harsip, 'Economic Inequality, Priorities, Influence and Outcomes for Japan and China in the Aid Relationship', unpublished manuscript (Canberra, Australia: Northeast Asian Programs, Australian National University 1998); R. Bernstein and R. Munro, *The Coming Conflict with China* (New York: Knopf 1997); *Economist*, 'A Sense of Security: Can Japan be Asia's Next Policeman?' 343/8021 (1997) p.14; R. Baum, 'China after Deng: Ten Scenarios in Search of Reality', *The China Quarterly* 145 (1996) pp.153-75; H. Scheyvens, *Working Paper No.2: The External Politics of ODA: A Case Study of Japan* (Palmerston North, New Zealand: Institute of Development Studies, June 1996); Mitsuo Okawa, 'An Inquiry Into the Philosophy of International Development Assistance and Japan's Official Development Assistant Charter: the Case of Japan's ODA to China', *Fuji Daigaku Kiyou* 28/2 (1996) pp.1-26; C. Hughes, 'Japan's Subregional Security and Defence with ASEANs, South Korea and China in the 1990s', *Pacific Review* 9/2 (1996) pp.229-50; D Roy, 'The China Threat Issue', *Asian Survey* 36/8 (1996) pp.759-71; D Roy, 'Assessing the Asia-Pacific "Power Vacuum"', *Survival* 37/3 (1995) pp.45-60; D. Goodman and G. Segal (eds.), *China Deconstructs: Politics, Trade, and Regionalism* (New York: Routledge 1994); P. Meyer, 'Russia's Post-Cold War Security Policy in Northeast Asia', *Pacific Affairs* 67/4 (1994) pp.495-512; T. Akihiko, 'Hegemony, Chaos, Interdependence: Three Scenarios for China', *Japan Echo* 21/3 (1994) pp.41-7.
5. Segal, 'Does China Matter?' (note 4) p.24.
6. Bernstein and Munro (note 4).
7. Segal, 'Does China Matter?' (note 4).
8. J. Muldavin, 'The Geography of Japanese Development Aid to China, 1978-1998', *Environment and Planning A* 32 (2000) pp.925-46; E. Platte, 'The Role of China in Japan's Quest for Energy Security', *Hitotsubashi Journal of Economics* 37 (1996) pp.69-86; Grant (note 1).
9. Segal, 'Does China Matter?' (note 4) p.29.
10. Scheyvens (note 4); Austin and Harsip (note 4); Okawa (note 4).

11. Okawa (note 4).
12. Austin and Harsip (note 4).
13. Grant (note 1); M. Ensign, *Doing Good or Doing Well? Japan's Foreign Aid Program* (New York: Columbia University Press 1992).
14. While I agree with Scheyvens (note 4), Austin and Harsip (note 4) and others that aid may subsidise China's military, I take the argument one step further. I argue, in essence, that Japan's ODA does not alleviate and may actually exacerbate China's structural and geographic inequalities and environmental degradation. Combined with increased military spending that aid may subsidise, China's 'threat' to East Asian security may thus come from the international community placing short-term economic needs over real attempts to deal with China's long-term structural problems – a much more difficult task.
15. Muldavin (note 8).
16. Japan provided \$9.4 billion in bilateral aid in 1997, as compared to the USA at \$6.3 billion, France at \$6.2 billion, and Germany at \$5.9 billion. Japan's aid has grown quickly relative to other donors in many other parts of the world as well. For an interesting discussion of Japan's aid to Africa, see H. Stein, 'Japanese Aid to Africa: Patterns, Motivation and the Role of Structural Adjustment', *Journal of Development Studies* 35/2 (Dec. 1998) pp.27–9. Another informative discussion of Japan's ODA growth in the 1990s, with special reference to the Philippines and Thailand, is D. Potter, 'Accommodation and Recipient Interest in Japan's Foreign Aid', *Journal of Third World Studies* 14/2 (Autumn 1997) pp.37–66.
17. Ministry of Foreign Affairs (MOFA), *Japan's ODA Annual Report 1997* (Tokyo: MOFA 1998).
18. Muldavin (note 8).
19. See Austin and Harsip (note 4) for a comprehensive discussion of this issue. Q. Zhao, 'Japan's Foreign Aid Diplomacy with China', in B. Kopple and R. Orr (eds.), *Japan's Foreign Aid: Power and Policy in a New Era* (Westview: Boulder Press 1993) pp.163–82 also sees the desire to secure raw materials as a prime motive in Japan's ODA to China. Ensign (note 13) strongly argues in an earlier book that Japan's ODA in Asia was focused on its own business interests, though Japan's geopolitical motivations are unfortunately lost in this principally economic analysis of Japan's aid institutions and policy.
20. Grant (note 1).
21. M. Soderberg, *The Business of Japanese Foreign Aid* (New York: Routledge 1996); Muldavin (note 8); Scheyvens (note 4).
22. This is consistent with the goals laid out by the head of Japan Export Import Bank's (JEXIM's) lending programme to China, Kazuhisa Yumikura, who states that 'given China's larger capital needs, and Japan's need to secure energy supplies, it would be beneficial for both sides ... if Japan provided capital to import Japanese capital goods ... for coal and oil projects, and that the products of these projects would be imported by Japan to help it secure its long-term energy needs' (interview with the author by Kazuhisa Yumikura, JEXIM, Division 1, Loan Department, in charge of Untied Loans and Export Financing to China, Tokyo, Japan, 11 Aug. 1997).
23. Muldavin (note 8). Hinterlands refers particularly to China's western provinces, and to peasant-dominated villages and towns throughout the country, where the benefits of economic development have yet to materialise for most and where the burden of the reforms' negative externalities are borne.
24. R. Grant and J. Nijman, 'Historical Changes in US and Japanese Foreign Aid to the Asia-Pacific Region', *Annals of the Association of American Geographers* 87/1 (1998) pp.32–51.
25. A. Rix, 'Japan's Foreign Aid Policy: a Capacity for Leadership?', *Pacific Affairs* 62 (1989) pp.461–75; Ensign (note 13); Grant (note 1).
26. T. Fujisaki et al., 'Japan as Top Donor: the Challenge of Implementing Software Policy', *Pacific Affairs* 69 (1996) pp.519–39. Add the infrastructure expenditures, with corresponding imports of primarily Japanese machinery and parts, and the varied goals of the two states are achieved through a jointly agreed upon approach.
27. Muldavin (note 8).
28. Ministry of Foreign Affairs (MOFA), *Japan's ODA Annual Report 1996* (Tokyo: MOFA 1997).

29. It is important to note that Japan's dependence on other countries for food, energy, and other raw materials and resources is one of the highest among the world's industrialised nations. Japan imports 70 per cent of its cereal grain, with 40 per cent of its food imports coming from so-called 'developing countries'. More than 90 per cent of its energy and mineral resources are imported. Japan's level of primary energy self-sufficiency is just 19.8 per cent, as compared to France's 51.9 per cent or the USA's 80.2 per cent. Ministry of Foreign Affairs (MOFA), *Japan's ODA Annual Report 1995* (Tokyo: MOFA 1996).
30. The Foreign Affairs Ministry even defines Middle East peace and stability as 'a matter of ... life-and-death importance to Japan'. MOFA (note 29) p.14.
31. MOFA (note 28) p.13.
32. See A. Escobar, *Encountering Development: The Making and Unmaking of the Third World* (Princeton, NJ: Princeton University Press 1995) and R. Bryant and S. Bailey, *Third World Political Ecology* (New York: Routledge 1997) on 'problematising the Third World'.
33. MOFA (note 28) p.13. This is not to say that there is not a significant humanitarian component to Japan's foreign aid. In fact, the Japanese state not only has justified aid on humanitarian terms, but also has for decades publicised aid as part of informal reparations for its destructive imperialist activities before and during the Second World War.
34. State Statistical Bureau, People's Republic of China, *China Statistical Yearbook 1997* (Beijing: China Statistical Publishing House 1999).
35. Stockholm International Peace Research Institute (SIPRI), *SIPRI Yearbook [Various Years]: World Armaments and Disarmament* (New York: Oxford University Press 1981-99); US Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1996* (Washington, DC: US Government Printing Office 1997).
36. Reuters News Service, 'Tokyo Governor Warns of China Expansionism' (Reuters News and Inside China Today, <http://www.insidechina.com> 28 April 2000); Bernstein and Munro (note 4); D. Denoon and W. Frieman, 'China's Security Strategy: the View from Beijing, ASEAN, and Washington', *Asian Survey* 36/4 (1996) pp.422-39; Akihiko (note 4).
37. Denoon and Frieman (note 36).
38. The Canadian Press, 'Chinese Police Suppress Large Protest: One Killed', (The Canadian Press, <http://www.cp.org> 9 January 1999); Agence France Presse, 'Farmers Protest Collapse of Corrupt Investment Firms', (Agence France Presse, <http://www.insidechinatoday.com> 28 September 1999); Agence France Presse, 'Senior Heads Roll as Fears of Social Unrest Mount', (Agence France Presse, <http://www.insidechinatoday.com> 15 January 1999); R. Weil, 'Doomed Harvest: Effect on Chinese Farmers of Agreement Between China and the WTO', *Multinational Monitor* 21/5 (May 2000) p.16.
39. It is now more than ten years since the Tian'anmen Square massacre of 4 June 1989, a vivid example of the Chinese state's willingness to focus state power upon urban protestors. Given that this tragedy could happen in the heart of Beijing and in full view of the international community, the deployment of army troops and local police to suppress rural peasant protests already appears to be an official government policy response. J. Muldavin, 'The world should help to avert turmoil in China', *International Herald Tribune* (3 June 1999) p.10; British Broadcasting Corporation, 'China "executes 35 people a week"', BBC Online Network, http://news.bbc.co.uk/english/world/asia-pacific/newsid_167000/167455.stm (9 Sept. 1998).
40. Y. Shichor, 'Demobilization: the Dialectics of PLA Troop Reduction', *The China Quarterly* 46 (1996) pp.394-427; J. Frankenstein and B. Gill, 'Current and Future Challenges Facing Chinese Defence Industries', *The China Quarterly* 146 (1996) pp.394-427; L. Wang, 'Chinese Military Expenditures in the 1990s', *Stanford Journal of International Affairs* 4/2 (1995) pp.127-55.
41. SIPRI (note 35); Bernstein and Munro (note 4) pp.130-65.
42. D. Lampton, 'Think Again: China', *Foreign Policy* 110 (1998) pp.13-27; Wang (note 40).
43. Okawa (note 4).
44. ShaoGuang Wang, 'Appendix 7D. The Military Expenditure of China, 1989-98', in Stockholm International Peace Research Institute (SIPRI), *SIPRI Yearbook 1999: World Armaments and Disarmament* (New York: Oxford University Press 1999).
45. One clear example of foreign aid subsidising China's treasury comes from the experience of

- the World Bank's health-sector programmes in China. As argued by Dean Jamison, approximately \$7 billion of the \$20 billion loaned to China through its International Development Association (IDA) window over the past 20 years has ended up in the Chinese treasury. The World Bank justified this absorption of the largest quantity of available IDA loans by one country by the focus of these programmes on the poorest of the poor, primarily in hinterland China. When China's central government borrowed this IDA money from the World Bank at 85 per cent grant equivalent rates, it then turned around and lent it to county-level governments with less generous terms. The difference between what China paid for the money and the terms it required for those it lent it to within China is what Jameson argues makes up this \$7 billion dollar transfer to China's treasury. Furthermore, the poorest counties could not obtain the loans since the stricter repayment terms put these funds out of reach. Thus, not only did an important portion of the IDA money get diverted into China's treasury, but the remaining amount did not reach the most vulnerable. D. Jamison, author's conversations with Dean T. Jamison, Professor of Education, Director of the UCLA Center for Pacific Rim Studies (Los Angeles, CA; 25 Oct. 1999).
46. R. Grant and J. Nijman, 'Foreign Aid in the 1990s: Crisis or Transition?', *Tijdschrift voor Economische en Sociale Geografie* 86/3 (1995) pp.215-18; S. Murshed and S. Sen, 'Aid Conditionality and Military Expenditure Reduction in Developing Countries: Models of Asymmetric Information', *Economic Journal* 105/429 (March 1995) pp.498-509.
 47. Grant (note 1).
 48. J. Muldavin, 'Environmental Degradation in Heilongjiang: Policy Reform and Agrarian Dynamics in China's New Hybrid Economy', *Annals of the Association of American Geographers* 87/4 (1997) pp.579-613; J. Muldavin, 'The Political Ecology of Agrarian Reform in China: the Case of Heilongjiang Province', in R. Peet and M. Watts (eds.), *Liberation Ecologies: Environment, Development, Social Movements* (London: Routledge 1996) pp.227-59.
 49. L. Ying, 'China's Changing Regional Disparities During the Reform Period', *Economic Geography* 75/1 (January 1999) p.59; S. Yao and J. Liu, 'Economic Reforms and Regional Segmentation in Rural China', *Regional Studies* 32/8 (Nov. 1998) p.735; R. Wu, 'Which Way for the Chinese Economy? (Special Report: the Challenge of China)', *World and I* 13/10 (Oct. 1998) pp.40-46; D. Hare and L. West, 'Spatial Patterns in China's Rural Industrial Growth and Prospects for the Alleviation of Regional Income Inequality', *Journal of Comparative Economics* 27/3 (Sept. 1999) p.475; R. Duncan and X. Tian, 'China's Inter-Provincial Disparities: an Explanation', *Communist and Post-Communist Studies* 32/2 (June 1999) p.211; X. Shen, 'Spatial Inequality of Rural Industrial Development in China, 1989-1994', *Journal of Rural Studies* 15/2 (April 1999) pp.179-99; J. Chen and B. Fleisher, 'Regional Income Inequality and Economic Growth in China', *Journal of Comparative Economics* 22/2 (April 1996) pp.141-64.
 50. B. Naughton, 'China's Economy: Buffeted from Within and Without', *Current History* 97/620 (Sept. 1998) p.273.
 51. Goodman and Segal (note 4); Yao and Liu (note 49).
 52. Reuters News Service, 'China to Develop Interior to Ease Ethnic Tensions', (Reuters News and Inside China Today, <http://www.insidechina.com> 25 Nov. 1999).
 53. Lower incomes and fewer livelihood opportunities in these areas have made it difficult to attract Han Chinese migrants to counter the predominance of the ethnic minorities. Such migration is an unpublicised goal of the central government based on its assumption that Han Chinese are more loyal to the concept of Chinese nationalism than those with non-Chinese identities. P. Harris, 'Chinese nationalism: the state of the nation', *The China Journal* 38 (1997) pp.121-37.
 54. J. Chai, 'Divergent Development and Regional Income Gap in China', *Journal of Contemporary Asia* 26/1 (1996) pp.46-58.
 55. J. Muldavin, 'The Limits of Market Triumphalism in Rural China', *Geoforum* 28/3-4 (1998) pp.289-312; J. Muldavin, 'The Paradoxes of Environmental Policy and Resource Management in Reform Era China', *Economic Geography* 76/3 (July 2000) pp.244-71; Agence France Presse, 'Farmers Protest Collapse of Corrupt Investment Firms' (note 38).

56. Muldavin, 'Environmental Degradation in Heilongjiang: Policy Reform and Agrarian Dynamics in China's New Hybrid Economy' (note 48).
57. Muldavin, 'The Limits of Market Triumphalism in Rural China' (note 55).
58. Muldavin, 'Environmental Degradation in Heilongjiang: Policy Reform and Agrarian Dynamics in China's New Hybrid Economy' (note 48).
59. Ibid.
60. Ibid.; Muldavin, 'The Paradoxes of Environmental Policy and Resource Management in Reform Era China' (note 55).
61. Muldavin, 'The Paradoxes of Environmental Policy and Resource Management in Reform Era China' (note 55).
62. Segal, 'The Coming Confrontation Between China and Japan' (note 4).
63. Muldavin, 'The Limits of Market Triumphalism in Rural China' (note 55).
64. Ministry of Foreign Affairs (MOFA), *Japan's ODA Annual Report 1998* (Tokyo: MOFA 1999).
65. As opposed to non-point pollution sources such as automobiles or other more geographically dispersed polluters of air, water, and soil.
66. This is not limited to Japanese ODA, of course. ODA, in general, provides a significant source of financing for Third World nations to purchase environmental technology, thus providing a very large and rapidly expanding market for First World TNCs. This idea is discussed in detail in W. Fletcher and R. Sobin, 'The International Market for Environmental Goods and Services: the United States, Germany, and Japan Export the Most', *Environmental Protection Agency Journal* 20/3-4 (Autumn 1994) pp.34-6.
67. MOFA (note 64).
68. Ibid.
69. In 1995, Japanese exports to Asian markets totalled \$193 billion in value, far exceeding the \$120.9 billion in exports that went to the USA. Many Asian countries have also become targets for Japanese foreign direct investment. Japan's manufacturing sector invested \$6.5 billion in Asia in 1995, surpassing the \$4.2 billion it invested that year in North America. Ibid.; R. Appelbaum, D. Smith and B. Christerson, 'Commodity Chains and Industrial Restructuring in the Pacific Rim: Garment Trade and Manufacturing', in G. Gereffi and M. Korzeniewicz (eds.), *Commodity Chains and Global Capitalism* (Westport, CT: Praeger 1994).
70. P. Blaikie, *The Political Economy of Soil Erosion in Developing Countries* (London: Longman 1985); Muldavin, 'Environmental Degradation in Heilongjiang: Policy Reform and Agrarian Dynamics in China's New Hybrid Economy' (note 48); Gill (note 4).
71. K. Sumi, interview with the author by Kazuo Sumi (Tokyo, JEXIM, 25 June 1997); J. Muldavin, 'The Rhetoric and Reality of Japan's Development Aid Policy Towards China: Problematising The Environment'. Paper Presented at the Association of American Geographers annual conference (Honolulu, HI: March 1999); Muldavin (note 7); S. Miyazaki, interview with the author by Suguru Miyazaki (Tokyo, JICA. Second Regional Division, Planning Department, 14 Aug. 1997); MOFA (note 64); Japan International Cooperation Agency (JICA), *Environmental Assistance of JICA, Environment, WID, and Other Global Issues* (JICA Planning Department, <http://www.jica.go.jp/E-info/E-earth/E-env/E-env-cont/E-env001.html> 1998).
72. The actual amount of funding devoted to environmental projects is still quite small, less than two per cent of the total. See Overseas Economic Cooperation Fund (OECF), *The 25th Anniversary of Normalization of Diplomatic Relations between China and Japan - Yen Loans: Contribution to Environmental Protection of China*, press release (<http://www.oecf.go.jp/press97/1997/0912-e2.htm> 1997).
73. The Chinese government has clearly stated its concern about social discontent resulting from growing regional disparities. For this reason, China has pushed for more foreign aid and investment focused on its hinterlands. For which, see Reuters (note 52). This is consistent with China's longstanding policy, at least rhetorically, to redistribute national wealth to the hinterlands as a way to limit urban migration and resulting political instability. For which, see Muldavin (note 8).
74. Using projects by Japan's Overseas Economic Cooperation Fund as an example, on a

- national per capita basis, as well as in absolute terms, the eastern region of the country received and continues to receive the vast majority of Japanese ODA.
75. Muldavin (note 8).
 76. While environmental impacts and diversion of local capital away from needed social welfare may also happen in more developed eastern regions, the hinterlands do not generally experience the offsetting rise in livelihood opportunities that can help legitimate such negative impacts. *Ibid.*
 77. Cleaner energy is certainly not something to oppose, but the transfer of environmental clean-up technologies purchased through highly subsidised ODA lending serves only to legitimate the competitive rush on the part of Japanese, European, and US firms to sell their environmental clean-up technologies to China. The widely held perception of China as the world's largest environmental technology market of the coming decades leads each nation to try to convince China of the superiority of their particular engineering and approach. I. Barber, interview with the author by I. Barber, European Commission, Directorate General I, External Relations: Commercial Policy, Relations with North America, the Far East, Australia and New Zealand (Brussels, 6 Sept. 1997).
 78. Bernstein and Munro (note 4); Segal 'Does China Matter?' (note 4).
 79. Segal 'Does China Matter?' (note 4); Roy 'The China Threat Issue' (note 4).
 80. Goodman and Segal (note 4) are sceptical of the Chinese central state's ability to control its emerging economic subregions. They imply that China's future concern is economic, not military, issues that will be regionally differentiated. The divergent development of sub-national economic regions within China follows a worldwide trend, as pointed out by A. Scott, 'Regional Motors of the Global Economy', *Futures* 28/5 (1996) pp.391-411; X. Chen, 'The New Spatial Division of Labor and Commodity Chains in the Greater South China Economic Region', in G. Gereffi and M. Korzeniewicz (eds.), *Commodity Chains and Global Capitalism* (Westport, CT: Praeger 1994); and G. Linge (ed.), *China's New Spatial Economy* (New York: Oxford University Press 1997). While this may portend a possible decline in the ability of the state to govern, that would be to overlook, however, the Chinese state's proven willingness to utilise its full economic, propagandistic and military resources to maintain governance over its present territory.
 81. Wu (note 49); Wang (note 40); Campbell (note 3).
 82. Goodman and Segal (note 4).
 83. The negative externalities for the East and South East Asian region from a China in economic and political chaos will likely include: sudden out-migration of millions of impoverished peasants and urban unemployed, acute environmental and resource degradation, spreading social unrest, dramatic declines in Chinese consumption of foreign goods, losses of foreign direct investments in China, and disruptions in regional shipping lanes.
 84. L. Lu and H. Li, 'China Keeps its Promise: the RMB (Renminbi) won't Depreciate', *Beijing Review* 41/41 (12 Oct. 1998) pp.14-16.
 85. S. Lautard, 'State, Party, and Market: Chinese Politics and the Asian Crisis', *International Political Science Review* 20/3 (July 1999) pp.285-86; J. Poon and M. Perry, 'The Asian Economic "Flu": a Geography of Crisis', *Professional Geographer* 51/2 (May 1999) p.184; A. Goldstein, 'Political Implications of a Slowdown', *ORBIS* 43/2 (Spring 1999) p.203; J. Fernald, H. Edison and P. Loungani, 'Was China the First Domino? Assessing Links Between China and Other Asian Economies', *Journal of International Money and Finance* 18/4 (August 1999) pp.515-16; J. Fewsmith, 'China In 1998: Tacking to Stay the Course', *Asian Survey* 39/1 (1999) p.99.
 86. The Economist, 'China and the WTO', *Economist* 357/8191 (7 Oct. 2000) p.86; D. Rosen, 'China and the World Trade Organization: an Economic Balance Sheet', *International Economics Policy Briefs* 99/6 (The Institute for International Economics, <http://www.iie.com/NEWSLETR/news99-6.htm> June 1999); W. Morrison, 'Report for Congress (RS20139): China and the World Trade Organization', *Congressional Research Service* (<http://www.cnire.org/nle/econ-42.html> 1 Sept. 2000); J. Fewsmith, 'The Politics of China's Accession to the WTO', *Current History* 99/638 (Sept. 2000) p.268.
 87. W. Kemenade, 'Besieged: China, Hong Kong, and Taiwan in the Asian Financial Crisis', *Washington Quarterly* 22/3 (Summer 1999) p.165; Naughton (note 50).

88. Weil (note 38).
89. B. Eyinla, 'The ODA Charter and changing objectives of Japan's Aid Policy in Sub-Saharan Africa', *Journal of Modern African Studies* 37/3 (Sept. 1999) pp.409–30; Murshed and Sen (note 46). US aid policy toward Europe in the Marshall Plan era is an early historical precedent to the tying of aid to cessation of colonial empires. For a discussion of this see I. Wall, 'The United States, Algeria, and the Fall of the Fourth French Republic', *Diplomatic History* 18/4 (Autumn 1994) pp.489–511.
90. Bernstein and Munro (note 4).
91. Segal 'Does China Matter?' (note 4).