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Japan and China at a Crossroads

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Postwar ties between Japan and China, while distinguished by normalized relations, economic cooperation, and political dialogue, are now at a crossroads. Although often cited as causes of the impasse, sources of disagreement such as visits to Yasukuni Shrine by Japanese Prime Minister Junichiro Koizumi are, rather, manifestations of structural changes taking place in the region's most important bilateral relationship. Regardless of these issues, most East Asian countries believe that an improvement in Japan-China relations is essential for the future stability and prosperity of the region.

Restructuring bilateral relations requires a critical understanding of broad, long-term geopolitical and structural changes that have been taking place in Japan, China, and around the world for the past two decades.

Historical Framework of Japan-China Relations

The U.S. détente with China in the early 1970s prompted Japan to rethink its China policy, and the 1972 Japan-China Joint Communiqué was a response to this rapidly changing world. The communiqué contains three key points. First, it states that Japan “recognizes . . . the Government of the People’s Republic of China as the sole legal Government of China.” Second, it affirms that China considers Taiwan part of its territory and that Japan “fully understands and respects this stand of the Government of the People’s Republic of China.” Although not noted in the communiqué, Japan has since expressed that it “strongly hopes that the issues surrounding Taiwan will be solved in a peaceful manner by direct talks between the parties concerned.” Finally, the communiqué notes that Japan “is keenly conscious of the responsibility for the serious damage that Japan caused in the past to the Chinese people through war,

and deeply reproaches itself.” This document is now recognized as the basic foundation of postwar Japan-China relations.

In 1972, as Japan established relations with China, it ended official ties with Taiwan, but it has retained nongovernmental relations through the Taiwan offices of the Interchange Association. Taiwan maintains unofficial representation in Japan through the Taipei Economic and Cultural Representative Office.

Six years later, in 1978, Japan and China concluded the Treaty of Peace and Friendship. The treaty affirms mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference, and further development of economic and cultural relations. This document is the second foundation of Japan-China relations.

Normalized relations brought increased economic interdependence. Trade grew from US\$1.1 billion in 1972 to almost US\$20 billion in 1988. Japan understood the importance of a strong Chinese market: not only would it benefit Japan, but it would also help stabilize East Asia. In 1979, it launched an official development assistance (ODA) program for China to promote economic stability and growth. Several rounds of loans, grant aid, and technical cooperation totaling more than US\$30 billion have been disbursed to China since the start of the program. More than three-fourths of these loans have been used to fund large-scale economic infrastructure projects to develop roads, rail, airports, and power stations.

Japan also promoted international political engagement with China—even in the aftermath of Tiananmen Square in 1989. The G7 Summit Communiqué released in July of that year urged China to “create conditions

which enable them to avoid isolation.” This was a result of Japan’s efforts during negotiations on the communiqué. Two years later, Prime Minister Toshiki Kaifu was the first G7 leader to visit China after Tiananmen Square.

Political relations in the 1990s were marked by three historic milestones. In 1992, Emperor Akihito and Empress Michiko of Japan made the first Imperial visit to China since World War II. The emperor expressed his sorrow about the war and deep remorse about past aggressions. On the 50th anniversary of the end of World War II in 1995, Japanese Prime Minister Tomiichi Murayama issued a public statement of “heartfelt apology” to the people who suffered from colonial rule and aggression. Then in 1998, Chinese President Jiang Zemin made a historic visit to Japan as the first Chinese head of state to do so since the end of the war. There are differing views as to the success of this significant visit, but regardless, the Joint Declaration on “Building a Partnership of Friendship and Cooperation for Peace and Development,” in which Japan expresses “deep remorse” for the war, was adopted, becoming the third foundation of Japan-China relations. These events are manifestations of the recognition of past history on both sides.

Economic ties expanded throughout the 1990s as well. Japan continued to cooperate with China through its ODA programs, investment, and its strong support for China’s accession to the World Trade Organization in 2001. But toward the end of the 1990s, the Japanese media and National Diet members began to question the rationale of an economically stagnant Japan providing ODA to a booming China. An official review was conducted, and in 2001 Japan significantly scaled back its assistance.

Since that time, numerous irritants in the relationship have risen to the fore. On the Japanese side, these include the North Korean refugee incident at the Japanese consulate in Shenyang in 2002; heckling of the Japanese national soccer team by Chinese fans at the Asian Cup in China in 2004; the intrusion of a Chinese nuclear attack submarine into Japanese waters in 2004; China’s move to block Japan’s candidacy for the UN Security Council in 2005; and violent anti-Japan demonstrations across China in 2005. On the Chinese side, irritants include Prime Minister Junichiro Koizumi’s repeated visits to Yasukuni Shrine, and in 2003, a leak of mustard gas from chemical weapons barrels left by the Japanese Imperial Army, injuring dozens. These and other incidents have exacerbated what has become a tense relationship.

Framing the New Relationship: Geopolitical and Structural Changes

Thinking anew about Japan-China relations requires looking back at important geopolitical and structural

changes in recent years. These developments have changed the way that Japan and China view each other, and they have altered the nature of the relationship.

The end of the Cold War and China’s pursuit of economic growth have played key roles in transforming regional geopolitics. First, the fall of the Soviet Union enabled China to vastly improve relations with its neighbor. The two countries signed an agreement that resolved all border demarcation issues. Second, relations between China and the United States have significantly improved over the past five years. Third, Chinese relations with other Asian countries have also improved. For example, long-standing disputes over the Spratley Islands, and the China-Vietnam and China-India borders have been addressed. Fourth, China has actively pursued multilateral diplomacy in the region through forums such as the six-party talks on North Korea and ASEAN+3.

China has developed much stronger relations with most of its regional partners, and it has become a major international player. Its adoption of a more accommodating foreign policy stems in large part from a need for stable relations with its partners to ensure economic growth. Perhaps ironically, Japan’s policy of engaging China with the international community has helped contribute to a situation in which Japan’s importance has decreased somewhat in the eyes of China.

The growing strength of the Chinese economy coupled with the continued stagnation of the Japanese economy over the past 15 years have started to change the way Japan views its neighbor. While Japan used to consider China as a still-developing entity, recently there has been a growing feeling that China is rapidly “catching up” with Japan. It is becoming a formidable economic competitor and a possible geopolitical rival. The relative strengths of the two countries are changing, and Japan is watching its neighbor’s growth with a feeling of uncertainty about its own future.

Major structural changes inside China, most significantly a proliferation of new venues for public expression in Chinese society, have also played a major role in changing relations. Although the Communist Party used to have widespread control over independent political expression in China, recent market expansion and the resulting influx of inexpensive cellular phone and Internet technologies have created new spaces for public discussion and action in China that never existed before. The anti-Japan movement of 2005, for example, was catalyzed and coordinated by ordinary citizens who had access to this technology. Deliberate dissemination of key information helped galvanize what became an ad hoc, popular anti-Japan movement.

A second structural change in China is the rise to power of the current “fourth generation” of Communist Party leaders. This group has the potential to positively

influence the bilateral relationship: its members came of age two decades after the war, and they have a more flexible approach toward Japan than their predecessors. The rise of the anti-Japan movement, however, has limited the fourth generation's ability to engage Japan.

Meanwhile, Japan has been undergoing major structural changes of its own, starting with its domestic politics. Historically, there had been strong ties between the Chinese political elite and the "Tanaka faction," named after former Prime Minister Kakuei Tanaka, Japan's most powerful faction in the ruling Liberal Democratic Party. In recent years, however, faction politics has lost its influence under Prime Minister Koizumi's political reform initiatives, and there has been a decrease in the number of political links between Japan and China.

Japan has also been revisiting its security policy. Until the mid-1990s, the scope of Japanese security policy was confined to pure self-defense, and it was based upon the constitution and the Treaty of Mutual Cooperation and Security with the United States. Numerous developments in recent years, however, indicate that Japan is slowly fortifying its security policy. These include the signing of the Guidelines for Japan-U.S. Defense Cooperation in 1997, which gives Japan more responsibility in the event of a regional contingency; the enactment of wartime legislation; and the creation and annual extension of the Anti-Terrorism Special Measures Law of 2001, which permits the Japan Self-Defense Forces (JSDF) to engage in logistical support activities with the United States and other countries that are conducting antiterrorism activities in the Indian Ocean. Other developments include the participation of the JSDF in Iraq and recent public debate about revision of the Japanese constitution. While China has generally maintained silence over these recent developments (with the exception of the 2005 U.S.-Japan 2+2 Ministerial Statement, which recognized the peaceful resolution of Taiwan Strait issues as a common strategic objective), it remains quietly wary of Japan's intentions.

These momentous geopolitical and structural changes have fundamentally changed the framework of Japan-China relations. They have decreased China's expectations for closer relations with Japan. They have bred suspicion and uncertainty. They have created an environment ripe for diplomatic scuffles and accusations of lack of remorse over history.

Views on history as seen through visits to Yasukuni Shrine have become a symbolic and bitter representation of the present state of relations. In Japan, there are perhaps two interpretations concerning China's intentions in opposing Koizumi's visits. One interpretation is as follows: China is using the visits to play the "history card" as part of a bid for regional leadership. China argues that Koizumi's trips to Yasukuni honor war criminals. It accuses Japan of being unable to show

genuine remorse for its past and believes that it is not a responsible member of the international community. Despite its past 60 years of peaceful development and democracy, Japan is not qualified, in the eyes of China, to assume international leadership positions in East Asia or the United Nations, and it is not to be trusted.

Another interpretation is intertwined with geopolitical and structural changes. When the Communist Party consolidated power in China in 1949, it recognized that responsibility for atrocities against China should not lie with the Japanese people, but with the defunct Japanese military. China thus renounced demands for war reparations from Japan and no longer has a history card to play. Popular consciousness about Japan's past militarism began to rise, however, after the introduction of a patriotic education curriculum in the 1990s. Part of the new curriculum, although not specifically designed to be anti-Japanese, included education about wartime atrocities. The content of the curriculum had the long-term effect of creating conditions for anti-Japanese sentiment, and Koizumi's visits to Yasukuni triggered its growth.

Today, China faces serious problems brought on by rapid industrialization, including serious discontent among rural populations and the threat of social upheaval. In addition, the introduction of new communications technologies brought on by development has fostered the spread of information and popular opinion to previously unknown levels. These two developments have put the Chinese government in a precarious position: it has a diminished ability to shape public discourse on Japan, and it must maintain a strong position on Yasukuni visits lest a conciliatory approach become a cause for further unrest. In this way, anti-Japanese sentiment in China has the real potential to become a platform for broader discontent with the government.

China's Impact on Japan and the World

A new approach to Japan-China relations is needed. For Japan, this means recognizing that the relationship is no longer that of a developing country reliant upon a developed neighbor, but that it is evolving into a big-power relationship with much potential for the future. For China, this means adopting a more objective and flexible policy toward Japan. This would include evaluating wartime history in relative, not absolute, terms—in other words not using history as the sole element for determining foreign policy on Japan. It would also emphasize a forward-looking, positive approach to relations.

China and Japan continue to deepen their interdependence, and within two decades, if not sooner, they will be equals in terms of the size of their economies. Between 1995 and 2005, China's gross domestic product (GDP) increased from US\$700 billion to almost US\$2 trillion. In comparison, Japan's GDP actually decreased

slightly from US\$5.3 trillion to US\$4.7 trillion. In 2004, trade between the two countries totaled almost US\$170 billion. In that same year, trade with China constituted 16.5 percent of Japan's total trade, and trade with Japan constituted 14.5 percent of China's total trade.

China's growth will continue to have a huge impact on the world. When it began to develop in 1978, China's population was 24 times that of the United States when it began its rapid growth in the 1870s, and almost 12 times the population of Japan when that country began its development in the 1950s.* China's material needs and the global impact of its industrialization over the next 20 to 30 years potentially will be the largest ever in human history.

China's energy needs and the impact its growth has on the environment are cases in point. In 2004, China accounted for 8.2 percent of the world's energy consumption. It is predicted that its share will grow to more than 14 percent by 2025. In contrast, Japan's share in 2004 was 6.3 percent. China produces 12.7 percent of the world's energy-related carbon dioxide emissions, second in the world, and that share will reach almost 18 percent by 2025. Because of water pollution, 70 percent of the water in five of China's seven major river systems is unsuitable for human contact. Contamination of the Songhua River in Harbin is one recent example of severe pollution caused by industrial development. There is a real possibility that if growth stalls due to a resource shortage or widespread environmental damage, social instability in China could ensue. Any downturn in China will be felt keenly around the world; thus it is in Japan's interest to play a role in helping China meet these growing challenges.

China's growing social inequity is also of concern for the region. In Japan, the top fifth of society consumes 35.7 percent of the GDP, while the bottom fifth consumes 15.4 percent. Yet despite its communist history, in China the top fifth now consumes 50 percent and the bottom fifth consumes 4.5 percent. The inequity in China is another rising source of discontent. China's economic growth needs to be sustained and managed in a way that can help slow down this trend.

Finally, increased spending on defense by China has the potential to impact the world as well. China's defense budget has grown by double-digit increases almost every year for the past sixteen years, but the Chinese military lacks transparency. These two developments are causing concern across East Asia, and they need to be addressed through dialogue.

The Way Forward

Recently, Senior Minister and former Prime Minister of Singapore Goh Chok Tong affirmed that "it is

in [East Asia's] interest for Japan and China to have good relations with each other because a country like Singapore can only prosper if there is peace, stability and growth in the region." Seeing that "both sides are in a bind," he proposed that Japan and China "strike a Grand Bargain" and enter a new era of cooperative and forward-looking bilateral relations.

The Grand Bargain would require a broad restructuring of relations based on high-level consultations. Building on Goh Chok Tong's vision, the Grand Bargain should have four pillars: joint efforts to address questions of history, confidence-building measures in the field of security, cooperation for stable economic growth in China, and joint efforts to strengthen East Asian community building.

1. Addressing questions of history

Although Goh conceded that "the details of this Grand Bargain are for the Chinese and Japanese to settle," he believes that the Yasukuni issue should be addressed as an important part of the bargain. He proposed that Japanese leaders "give up visits to the Yasukuni Shrine and find some other way to honour the war dead without appearing to endorse the political message of the Yasukuni Shrine. China must reciprocate in a positive manner; set aside the history issue once and for all, and move forward."

Given its complex background, the Yasukuni issue must be considered by the prime minister himself; crafting some compromise could depoliticize history by permitting leaders of both countries to feel that they did not cave into pressure from the other side. It would also serve as a first step in a long-term initiative to create transparency on interpretations of history in both countries. Japan and China should appoint a joint, independent, and ongoing history commission composed of scholars from both countries. The commission would objectively study and contextualize the war within the long history of bilateral relations from ancient times to Japan's support for China in the post-war period. The commission would also study the increasing interdependence of the two countries from a historical perspective. Findings would be made public, and recommendations would be made to policymakers in both countries. The Japan-South Korea joint committee for research on history could serve as a model for such a commission.

2. Security dialogue

Japan and China should initiate an ongoing, two-plus-two security conference featuring the foreign and defense ministers of both countries. Working-level talks could also be incorporated into the conference. The

* Population statistics are drawn from an unpublished paper by Hu Angang presented at the Trilateral Commission Beijing Meeting in November 2005.

conference would aim to promote confidence building and transparency through dialogue on each country's security and defense policies and discussion of security in East Asia. This forum would build upon the existing deputy minister-level Japan-China Security Dialogue.

3. Managing economic growth and its consequences

China faces many barriers to successfully managing important issues stemming from its economic growth. Japan and other countries in the region with experience in managing these issues have key supporting roles to play in this regard. Japan should develop cooperation programs on energy efficiency and energy security. These programs would draw on Japan's own expertise and its experience with the oil shocks of the 1970s. Japan should also develop cooperative initiatives that draw on lessons learned from experience with environmental protection during its own development period in the 1960s. Finally, Japan—as one of the most socially equitable nations in the world—should also offer policymaking expertise to help address the growing social inequity in China.

4. Working together toward an East Asia community

There is a consensus that the East Asia community cannot flourish without strong relations between its two largest members. Japan-China cooperation in the community-building process could be an important means for improving bilateral relations and for constructing a more cohesive East Asia. First, Japan and China need to agree upon the concept of East Asia. Regional community building should take a two-tiered approach that recognizes both countries' concepts of the region. That is, ASEAN+3 would be a primary

vehicle and the East Asia Summit would be a broader, supportive vehicle for community building. Second, Japan and China need to work together on a roadmap for community building. The roadmap should express a clear recognition by both sides that neither is seeking hegemony in the region. It should also express a clear commitment that both countries will abide by international rules and norms. The Second East Asia Summit, scheduled for December 2006 in the Philippines, will provide Japan and China with an opportunity to draft a joint roadmap for inclusion in the summit's Joint Communiqué.

The Role of the United States

As a key stakeholder in East Asia, the understanding and support of the United States in many areas will be indispensable for restructuring relations between Japan and China. The U.S.-Japan Security Alliance should remain a primary pillar for guaranteeing security in the region. The six-party talks on North Korea may be seen as part of a regional security architecture in which all entities in Northeast Asia, including the United States, are able to participate. East Asia community building is a long-term process that will strengthen trust throughout the region, and it will help create a more stable and secure East Asia built on dialogue and cooperation.

The critical importance of the bilateral relationship for Japan, China, and all regional stakeholders makes it imperative for both sides to seek a new approach. A Grand Bargain would offer a way forward that allows the region to move ahead on a path to shared stability and prosperity.

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