JAPAN'S ECONOMIC RELATIONS WITH THE SOUTH PACIFIC

by

John Herrmann

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DECLARATION

I certify that this sub-thesis does not incorporate without acknowledgement any material submitted for a degree or diploma in any university, and to the best of my knowledge and belief, does not contain any material previously published or written by any other person except where due reference is made in the text.

John Herrmann
The Australian National University
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I would like to pay tribute to my father John Joseph Herrmann, Snr, for the inspiration he gave me to go on learning.
| ADB  | Asian Development Bank |
| AIDAB | Australia International Development Aid Bureau |
| ASEAN | Association for South East Asian Nations |
| DAC  | Development Assistance Committee (one of the specialised committees of the OECD) |
| EIE  | Electrical and Industrial Enterprises |
| FAIR | Foundation for Advanced Information and Research |
| FDI  | Foreign Direct Investment |
| FFA  | Forum Fisheries Agency |
| FICs | Forum Islands Countries |
| GNP  | Gross National Product |
| IBRD | International Bank for Reconstruction and Development (now the World Bank) |
| IDA  | International Development Association |
| ILO  | International Labour Organization |
| IMF  | International Monetary Fund |
| JANCPEC | Japan National Committee for Pacific Economic Cooperation |
| JICA | Japan International Cooperation Agency |
| JOCV | Japan Overseas Cooperation Volunteers |
| MAFF | Ministry of Agriculture, Forestry and Fisheries (Japan) |
| MFA  | Ministry of Foreign Affairs (Japan) |
| MITI | Ministry of International Trade and Industries (Japan) |
| NGO  | Non Government Organization |
| ODA  | Overseas Development Assistance |
| OECD | Organization for Economic Cooperation and Development |
| OECF | Overseas Economic Cooperation Fund |
| OPEC | Organization of Petroleum Exporting Countries |
| PECC | Pacific Economic Cooperation Council |
| PBEC | Pacific Basin Economic Council |
| PFL  | Pacific Forum Line |
| PIDP | Pacific Islands Development Program |
| SPARTECA | South Pacific Regional Trade and Economic Cooperation Agreement |
| SPC  | South Pacific Commission |
| SPEC | South Pacific Bureau for Economic Cooperation (now the Forum Secretariat) |
| SPF  | South Pacific Forum |
| SPICIN | South Pacific Islands Criminal Intelligence Network |
| SPNFZ | South Pacific Nuclear Free Zone |
| SPREP | South Pacific Regional Environment Programme |
| TTF  | Tuvalu Trust Fund |
| UNDP | United Nations Development Programme |
| UNVs | United Nations Volunteers |
| USAID | United States Agency for International Development |
| WHO  | World Health Organisation |
INTRODUCTION

The post-World War II decades witnessed one of the most important economic achievements in recent world history: the rise of Japan as a global economic power. This served notice of Japan's new status as an actor on the world stage and ultimately, of its potential to influence developments around the world. In the South Pacific, Japan's drive to globalise its giant economy over a period of four decades generated a considerable impact on the economies of Pacific Islands countries (PICs). In the period leading up to the mid-1970s, relations between Japan and the South Pacific developed gradually with a continuing emphasis on economic involvement initially through trade and investment. That economic relationship expanded rapidly during the 1980s. Japan's intent for a role beyond a continuing 'economic' emphasis became increasingly apparent during this period with Overseas Development Assistance (ODA), because of its strategic value, becoming a significant component in Japanese involvement. It was the declaration of the Kuranari Doctrine in 1987 that made clear Japan's motivation for a greater political role. Thus, from an initial focus on economic activities in the South Pacific, strategic and political objectives became important considerations for Japan in the growing economic relationship.

The importance of the relationship is borne out by the fact that by the beginning of the 1980s, Japan had become a major market for the South Pacific. And, if recent investments in the tourist industry are anything to go by, Japan holds the potential of becoming the major source of foreign investment for the region. Aside from a significant contribution towards multilateral assistance, its bilateral ODA has also increased considerably to the point where it is displacing such traditional donors as Australia, New Zealand and the United Kingdom.
For PICs, several factors highlight the importance of Japan's economic involvement in their economies. For example, when Japan's ODA is added to those of other donors such as Australia, New Zealand and the EEC, the collective impact of foreign aid would certainly generate far-reaching consequences on the island economies. The fact that 'the people of the South Pacific are now the highest recipients of international aid per capita in the world' seriously undermines the advantages of such aid. The magnitude of the impact which could lead to a permanent dependency, is illustrated by the fact that between 1977 and 1988, total ODA disbursements to the region increased by 85 per cent from $373 million to $698 million. When the French and US territories are excluded, ODA commitments actually more than doubled for the period from $108 to $244 million. More importantly, many of these island economies operate on tiny yearly budgets. For example, government expenditure for Tuvalu and Western Samoa in 1982 was only $A3.310 million and $A18.485 million respectively. Expenditure for Niue for the 1982-83 financial year was only $A4.559 million.

The possibility of an entrenchment of the Japanese economic connection cannot be ignored and with it the inevitability of some political involvement. The wider political implications which derive from this expanding economic relationship are many and will undoubtedly have a considerable impact on future regional developments. Japanese anxiety for a larger regional role was aptly expressed by Foreign Minister Tadashi Kuranari in January of 1987 when he said that:

Japan's central foreign policy focus is the promotion of friendly and cooperative relations with other countries, particularly with neighbouring countries ... Japan will provide as much assistance as possible to make the region economically prosperous ... Japan will continue to give them the utmost possible cooperation in dealing with the great change which they face.
What is reflected by the declaration of the Kuranari Doctrine was a recognition by Japan of the changing 'face' of the South Pacific as new economic and political players became more actively involved in the region. It was essentially a Japanese response to a changing pattern of interests.

What is so important about this growing Japanese economic involvement in the South Pacific? At the outset, Japan is clearly about to become the major actor and influence in the region. It is already a prominent actor in regional affairs. With a considerable economic impact already established, it will, in all probability, be also the 'most active cultural-political influence in the region into the foreseeable future'. Second, because the vast majority of PICs see economic vulnerability as their biggest security threat, Japan, with its capacity to provide economic assistance, will continue to be regarded as a necessary and alternative source of aid as PICs diversify their sources of aid beyond the 'traditional' donors like Australia, New Zealand and the United Kingdom.

Above all, it means that Japan's economic relation with the South Pacific is now one of the most important relationships in the region. More importantly, it means that irrespective of how PICs may wish to interact with it, Japan has now come to the South Pacific to stay. The certainty of a growing Japanese economic involvement was clearly established in January 1987, at the declaration of the Kuranari Doctrine which identified Japan as a Pacific nation involved in the building of the future Pacific Community. And, as Professor Ron Crocombe rightly points out, there is little that Pacific Islanders can do to stop this from happening 'except to work towards as deep an understanding they [Pacific Islanders] can get of the likely future realities'. Essentially, the task for PICs is to grasp the meaning of Japan's increased economic power and influence in this part of the world, for only if they have some understanding of
this phenomenon can they hope to be able to influence some of the consequences.

The primary objective of this study therefore is to examine the structure of Japan's economic relations with the South Pacific; to explore the extent of Japan's economic involvement; and to determine how far it is motivated by economic, political and strategic objectives. In other words, the aim is to identify and analyse the underlying forces which have generated Japan's growing economic involvement in the South Pacific.

Chapter I looks specifically at the dimensions of the economic relationship. The focus here is on the structure and extent of Japanese involvement through ODA, trade and investment. This requires an analysis of some of the characteristics of each of these categories. The focus of analysis in Chapter II is on how Japan has pursued its objectives in the region. What strategies have been employed to advance its economic involvement? How much involvement is directed by government? To what extent is the private sector a player in the strategies employed? How comprehensive are the strategies used? Chapter III looks at the motivations and underlying forces which gave rise to Japan's growing economic involvement. More specifically, it addresses the question of the extent to which Japanese involvement has been economically motivated, and how far political and strategic objectives have shaped this economic behaviour.

The thrust of the main argument presented in this study is that Japan's economic involvement in the South Pacific was advanced initially by its perceived national economic interests. In recent years, however, its preoccupation with developing the economic dimension of the relationship has incorporated and given way to new strategic and political realities in the region. Thus the basis of the relationship today can no longer be explained by
Japanese economic interests only. Rather, it is to be explained by Japanese political and strategic objectives, as well as by economic interests. This, however, is not to suggest a decline in Japan's economic interests. On the contrary, Japanese economic and commercial interests will undoubtedly remain a central motive for Japanese involvement in the South Pacific.

Endnotes

1 The term South Pacific, for the purposes of this study, consists of those countries within the region as defined by the South Pacific Commission (SPC) and which are also members of the South Pacific Forum (SPF). They include the Cook Islands, Federated States of Micronesia, Fiji, Nauru, Niue, Papua New Guinea, the Marshall Islands, Solomon Islands, Tonga, Vanuatu, Western Samoa but excluding Australia and New Zealand. The terms Pacific Islands countries (PICs) and region cover the same area and are used interchangeably with the South Pacific.

2 An address on 'New Zealand's Official Assistance' by Hon Fran Wilde, Assistant Minister of Trade for New Zealand, 29 May 1989, Wellington. See also Fairbairn, 1985, p.68 for a guide to the level of dependency on Foreign Aid by countries for 1981-82.

3 Fairbairn, 1985, p.65. Note that except where specifically mentioned, all figures in money value are expressed in US dollars.


5 Alan Goodall 'Japan' in PIM, September 1988, pp.25-30.


7 See Appendix 2.

Chapter I
THE ECONOMIC RELATIONSHIP

First contact between Japan and the Pacific islands began just prior to the turn of the century. These were irregular and restricted to Melanesia and the small scattered islands of Micronesia. In Melanesia, by 1891, relations had been established through the use of Japanese immigrant labourers in the nickel mines of New Caledonia. The Japanese government had also considered the establishment of an agricultural colony in the New Hebrides (Vanuatu today). During this same period, initiatives were also taken by several private Japanese companies to develop commercial interests and sugar plantations in Micronesia. Initial contacts were thus motivated largely by a strong sense of adventure, and pioneering spirit, and some commercial interests, which ultimately culminated, some decades later, in a desire for a 'southward advance'. The relationships which emanated from these early contacts between Japan and the Pacific islands developed gradually from irregular contacts to the establishment of some limited trade initiated by entrepreneurs Taguchi Ukichi and Komida Kigi in Ponape in 1890, and Mitzutani Shimnu on Truk in 1891. These Japanese initiatives soon developed after some initial organisational and financial difficulties. And although Japanese commercial interests were briefly checked by the outbreak of the First World War (1914-1918) they were resumed soon after. These first economic relations were irregular and contrasted quite markedly from the long-term comprehensive linkages which have characterised the economic involvement in the South Pacific of the contemporary 'global-looking' Japan.

Japan's 'official' presence in the region did not eventuate until 1921 when, by order of the League of Nations, it was granted mandate over the former German islands of Palau, Saipan, Yap, Truk, Ponape and the Marshall Islands. Except for Nauru and the Gilbert Islands (Kiribati today), which was
then administered by Britain, Japan administered Micronesia until the end of World War II in 1945. Elsewhere in the region, the various islands remained within the sphere of 'western' influence under the colonial administrations of Britain, the United States, France, Australia, New Zealand and for different periods of time, of Germany, the Netherlands and Indonesia.  

The kinds of economic relationship established by Japan as the administering power over Micronesia, provide a useful insight into the distinctive economic approach to the South Pacific adopted by Japan. And, as we shall see in Chapter II, many of these features persist today. Above all else, the ultimate motive for generating economic relations was to meet the demands of the Japanese market and, essentially, to advance national Japanese economic and commercial interests. This was shown by the activities in Micronesia of the South Seas Trading Company, the South Seas Development Company and the Wan'yo Takushoku Kaisha which produced copra, sugar and phosphate respectively: 'all three firms, even the two founded by private capital, tended to shape their economic activities to the overall priorities of the colonial government'. Another characteristic feature of Japanese administration was the close working relationship that existed between government and the private sector. As Mark Peattie notes: 

the subsequent economic development of Micronesia under the Japanese represents an interplay of private initiative and government capital, a combination that had first been successful in the homeland and had been replayed in each of Japan's colonial territories.  

After Japan's forced withdrawal from Micronesia in 1945, it did not again involve itself in the Pacific islands until the early 1960s. This time, the involvement was with islands south of the equator but following the same pattern. Relations were established first through trade and investments followed soon after. By the late 1970s, ODA had become an important component of Japanese involvement.
This chapter looks specifically at the 'economic' dimension of the relationship. It examines the nature and extent of Japanese involvement through ODA, trade and investment and highlights the growing importance of the expanding economic relationship.

**Overseas Development Assistance (ODA)**

Japan's bilateral ODA to the region in recent years has been a consistent allocation of about 1 per cent of her total bilateral ODA.\(^8\) On a world scale, such a small percentage allocation seems insignificant. In real terms however, the contribution towards the economies of PICs is very significant, as borne out by the fact that Japan today is the largest donor for several of the independent island states outside Papua New Guinea. That amount increased rapidly over the last decade. In 1979, Japan contributed only $13.6 million to the region. Ten years later, the figure had jumped to $93.07 million. The growing importance of Japanese aid to the South Pacific becomes obvious when it is compared to those of other donors. In 1976, Japan's bilateral ODA to all SPF countries, other than PNG and Nauru (i.e. Cook Islands, Fiji, Kiribati, Niue, Solomon Islands, Tonga, Tuvalu, Vanuatu and Western Samoa) stood at $0.8 million compared to Australia's $8.7 million, New Zealand's $17.6 million and the UK with $42.9 million. By 1986 however, Japan's commitment had risen to $16.1 million, an increase of more than 1,600 per cent over the ten year period. By comparison, Australia's total was $34.5 million, an increase of just over 400 per cent; New Zealand's total increased by 7 per cent to $23.2 million, with the UK showing a decline of over 100 per cent to $20.2 million.\(^9\) It should, however, be noted that Australia's contribution is much larger when PNG is included. Canberra's 'special' relationship with her former colony has meant that since 1975 approximately 85 per cent of Australia's ODA is channelled to Port Moresby. For example, in the 1989-90 year, Australia granted about
$300 million to PNG, with another $85 million being targeted for other Pacific Islands.¹⁰

The growing importance of Japan's bilateral ODA is noticeable when it is taken on a country by country basis. As these examples show, even by 1986 Japan had become a significant donor. Japan's commitment of $10.98 million to Fiji in 1986 consisted of 33.9 per cent of Fiji's total bilateral aid making it a donor second only to Australia; Kiribati's $4.31 million was 36.2 per cent putting Japan ahead of the UK; Tonga's $3.57 million comprised 30.9 per cent making Japan second to Australia; and Western Samoa's $9.16 million comprised 50.7 per cent, making Japan clearly the largest donor.¹¹

The structure of Japanese ODA is worthy of note. At the most basic level, Japan's ODA consists of Grant Capital Assistance (or grant aid), ODA Loans and Technical Cooperation. The three categories are defined as follows:

Grant Aid is funds provided to developing countries without imposing repayment obligations on recipient countries ... includes the provision of financial resources ... for the procurement of equipment, facilities, materials and services necessary for their economic and social development programs.

ODA Loans constitute a large part of 'loan aid' which provides funds on the premise that its principal will be repaid with interest [usually at a low interest rate].

Technical Cooperation is an activity which teaches and transfers technologies, skills, and knowledge which are important for the development of human resources ... involves dispatching experts, accepting trainees and students ...¹²

Of the above three mentioned categories, Japan's ODA commitments to the South Pacific have focussed mainly in the area of grant aid, administered on a bilateral or multilateral basis through multilateral agencies such as the ADB, the World Bank and UNDP. In 1985 for example, more than 90 per cent of the aid received from Japan consisted of grant aid.¹³ Assistance through technical cooperation has also been important, so much so that by 1988 it rated a high second after grant aid. on the other hand, ODA loans have not been
used extensively. In 1988 only Papua New Guinea and to a lesser extent the Solomon Islands received substantial loans. However, the future possibility of loans being extended to other relatively 'resource-rich' economies like Vanuatu and Fiji, cannot be dismissed.

In terms of Japan's grant aid to the region, several observations can be made. Firstly, the high component of the grant element is in marked contrast to Japan's aid to Asian countries, where 'ODA loans are the main form of Japanese aid'. This can be explained by the fact that Japan is currently giving much more serious consideration to qualitative improvements in ODA by increasing grant aid. There is another factor. The idea that 'grants should be the principal form of aid is now the basic trend internationally'. Scarcity of natural resources throughout the region also restricts the possibilities for 'trading' rather than 'donor-recipient' relationships. As well, by focussing on grant assistance, it is probably another way for Japan to keep in line with the type of aid given by the 'traditional' donors—Australia and New Zealand. Such an action serves to minimise the possibility for conflict with Canberra and Wellington, as Japan strives to advance its own economic and political agenda in the South Pacific. The types of projects sponsored by Japan through grant aid, as these projects for Western Samoa in 1979-82 show, extend over a wide range of areas including income-generating projects in such areas as agriculture and fishing, health and education, and large infrastructure projects.

The likelihood of grant aid remaining a major component of Japan's aid package to the South Pacific is reflected by the growing importance given to the grant element in Japan's aid package. This factor has been acknowledged by some of Japan's most influential economists including Akio Watanabe, Yasuaki Takahashi, Isami Takeda and Isumi Kobayashi. Kobayashi has stated that priority will be given to grant aid rather than loans in Japan's assistance to Pacific islands countries for the immediate future, but Watanabe also
suggests that, while grant aid is most appropriate, assistance should also 'emphasise medical care and cultural activities such as education, entertainment and sports'. The provision of funding for educational development is instructive and, in my view, reflects a Japanese recognition of the importance of cultural development as a 'facilitator' for enhancing a more sympathetic understanding of Japan's broader involvement in the region.

Japan also recognises technical assistance as an important contributing factor for enhancing its relations with PIC's. Towards this end, Tokyo has, since the early 1970s, provided funding for the training of trainees in 'home' countries and in Japan, despatched experts, survey teams and equipment overseas and sent JOCVs to the region. The extent to which technical cooperation has been emphasised is significant considering the relatively small size of the region with a population of less than five million. For example in 1988, Japan funded the training of 268 Pacific Islanders (which was 3.4 per cent of Japan's total number of trainees for the year), visits by 246 survey personnel (3.6 per cent) and 266 JOCVs (10.2 per cent). Incidentally, the number of JOCVs funded exceeded that of 194 (7.46 per cent) for the whole Middle East region. But while Japan has certainly made a strong effort in recent years to expand the proportion of technical aid at the global level, technical assistance consisted of only 14.5 per cent of Japan's total ODA in 1985, a percentage well below the DAC average of 20.8 per cent.

In the South Pacific, the growing emphasis on technical aid, can be seen in the use of JOCVs in eight of the microstates. Only five volunteers were despatched when JOCVs were first sent in 1972; four to Western Samoa and one to Vanuatu. In 1988, a total of 103 JOCVs were actively employed by Pacific island governments in areas such as Fisheries, Agriculture and Forestry, Communication, Transport and Public Welfare. These volunteers were concentrated in the larger economies of PNG (26), Fiji (22), Tonga (16),
Solomon Islands (13) and Western Samoa (13). It should also be noted that since 1972 PNG and Western Samoa have received a total of 134 and 181 volunteers respectively, making them the largest recipients of JOCVs.\(^{23}\)

How and where JOCVs are employed provides yet another dimension to Japan's aid package. These examples are for Western Samoa. In 1988, volunteers consisted of consultants and surveyors, specialists in stock control, systems programming, soil testing, forestry and vegetable growing, experts in marine engineering, outboard motor mechanics and so the list goes on.\(^{24}\) Beside JOCVs, numerous other skilled personnel were provided through aid schemes from Australia and New Zealand, the US Peace Corps and UNVs which all accounted for the heavy expenditure of $4,787,600 in Western Samoa's general development sector in 1988.\(^{25}\)

Two observations can be made about the increased use of JOCVs in the region. First, Japan recognises the value derived from its volunteers being seen actively working alongside volunteers from 'traditional' donor countries. Second, Tokyo sees some advantages in the use of its volunteers to enhance an image of Japanese practicability especially in economies such as PNG where there is still a tremendous potential for exploiting the economic resources.

The tied or 'collaborative' nature in which Japanese grant and technical aid has functioned is also worthy of note. Thus, it was not unusual that, when a grant for development projects was made to Western Samoa's Department of Agriculture, Forests and Fisheries in 1988, Japan also provided the expertise for these projects: specialists in vegetable growing, outboard motor mechanics and fishing gear and methods.\(^{26}\) For Japan, survey teams play an important role in ensuring that aid is 'tied'. It is this aspect of Japan's aid programme which has been often criticised. Alan Rix notes the problem as one of bias which is designed to maximise Japanese input:
Herein lies a serious bias in the technical programme towards its use as a preliminary stage to development financing of projects, thus effectively tying projects through links established between [Japanese] survey contractors and loan tenders.27

Technical assistance administered through JICA is now considered a high priority because it emphasises the development of human resources in recipient countries. Japan values technical cooperation because it is conducted at the personal contact level. Mindful of the need to build goodwill and understanding among PICs, many of whom suffered atrocities under Japanese occupation during World War II, Japan has emphasised JICA because of the 'people to people' contact by volunteers working in the field. Thus, Japan takes maximum advantage of the positive influence technical aid and involvement has on enhancing 'mutual' understanding between the peoples of Japan and the developing countries.28 Technical cooperation will continue to play an important role in the. As of 1986, there is a representative in Fiji and two offices of JICA have already been established in Apia and Port Moresby. The announcement in February this year that forty Japanese nurses under the JOCVs are to be employed in the Solomon Islands29, and that Japan will provide funding and specialists for a School of Japanese Culture and Language, as part of the Solomon Islands College of Higher Education, bear witness to this policy30, as does the proposal to encourage student exchange and the establishment of a School of Information Sciences and a Centre for Japanese Language Studies in Fiji.

While Japan has favoured technical assistance in the majority of the microstates up to 1988, only PNG and to a much lesser extent, the Solomon Islands have received substantial loans from Tokyo. For PNG, the percentage share of loan assistance has remained at a fairly constant level. In 1983, Port Moresby received grants (i.e. grant aid and technical cooperation) to the value of $1.14 million; $2.37 million was received as loan aid. Five years later, grant aid totalled $5.38 million; loan aid was $12.27 million.31 Present indications
however, show that the percentage share of loan aid in Japan's total bilateral ODA to the region will increase. There is every possibility of this happening, especially in PNG, the Solomon Islands, Vanuatu and Fiji because of their natural resources. And while loans to PNG until recently have been directed mainly to social and economic infrastructural developments such as water and sewerage projects mainly for domestic use\(^{32}\), there is now every likelihood of Japanese loan aid and investments being expanded in other sectors and on a much larger scale. This shift reflects the fact that PNG is richly endowed with timber, marine and mineral resources such as 'copper, coal and silver deposits which are known to be substantial. Oil is also believed to be under the immediately adjacent seas' and was recently discovered in the central highlands.\(^{33}\) A recent report quoted the Lihir Island gold deposit as having the potential of becoming the world's largest outside South Africa.\(^{34}\) Japan's economy needs these raw materials, hence Tokyo has a strong interest in gaining a share of these resources when they are ready for exploitation. Prime Minister Nakasone's 1985 promise of aid for the construction of the huge multi-million dollar trans-island highway that would link Port Moresby and Lae\(^{35}\) suggests a firm Japanese commitment to long-term involvement in the PNG economy. It also reflects the strong possibility that Tokyo will use loans and investments more extensively, as the preferred means to exploit these resources (as it had done in South East Asia) as well as for securing trade relations with the microstates.\(^{36}\)

This is not to suggest that economic relations between Tokyo and Port Moresby have been initiated and conducted entirely for Japanese self-interest, but rather that an interdependent relationship has been forged. The rationale of the relationships is described by Goodman and Moos in these words:

Japanese and Papua New Guinea economic relations are likely to increase in volume, for Japan needs Papua New Guinea's natural resource products, and Papua New Guinea needs Japanese help in extracting these products and selling them abroad.\(^{37}\)
By the same token however, it should be noted that the relationship as it is explained below, is asymmetrical and is certainly not one of equal exchange.

**Trade Relations**

South Pacific trade relations with Japan date back to the early 1960s. Initial participation involved trading manufactured goods for raw materials such as nickel from New Caledonia and phosphate from French Polynesia. Investments during those early years were relatively small compared to those in the 1980s. That Japan would ultimately become a prominent actor in regional trade was already anticipated in the February issue of *PIM* in 1963.

In the past few years Japanese commercial interests have been moving unobtrusively into the area ... Direct Japanese enterprise ... have also participated in mining in New Caledonia and Fiji and have looked at manganese possibilities in Papua New Guinea. They have a growing stake in the Pacific timber industry ... are still French Polynesia's biggest customer for Makatea phosphate. But it is in trading and particularly in selling manufactured goods to the Pacific that they are changing the whole of islands marketing and look already to be in a fair way to ousting other countries [UK, Australia and New Zealand] which have for generations looked upon the area as their traditional preserve. Already, Japan has the market for transistor radios, cameras ... and is whittling away into items ... Japanese capital and enterprise is now found in almost every island group south of the equator.38

The *PIM* correspondent then goes on to suggest that:

if this trend continues and there seems nothing to stop it—Japan must inevitably play a larger and larger part in the affairs of the Pacific.39

The validity of these observations, made almost three decades ago, is borne out by substantial evidence. Today, Japanese economic participation in the South Pacific is comprehensive. Trade, followed by investment and increased bilateral and multilateral ODA, has diversified Japanese economic involvement. The volume of trade with the region has expanded, especially since the late 1970s and early 1980s. As a result, Japan has gained a much
bigger share of the Pacific market than previously, thereby posing a direct challenge to the predominance since the beginning of this century of 'traditional' traders like Australia, New Zealand and the United Kingdom. This trend however, does not suggest a Japanese dominance of trade in 1990 (although this could happen by the end of the decade), but rather points to the unmistakeable rise of Japan as a major trading partner.

The volume of trade between Japan and the region had already gained prominence by the mid-1970s. Total imports from Japan in 1977 were valued at $A104 million making her the fifth largest supplier after Australia, US, New Zealand and France. On the other hand, exports from the region to Japan in 1977 were valued at $A235 million which made her the largest export market for the South Pacific.40 In fact, Japan, along with Europe and the US, provided the main export markets for PICs. In 1980, Japan remained the biggest export market for PICs taking 26.1 per cent share of total exports from the region. This position was maintained until about 1983. Japan has since fallen to a close second behind Europe; a Europe which also has every possibility of becoming the future dominant market especially with the impending 'merger' in 1992 of a united Europe.41 In 1984, Europe received exports from the South Pacific valued at $A407 million against Japan's $A402 million; in 1985 it was $A580 million against $A450 million; and in 1986 the figures were $A684 million against $A516 million.42 Despite being overtaken by Europe in 1990, Japan remains a major and influential market. Her rating among the three biggest trading nations during the last decade is likely to remain intact, thus ensuring a prominent economic role for Japan in future regional developments.

On the other hand, Australia maintained her position as the largest supplier of imports for the region in 1980 in terms of total value, taking a 26 per cent share of the market followed by France (13.9 per cent), Japan
(11.7 per cent), US (11 per cent) and New Zealand (8.0 per cent). The total volume of trade with Japan in 1980, was valued at $A757.739 million putting Japan second only to Australia with $A854.994 million as the largest trading nation. Within the region as a whole, however, the trade flow between Japan and the region is relatively small; it is only about 50 per cent of the total trade between Japan and New Zealand, which amounted to $1,504.6 million in 1980. This increasing involvement is illustrated in Japan’s trade with PNG. Before 1960, the volume of trade was negligible and yet, less than two decades later, Japan had become PNG’s second largest market after Australia. In fact, by 1978, Japan was PNG’s largest supplier of several manufactures such as machinery, transport, electronics and engineering equipment. In turn, PNG exports to Japan comprised fish, timber, coffee and most notably, copper ore which consisted of seven-eights ($\frac{7}{8}$) of PNG’s $A230 million worth of exports in 1977.

The importance of trade relations between Japan and the South Pacific stems from the fact that PNG, along with Fiji, make up two of the region’s largest economies. Along with Japanese ODA and investments, good trade relations with these leading countries serve to ensure Japan will play an influential role in the region in future. In 1980, PNG accounted for $A160 million and Fiji for $A70 million of a total of $A299 million worth of imports from Japan; a combined total of $A230 million or more than 75 per cent of the region’s imports. In exports to Japan, a growth rate of 27 per cent over 1979 was recorded for which PNG accounted for $A314 million or 68 per cent of the region’s total of $A460 million in exports. Fiji, with sugar being the main commodity, accounted for $A33 million. New Caledonia was the other major significant exporter with $A93 million worth in exports, mainly in nickel. The rest of the microstates combined accounted for the remaining $A20 million of exports.
In terms of trade with the Forum microstates, only one country, Australia, was ahead of Japan. Yet, the possibility of competition from other major traders cannot be ignored, with the EEC being a case in point. By and large, Australia's predominance has prevailed by virtue of its size and economic power, its historical links and close proximity to most of the island states particularly PNG, Solomon Islands, Vanuatu and even Fiji and Tonga. The same argument could be made for New Zealand which trades mainly with Western Samoa, Cook Islands and Niue. Australia's continuing dominance, when compared to Japan's trade with the Forum island states only, is shown by an examination of trade conducted with PNG and Fiji. The volume of trade between PNG and Australia in 1986 was $K507.466 million compared to that with Japan of $K423.989 million. Between Fiji and Australia, it was $F221.106 million against $F80.725 million with Japan.

But while trade in dollar terms has certainly expanded between Japan and the South Pacific, a trade imbalance in favour of Japan has remained. Except for PNG and the Solomon Islands (which trade mainly in timber, minerals and fish), imports from Japan between 1982 and 1988 far exceeded exports from the region. The imbalance is very marked in trade with Western Samoa, Vanuatu, Kiribati and Tuvalu; and even much more so with Guam and American Samoa. For example, imports from Japan to Western Samoa over the seven-year period exceeded exports by $31 million (i.e. $40 million imports against $9 million exports). In Vanuatu imports exceeded exports by $69 million ($87 million against $9 million). For Fiji the trade imbalance in 1984 was sharp. Against imports from Japan which consisted mainly of manufactured goods for its tourist industry and valued at F$158 million, Fiji exported only $3 million worth of goods. Unfortunately, for the majority of microstates, this trade imbalance is unlikely to improve. Their paucity in natural resources, their lack of trained manpower, their small but rapidly
rising populations, 'a limited revenue base, geographic remoteness and fragmentation, limited telecommunications and high transport costs ...' make it so.50

Foreign Investment

Foreign investments during the last three decades have risen markedly, with Japanese investment playing an increasingly prominent role in several sectors. This section surveys the extent of involvement and the areas in which foreign investment, and in particular Japanese investment, is concentrated. Investment in the tourist industry is discussed in some detail as a case study.

The involvement of foreign investment and enterprises in the South Pacific, which were mainly of Australian, New Zealand, British, French and German origin, dates back to the latter part of the last century. These long-standing colonial ties explain much of the early structure of foreign investment. Until 1945, investment was concentrated mainly in the plantation and trading sectors, in transportation and in the mining industry. However, new trends have gradually emerged. In PNG and Fiji where Australian investment has predominated, old companies have diversified their interests and invested in new areas. In Fiji the move by Burns Philp into food processing and manufacturing and British Petroleum's involvement with the Pine Commission are two examples.51 In some ways the trend towards diversification was enhanced by the advent of other 'new' foreign-based companies from 'new' investment partners such as Japan, Korea and the US. Such foreign investment has consistently favoured the resource-rich economies of PNG, Fiji, Vanuatu and the Solomon Islands which hold the best prospects for profit.52

Investment in PNG has been associated with petroleum and minerals exploration and extraction and forestry; in Fiji, with forestry and fishing and
since about 1987 with tourism on a big scale; in the Solomon Islands the bulk of
the investments are in timber processing, mineral exploration and fisheries.
Indications show that foreign investment will continue to play a vital role in the
island economies because it provides much-needed capital and foreign
exchange. It also

brings technical knowledge and managerial know-how which are
critically scarce throughout the region. [As well] foreign
enterprises serve as a vehicle for passing skills and knowledge to
local workers through training and on the job learning.\textsuperscript{53}

This is certainly true of mining, timber processing, fisheries development and
tourism. However, from a Pacific perspective, of even greater importance are
the employment opportunities provided by these mainly labour-intensive
industries. For example, the Denarau Resort project in Fiji is expected to have
a permanent staff of five thousand when completed. One estimate claims that
for every tourist, three jobs are created directly and six jobs indirectly.\textsuperscript{54}
Above all, foreign enterprises facilitate access to a wider range of markets and
strengthen the capacity to withstand external pressures. This is important in
the extremely competitive world market today. When, for example, the US
imposed a trade-ban on Solomons-Taiyo canned fish as retaliation for the arrest
of the 'Jeanette Diana' in 1984, Taiyo executives in Tokyo were able to use 'its
world-wide marketing network to find buyers for the fish in Thailand'.\textsuperscript{55}

The involvement of foreign investment is extensive when one considers
the relatively small size of the microstate economies. In PNG, the stock of
foreign investment in 1978 was estimated at $860 million; for Fiji it was
$220 million with an estimate of $40 million for Vanuatu.\textsuperscript{56} What percentage
share of these stocks were of Japanese origin is difficult to discern, suffice it to
say that Japanese investment was involved, though certainly not to the same
extent as Australian investment. Certainly Japan's flows of financial resources
to developing countries increased significantly during the last two decades.
Figures show that private flows had increased from $669 million in 1970 to a massive $12.822 billion in 1988 which exceeded $9.134 billion ODA for the same year. In fact, Japanese direct capital investment amounting to $2.25 million had already been invested in PNG in 1974; only a year later it was $8.2 million. And while PNG has attracted the bulk of Japanese investment, it is also found in Fiji, Vanuatu and the Solomon Islands. In the Solomon Islands, it occurs in the timber industry and in a joint fishing venture between government and a Japanese company. Established in 1973, Solomons-Taiyo Ltd. has made fisheries the largest export-earner averaging about $20 million or one-third \( \frac{1}{3} \) of the total value of the Solomon's exports per year, ahead of timber and copra. Joint ventures such as this and the Fiji government's participation with C. Itoh Ltd. in a fishing venture, are favoured by several PICs for they also allow for more effective local participation. Today, Japanese investment is found in virtually all of the microstates.

Nowhere is the trend of growth more clearly demonstrated than in the tourist industry. Despite many severe interruptions, such as the perennial havoc caused by frequent cyclones and the aftermath of two coups in Fiji in 1987, the tourist industry in that country has maintained a trend of steady growth. However, the advent of Japanese corporate interests and the massive injection of capital since about 1987, have suddenly projected tourism into a position of far greater prominence than previously, as a major source for expanding foreign trade. For Japanese investors, tourism offers the potential of becoming 'the' major growth industry with a multi-billion dollar turnover. Japanese companies have invested in real estate, purchased hotels and resorts, and sought shareholdings in airlines servicing the South Pacific. There can be no doubt about the seriousness of Japanese intentions. In less than five years, investments in tourist-related developments around the South Pacific and the
wider Asia-Pacific rim by one Japanese company alone have exceeded $7 billion.

In Fiji, Electronic and Industrial Enterprises (EIE) is spending $275-300 million on the Denarau Island Resort, which is believed to be the largest private resort development in the South Pacific and will have, when completed, a permanent workforce of about 5,000. The resort will raise Fiji's first class accommodation from 4,300 to 11,300 rooms. EIE has also invested in several other Fijian resorts, and other Japanese companies are entering the tourist industry; for example, South Pacific Development Ltd., have purchased the Pacific Harbour Resort for $80 million. One of Fiji's largest freehold islands is also the property of a Japanese millionaire.

In the Solomon Islands, the Honiara government sold 80 per cent of its shares in the Solomon's largest hotel Mendana to a Japanese consortium Kitano Ltd. In Vanuatu, another consortium Tokyu Corporation, bought Vanuatu's largest hotel Lagon for $30 million, while other Japanese investors purchased 140 residential and commercial properties in Vila, as well as coconut and cattle plantations in Esperitu Santo. Japanese investment has moved elsewhere in the region. So far, EIE investments in French Polynesia amount to $78.5 million for the purchase of three hotels and $51 million for a two-phase development plan. Last year in New Caledonia, EIE obtained an initial investment of $8 million for a hotel and resort complex. However, this massive injection of capital in tourism cannot be appreciated without recognising it as an extension of similar Japanese involvement in the Pacific rim, Southern California, Manila, Hawaii, Guam, Saipan, Australia and New Zealand; where, needless to say, Japanese investment has increased and 'shows every sign of growing far larger in the 90s'.
The extent of the increase in Japanese investments in these countries bordering or just outside the PICs is considerable. Often they are linked. For example, aside from its vast investments in Fiji, EIE's investment in tourist and resort developments in Australia in 1988 alone was estimated at $1.6 billion. EIE is also a major shareholder in Bond University. In Australia the growth in Japanese investment, particularly in real estate and property, has been dramatic. Of all 'new' proposals by foreign investors since 1985, Japanese investment which rose from $1.9 billion in 1985-86 to $9.1 billion in 1988-89, exceeded them all. In fact, as of June 1989, the total Japanese investment (direct and indirect) of $32 billion in Australia rated third after the UK and the US which invested $55 billion and $48 billion respectively. A similar trend in property investment also occurred in New Zealand where the Japanese made up 25 per cent of the foreign buyers in the sale of 87 farms and resort properties approved by the New Zealand Overseas Investment Commission in 1989. Hawaii and Guam, with their history of Japanese investment, have also experienced a resurgence of Japanese interest in tourism.

For PICs, what is also significant about Japanese investments on these 'bordering' countries is that these countries will serve as bases or stepping stones for furthering Japanese economic interests in the region. Hawaii is already serving that purpose. In the case of Australia and New Zealand, their historical links with the South Pacific, and that of France through French Polynesia and New Caledonia provide added advantage to their being used by Japanese companies as doorways to the region.

The Japanese are very optimistic about the growth potential of the tourist industry and are clearly moving in to become a major and long-term actor in regional economic developments. Dr Bungo Ishizaki, chief adviser of EIE, now Fiji's biggest single foreign investor and also reported to be
Australia’s largest property-owner, recognizes the potential of tourism in these terms:

The scope and potential for tourism is enormous. It also serves as a precursor for further developments in other sectors. I believe tourism will be the single largest industry in the Pacific bar none... We have both the source and destination markets in the one region... Our interests in the region are quite extensive and are all in the long-term or infrastructure category.

Japanese attempts to buy shareholdings in airlines servicing the South Pacific have also been considerable. Today, EIE has a 10 per cent shareholding in Fiji’s national airline Air Pacific. In turn, Air Pacific now owns a 50 per cent share of Air Terminal Services, the company which operates ground handling services at Nadi International Airport. While it was unsuccessful in its bid to buy a 10 per cent share in Air New Zealand in 1988, EIE recently sought a 25 per cent share in Tonga’s national airline Friendly Islands Airways as well as an investment in a major resort in Tonga. In New Caledonia, EIE has obtained a 15 per cent shareholding in Air Caledonia while elsewhere in the region EIE has sought shares in Qantas, Air Vanuatu and Air Tahiti.

What can be concluded from EIE’s attempt to buy shareholdings in regional airlines is a desire to obtain a degree of control to ensure that tourists are directed to its resorts scattered around the region. EIE’s interests are still expanding. Its projected involvement in tourist related developments in 1988 was estimated at more than $7 billion. Yet, while EIE and other Japanese investments to-date are certainly enormous by Pacific Island standards, it is well to remember that

these investments, made predominantly by individuals or corporates are minute [compared] to those possible by Japanese institutional investors... who have massive funds at their disposal. The real Japanese investor is yet to come.

What has been established in the preceding discussion on the economic relationship between Japan and the South Pacific is that the relationship is
extensive. Today, it is firmly established with expanding trade and investment indicators, and increased ODA, clearly pointing to a future of growing Japanese economic presence. In the next chapter, we look at how Japan has gone about promoting its economic involvement in the region.

Endnotes

1 David Purcell, 1967, 'Japanese Immigrant Labourers in the South Pacific Islands 1890-1915', Michigan, Chapters 1, 2.

2 Peattie describes the concept of a southward advance as one 'whereby the nation [Japan] would find glory, prosperity, and new territory by moving into the South seas ...', Peattie, 1988, p.2. It has also been suggested that the southward advance later became part of the Japanese-ubsoured 'Co-Prosperity Sphere for Asia and the Pacific' in the 1930s, which emanated in Japan's drive into the Pacific during the Second World War.

3 Purcell, 1967, pp.18-20. See also Peattie, 1988, pp.16-33.


5 Indonesia took possession of West Papua or Dutch New Guinea (now Irian Jaya) from The Netherlands in 1962.


7 Peattie, 1988, p.119.

8 Rix, 1990, p.41. See also *The Canberra Times*, 8 April 1990, p.3.

9 AIDAB International Development Issues No.2, March 1987, p.44.


13 Rix, 1987, p.31; refer also to Rix, 'Japan’s Foreign Aid Policy, 1989-90', pp.469-73 which details the kinds of Japanese aid to the South Pacific.

14 *Japan’s ODA Annual Report*, 1988, p.16. Nester notes that at the global level, the grant component of Japan’s ODA is the lowest of the 18 OECD countries while the interest rate on its loans is the highest. Nester, 1989, p.378.


16 Rix, 1987, p.31.

17 They were members on the Committee for Oceania and the Pacific Islands Countries which was commissioned to review Japanese aid. They compiled the Wanatabe Report—Pacific Aid Initiative: A Proposal for Japanese Assistance to Pacific Island Nations', April 1988.
18 Watanabe, 1988, p.33.
19 ibid., p.25.
23 ibid., p.39.
24 A detailed breakdown of volunteers from Japan and other donors to Western Samoa is provided in UNDP 1988 Annual Report, July 1989, pp.11-81.
25 ibid., p.3.
26 ibid., p.23.
27 Rix, 1987, p.23. See also Nester, 1989, p.381 who notes that aid, tied to the purchase of Japanese goods and services had always been a very important goal of Japan's aid policy. Refer also to AMPD: Japan-Asia Quarterly Review, Vol.21, No.4, 1989, pp.2-5.
32 Rix, 1987, p.33.
35 PIM, March 1985, p.23.
38 PIM, September 1981, p.29.
39 ibid., p.29.
40 SPC, 1982, p.17.
44 Fairbairn 1985, p.50.
45 Edo, 1986, p.32.
SPC, 1980, pp.16, 17, Table 8.

Joint Committee on Foreign Affairs, Defence and Trade, 'Australia's Relations with the South Pacific', Canberra, March, 1989, p.xxvii.


Joint Committee on Foreign Affairs, Defence and Trade, 'Australia's Relations with the South Pacific', Canberra, March 1989. See also PIM, March 1985, p.21.

Parry, 1986, pp.4-7.

Fairbairn, 1985, pp.105-106.

ibid, p.105.

Islands Business, February 1990, p.52.

PIM, July 1985, p.41.

Parry, 1986, p.4.

Rix, 1990, p.18.


Islands Business, June 1984, p.12.

Islands Business, February 1990, p.53. Housed on 680 acres, the Denarau Project will have 5 hotels, 618 townhouses, villas, shopping centres, a golf course, tennis ranch, waterways, lagoon and 3 kilometres of beach front when completed.

Islands Business, September 1988, pp.36-8.

Islands Business, February 1990, p.52.

ibid., p.52.

ibid., p.52.

ibid., p.52.


The Australian, 5 June 1990, p.3. In May this year, EIE applied for a 100 per cent ownership of Bond University.


Radio Australia Transcripts, 24 March 1990.


Islands Business, February 1990, pp.52-3.


Islands Business, June 1989, p.52.
Radio Australia Transcripts, 4 August 1989.


ibid., p.39.
Chapter II

STRATEGY FOR ADVANCING JAPANESE ECONOMIC INTERESTS IN THE SOUTH PACIFIC

In the previous chapter, it was argued that Japan's economic relationship with the South Pacific was essentially a means for advancing its perceived national economic interests. However, since the late 1970s, that initial focus and preoccupation with economic and commercial relations had been transformed by an increased emphasis and incorporation of Japanese political and strategic interests. Of course there are critics who would argue that the region is really of no political or strategic significance to Japan, and it does not have much economic importance either.¹ Despite such criticisms, there is much evidence which supports the 'transformation' argument as the following strategies employed by the Japanese demonstrate.

Indeed, the advancement of Japan's economic engagement in the South Pacific has been characterised by a very determined and even aggressive effort both economically and politically. Many strategies have been used. Particularly during the last two decades, Japan has practised a global strategy 'to increasingly assume a greater political role based on its economic and technological strength'.² Towards this end Japan has, through its recognition of the strategic importance of increased ODA, used extremely sophisticated diplomacy, shrewd manipulation and sometimes even employed devious means to advance its economic and wider strategic interests. When examining the nature of Japan's multi-dimensional strategy, in relation to the South Pacific it should be borne in mind that the methods employed have always been interrelated.
Diplomatic Initiatives

Japan’s economic involvement in the South Pacific was enhanced by its effort to establish diplomatic relations in the decades since 1962 when many Pacific island colonies gained their independence. Diplomatic initiatives were important as a strategy for Japan during the early part of this period. Other initiatives beyond the diplomatic level were also taken. In the commercial sphere for example, a Tokyo fishing company C. Itoh & Co. Ltd., was established in Fiji by the early 1960s, while Japan had started to send volunteers to Tonga by 1974 as part of aid through technical cooperation. In most instances, diplomatic relations were established soon after a country won its independence. This occurred with Tonga in 1970, Papua New Guinea in 1975 and Vanuatu in 1980. Where an embassy could not be created immediately, a Japanese ambassador resident in an established host country like Australia, was usually credited with the additional responsibility. Fiji is a case in point. Although diplomatic relations were confirmed soon after Fiji’s independence in 1970, it was not until 1979 that an embassy was established in Suva. In turn, Fiji established an embassy in Tokyo in 1981.

For Japan, immediate recognition of independence served as a useful exercise in public relations, especially during the early years of post-colonial independence. As well, it served as a base upon which to build and extend future Japanese economic involvement throughout the region. Japan’s diplomatic initiatives have expanded in recent years and her desire for a more active role in the South Pacific was highlighted by the visit to Fiji and Papua New Guinea in 1985 of Prime Minister Yasuhiro Nakasone and Foreign Minister Shintaro Abe. This was the first-ever visit to the South Pacific by a Japanese Prime Minister. Foreign Minister Tadashi Kuranari’s follow-up visit in January 1987 further demonstrated Japan’s intention of raising its political profile in the region. Of particular significance was the declaration of the
'Kuranari Doctrine' which specifically outlined Japan's policy designs for the South Pacific. The underlying forces which gave rise to the doctrine are discussed in Chapter III.

What is important about these diplomatic initiatives is the implication that Japanese private business interests were being incorporated into government policy. The question arises whether the Japanese government, through elected representatives, functions independent of, or in collaboration with industrialists and executives of large business interests, in executing its domestic and foreign policies. Most of the available evidence suggests that collaboration between the state and private business is normal practice. Indeed, it is often argued that Japan's rise as a global economic power originates from the use of a 'state guided market system [whereby] the state's role in the economy is shared with the private sector and [the fact that] both private and public sectors have perfected means to make the market work for developmental goals'. This strategy acquires its strength from a partnership between central government bureaucrats and entrepreneurs. As Vogel has noted, rather than strovomg tp gain control over non-government corporations 'government officials consider one of their basic tasks to be guiding and encouraging industries that they expect to become increasingly competitive internationally'. Thus bureaucrats serve to guide the national economy in collaboration with the business community at home and abroad.

This unique relationship has enabled Japan to be single-minded in the pursuit of its national aims and policies. The Japanese Government sees the promotion of the national economy as its first priority while business interests enjoy a comparative advantage over foreign companies in terms of such matters as lobbying and regulatory compliance. The effectiveness with which this approach has been adopted is reflected in the majority of initiatives advanced by Japan at home and around the globe. One characteristic example of this
approach at work occurs in fisheries, where fishing companies in Tokyo have been instrumental in urging the government to increase its ODA, supposedly 'as bait to secure agreements favourable to the Japanese fishing industry ... [and as] a means for obtaining fishing rights in waters of foreign countries.'

The strategy is most effective when implemented within a framework of sophisticated diplomacy enhanced by cultural exchange and political manoeuvres.

In terms of the government working closely with the private sector, a Japanese scholar notes how ODA flows and private investment have become more concurrent than previously. A recent proposal for the kinds of assistance to be offered to PICs even suggests that policies should be formed so that Japan's ODA will help make it attractive for private Japanese companies to move into the area in the future. One example of this approach is EIE's investments and marketing strategies as a follow-up to Kuranari's declaration that the Japanese government would supply as much assistance as possible to make the South Pacific more prosperous. In what was obviously an attempt to gain an economic advantage and favourable political leverage EIE, in July 1988, flew Fiji's Prime Minister Ratu Sir Kamisese Mara, members of his cabinet and trade representatives to Tokyo on what was supposedly a fact-finding mission. The Japanese company paid for all expenses. Again on 12 May 1989, the same company flew the Chief Minister of the Territorial Assembly of French Polynesia, Alexandre Leontieff and fifteen Tahitian politicians and officials to Tokyo. Thus it was not surprising that soon after each trip EIE negotiated investments in excess of $400 million in Fiji and more than $152 million on resort-developments in Tahiti.

For Japan, the visits to the South Pacific by Prime Minister Nakasone and Foreign Minister Abe in 1985, and again by Foreign Minister Kuranari in 1987, were extremely valuable insofar as they confirmed Tokyo's 'willingness' to
be more actively involved in the region. The visits were also useful in that soon after the rhetoric, a train of initiatives followed, which led at least one Pacific island leader to comment that 'he [Kuranari] is a very experienced magician'. Since 1985, Japan's activist approach to the practical implementation of its diplomatic initiatives and promises has impressed many Pacific island leaders.

Following the declaration of the Kuranari Doctrine in 1987, the Japanese government established a $2 million special funding for island states and invited leaders of the SPF to annual dialogues. Visits to Tokyo by high ranking officials had already been made through the Director of the Forum Secretariat, Henry Naisali, and Forum Chairman Vaai Kolone. Kuranari's promise of a survey team to formulate new guidelines for future bilateral and multilateral aid duly arrived two months later, in March-April. The mission visited Australia, Western Samoa, Fiji, Vanuatu and Kiribati. Sensitive to the strong anti-nuclear feeling of the Forum states, and conscious of the importance of a nuclear-free Pacific as central to the question of future political influence, the Foreign Minister took the opportunity to offer his full 'personal' support for the Treaty of Rarotonga. It is not difficult to imagine the air of 'sincerity' that would have prevailed when Kuranari reminded his audience of his first-hand experience of the nuclear threat, as a resident of Nagasaki.

Since Kuranari's visit, Japanese activities on several fronts have intensified. Aside from ODA commitments already mentioned, Japan contributed $A700,000 to the $27 million Tuvalu Trust Fund (TTF) which had been established by Australia, United Kingdom and New Zealand. And in what was obviously intended as a means for gaining greater political influence from within the region, Tokyo made it be known that it was interested in becoming a member of the SPC. On another front, the number of Japanese visitors to SPEC showed a very marked increase; visitors who included
representatives of government, senior government organisations, the private sector and the media. A growing interchange of government missions from the South Pacific has also been evident. Within a period of just fifteen months from April 1987 to July 1988, a total of twenty-two Pacific island leaders visited Japan, including four Prime Ministers and a President, sixteen Cabinet Ministers (3 of them Deputy Prime Ministers), and other senior citizens, most of them at the invitation of the Japanese government. Again in what can only be described as a piece of clever diplomacy to demonstrate its support for microstates in an international forum, Japan voted in favour of the Forum-sponsored resolution that put New Caledonia on the list of dependent territories to be scrutinised by the UN Decolonisation Committee. In a later meeting of the General Assembly, however, Japan abstained.

**Cheque Book Diplomacy**

One of the issues which demonstrates the nature of Japanese diplomacy, and the extent to which it will go to secure its own economic interests, is the fisheries dispute which arose over the level of access fees, and the use of gillnetting—the so-called 'wall of death'. In the two years leading to a SPF meeting in Kiribati, held on 10-11 July 1989, disagreement between Japan and the PICs over gillnetting and fishing rights led to a deterioration of relations. Relations were strained in March 1987 when the PNG-Japan fishing agreement was terminated because of a Japanese refusal to pay higher access fees for rights to PNG's territorial waters, fees which incidentally had already been paid by South Korea. This was followed by a termination of agreements with the Solomon Islands, Marshall Islands, French Polynesia, Wallis and Futuna, New Caledonia and Tuvalu. Japan also refused to enter into a multilateral treaty similar to that reached between the US and PICs in 1986, maintaining that bilateral agreements were more than satisfactory. For PICs, however,
there are obvious benefits in negotiating as a bloc, especially when all, with the exception of PNG, are relatively small, resource-poor and aid-dependent and do not have a strong economic, political or diplomatic clout.26

Relations were still at a low point when gillnetting surfaced and became the new priority item on the Forum agenda in Kiribati. At issue was the fact that the gillnet technique specifically designed to snare albacore tuna by the gills, also caught porpoise, dolphins, small whales and sea birds which, according to the FFA, caused a serious depletion of marine resources. For tiny island states like Tuvalu where fish is their only major resource, the matter is of critical importance. It had been estimated that stocks of fish such as tuna could be seriously depleted within five years if the current catch-rates continued unchecked.27 The microstates argued that to destroy marine life as the Japanese, Taiwanese and South Korean fishing fleets were doing, was ultimately to threaten their very survival.28 It was against this background that the SPF declared an immediate halt to further indiscriminate, irresponsible and destructive use of gillnetting with driftnets.29 In economic terms, there can be little doubt about the viability of the Japanese technique of gillnetting in that catches are bigger and ships do not require the large crews needed by the longliners.30 On a long-term basis, however, it is difficult to deny its devastating impact on marine resources. But what is also of concern to microstates is not only that Japan has been uncompromising over the issue, but also the way in which Tokyo responded, and the manner in which it went about counteracting the deeply-felt concern of tiny vulnerable island economies.

In the first instance, Japan went to great lengths to defend its position by covering up and even publishing falsified figures about the effects of gillnetting. In fact, Japan refused to release most of its data. As well, Tokyo did its best 'to avoid the imposition of international control on high seas gillnet fishing.31 The deception and hypocrisy of Japan's stance is shown by the fact
that while island states were challenged to provide clear, scientific evidence of
the devastating impact of gillnetting, Japan itself has prohibited gillnetting in
areas up to 1,000 kilometres from its shores. 32

With mounting pressure from PICs to abandon the use of driftnetting,
Japan then resorted to 'chequebook diplomacy'; a countermeasure which can
only be described as arrogant and characteristic of a self-seeking Japan. In a
period of just twenty-eight days, Japan applied chequebook diplomacy with
considerable effect. Within hours of reiterating its refusal to abandon the use
of gillnets at the Suva conference held 26-28 June 1989, it was announced that
Western Samoa was accepting an offer of $11.4 million from Japan to pay for
the second phase of the Apia Port Development project. At about the same
time, Japan gave $7.4 million to the Solomon Islands for a fisheries project, and
$1.7 million to Fiji for fishing equipment. 33 Only two weeks later, in the days
prior to the Forum in Kiribati, Japan gave Kiribati $6.7 million for a new
hospital. On 20 July it donated $1 million to Tuvalu for a fishing project.
Several days later, Vanuatu received $8 million for its new airport terminal
with Tonga receiving a promise of funding for a similar project at Tonga's
airport. A Japanese company also gave $10,000 to Vanuatu to help sponsor a
team of disabled athletes to Tokyo. 34

Having thus 'softened' the microstates, in December Japan next applied
pressure at the UN by insisting that certain parts of the original resolution,
specifically that which called for an immediate 'halt to large-scale driftnetting
in the South Pacific region by June 30, 1990', be changed to accommodate
Japanese concerns. 35 This move by Japan placed considerable pressure on PICs
to reconsider their position. If they stood by their original draft, Tokyo might
simply ignore the resolution. It had happened before. 'Japan's abysmal record
on slaughtering whales in defiance of international conventions also speaks
volumes about its callous lack of concern for the natural environment.' 36 There
was also a further important consideration for PICs. Although the MFA in Tokyo had consistently denied any links between fisheries negotiations and ODA, Japan could threaten to withdraw or suspend further aid.37 It is not clear how this issue has been resolved, but these vigorous countermeasures do reflect the economic motive which underlies Japanese involvement in the region. They clearly show that, when Japanese economic interests are thwarted, Japan asserts its political and economic clout to gain its objectives.

A Broad-based Approach

In another sphere, Japan has used her relationships with Australia and New Zealand effectively to facilitate her economic and political involvement in the South Pacific. As 'traditional' donors with a long experience of dealing with island states, Japan recognised the benefits to be derived from working closely with Canberra and Wellington. Apart from utilising their 'know how', a cooperative effort also promotes a more effective coordination of aid programmes, thereby avoiding any unnecessary duplication and wastage of resources. The possibility of generating conflicting interests with Canberra and Wellington would also be minimised while Japan advances her own agenda. As well, Japan does not want to be seen as an intruder in a region where Australia and New Zealand have economic and political interests of long standing.38 It was Japan's recognition of diplomacy as an effective tool to achieve these advantages and most importantly, to maintain an on-going dialogue with Canberra and Wellington that culminated in the establishment of an Annual Consultative meeting in 1985.

By the same token, however, Japan is not the sole beneficiary of this strategy. As long-time actors in the region both Australia and New Zealand also stood to gain. Insofar as Japan is Australia's most important trading
partner and with a strong possibility of it also becoming its largest source of foreign capital, regular dialogue with Japan is highly desirable. Also Japan is a major force in the emerging Asia-Pacific Economic Community. Greater access to Japan's huge domestic market is important to Canberra. As well, it is in Australia's interest to be aware of Tokyo's economic, political and strategic objectives at the regional and global level. In the South Pacific this is especially important in view of Canberra's strategy of 'constructive commitment' articulated by Foreign Minister Gareth Evans early in 1989.

Moreover, by working more closely together, opportunities for joint ventures between Japanese, Australian and New Zealand companies are greatly enhanced. Japan's decision to untie the engineering services components of ODA loans after April 1988, opened up new opportunities for Australian firms. AIDAB suggests that Australian businesses that may profit from this deal are those 'with specialist expertise, particularly those having successfully participated in the Australian aid programme'. In PNG, joint ventures between Australia and Japanese interests in such companies as Carpenter Kaigai, Gollin Kyokuyo and Thiess Sobu are further examples of the link-up to exploit the resources jointly. The likelihood of joint ventures being used more extensively as a strategy is increased by the fact that by May 1990, more than fifty Japanese financial institutions supporting Japanese business ties were established in Australia as well as the 350 Japanese-owned subsidiaries now in operation.

While an increase in Japanese-related investments is desirable, and will be welcomed by many PICs, it is well to remember that they do not always work within the legal framework established by the recipient countries. As the following examples from PNG show, underhand means are sometimes employed to secure Japanese economic objectives. In 1976, the Japanese government was accused of threatening to withdraw some pending aid if a
proposed venture in which a Japanese company was involved did not proceed.\textsuperscript{44} In another instance, a Japanese company executive offered a $75,000 cheque to the then Minister of Energy for PNG, and an expensive diamond to a Special Assistant to Prime Minister Michael Somare, apparently with the intention of securing their support for mining rights and developmental projects.\textsuperscript{45} Such devious practices, however, are not unique to the Japanese, as shown by the Indonesian Armed Forces Chief, General Benny Murdani’s alleged 'payment' of $139,400 to fund the electoral campaign of the Forestry Minister and former PNG military commander, Ted Diro.\textsuperscript{46}

Two other strategies which have been effective in facilitating Japanese economic interests have been that of safeguarding 'top jobs' at the decision-making level for Japanese staff and, of utilising local expertise in recipient countries. Both strategies have been used extensively in major Japanese investments around the globe. Experience in the US shows a clear preference for Japanese at the management level and 'it is rare that an American holds top spot in any Japanese-owned firm'.\textsuperscript{47} In terms of using local expertise, Japanese government and private-sector interests have often enlisted the services and influence of former government officials, consultants and academics to advance Japanese goals. The use of Fred Bergsten, a former assistant Treasury Secretary under President Carter, in trade negotiations with the US is an example.\textsuperscript{48}

Though certainly on a much smaller scale, Japan also employs the same strategies in the South Pacific. In major fisheries and mining investments, senior management posts are held mainly by Japanese company employees. Fiji found this out when it took over the management of the Pacific Fishing Company from the Japanese giant C. Itoh and Co. Ltd. EIE’s employment of Andrew Thomson, formerly one of Fiji’s outstanding hoteliers and Richard Bailey, a former manager of the Tahiti Tourism Promotion Board\textsuperscript{49}, to expand
EIE's involvement in the developing tourist industry in these two countries show that Japanese business interests will undoubtedly draw on high profile local expertise in order to secure its economic objectives.

Privately funded voluntary organisations such as the Japan-Pacific Society have also been used as conduits for Japanese influence both by government and the private sector. Established in 1978, the society was aimed at fostering closer relations with the people of the South Pacific. Society President, Noboru Gotoh, was a major force behind the creation of the PBEC. In 1981, he was responsible for a substantial gift of equipment to the Vanuatu government. Multi-millionaire Gotoh is also head of Tokyu Corporation which purchased Vanuatu's Hotel Lagon in 1988.50 The creation of the Japan-PNG Goodwill Society and Coordinating Association provide two other examples. Allied with these developments is the strong desire by Japan's Department of Tourism to be involved in the South Pacific.51

As well, there have been collaborative efforts between government and prominent individuals such as alleged crime boss Ryoichi Sasakawa. Though heading one of the biggest gambling operations in Japan, the former Class II war criminal, multi-billionaire Ryoichi Sasakawa's activities in the South Pacific have been closely linked to advancing Japan's political objectives. Through the Sasakawa Peace Foundation, a Pacific Islands Foundation Fund of $24 million has been established, along with a Sasakawa Young Leaders Fellowship fund at the USP. Organised by the MFA, Sasakawa sponsored a conference/seminar for Pacific islands leaders in Tokyo in 1987.52 Also in the same year, prior to Fiji's crucial general elections, the Sasakawa Foundation named the about-to-be dethroned leader Ratu Sir Kamisese Mara as 'Pacific Man of the Year'. Mara received a cheque for one hundred thousand dollars. The prize has not been awarded since.
As in their relationship with the US and ASEAN, one thing is certain about Japanese strategies used in the South Pacific. They are aimed at jointly advancing Japanese economic and strategic interests. Also, political power and influence play an important part in the process. Today, a major task on the Japanese agenda in the South Pacific is to influence the present and future leaders of the region as they have done in America and elsewhere in Asia. This broad strategy is managed through the collaboration of government, business interests, voluntary organisations and prominent individuals both at home and abroad. Together, the strategies employed provide a clear signpost of long-term Japanese economic interests in the region.

Endnotes

1 Edo, 1986, p.31.
2 Maarten Wevers, 'A New Zealand Perspective of Japan', ANU, Canberra, 9 December 1988, p.6.
3 See Table 1, p.216 in Ron Crocombe and Ahmed Ali, 'Foreign Forces in Pacific Politics', USP, Suva, 1983.
7 Nakasone's visit gave a clear indication of Japan's growing interest in the South Pacific, PIM, March 1985, pp.20-3.
8 See the 'Kuranari Doctrine' in Appendix 2 which refers to the address given by Tadashi Kuranari as Japan's Minister of Foreign Affairs in Suva, 14 January 1987.
10 Vogel, 1978, p.162
16 An observation by Sitiveni Halapua, acting Director of PIDP in Hawaii, in correspondence after attending a Workshop in Tokyo on 'The Role of Japan in the South Pacific', March 1990.
18 Kanasugi, 1988, p.45.
20 Islands Business, February 1988, p.44.
21 Japan has been seeking membership of the SPC since 1987. See Greg Fry 'Report on the Twenty-Ninth South Pacific Conference' held in Guam, 9-11 October 1989.
23 Ministry of Foreign Affairs, Diplomatic Blue Book: Japan’s Diplomatic Activities 1988, pp.324-5. Tadashi Ikeda points out that the promotion of cultural exchange is highly valued by Japan and recognised as one of the ‘three pillars’ of its international cooperation initiative, Ikeda, 1989, p.19.
25 Islands Business, December 1988, p.16.
26 The Australian, 'Modern Day Pirates Destroy the Pacific', 12 July 1989, p.8. Throughout most of 1988 Japan refused the request to consider a multilateral treaty with the FFA. As recent as the Forum Meeting in Vanuatu this year, Japan was still unwilling to negotiate a multilateral treaty. The Sydney Morning Herald, 1 August 1990, p.11.
28 The Australian, 12 July 1989, p.8. In 1984, the FFA had 926 fishing vessels registered—740 Japanese, 58 US, 58 South Korean, 34 Taiwanese, 14 Panama, 22 other. By 1988, the number was up to 2,300 mainly Japanese. Muller notes that in 1986 alone, the number of gillnetters increased from less than 10 to 160. Islands Business, June 1987, pp.23-5.
29 Islands Business, August 1989, p.16.
32 Islands Business, August 1989, p.16.
The Suva Conference was attended by Japan, South Korea, Taiwan and representatives of PICs; *PIM*, July 1989, p.9.

*PIM*, July 1989, p.9. During this time, Taiwan also donated a shipment of Hyundai Sonatas to Fiji for the use of government ministers.


The FFA believes that Japan was behind the cuts to fisheries funding. FAO implements funding from UNDP and Japan provides a large part of its budget. *Pacific Report*, Vol.2, No.21, 9 November 1989.


Refer to Chapter 6, 'The Shadow Lobby' in Frantz and Collins, 1989, pp.71-84.

*PIM*, December 1989, p.35.


*Islands Business*, February 1990, p.54.


Frantz and Collins, 1989, pp.82-3.
Chapter III
MOTIVATIONS AND UNDERLYING FORCES

An understanding of Japan's economic relations and the motivations for increasing its role in the South Pacific is gained by viewing this economic involvement within a global context. A global perspective is important. Advances in human knowledge and technology have brought nations big and small, rich and poor, closer together, irrespective of economic status or political ideology. In turn, such advances have enhanced an acceptance of the reality of a world composed of interdependent nations. Indeed, it could be said that the 'revolutionary forces' which have recently restructured the map of contemporary Europe have been generated by a recognition of the world as an 'interlocking' system and of the concept of interdependence as a crucial factor in international relations. This observation was aptly made in 1980 by the Independent Commission on International Development Issues, under the chairmanship of former West German Chancellor, Willy Brandt:

While the international system has become more complicated, with more independent nations, more institutions and more centres of influence, it has also become much more interdependent. More and more local problems can only be solved through international solutions ... The South cannot grow adequately without the North. The North cannot prosper or improve its situation unless there is greater progress in the South.¹

It is for these reasons, that Japan's economic involvement should be viewed, at least initially from beyond the narrow confines of the South Pacific. The economic interests of giant Japan in the South Pacific can be fully understood only when examined within a global framework. In this chapter, we look briefly at the underlying forces which gave impetus to Japanese economic involvement in the South Pacific in terms of Japan's rise as a global economic power and of its gradual move towards what Chalmers Johnson calls the 'internationalisation of the Japanese economy'.² The economic motives, and
in particular the Kuranari Doctrine which acknowledged the political-strategic importance of the region, are also discussed.

The Rise of an Economic Power

From her defeat in 1945, Japan has achieved a remarkable recovery and growth. Initially under American tutorship, the 1950s was a period of reconstruction, followed in the 1960s by implementation of national 'income-doubling growth'. These first twenty years of recovery were followed by two decades of tremendous productivity that eventually thrust the Japanese economy into global standing. In 1960, Japan's share of the world's GNP was only 3 per cent, compared to America's 36 per cent. By 1986, this figure had risen fourfold, to slightly more than one-half of that for the US of 23 per cent.

There were other indicators of a surge in Japan's economic performance. By 1981, Japan had become the world's most important capital exporter. Its trade surplus, which rose dramatically from about $35 billion in 1983 to $53 billion in 1985, enabled it to become a major world financial power. In 1983, Japan's net capital outflow was only $17.7 billion a year; one year later, it had jumped to $49.7 billion and again to $64.5 billion in 1985. A year later in 1986, Japan's net assets abroad had risen to $129.8 billion making it the world's largest creditor nation; Great Britain's net assets abroad in the same year were $90 billion and West Germany's were $50 billion. It should be noted that Japan's rise to become the world's leading creditor nation was paralleled by America's decline into debt.

Japan's achievement in the world of international finance has also been impressive. Ten of the world's largest banks are now owned by the Japanese. This is a remarkable accomplishment since only three decades ago no Japanese banks were listed in the American-led top ten. Such is the magnitude of the
economic miracle that has given Japan super-power status. And though some scholars still do not agree that Japan should be labelled a superpower, there is no disputing the fact that Japan is poised to become the world's leading economic power into the next century.\textsuperscript{10}

Becoming a major economic power has entailed an increased sense of responsibility towards the wider global community. It should however, be noted that Japan's acknowledgement of wider global responsibilities was not entirely of her own making. During the last decade, the US, for economic and strategic reasons, consistently applied pressure on Japan to 'share the burden' of maintaining world peace and security. For example, it is claimed that the increase in Japanese ODA in recent years is at least partly a response to American pressure in view of a growing Soviet presence in the South Pacific.\textsuperscript{11} Yet Japan has not been unwilling to accept an international role commensurate with her economic strength, as can be seen from the clearly expressed views of Japanese governments in recent years. Prime Minister Suzuki Zenko in 1986 acknowledged Japan's 'new' role in these words:

Japan is ready to become, by completely changing its heretofore passive attitude, a nation which will actively fulfil its international responsibility to strengthen and promote world peace and development. From a passive beneficiary to an active creator—this, I might say, is the third start for our country.\textsuperscript{12}

The geographical distribution of its ODA during the last two decades also indicates how Japan has, of her own accord, enacted a gradual move towards an 'internationalised' commitment. From an almost entirely regional focus on Asia, Japan has moved towards a more global strategy by incorporating more third-world countries into its aid policy. Up to 1970, 98.3 per cent of Japan's total bilateral ODA went to countries in Asia while all other regions received only 1.7 per cent. By 1985 the situation had changed quite dramatically: while Asia still remained the major recipient of Japanese aid, receiving about 67 per cent of the total Japanese ODA, regions outside Asia now received 34 per cent.
Allocations to other third world regions expanded, especially in Central and South America, the Middle East and Africa. This globalised-trend in Japanese ODA grew from $2.637 billion in 1979 to $9.134 billion in 1988. Moreover the value of trade between Japan and the Third World, over a period of three decades also increased from only $6 billion in 1958 to $145 billion in 1987.

Other more recent offers of economic assistance demonstrate Japan's renewed commitment to globalise its economic involvement. At the 14th Summit Meeting in Toronto in 1988, through Prime Minister, Noboru Takeshita, Japan gave a commitment of $50 billion in foreign aid for the developing world, over the next five year period. (Incidentally, Japan's allocation of $10 billion in foreign aid for 1988 alone, surpassed that of the US of $9.2 billion.) In the same year, Japan contributed nearly 11 per cent of the UN's annual budget. Japan has also invested extensively around the world, through its private companies and large multinational corporations. The magnitude of Japan's economic capability is perhaps nowhere better illustrated than in the Mitsubishi Corporation's recent offer, in February this year, to pay off Brazil's entire debt of $130 billion in return for mining and logging rights of that country's entire forest resources.

What has become obvious in recent years is that a conviction has taken hold in the national Japanese consciousness, that Japan's major task today should be the internationalisation of the Japanese economy. In terms of foreign policy, this translates into a firm commitment to an active and involved, rather than a passive and reactive, approach to international relations. Essentially what this means is that Japan, through its MITI and large Japanese private business interests, and its MFA, has now embarked on a policy to enhance and develop its diplomatic and political relations with countries around the globe with the ultimate goal of exploiting their economic resources for Japanese commercial gain. The impact of Japan's economic
dominance on the world economy may vary in different contexts but it is always
significant and Japan will certainly remain a major actor into the twenty-first
century.

The extent to which Japan has become actively engaged in the South
Pacific can, in part, be explained by the evolution of its post-war foreign policy
and its rise as a world economic power. Until the mid-1970s Japan's overriding
preoccupation was economic growth through commercial and industrial
development. Under this policy, Japan maintained a low political profile and it
advanced trade and investments with all nations (although it concentrated
mainly in Asia), while avoiding involvement in almost all international issues.18
This policy was abruptly interrupted in 1973 by the OPEC initiative which
resulted in the first major oil crisis. In Japan there was alarm because of
Tokyo's dependence on the Middle East for 99 per cent of its oil.

The oil crisis made it clear to policy-makers in Tokyo that a policy which
separated economics from politics was no longer viable; hence the birth in the
late 1970s of a 'comprehensive security policy' which 'involved diplomatic
involvement in relatively non-controversial issues while diversifying sources of
foreign markets, cheap labour, energy and raw materials.19 In other words, the
strategic and political dimensions in Japan's economic cooperation policy now
started to receive greater emphasis. For Prime Minister Ohira Masayoshi, a
comprehensive multidimensional strategy was essential for the realisation of
Japan's total security. This was to be achieved 'not by military power alone,
but through the linked support of economic power, information, political power
and diplomacy.20 Rix comments on this approach in these words:

it involves the idea of an integrated security strategy covering
military, diplomatic and economic aspects. It involves a more
explicit defence effort that includes cooperation regionally ... It
also incorporates diplomatic moves to strengthen ties with so-
called 'friendly' nations. Finally, it has purposefully attempted to
make Japanese trade, aid and investment services work in its own
interests by helping the recipients of these benefits.21
It would seem that the changed emphasis and behaviour in Japanese involvement in the South Pacific during the 1980s, can be clearly traced to the application of this multi-dimensional approach in Japan's foreign policy. Indeed, this view constitutes the basis upon which the underlying argument is presented in this study; the development of a growing economic relationship between Japan and the South Pacific takes its origin from an endeavour by Japan initially to advance its economic interests, and since the 1980s, its political and strategic interests as well. One report sums up the strategy in this way:

Japan prefers to use diplomatic and political influence backed up by its substantial economic power and aid to promote its interests in the region.

The effectiveness of this strategy was recognised by President Nixon in July 1971, when, in referring to Japan, China, the USSR, the US and Western Europe as the five centres of world economic power, he said that 'economic power will be the key to all kinds of power'. It is clear that Japan now uses a comprehensive multi-dimensional strategy in the South Pacific: in terms of the marked increase in Japanese activities in the South Pacific: through diplomacy as reflected by the visits of Nakasone, Abe and Kuranari and other high-ranking government officials; through the interchange of government missions from the South Pacific; through Japan's effort to become a member of the SPC and through the increase in Japanese economic assistance. Japan has initiated moves in many fronts and has especially emphasised economic assistance because, as Gaston Sigur, the US Assistant Secretary of State for East Asian and Pacific Affairs recently commented:, 'economic aid is security aid'.

This is not to deny that there were also humanitarian motives in Japanese policy, nor indeed that other factors such as pressure from the US to 'share the burden' of security, and requests from the SPF also contributed to Japan's comprehensive engagement, but rather to emphasise the point that
such factors were of secondary importance. Insofar as the South Pacific is concerned, it is argued that, since the 1980s, the same multi-dimensional approach has been adopted to advance Japanese economic involvement as strategic and political motives became increasingly important for Japan.

**Economic Motives**

In terms of understanding Japan's economic involvement in the region, it is important to view it in relation to Japanese foreign economic policy which evolved initially from an overriding preoccupation with economic development and transformed into a political-strategic emphasis during the 1980s. Though insignificant by international standards, the relationship with Japan has been very important for the island states not only in terms of providing much-needed aid and manufactured goods, but also by providing one of the largest export-markets for the South Pacific. What then have been the economic motivations for Japanese involvement?

Very obviously the need for raw materials has been a primary motive. Initial Japanese interests in the region emanated from a need for resources such as nickel and phosphate from New Caledonia and French Polynesia. Interest in other raw materials soon followed. In terms of actual involvement, Japan's past knowledge of the potential economic resources of the region helped facilitate an active role as many Japanese already had a long experience in the Pacific, particularly in Papua New Guinea and Micronesia. Their knowledge and involvement at the political and economic levels in Tokyo undoubtedly enhanced a strong existing motivation to exploit the resources of the region. This was especially true of the resource rich islands of Melanesia, and with PNG in particular. In the case of PNG, Japan was also attracted by its strategic location.
That Japan had long had an interest in the wealth of the region is borne out by the fact that even before PNG gained independence in 1975, Japanese economic interests had already been initiated through diplomatic contacts in 1972 between Japan's Foreign Minister Ohira Mayayoshi and Michael Somare the then Chief Minister of the Australian colony. Matters such as Japanese economic assistance, trade relations with Japan and Japanese investments in PNG were discussed at that meeting. But nowhere is Japan's motive for an economic engagement more clearly demonstrated than in the attempt by a giant Japanese conglomerate some twenty years ago to buy PNG from Australia. And when that bid failed, another huge Japanese consortium offered to lease the colony for fifty years in order to develop it.

Thus it does not come as a surprise that Japan has made considerable investments in the South Pacific timber and mining industry, most notably in PNG, Fiji and the Solomon Islands. In the case of PNG, the involvement of Japanese and other foreign companies in the lumbering and mining industry has been lucrative for the foreign companies. Tragically for the host nation however, the ecological and social costs have been so extensive that lumbering licenses were cancelled and a number of mainly Japanese and South Korean logging firms were ordered out after a judicial enquiry, thus leading the PNG government belatedly to enforce stricter environmental regulations.

The fishing industry has also attracted keen Japanese interest over the last two decades, culminating in those agreements with island states already discussed. Japan saw the obvious need to exploit this readily available resource. Japan had the expertise and the equipment to build up a regional fishing industry. Furthermore the economic returns from such an investment were assured by Japan's domestic market for which fish is a staple food.
Japan has also shown a keen interest in the sea-bed minerals of the region. The announcement by the Japanese government in March 1990 of a $27 million research programme reflects the extent of that interest. For the island countries, finding out if their marine areas (EEZs) contain mineral resources that could be used now or in future is of great economic and even strategic importance, and although the exploitation of sea minerals is not yet economically viable, knowledge of their potential is needed. For Japan, providing the technology and the scientists for the task constitutes a role commensurate with its economic capacity and also offers long-term involvement through the provision of technology and expertise for exploiting these resources into the next century.

Japan's economic interest in the region has also been motivated by her capacity to recognise and develop the potential of a number of industries. Tourism is a case in point. As previously mentioned, having recognised the potential in the industry, several Japanese companies invested extensively not only in the resort-facilities of the island destinations, but also in airlines servicing the region and in market sources extending well beyond the South Pacific. Thus, by 1990, the large growth in travel by Japanese for business and recreation purposes, has become a significant factor in Japan's relations with the PICs. That trend is likely to continue.

Although not often cited as a strong motivation, it is argued that since 1979, Japan has embarked on an unprecedented build-up of economic aid in order to influence and thereby gain acceptance by PICs of her proposal to dump low-level nuclear wastes in the region. Nuclear waste storage will continue to be a major problem for Japan because Tokyo expects to more than double her nuclear capacity within fifteen years. This means that Japan will have in excess of 70,000 drums of waste piling up every year from her twenty-five nuclear reactors. With this problem in mind, Japan has increased its ODA
substantially and has consistently sought an on-going dialogue with the microstates. In fact, soon after the return of teams of scientists of the Science and Technology Agency who had met strong opposition in their attempt to reassure Pacific Islanders of the safety of Japan's proposal, there was pressure from members of the Japanese Parliament to increase aid to all PICs. Toshio Doko, President of the Federation of Economic Organisations, stressed the real motivation behind Japan's increased involvement when he declared that the problem of nuclear waste dumping cannot be settled unless Japan gives security [economic] and some benefits to the Pacific people.

In my view, the strong South Pacific opposition to Tokyo's dumping proposal in 1980 provided the initial impetus for Japan's decision to increase its ODA. Fears of Soviet initiatives and growing instability only reinforced the existing Japanese strategy. In the face of these concerns, Japan's response was to increase her economic aid to the region. She also facilitated the sponsorship of 'goodwill' tours to Japan by leading Pacific Islanders in order to impress upon them the safety standards administered at nuclear plants, and the safety precautions of the dumping proposal.

In effect this aid was a 'window-dressing' measure to appease the opposition of PICs. It must be remembered even now that the Japanese government has only postponed indefinitely the proposal to dump nuclear wastes in the region. Though sensitive to the regional opposition, the Japanese government has never 'officially' declared its abandonment of the scheme. The Government's true position is probably best explained by the fact that nuclear waste dumping at sea is relatively cheap and 'safe', especially when the proposed site near the Marshall Islands is a considerable distance from Tokyo. As one Japanese official observed: 'Dumping at sea costs less than land dumping. The only cost is the sea transport, but on land you need the storage facility and security arrangements'.
What can be concluded from these initiatives is that the Japanese government is planning ahead. With the likelihood of a future Japanese economic dominance in the region, the economically dependent PICs, will soon no longer be in a position to continue their opposition, but will accept the dumping proposal as a trade-off.

Political-Strategic Motives and the Kuranari Doctrine

To understand Japan's more recent initiatives in the South Pacific, it is important to acknowledge the changing context in which these advances have been made. The past three decades in the once isolated Pacific have been a period of unprecedented political and economic change. This was especially true of the 1980s with the growing involvement and conflicting interests of new external powers. In the lead-up to their independence, the decolonisation process had proceeded relatively peacefully for most island countries except for Vanuatu which gained its independence from Britain and France in 1980, and for French Polynesia and especially New Caledonia, which are both still involved in the struggle for independence. Although some observers such as David Robie would not entirely agree that decolonisation in the South Pacific had been as peaceful as suggested here, for most island states, the post-independence years were by and large a period of relative stability and cooperation with their former Western colonial powers. As Hegarty notes, until about the mid-1980s:

The island states of the Pacific were basically pro-Western in orientation and all appeared content to shelter under the regional security umbrella of the ANZUS treaty.

This orientation began to change slowly with the advent of diplomatic initiatives from new powers such as Japan and China. Since then, many other new players, with a variety of motives have made advances into the region.
Compared to the post-war period up to 1970, foreign power involvement has been extensive in the last two decades, and especially since 1980. Aside from the 'traditional' Western powers, other players now include Japan, China, Indonesia, the Soviet Union, Taiwan, India, Malaysia, Singapore, South Korea, Western Germany, Norway, Israel and Brunei. With the advent of so many foreign powers, conflicting interests and some changes became inevitable for PICs. Furthermore, the post-independence period has witnessed a deliberate effort by island states to achieve a diversification of diplomatic and trade linkages for they know that it is those countries 'with the greatest and most diverse external ties that do best in aid, trade and crucial economic concessions'.

A renewed Japanese interest in the 1980s was generated by the increasing Soviet presence in the region. Two Soviet initiatives had culminated in fishing agreements with Kiribati and Vanuatu. Another contributing factor was the breakdown in the ANZUS treaty, following the refusal of New Zealand's Labour government in 1984 to accept visits by US nuclear-powered ships. These and other factors which are discussed below contributed significantly to Tokyo's perception of a threat of growing Soviet influence in the region. With superpower rivalry still dominating international relations in the mid-1980s, Japan felt compelled to become more actively involved in the South Pacific in order to ensure stability and to safeguard Western security interests. For Japan, Soviet initiatives and the advent of other diplomatic and economic interests signalled the possibility of further instability in a region of growing strategic importance.

The articulation of the Kuranari Doctrine in 1987, was essentially the Japanese response to increased superpower rivalry in the South Pacific. The Doctrine served to give official notice of Japan's recognition of the region's strategic significance. As well, it made clear Japan's desire for a greater
political influence. Whereas, as we have seen, initial Japanese involvement in the South Pacific had earlier been dominated by economic and commercial motives, this was no longer the case. Herr registered this point emphatically:

The Kuranari Doctrine was not prompted by intrinsic commercial interests. Instability in the post-Marcos Philippines, Soviet access to base facilities in Vietnam, and Moscow’s fisheries agreements with Kiribati and Vanuatu all helped convince Tokyo of the vulnerability of its southern approaches and the need to pay more direct attention to the islands.40

This is not to deny the importance of economic and commercial relations with Japan but merely to point out that by the mid-1980s, political and strategic objectives had also become important motivations for Japan. In a sense the Kuranari Doctrine merely gave official acknowledgement to Japan’s recognition of changes which had already occurred.

Strategically, the region had become increasingly important to Japan for the simple reason that the vast Pacific Ocean provides vital sea-lanes for Japan’s trade. This became an important consideration in terms of the emerging Asia-Pacific Economic Community. With the possibility of an American withdrawal from the Philippines, fears about the security of the Japanese merchant fleet and of the whole region were heightened.41 In Japan, this led to growing unease and ultimately to an acceptance of a greater responsibility for its security needs.42 Yet whereas the US depended on its military and naval capacity, Japan did not have such options because of the restrictions imposed by its ‘peace’ constitution which prohibits Japanese naval defense capacity from extending beyond a one thousand miles radius.43 It is in the context of these fears and developments that Japan developed a ‘comprehensive’ non-military strategy involving political aid and diplomatic initiatives to ensure regional political stability.44

Japan’s increased involvement in the South Pacific can also be seen as a response to Soviet initiatives. This is certainly true insofar as Japan has,
through the US-Japan Security Pact regarded itself as part of the Western Alliance Security System\textsuperscript{45}; an alliance which inevitably viewed any Soviet initiatives whether economic, diplomatic or military as attempts to expand Moscow’s sphere of influence. Although Kuranari did not specifically mention the Soviet Union by name when he declared that Japan ‘cannot support the introduction of new tension into this peaceful and untroubled region’, it is clear that the Foreign Minister was referring to Moscow’s growing involvement in the South Pacific. It was therefore not surprising that Soviet fishing agreements with Kiribati (1985), Vanuatu (1987) and overtures for trade and diplomatic relations with Fiji, PNG, Tonga and Western Samoa, were seen as a threat to regional stability.\textsuperscript{46} This was disturbing for Japan especially in a region long-regarded as an ‘American Lake’.\textsuperscript{47} In terms of the Soviet Union’s fishing agreements with Kiribati and Vanuatu, Japanese concern was also motivated by commercial considerations. With the seas already being fished by some of the world’s largest fishing nations, it was certainly not in Japan’s economic interest to have the large Soviet fishing fleet in competition for the marine resources of the region. US-Japanese fears were also heightened by the Soviet Union’s desire to develop its status as a Pacific power as expressed in Gorbachev’s Vladivostok speech in July 1986. The fact that Pacific Island sympathy might be swayed by Soviet support and the ultimate ratification of the Rarotonga Treaty also became a matter of concern.\textsuperscript{48}

However, while there was some justification for this concern, it was also true that major Western powers were themselves indirectly responsible for initiatives by PICs which created openings for Soviet advances. This was especially true of the US. American support of the activities of the ATA (which had conducted illegal poaching in Kiribati’s EEZ), its ‘bullying’ tactics over its handling of the ‘Jeanette Diana’ episode, and its refusal (until 1986) to agree to a multilateral treaty, incensed Kiribati, the Solomon Islands and most PICs.
Furthermore, the American and British refusal to support the Rarotonga Treaty and France's outright rebuttal of it certainly did not endear these Western nations to the Pacific microstates.49

There was also considerable uncertainty about the future of ANZUS. It was therefore, not surprising, in this climate of growing anti-west sentiment, that Soviet advances were made and that Japan, with pressure from the US to share the burden of maintaining the Western Security system, sought to counter them. Japan's perception of the growing instability among the island states themselves was further strengthened by the two military coups in Fiji in 1987 and the alleged Libyan connection with Vanuatu and New Caledonia. In 1988, the Wanatabe Report recommended among other things, that Japan respond to political instability caused by growing nationalism and external intervention.50 Towards this end, Japan therefore intensified her effort by providing yet more aid to this politically and strategically important area.51

Another contributing factor was the perception of a relative decline in Australia's and New Zealand's influence as their aid programmes were reduced. Tokyo's recognition of a deterioration in the Australian and New Zealand economies and the assurance that Australia would welcome a greater Japanese presence in the South Pacific, certainly helped to facilitate an increase in Japanese involvement.52 As well, there were requests for aid from the microstates themselves. After their annual meeting in Rarotonga in August 1985, the SPF sought to strengthen ties with Tokyo. Annual visits to Japan by the Director of the Forum Secretariat, Henry Naisali, have been made since 1986.53 During the 1980s, the microstates have deliberately attempted to diversify their sources of aid, with Japan becoming a major alternative to traditional sources. Aside from PNG and Fiji, which have already had long established relations, other island states are now exploring what Japan has to offer. The initiative taken recently by Solomon Islands Foreign Minister, Sir
Baddeley Devesi, to attract Japanese and other Asian investors, reflects the growing desire by PICs for a greatly expanded role for Japan.\textsuperscript{54}

Yet a close reading of the Kuranari Doctrine reveals the complex motivations for Japan's growing involvement in the region. While the South Pacific has certainly become a region of greater strategic significance, it is also true to say that the doctrine was articulated as a 'softener' for the expansion of Japan's economic interests. One thing is clear. The oft quoted expressions of Japanese altruism and unselfish concern for the well-being of small islands countries and her calls for 'neighbourly friendship' have not always been matched in practise by what PNG lawyer Tony Siaguru calls 'the aggressively self-seeking approach of Japanese industrial and commercial interests'.

The contrast between official pronouncements about the benefits that derive from mutual cooperation, and the activities of Japanese industrial and commercial interests are most notable in the areas of fisheries and forestry. The actual consequences of Japanese involvement can be seen in the strategies and stance adopted by the Japanese Fishing Association through the Japanese Government over gillnetting; in the use of underhand methods to secure mining and timber projects for Japanese companies in Vanuatu and PNG; and in the deforestation of large areas in the Solomon Islands and particularly in PNG where Japanese companies have logged large areas

then abruptly left without the furniture factories, wharves, mills and the reafforestation that had been an integral part of the agreement ... and on which the local villages had fondly based so many hopes ... they have been left with denuded lands, eroded soils and ruined reefs. They face a calamitous future.\textsuperscript{55}

What is clearly established in the preceding discussion is that, for the most part, economic and commercial interests have remained the central motive for Japanese involvement in the South Pacific. However, due to unprecedented economic and political changes in the region, Japan has
broadened its interests in order to accommodate the region's growing strategic significance.

Endnotes

2 Johnson, 1983, pp.31-56.
3 Saburo Okita, 'Japan's Quiet Strength' in *Foreign Policy*, No.75, Summer 1989, p.128.
4 ibid., p.128.
6 ibid., p.16.
8 *Time*, 4 July 1988, p.11.
11 Inada, 1989, p.399.
13 Ministry of Foreign Affairs, 'Outlook of Japan's Economic Cooperation', February 1990, p.2. Yasutomo provides a useful comparison in growth in ODA and Education. Between 1981 and 1985, total Japanese ODA increased by 31.5 per cent; for the same period education showed a percentage increase of 0.5 per cent only. Yasutomo, 1986, p.2.
18 Paul Keal labels the strategy Japan's 'omnidirectional diplomacy' which was aimed at maintaining friendship with all states. Keal, 1982, pp.3-4.


Kennedy, 1988, p.533.

*Time*, 4 July 1988, p.10. The conclusions drawn by Maizels and Nissanke on motivations for aid, which saw a marked shift away from a recipient needs oriented approach towards increasing emphasis on donor-interest aid, makes clear the intentions of Japan's self-seeking policy. Maizels and Nissanke, 1984, pp.879-900.


ibid., p.254.

ibid., p.254.

*PIM*, February 1988 p.32.


*PIM*, November 1989, pp.25-27. Guam already receives 600,000 mainly Japanese visitors a year. It is anticipated that more than 10 million mainly Japanese visitors will travel to the South Pacific by 1995; *PIM*, September 1988, p.25.

*PIM*, September 1981.

*Islands Business*, October 1988, p.49.

*PIM*, November 1983, p.29.

ibid., p.29.


*PIM*, March 1988, pp.2-6.

Herr, 1989, p.147.


Inada, 1989, p.405.


49 Takeda, 1987, pp.2-4; *PIM*, September 1988, p.28.

50 Rix and Mover, 1984, p.91.


55 Tony Siaguru 'Japan’s Business Invasion' in *PIM*, February 1988, pp.32-3.

Inada, 1989, p.405.

The Soviet Union approached these islands in 1976, Fry 1981, pp.458-9. See also the *Watanabe Report* 1988, pp.4-6; Takeda, 1989, p.82.


Takeda, 1987, pp.2-4; *PIM*, September 1988, p.28.

Rix and Mover, 1984, p.91.


Tony Siaguru 'Japan's Business Invasion' in *PIM*, February 1988, pp.32-3.
CONCLUSION

In drawing this study to a conclusion, several observations can be made about Japan's economic relations with the South Pacific. First, the relationship has expanded significantly during the post-war decades. Until the mid-1970s, Japanese involvement concentrated mainly on the enhancement of the economic dimension of the relationship through trade and investment. During the past decade however, strategic and political interests have become important factors in explaining the nature of Japanese involvement in the region. Through increased trade, investment and ODA, and the use of sophisticated diplomacy, Japan has been able to extend its economic power and influence in the region. This development is likely to ensure that Japan will remain a major economic and political actor in the South Pacific into the next century.

What then are the consequences and implications for this region in which Japan has become a major actor? First, there is likely to be a further restructuring of economic and political relations between PICs and external powers. Traditional powers like Australia and New Zealand are likely to see an erosion of their influence amongst the PICs as Asia through Japan, China, Taiwan and the ASEAN states gain a stronger economic foothold in the region. As a major power-broker in Asia, Japan will, in all likelihood, gain a significant leverage over Asia-Pacific relations. Australia and New Zealand will need to work through with Japan in bringing about change in the region. Already there are signs of this happening in the annual consultations which now take place between Australia, New Zealand and Japan.

Second, in the area of trade, while the region will remain primarily an exporter of primary commodities to Japan, and provide a small but expanding market for Japanese manufactured goods, possibilities exist for new exports,
such as seabed minerals and petroleum to bring some balance to the large trade
deficit between Japan and the PICs. Should this scenario eventuate, the region
can be expected to see a considerable inflow of Japanese 'know-how' in terms of
technology and skilled manpower. Japanese investment in the region, so far
concentrated on forestry, minerals and fisheries, is likely to grow and expand
into other sectors such as tourism, where major investments have already
occurred in recent years. Large retirement villages and multi-purpose tourist
enclaves, as preferred by Japanese investors such as the huge Denarau Island
Resort in Fiji, will come to mark tourism development in the South Pacific.
Pacific islanders will provide cheap labour and subtle forms of bribery will no
doubt be used to buy out local politicians.

Third, at the government level, sophisticated diplomacy, which has been
a hallmark of Japanese initiatives will continue to play a significant role in
Japan's larger regional role. Moreover, while collaboration between
government and private business to develop regional links has always been
close, the interests, and therefore the initiatives, of these two groups will
increasingly become synonymous. Government leaders from the South Pacific
can also expect to be courted a lot more by Japanese government and business
leaders through various cultural exchange programmes. When these
diplomatic initiatives fail, aggressive means such as those that were brought to
bear upon PICs over their opposition to gillnet fishing are likely to be used.
The Japanese are no strangers to chequebook diplomacy, whether it be to win
diplomatic or commercial advantage.

Fourth, regional political stability will be a major concern for Japan.
From the Japanese viewpoint, stability in the South Pacific ultimately means
peace and security for Japan, for the Western alliance and for the rest of the
world. This viewpoint was expressed at a meeting of Japanese
parliamentarians held in Tokyo in 1988 which declared the achievement of
economic, social and political stability for the South Pacific as a most urgent matter for Japan. Japan's concern for stability means that it may prefer to support 'safe' political allies, regardless of their domestic policies, as, for example, in the case of some Asian regimes, such as Indonesia with questionable human rights records. The leaders of PICs should recognise from Japan's past record that Japan, despite all the rhetoric of unselfish concern for the well-being of small islands economies, heeds only the strong. Japan too, will be using its own strengths both diplomatic and economic to extend its influence in the region and beyond. Thus Japanese involvement in the South Pacific cannot be fully explained by national economic interests alone. Rather, it is to be explained by wide political and strategic objectives, as well as by Japanese economic interests.

What does this mean for the South Pacific? Basically, the challenge for PICs is to come to grips with the wider implications of this important international economic relationship. For only through such an understanding can Pacific islands leaders hope to make the informed decisions that are so necessary for their own long-term interests in a region of growing complexity.
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THE KURANARI DOCTRINE
WORKING TOWARDS 'THE PACIFIC FUTURE COMMUNITY'

Address by
H.E. Mr Tadashi Kuranari
Minister for Foreign Affairs of Japan
Suva, Fiji
14 January 1987

It gives me great pleasure to have the privilege of outlining to you here in Fiji some of my thoughts on the future of the island states of the Pacific.

It was in 1961 that I visited Fiji for the first time. Fiji and most of the other peoples in the Pacific were then moving towards independence, and I was profoundly impressed by the eagerness with which they desired to be self-reliant. Seeing at first hand its peaceful and undisturbed life, I felt very strongly that the Pacific should be allowed to remain the peaceful sea that its name suggests.

Since then, the island nations in the Pacific have, generally speaking, attained their independence in peace, and have concentrated their energies on nation-building. Despite the sometimes turbulent character of the international environment, they have worked for peace and stability, and as new members of the community of nations, have made their own contribution to the development of international order.

The community of the Pacific island states has grown in number and geographical size, extending to both sides of the Equator. What we now call 'the Pacific Island Region' has in recent years achieved significant political and economic coherence. This development is most desirable for the peace and prosperity of the whole region of the Pacific Ocean, and Japan certainly welcomes it.

The history of the migration of peoples in the Pacific is a stirring one. In ancient times, when we knew nothing of modern navigation or ship construction, our ancestors, undaunted by the vastness of the ocean, gradually challenged and conquered it.

Early in the 16th Century, Magellan, the first European to sail westward through the straits at the southern tip of the American continent, named the sea which he entered the Pacific Ocean. In the following years, travellers spread over the Ocean, engaging in commerce and stimulating the exchange of ideas. In those days this demanded an enormous spirit of adventure and high courage.

In the last four centuries, however, the remarkable development of science and technology has drastically changed the situation. The pace of change has been particularly rapid in the last 25 years. The development of
various means of transportation and communication—for example, supersonic jet aircraft and telecommunication satellites—means that mankind now takes for granted previously undreamt-of speeds and virtually instantaneous communication.

In the Pacific Region, the ocean that formerly hindered communication between peoples has become a highway for commerce and the exchange of information among peoples. The countries of this region are becoming increasingly interdependent and are also enjoying closer relations with countries far distant. This means that they benefit from the world-wide development of human civilization, but also that they become involved in the turbulence of the international economy and international politics.

Amidst these changes, the South Pacific Forum has called upon Japan to strengthen dialogue with this organization. The call came soon after I became Foreign Minister, and this has impelled me to revisit this region so that I can learn directly of the aspirations of these nations in their present circumstances.

I should, next, like to outline Japan’s basic frame of reference in devising our policies vis-à-vis the Pacific island nations. Let me, first, refer to our geographical and historical relationship. Japan, an Asia-Pacific country, has a long history of relations with the region. Part of that history is, one knows, the tragic experience of the Second World War. Let me assure you that Japan is resolutely committed to peace, to not becoming a military power; and that its central foreign policy focus is the promotion of friendly and cooperative relations with other countries, particularly neighbouring countries. In effect, Japan has sought a post-war new deal. It realizes that it cannot be indifferent to the problems facing the Pacific island nations in the region it belongs to and therefore seeks, in a spirit of neighbourly friendship and open-mindedness, to work with them in contributing to their development.

This frame of reference has, of course, its political dimension. Japan is an industrial democracy, and, with the other like-minded nations, has important responsibilities in contributing to the solving of problems which require global remedies. In the area of security, for example, an approach based on a global vision is essential. It is clear that it will become increasingly necessary, not only for Japan but for the Western nations as a whole, to look at the importance of the peace of the Pacific in a world-wide context; and also that the international community will be paying more and more attention to this region.

Working within the framework I have outlined, I should like to take advantage of this opportunity today to say something of our basic thinking on the development of our relations with the Pacific island states.

First, Japan will take every care, in promoting bilateral relations, not to encroach on independence or hamper autonomous initiatives, whatever the size of its partner in the Pacific island region.

Recently in Micronesia, where the achievement of self government has long been the goal of their efforts, steps are being taken to promote this in a relationship of free association with the United States. It is a gratifying development and Japan heartily welcomes it. Japan will continue to strengthen the ties with this area.
Secondly, Japan, a country of the Asia-Pacific community, will support and assist existing arrangements for regional cooperation among the island states.

This cooperation has been based upon the traditional values of the region known, very appropriately, as the 'Pacific Way'. It has already borne very encouraging fruit and those participating can now speak with one voice in the international community, particularly through the South Pacific Forum.

Japan fully recognizes the political significance that the South Pacific Forum bears, and I would like to announce today, as one expression of Japan's desire to respond adequately to this regional spirit, that Japan will invite the Head of [State or] Government of the chair-country of the South Pacific Forum and the Director of the SPEC to visit Japan, either immediately before or after the annual meeting of the Forum. We shall be doing this as one response to the Forum's request for strengthening of its dialogue with Japan.

Thirdly, Japan will do its utmost to assist in preserving the political stability of the Pacific island region.

However much one may wish it were otherwise, peace and stability cannot be maintained without adequate thought being given to global security considerations. This principle does not allow of any exception for the Pacific region, despite its being geographically far from the world's areas of heightened tension. Japan has the very highest regard for the initiatives and efforts of the peace-loving island states of the Pacific to maintain peace and stability and cannot support the introduction of new tension into this peaceful and untroubled region, particularly the South Pacific.

Fourthly, Japan will provide as much assistance as possible to make the region economically more prosperous. Japan intends to expand its economic cooperation and to review cooperation modalities in order that their effectiveness may be enhanced. Most of the Pacific island states are faced with one or more factors making for a fragile economy: lack of resources, dependence on a single crop for export income and lack of the advantages of economies of scale. They are, however, making determined efforts to overcome these problems and to build solid foundations for future development.

I feel the most profound respect for the way in which so many peoples, scattered over this vast Ocean and each facing its own particular difficulties, are working together towards a better life for their children and future generations. Japan intends to do its utmost to assist those endeavours. Japan's assistance to the Pacific island states has grown five times in the last 10 years, but I have ordered a study of ways to expand Japan's cooperation yet further and to accelerate Japan's contribution to the development of this region. For this purpose, I shall be sending a government survey mission to this region within the present fiscal year, that is, before the end of March, 1987, to formulate new guidelines for future bilateral assistance.

I am pleased to be able to announce also that, subject to Diet approval, Japan intends to subscribe two million US dollars for the establishment of a special fund for Pacific island states, to be part of the United Nations Development Programme, to help promote the development of those countries in harmony with the interests of the region as a whole in various fields, among them transportation and telecommunications. Furthermore, I believe that we
should consider the development of technology which utilizes nature itself, which is the precious resource of the island nations. Accordingly, Japan intends to contribute one million dollars in the next fiscal year, again subject to Diet approval, to the project, 'Open Cycle Ocean Thermal Energy Conversion' at the Pacific International Centre for High Technology Research in Hawaii. We hope that such increased assistance, along with assistance from other countries and with coordination at the SPEC, will make a very significant contribution to the development of the whole region.

Fifthly, Japan values highly face-to-face contacts among nations. In preserving the spirit of good neighbourhood into the 21st Century, we must promote mutual understanding among the Pacific communities. Special emphasis will be placed on exchanges between young people, particularly with those who will later play a central role in the nation-building of the Pacific island states. It goes without saying that development of a nation's human resources—the men and women who must undertake the task of nation-building—is of fundamental importance to development. More than 130 junior leaders, opinion leaders, media people, technical trainees and others of those who will bear the future of the island states on their shoulders have already been invited this fiscal year to Japan for study, training and so on. I am happy to say that these programmes are highly regarded by the Pacific island nations. Starting in the present fiscal year, Japan is inviting youths through the Friendship program For the Twenty-First Century from Papua New Guinea and Fiji. We intend to expand this cooperation further and to promote exchanges of people at all levels.

It is frequently said that the twenty-first century will be the century of the Pacific Ocean. The prelude to that new age has, indeed, already begun. The countries in the Pacific are deepening their exchanges so as to strengthen the relations among them. Already in the Pacific Ocean, we witness a heavy traffic of super-tankers and jumbo-jets, which are the fruits of modern technology. Above the sky are the satellites, hundreds of them, enabling on-line broadcasting of television programmes as well as communications among people. Hitherto untapped marine resources are now within mankind's reach. The flow of people, goods and information has been unleashed through technological innovation like so many tides and currents, meeting and parting, parting and meeting. All of these factors provide the vitality for the development of this vast community. The surge of information, in particular, will undoubtedly become a vital element in the future building of this region.

I share the hope stressed by Prime Minister Nakasone during his visit to this region two years ago, that the assistance provided to the peoples of the Pacific region will encourage them in their historic task of nation-building. I can assure them that Japan will continue to give them the utmost possible cooperation in dealing with the great changes which they face.

I hope most ardently that the Pacific island region may remain forever as peaceful as it was when I visited it for the first time a quarter of a century ago. I also hope that in developing their natural and human resources, the peoples of this region will preserve such universal values as their warm hospitality to outsiders; and that the natural beauties of their islands in the emerald sea will remain undiminished. I trust that the South Pacific will continue to be for mankind a place to which one can always turn for refreshment and spiritual sustenance. Are development and conservation incompatible opposites? I do not think so. Surely mankind has wisdom enough to attain both.
We, who are of the Pacific, shall set to work, helping one another, in this difficult but very meaningful task of building 'the Pacific future community'.

Thank you.
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