

TURMOIL IN CHINA; Japan, China's Main Foreign Benefactor, Puts Billions in Aid in Doubt

By STEVEN R. WEISMAN and SPECIAL TO THE NEW YORK TIMES JUNE 7, 1989

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Responding to reports of growing turmoil in China, Japan ruled out immediate sanctions on Tuesday but took steps that cast doubt on the future of billions of dollars in aid projects widely deemed crucial to China's economic growth.

Japanese officials announced the suspension of economic development and cultural missions to Beijing planned in the coming weeks and said there would be a "case-by-case review" of aid projects already under way, especially those that might be affected by the upheaval.

The officials also disclosed that Japan's plans for increasing aid to China, including a five-year \$6 billion loan package announced last year, were in effect on hold while Japanese officials watch the situation unfold. **Low-Key Reaction**

Another measure of concern came when Japan sent two commercial jumbo jets to Beijing on Tuesday evening to withdraw hundreds of Japanese students, business executives and other citizens over concerns for their safety. **Visa Requirements Loosened**

This morning, Japan formally advised Japanese citizens to leave China and announced that any foreigner living in China and leaving because of the emergency would be permitted to enter Japan without a visa.

In another emergency step, Japan said it would extend the visas of an estimated 40,000 Chinese students who wished to remain here during the unsettled conditions in their home country.

In taking care on Tuesday to avoid talk of sanctions, Prime Minister Sousuke Uno and other Japanese officials said that Japan in effect had to be far more low-key in its reaction than President Bush and other leaders who have condemned China for its violent crackdown on pro-democracy demonstrators.

Instead, Mr. Uno and other officials expressed "concern" and "regret" over Beijing's moves, along with the hope that "peace and stability" would soon be restored.

Mr. Uno told reporters that Japan had a special reason to be cautious because of its history as the aggressor in World War II. Other officials explained that if Japan echoed President Bush's condemnation of Chinese actions, its comments could be construed in China as a threat to its autonomy.

"Believe me, we would like to respond by condemning China," a senior official said. "But because of our special relationship, the fact that we are blamed for so much, we just cannot risk becoming another scapegoat."

The low-key, almost awkward reaction was a reflection of the sometimes peculiar difficulties faced by Japan in breaking free from its past and asserting regional and global leadership commensurate with its economic might.

Only in the last few years have Japan and China been able to overcome decades of hostility and suspicion to improve economic and political ties.

Japan is now China's second-largest trading partner, after Hong Kong and Macao, with trade reaching nearly \$20 billion last year, nearly 25 percent more than the year before. Trade is growing this year by another 15 percent as Japan exports electronics, machinery and other technology sought by Beijing in its modernization drive. Source of Frustration

Until the last year or two, trade has been a source of frustration for the Japanese, who have quietly accused China of erecting the same kind of trade barriers that the United States has accused Japan of putting up.

Of perhaps greater significance has been Japan's rising role as a global aid donor, lending or giving billions of dollars in loans and grants for irrigation projects, power plants and the like. Japanese officials said today that Japan represents 56 percent of the outside aid to China, including that sent by the World Bank and other international agencies. Thus if a general review leads to some kind

of an overall suspension in aid, it could have devastating repercussions in China. Japanese officials said it was far too early to begin discussing these possibilities.

But an official said the biggest casualty of the turmoil was the old notion that China's modernization and economic liberalization were irreversible.

That view, held by experts here and around the world, has now been shattered. The changed perception could wreck China's chances for economic progress, the officials said. 'Japan Is Really Shocked'

"We simply don't think our policy toward China can be the same after seeing this turmoil and this inhumanity in Beijing," an official said.

Although there have been few outward signs of outrage in Japan, except for a demonstration of Chinese students outside the Chinese Embassy, the stunned reaction appears to be shared by many ordinary people.

Developments in China have dominated the newspapers and news broadcasts since the weekend, wiping away the extraordinary attention on Mr. Uno's selection as Prime Minister.

"All of Japan is really shocked, especially the younger generation and especially Japanese students who were sympathizing with their counterparts in Beijing," said Prof. Mineo Nakajima, who teaches international relations at the Tokyo University of Foreign Studies. "China's stability is very important to Japan," Professor Nakajima said. "Now most Japanese people are now angry at Chinese leaders for taking these actions."

Similar reactions are also being felt in South Korea, which was itself rocked by student insurrections in 1987, forcing the military regime to take a different route - to accede to demands for free elections and greatly expand freedom of expression.

The attention of Koreans was also riveted this week on the unfolding developments in China, with the major newspapers putting out special issues over the weekend. Government officials and opposition party leaders alike condemned the crackdown.

"Looking at that situation, we're telling ourselves that nothing like that should happen in Korea," said Park Jung Soo, a senior member of the ruling Democratic Justice Party of President Roh Tae Woo. "Before we reach that extreme situation, we have to resolve our problems through dialogue and compromise." Increased Korean Trade

Like Japan, South Korea has increased trade with China in recent years, in its case to \$3.5 billion a year.

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