IIPS
The future of the Japanese-Chinese relationship – Pladoyer for a grand political bargain

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Introduction

Since Abe Shinzo followed Koizumi Junichiro as Prime Minister in September 2006, one might be forgiven for thinking that Japanese-Chinese relations are on a linear direction of improvement. Summit meetings have been resumed and there is a great array of bilateral dialogues. President Hu Jintao’s visit to Japan in May 2008, resulted in 70 specific areas of cooperation being set up, which compares with 33 in 1998 (NIDS 2009, p.117). In November/December 2007, the first Chinese warship visited Japan, reciprocated by the first port call of a Japanese destroyer in China in June 2008. In May 2008, a Japanese relief team assisted in the rescue operations after the Sichuan earthquake, and their widely broadcast silent tribute to the dead deeply moved the Chinese people. The rapid amelioration of the bilateral relationship also demonstrated that the Chinese government still has a lot of clout in suppressing popular dissent against Japan (Shimizu 2008, p.245). On 18 June 2008, Japan and China signed an agreement which provides a framework for negotiating the joint exploitation of oil and gas in disputed areas of the East China Sea.

But each of these positive events can be contrasted with other developments and events which demonstrate the continuing fragility of the relationship. Summits and other official meetings are not enough if fundamental divergences cannot be addressed but are only papered over. More than a year later, the June 2008 agreement has still not led to the start of negotiations for a treaty which would stipulate the modalities of extracting oil and gas in the East China Sea. Even the much-reported poisoned frozen dumpling incident, in January 2008, is an indication of how a seemingly mere technical/criminal incident is difficult to resolve between the relevant authorities of both countries (even at summit meetings which involved the pro-China Prime Minister Fukuda!). The incident is still not resolved because the Chinese side is unwilling to accept the evidence which strongly indicates that the dumplings were tampered with in China and not in Japan. The beginning of naval exchanges has been delayed since 1998 and is very modest when compared with China’s ongoing naval exchanges with other
East Asian neighbours, or even African countries. It is ironic that the much-acclaimed Japanese relief operation in Sichuan also demonstrated the delicate nature of any military contacts between the two countries. The initial Chinese agreement to allow relief goods to be carried by the ASDF was suddenly cancelled, to the great embarrassment (and at the potential cost of the life and welfare of the surviving earthquake victims!) of both sides, while China allowed South Korean and US air force flights to Chengdu.

It is tempting to focus on the positive developments, particularly when contrasting them with the tensions and the anti-Japanese demonstrations in China during the five years of the Koizumi era, and to conclude that somehow things will always be sorted out, since, fundamentally, both sides are in full agreement about the importance of a good relationship, for their own national interests. On the Japanese side particularly, there is the conviction that China very much needs Japan, be it to protect its foreign image as a peacefully developing country, to maintain its export- and FDI-dependent economy, to cope with its environmental problems, or to reduce its energy consumption, that China will always seek a compromise. My argument in this article is that these views are too complacent, and that the patchwork of temporising agreements and understandings on critical issues does not only fail to resolve disputes like the delimitation of the Exclusive Economic Zone (EEZ) in the East China Sea, but actually reduces Japan’s options in the medium and long term, while China’s overall power is growing. The issue is not whether Japan and China will find long-term strategic stability or not – I am optimistic on this point – but rather, at what costs to Japan’s interests, and at what costs for the region’s peace and stability during the short and medium term.

To develop my argument, I will examine the main disputes between the two countries and how they are being addressed; and I will make some suggestions which move from the hitherto bureaucratic-incremental approach to a more political approach, which may provide Japan with more options, even at the cost of some sacrifices.

The long shadow of the past

How to deal with the legacy of Japan’s aggression towards China before 1945 became an even more difficult issue as a result of Prime Minister Koizumi’s annual visits to the Yasukuni War Shrine. For most Chinese, and many foreign observers, these visits proved once again that Japan had not yet come to terms with this legacy in a way
perceived as sufficient by China, and also by Korea. Unfortunately, the past is reignited not only by government leaders’ visits to the Yasukuni Shrine, but also by the distortions of history found in textbooks approved by the Ministry of Education, in the display of the museum attached to the Yasukuni Shrine (Yushukan), or by insensitive remarks made by leading politicians. History also resurfaces in the context of the chemical shells abandoned at the time of Japan’s surrender, by the Imperial Army in China, which from time to time cause injuries to unsuspecting Chinese who discover them by chance. In a unique cooperation between Chinese and Japanese military personnel, these shells are now being collected and disposed of in China, since Japan is legally obliged to do this. History is also revived as a result of civil litigation suits in Japan, by Chinese victims of Japan’s past aggression who want to receive compensation.

There is the impression in Japan that the Chinese government can simply switch on and off the relevance of the history issue, in order to manipulate the temperature of the bilateral relationship. After several decades of officially declaring that the Japanese people had also been victims of the Japanese militarists, in the middle of the 1990s, the Chinese government launched its patriotic campaign to overcome the diminishing legitimacy of the communist party. Since the party bases its legitimacy partly on the anti-Japanese war, the patriotic campaign quickly assumed an anti-Japanese tone, reinforced by the building of many memorials and museums related to this war. This further encouraged the latent critical attitude of Japan by most Chinese. While sometimes opportunistically used by the government to extract concessions from Japan, (e.g. on Official Development Assistance, ODA), the anti-Japan movement increasingly gained a momentum on its own, and has now become more difficult to control by the government. One can also assume that the anti-Japan attitude has been a useful tool to enable former President Jiang Zemin and his followers to continue exerting power after the handover to President Hu Jintao/Prime Minister Wen Jiabao. But it would have been very difficult for the new Hu leadership to pursue better relations with Japan at a time when Prime Minister Koizumi insisted on annually visiting the Yasukuni Shrine. While many observers in Japan argue that the Chinese government suddenly decided in 2006 to improve the bilateral relationship because it was deemed better for the overall national interest, it would be more correct to say that the Hu/Wen group was able to resume its initially positive attitude towards Japan only because Koizumi was gone, and because Prime Minister Abe had conveyed that he would not embarrass the Chinese government by continuing to visit the Yasukuni Shrine.
Japan`s ambiguity about Taiwan

The most sensitive issue for China is the future of Taiwan which weighs heavily on its diplomacy, notably with Japan as both the former colonial power in Taiwan between 1905 and 1945, and as a military ally of the US, the ultimate guarantor of the status quo in the Taiwan Strait. For the Chinese government, the incorporation of Taiwan is a symbol of finally concluding the civil war against the Guomindang, which was interrupted by US intervention in 1950. As a result of having highlighted this theme for a long time, the Chinese government has staked the communist party`s legitimacy on it.

Against a background of growing anti-Communism in the US, and China`s intervention against the UN in the Korean War, Japan was forced by the US to sign a peace treaty in 1952 with the Guomindang in Taiwan, and not with the new government of Mao Zidong in Beijing. The only concession the then Prime Minister Yoshida was able to extract consisted in restricting the effectiveness of the treaty to those areas of China actually under the control of the Guomindang at the time of conclusion. When President Nixon radically changed America`s China policy in 1972, Japan quickly recognised the PRC government, and Taiwan broke off diplomatic relations with Tokyo. Since then Japan has maintained unofficial relations with Taiwan.

The Taiwan dispute today resolves around the following issues:

- Japan still refuses to say clearly that Taiwan is part of the PRC. Instead, the government merely stated at the time of normalisation of diplomatic relations with Beijing in 1972, that it `understands and respects` China`s position that Taiwan is a part of the PRC. Japan maintains that it surrendered Taiwan under the San Francisco Peace Treaty terms which, however, did not say anything about the new owner, and it can therefore not pronounce on the legal status of the island. The 1972 statement was a compromise within the ruling LDP party at the time, but has now also become a lever for the government vis-à-vis China. The Chinese side is naturally opposed to Japan`s position and is suspicious of Japan`s ulterior motives (Drifte 2003, p.22).

- Direct, official, inter-governmental contacts between Tokyo and Taipei became impossible after 1972, but, with varying degrees of governmental support, both
sides devised institutions and means whereby to substitute the pre-1972 official channels. Officially, Tokyo pursues only ‘non-governmental regional or working exchanges’ which are below the rank of ministers. However, Taiwan tries to stretch the degree of unofficial relations as much as possible. Notably the visits by former President Li Denghui have become on several occasions the lightning rod for the ire of the PRC.

- Japan raises the PRC’s suspicion about pursuing a Two-China policy because it has sometimes been less forthcoming than even the US on Taiwan’s drive to expand its international space. When President Hu Jintao visited the US in April 2006, President Bush declared that the US is opposed to any unilateral move to change the status quo in the Taiwan Strait. When Prime Minister Wen Jiabao visited Japan in April 2007, he asked his Japanese counterpart to declare in their joint statement that Japan opposes Taiwan’s independence. But Prime Minister Abe Shinzo merely conceded to having the 1972 statement reiterated (Shimizu 2008, p.28). The PRC is concerned about any move by any foreign country, particularly the US and Japan, which may encourage Taiwanese moves towards independence. Within this logic, Beijing has also been concerned about Japan’s participation in the US-led navy-based Ballistic Missile Defense (BMD) deployment around Japan, which technically could be expanded to protect Taiwan against the many intermediate-range missiles deployed by the PRC.

- The most serious Taiwan-related dispute is about security. In the Sato-Nixon Joint Communiqué in 1969, Prime Minister Sato Eisaku went as far as declaring that the security of both Taiwan and South Korea was essential to that of Japan, and that Japan would ‘fulfil its obligations in regard to “the peace and security of the Far East”’ (Rose 1998, p.48). Again the PRC vehemently opposed the Communiqué, although it would seem natural that war around Taiwan would affect Japan’s security since its sea lanes of communication are passing along the island, it has considerable commercial interest in Taiwan, and, as an alliance partner, it is under some obligation to support US military counter-measures. When Japan and the US issued a statement in February, 2005 (Japan-US Security Consultative Committee, the so-called 2+2) saying that both countries consider a peaceful resolution of tensions in the Taiwan Strait a ‘common strategic objective’, Beijing protested against it as an infringement of Chinese sovereignty. Strangely, no one seemed to remember the Sato-Nixon Joint
Communiqué which was much stronger. As a result of China’s protests, Japan and the US did not repeat this reference to the Taiwan Strait in the following bi-annual 2+2 communiqué in 2007. It is within the Taiwan context that the PRC warns Japan and the US to keep the bilateral security treaty limited to Japan’s defence.

East China Sea: From ‘Sea of Confrontation’ to ‘Sea of Peace, Cooperation and Friendship’?

The disputes in the East China Sea (ECS) are about the sovereignty of the Senkaku Islands (Diaoyu Islands in Chinese) and the border of the Exclusive Economic Zone (EEZ) between Japan and China. The solution of the latter issue is closely related to the sovereignty dispute, as well as to an EEZ agreement between China and Korea, and also to one between Japan and Korea, the latter having competing claims to an EEZ in the northern part of the ECS. Pressure to reach a conclusion comes not only from China’s relentless progress in exploring and exploiting oil and gas resources in the ECS, but also from the requirement for states to submit scientific evidence to the UN Commission on the Limits of the Continental Shelf, if a state demands more than 200nm of continental shelf, which is the case with China. Other pressures come from the interest of Japan and China in the fishing resources of the ECS, and from planned exploitation of sea-bottom mineral resources by Japan. However, Japan claims that there is no sovereignty dispute over the Senkaku Islands, since it is in the comfortable position of having de facto control over them, a claim strongly refuted by China. Both countries also apply different principles to determine the EEZ border between them. Japan has opted for the median line which would equally divide the ECS, since the width of the ECS makes it impossible for either country to have the normal 200nm EEZ; China has based its delimitation of the Sea on the extended continental shelf theory, which would bring the EEZ border to the Okinawa Trough. Neither country has agreed with the Republic of Korea on a bilateral EEZ border in the northern part of the EEZ, where the three countries’ claims partly overlap, although in the 1970s, Japan and Korea ratified a 50-year provisional agreement to explore for oil and gas, an agreement strongly opposed by China.

Finding a solution has not been made easier by Japan sending initially ambiguous signals to China about its claims, in order to focus on other bilateral problems, including Japan’s historical legacy. When negotiating the normalisation of
diplomatic relations in 1972, and the Treaty on Peace and Friendship of 1978, the Japanese side de facto agreed to shelve the territorial issue around the Senkaku Islands. Later, however, the Japanese side hardened its position on the Senkaku Islands by blocking several semi-private Japanese and Chinese attempts at joint development of hydrocarbon resources in the ECS, as well as official Chinese proposals to that end, and by insisting on linking such joint development with the confirmation of its title to the Senkaku Islands. To resolve the disputes in its favour, the Japanese government could have made better use of its most important leverage in the 1970s and 1980s; that is, its access to off-shore exploration, extraction, and transportation technologies. Despite China’s relentless pursuit of its energy interests in the ECS since the 1980s, Japan showed great restraint, until 2004, in surveying the area even on the eastern side of the proposed median line. This restraint was already apparent before the ratification of the United Nations Convention on the Law of the Sea (UNCLOS) in 1996, which advises partners to a maritime border dispute not to do anything which would jeopardise or hamper a final agreement. Although the Japanese government did not allow any company to explore the disputed area until 2004, neither did it even try to get something in return from China for this restraint. The Japanese government seemed to be content, as long as the Chinese were implicitly respecting the median line, even though there were reports in 1995, and afterwards, that Chinese exploration rigs went beyond it. This reinforced the Chinese perception that the Japanese government did not care much about China beginning explorations, and was instead implicitly condoning them through its public silence and its co-financing of the Chinese Pinghu field development, 60 km from the median line by the Asian Development Bank and the ExportImport Bank (renamed Japan Bank of International Cooperation, in 1999), between 1997 and 2001. On the other hand, the sudden change in Japan’s official approach to the disputes from 2004 gave rise to Chinese suspicions about Japan’s own hunger for energy and its will to impede China’s development (Drifte 2008, p.34).

Despite these open issues, Japan and China concluded several fisheries agreements. The last one came into force in February 2000, but sidesteps the disputes about the Senkaku Islands and the EEZ delimitation. Exactly one year later, both sides put into force a prior notification agreement for research vessels from either side, in order to reduce tensions arising from Chinese activities in disputed maritime areas of the ECS. Again, however, the agreement does not give the exact locations to which it should apply and instead merely refers to ‘areas of interest to Japan’.

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What may have been possible with agreements for fisheries and research vessels is not possible, however, with oil and gas extraction, where there are clear locations and much higher economic stakes. As tensions escalated around Chinese explorations and extractions very close to Japan’s proposed median line, a solution had to be found. On 18 June 2008, both sides signed the Understanding on Japan-China Joint Development in the East China Sea, in order to make the ECS a ‘Sea of Peace, Cooperation and Friendship’. The two sides agreed to joint development in an area defined by seven measures of longitude and latitude as a first step. The agreement has a map attached which shows the area. Both sides declared their willingness to select sites for joint development in this area through consultations, and to conclude a bilateral agreement to implement joint development. Of particular importance for Japan is that the two sides will also consult about other areas outside the above area, for joint development. Furthermore, the Chinese side declared its willingness for Japanese legal persons to take part in the development of the Chunxiao oil and gas field, in accordance with Chinese laws. The Chunxiao field lies just on the Chinese side of the Japan-proposed median line, but Japan claims that the hydrocarbon resources straddle both sides of the median line, and that Japan should therefore share it. Since this was unacceptable to the Chinese side, the above formulation was chosen, but supplementary Chinese statements at the time made it clear that Japan had no legal claim to the field (Drifte, 2009).

The optimists would claim that this understanding proves again (like the earlier agreements) that the two sides can resolve disputes (Manicom, 2008). However, a closer look at the understanding shows that it is just a temporising device which may offer more time to resolve the fundamental issue, but there is no historical inevitability for this to happen:

- the understanding says that it is without prejudice to the legal positions of both countries concerning the EEZ border delimitation. At the same time, the Japanese side can claim that the understanding provides an implicit Chinese acknowledgement of the median line because the defined zone for joint development roughly straddles this Japanese-proposed line (about 1/7 is on the Chinese side). This interpretation is opposed by China. Moreover, the Japanese side could not persuade the Chinese side to accept the inclusion of three other oil and gas fields (Tianwaitian, Duanqiao, and Longqing), which are also close to the median line. The two sides could not even agree on an English text of the understanding;
• it is merely an agreement on principles, and its implementation demands further difficult negotiations and in, Japan’s case, a treaty which will have to be ratified by the Diet, potentially exposing the whole venture to the vagaries of party politics;

• the understanding has immediately come under strong criticism not only by Chinese public opinion, but also by academics who consider it imbalanced and unfair, because their government did not manage to include Chinese access around the Senkaku Islands, to mirror China’s compromise on the joint development area (Drifte 2009). As a result of this criticism, but probably also because of the political instability in Japan, there has not yet been a start to working-level negotiations for the required treaty. In the meantime, the Japanese government made public its concerns about ongoing Chinese activities in the area of the gas fields (Japan Times, 29 January 2009; 15 July 2009).

Economic competition and political rivalry

These three main issues just discussed, have to be put into the context of the growing economic competition and political rivalry of the two countries. The phenomenal growth of China’s economy, which also owes a lot to Japan, has led to increased competition. While trade between the two countries in the 1980s was dominated by China selling natural resources (oil was the major item!) and semi-finished products to Japan, trade is increasingly becoming an exchange of processed and manufactured goods, at an ever-increasing level of sophistication. Although Japan is still an important foreign direct investor in China, since the beginning of the new century, China has started, on a very modest scale, to invest in Japan. This is in order to acquire technology, brands, market access and marketing skills, and includes the acquisition of distressed medium-sized Japanese companies. Already in 2004, the Japanese weekly Ekonomisuto published an article with the title ‘Chinese companies are buying Japan!’ (Ekonomisuto, 14 September 2004). At the end of 2006, more than 320 Chinese enterprises had moved into Japan, including major firms like Huawei and Haier, and the amount of Chinese investment in Japan stood at $170 million (Xinhua, 6 April 2007). The current economic crisis is facilitating these Chinese acquisitions, given the access of Chinese companies to considerable foreign currency reserves, Beijing’s support for them and the accentuated problems of many Japanese companies. This has naturally given rise to
Japanese concerns, against the background of many political disputes between the two countries. For Japan, it is also psychologically difficult to accept being relegated in its economic ranking, but, in view of China’s economic growth, it is only a matter of time whether the country will overtake Japan this year or next, as the second-biggest world economy in terms of GDP. In February 2006, China overtook Japan as the number one in foreign currency reserves, and in November 2008, China overtook Japan as the largest holder of US treasury bonds (Financial Times, 5 December 2008). This development is naturally linked to the high Yuan exchange rate which is supported by the Chinese government. China is a serious competitor for raw materials, food and energy. For example, it is now a larger importer of oil than Japan, and overtook Japan in 2005 as the world’s largest seafood importer. China has a comparative advantage because of the size of its consumption, the availability of foreign currency which allows it to pay even over the odds, and a foreign aid programme which is not yet bound by the rules of the OECD’s Development Assistance Committee, to which most Western aid donors, including Japan, belong.

The bilateral trade of both countries is now over $200 billion, and ever-increasing economic relations, particularly between countries with such different political and economic systems, bring with them a rise of economic disputes. China’s competitiveness is often seen as unfair because of the state-supported Chinese banking system and other particular characteristics of China’s economic system. The biggest problems revolve around the unpredictability of the application of laws and regulations in such a big country, as well as intellectual property rights. On the latter point, it is an irony of history that Japan is now accusing China of doing what European and American companies accused Japan of in the 1960s and 1970s. Other tensions are created by Japanese concerns about the safety of some Chinese food and cosmetic products which receive particularly high media attention in Japan, as was demonstrated by the poisoned dumplings case.

At the same time China is translating its economic might into political, cultural and military power. Japan has never been able (or willing) to fully translate its economic power into commensurate political, military or cultural power. This is because of wisdom (restricting military power, to concentrate on the economy and to avoid counterproductive steps by its neighbours!), a lack of consistent leadership and vision, an inability to come to terms with its past in a way acceptable to its immediate neighbours, poor budget policies, an inward-looking education and cultural system, etc.
From very early on, however, China has understood how to punch above its weight, thanks to an astute manipulation of Japanese (and others’) perceptions of China’s great civilisation, the history issue, and its economic potential by using fully the propaganda means of an authoritarian government. This enables China even more to translate its growing economic might into these other power elements, driven by a desire to rid itself of its ‘100 years of national shame’ complex, to achieve welfare for its people (and thus to preserve the rule of the Communist Party), and to wrest pre-eminence in Asia from the US-led alliance system.

Japan is confronted with this comprehensive Chinese power in Asia where both countries are rivals for leadership and influence, ranging from trying to achieve the greatest number of Free Trade Agreements (FTAs), to providing the highest share in regional financial institutions. China has been faster than Japan in establishing FTAs with many Asian (including with ASEAN as a whole), because its FTAs are less comprehensive than Japan’s FTAs (or the more comprehensive Economic Partnership agreements [EPAs] which the Japanese government prefers to conclude), and have no enforcement or dispute mechanism. But China has also been less squeamish than Japan about opening its doors to agricultural products and even offered an advanced opening to such products (‘Early Harvest’).

There is also rivalry in many areas at a global level. One of the most galling issues for Japan is China’s opposition to Japan’s quest for a permanent UN Security Council seat. In 2005, there was a strong movement in China, which was supported by the Chinese government, to oppose Japan’s quest. In that year, a new effort had been undertaken by Japan, together with the other major three candidates (Germany, Brazil and India), and at one point, there seemed to be some chance of progress. The negative Chinese attitude towards Japan’s quest is nurtured by rivalry and history. As a rising power, China is naturally not inclined to provide Japan with the only major power privilege it has so far over Japan (excluding nuclear weapons), and which enables it to represent Asia. Japan is a member of the G-8, but not of the UN Security Council, the other top table of world politics, whereas China has a permanent UN Security Council seat as a result of pre-1945 history. Moreover, all five permanent members have a structural interest in not having their power diluted, and they can use their veto to oppose any reform. China’s official position on the expansion of the Security Council so far has been a reflection of its general policy of acting as a speaker for the Third World, arguing that the interests of these countries should be given priority and that
economic power should not be the decisive criterion (Drifte 2000, p.150-1). The other major reason offered is that Japan does not deserve such a status, since it has not yet sufficiently come to terms with its past aggression in Asia. Prime Minister Koizumi’s annual visits to the Yasukuni War Shrine played fully to the rise of nationalism in China in one of his major foreign policy inconsistencies, since at the same time, it was he who had re-launched Japan’s efforts to join the Security Council. Another inconsistency on this issue was to devalue Japan’s most tangible contribution and most prominent argument for a permanent UNSC seat to the UN, i.e. the share of its assessed contribution to the UN system, by decreasing it from 19.5 % (2004-06) to 16.6% (2007-2009). In view of Koizumi’s Yasukuni Shrine visits, it would have been too damaging for the Chinese government to remain silent, although in operational terms, it could have left torpedoing Japan’s quest to Tokyo’s closest ally, the US, which was also actively opposing an expansion of the Security Council. With the improvement of the bilateral relations since 2006, China’s official stance has somewhat changed. Prime Minister Wen Jiabao mentioned in April 2007, in his speech to the Japanese Diet, that China understands Japan’s wish to play a larger role in the international community and is ready to increase dialogue about United Nations Security Council reforms (Japan Times, 13 April 2007). On the occasion of President Hu Jintao’s visit to Japan in May 2008, the Joint Declaration merely stated that ‘the Chinese side attaches importance to Japan's position and role in the United Nations and desires Japan to play an even greater constructive role in the international community’. However, one can assume that Tokyo would have to offer much more before any Chinese leader would go any further and explicitly mention support for Japan’s Security Council ambitions. China could easily do so without ‘risking’ Japan joining the Security Council, since there is sufficient opposition and disarray among the UN member states generally on the issue of Security Council expansion.

The complexities of engaging China

As we have seen above, none of the three major problems bedevilling the bilateral relationship has been resolved, and economic and political rivalry does not create a helpful atmosphere.

Japan’s general approach in dealing with China has been to engage the country in as many policy fields as possible. This engagement policy basically consists of offering China political and economic incentives to become a responsible shareholder,
which pursues political and economic policies beneficial to the liberal economic system, hedged by political and military measures to prevent China from becoming a military threat. The challenge is to get the balance of this complex policy right between its soft and hard elements. Japan may proclaim its emphasis on trade, dialogue and a minimal defence effort, but, from a Chinese perspective, Japan also provides military bases to the US, relies on a much more sophisticated nuclear weapon system than China has and deploys a BMD system which may deny the Chinese missile system its deterrence value. The ambiguity of engagement policy may therefore reinforce the Realist tendencies of China’s military strategists. But even the soft elements of engagement policy may produce undesirable outcomes depending on one’s perspective. The Chinese leadership knows quite well of the Western hope that the soft elements will lead to a change of the political system in China. This cannot be in the interests of the Chinese communist party, which instead hopes to select certain elements of capitalism to maintain its power monopoly. Even the very success of engagement policy contributes to environmental degradation in China as well as in the Northeast Asian region, and makes China even faster, an even more formidable competitor of Japan. The danger of reinforcing a foreign trade- and FDI-dependent policy has become more than apparent with the current world economic crisis.

The outcome of engagement policy is still to be seen, because China has become neither an aggressive expansionist power nor a capitalist liberal democracy which has renounced the use of force; for example, for solving the Taiwan issue. What is clear is not only that China’s economy is enmeshed to such a high degree in the world economy that it could not extract itself without suffering severe domestic problems, but also that in the process, its power has increased enormously. Therefore, the West’s professed goal of creating greater interdependence, with the implicit assumption of the West having more leverage, is no longer that clear-cut.

The pursuit of this policy has been economically very beneficial for Japan as well as for China. It has helped Japan to become the world’s second biggest economic power, and to cope with its economic decline after the burst of its economic bubble at the beginning of the 1990s. China’s success of stimulating its domestic economy will now partly depend upon Japan’s ability to salvage its external trade-focused economy from the ravages of the current world economic crisis. China was greatly helped in achieving its economic growth by Japanese exports of goods, capital, technology and ODA. The continued availability of Japanese environmental and energy-saving
technology will determine to what extent China can maintain its economic growth, while protecting its citizens from environmental damage.

Negotiating strategies and some of their pitfalls

Dialogues are part of the political incentives of engagement policy. In the last few years, a long and very diverse list of bilateral official fora has been created which shows the scope and depth of the Japan-China relationship. These include the ministerial High-Level Economic Meeting (start in November, 2007), the dialogue on UN and UN Security Council reform (start in March, 2007), the Mekong region dialogue (start 2008), the Vice-ministerial Comprehensive Policy Dialogue since 2005 (referred to by China as ‘strategic dialogue’), and many other political and economic dialogues, at different levels and on many subjects. These dialogues are part of what, since 2006, both countries call ‘mutually beneficial relations based on common strategic interests’. The lexical awkwardness of this phrase, and the exaggeration of what is plain common sense for any bilateral relationship, say a lot about how difficult the goal of mutually beneficial relations is to achieve.

The problem with the emphasis on dialogue is not only the underlying ambiguity about the ultimate outcome of engagement policy, but also that dialogues can be conducted for their own sake, to win time and to bridge the gap between periods of rudderless political leadership. This has been quite clear in the case of the ECS where dialogue has led only to temporising agreements, which have allowed China to move from exploration to exploitation of the Sea’s hydrocarbon resources, to promote its legal position, and to translate its growing economic strength into political and military power. It is important for Japan to make its position very clear to China as many suggest (IIPS, 2008; Bush, 2009), since China does the same and Japan’s past procrastinations and conflict-avoidance tactics have not worked. However, dialogue must have substance and be aimed at outcomes which can be presented as win-win situations for both sides.

The intention of winning time through dialogue or even through its refusal can prove counterproductive. Depending on the issue, the question has to be asked whether keeping a thorn in the side of the bilateral relationship is really gaining Japan any favours in the medium and long term, or whether this is, like keeping its ambiguity over the status of Taiwan, a cheap lever for short-term gain, but with long-term costs. As shown above, Japan has blocked any discussion about the Senkaku Islands and thus
made any delimitation of the EEZ at most only partially feasible. In the case of the ECS, the government has not used any gain of time to put into operation its now past-technological leverage to extract concessions from China, and even sent misleading signals to China about its commitment to its legal position. China has now surveyed most of the ECS and started exploitation of its hydrocarbon resources, thus creating a skewed negotiation basis for Japan, which did only a partial survey as late as 2004. The understanding of 18 June 2008 seems to have been a pyrrhic victory (i.e. China’s implicit recognition of the median line and the exclusion of the southern part of the ECS) for Japan because it created a foundation on which the Chinese government seems to be unable to proceed with treaty negotiations. China’s negotiating diplomacy can be blamed, but the point is that time is not working on Japan’s behalf. China is increasing its maritime military force and is no longer hesitant in demonstrating it. When the Japanese government allowed a private company in 2004 to conduct a geological survey on the Japanese side of the median line, a Chinese surveillance vessel, and later two warships, tried to chase away the survey ship (Asahi Shimbun, 13 October 2004; Yomiuri Shimbun, 13 April 2005). The possibility of military clashes and a naval arms race can no longer be excluded. When it became known in July 2009 that the Defense Ministry is considering deploying some Ground Self Defense Forces (GSDF) units on Japan’s most southern (undisputed) island of Yonaguni, to better protect its islands (including the Senkaku Islands), the Chinese government expressed its ‘hope’ that this would contribute to regional peace and stability (Tokyo Shimbun, 2 July 2009). Any further loss of time, therefore, can not work in favour of strengthening Japan’s negotiating position, but rather decreases it and puts more pressure on achieving a result, in order to avoid more military tensions and to protect other areas of the bilateral relationship from souring.

Japan’s negotiating position is, of course, impeded by domestic instability and weak political leadership. In addition, public opinion has hardened against China, particularly as a result of China’s actions in the ECS. Also, the Foreign Ministry’s China School has been weakened by accusations of having been too accommodating towards China in the past. This does not give much room for imaginative policies and difficult compromises, but rather encourages a bureaucratic approach against the background of heightened nationalism. As a result, the bureaucracy is inclined to stick to rigid positions and temporising tactics which have only the merit of taking the heat out of acute problems.
Recently the Japanese government has tried to increase its leverage in China by promoting the transfer of environmental and energy-saving technologies through ODA programmes and the private sector. In 2006, Tokyo hosted a Japan-China forum for technical experts on energy-saving technologies; and, on the occasion of Prime Minister Wen Jiabao’s visit to Japan in April 2007, an energy dialogue was organised at short notice which was attended by about 650 Japanese and Chinese business executives from oil, gas, electricity and other energy-related companies. This dialogue is to be held annually (Japan Times, 13 April 2007). Other fora have followed to project Japan as an indispensable partner for China. This seems to be an appropriate strategy if one simply follows economic logic, i.e. the economic interdependence of both countries and the huge problems which China faces. But one has also to take into account that China’s is an authoritarian political system which can, to an extent unimaginable in a functioning democracy (although increasingly less so), sacrifice the living conditions and health of its people, and refuse foreign aid. Japan’s ODA is still very important to China, even after the ending of its loan programme in 2008, which occupied the largest part of Japan’s ODA. But Japan’s ODA has considerably lost political fungibility and there are many other Western countries which are keen to provide China with ODA, as a means of getting a better foothold in the Chinese market. This allows the Chinese government to be selective, or even to play one donor country against another, particularly in view of the poor communication among donors.

Preconditions for a new China policy

A more promising Japanese-China policy has to be conceived by better taking the global, regional and bilateral frameworks of Japan into account. The global/regional context is, above all, framed by Japan’s comprehensive alliance with the US, and the growing US rivalry with China. Nowhere is Japan’s entrapment-abandonment dilemma towards the US more evident than in the triangular Japan-US-China context! How does Japan see its role in Washington’s China policy, which is still aimed at maintaining its preponderance in Asia? If it concedes from the beginning that China will become a threat if the US preponderance is not maintained, then its margin for a different China policy will remain limited. In such a case, it will have to support the current US approach to Taiwan, for example, which includes the danger of having to allow the deployment of Japan-based military assets for any US military action, in the case of a confrontation in the Taiwan Strait, so exposing itself to a pre-emptive Chinese military operation. Supporting US preponderance may also (among other reasons) lead to a
naval arms race and accentuate Japan’s (and China’s) security dilemma. Japan will also reduce its ability to promote, let alone assume a leadership function in, the establishment of an Asian security system inclusive of China, which has to be the ultimate goal. But how long will the US be able to maintain its current preponderance, which is daily becoming more costly? Japan runs the risk of being marginalised if the US suddenly determines to accommodate China on the Taiwan issue, or on any other East Asian issue dear to Japan, because its balance of interests has changed, as in 1972; and if Japan is considered to be of lesser importance, or even as an obstacle, as, for example, in the case of Japan insisting on solving the abductee problem, rather than giving priority to the denuclearisation of North Korea. Even on the history issue, Japan exposed itself to criticism from the Bush Administration because Koizumi’s Yasukuni Shrine visits reduced Japan’s value as an American partner in Asia. An American backlash may also occur if Japan disappoints the US, for example, by suddenly wavering on allowing the US, in an emergency, to use its military assets on Japanese territory. Japan was very reluctant in 1996 when the US reacted to Chinese missile tests in the Taiwan Strait, although in the end this spurred both sides to develop new Joint Guidelines (Drifte 2003, p.65-6). The US support of Japan in the ECS is ambivalent. Washington does not take any position on the sovereignty of the Senkaku Islands, but declares that the islands fall within the scope of the bilateral security treaty. The US is, above all, interested in maintaining the freedom of sea lanes and is already now confronting China on this principle, as was demonstrated in several US-China incidents off Hainan Island. This can push the US to drawing Japan into a wider confrontation with China without Japan really getting any help on the Senkaku Islands, let alone US support for the delimitation in the ECS, on the basis of the UNCLOS, which the US still refuses to ratify.

The growing economic competition (but, in the end, also political rivalry) with China can be met only by Japan reforming its economy, and responding imaginatively to the challenges arising from China’s economic rise, and from the current world economic crisis. If Japan is not willing or able to do so, it will have to concede sooner or later China’s preponderance, and will also lose an important element constituting US interest in Japan as a comprehensive partner, resulting in what is called ‘Japan passing’. In the economic field, Japan is already sometimes in rivalry with China for the attention of the US. Military prowess and a policy of containment would not help Japan in such a case, but only hasten its decline. Economic strength is only part of Japan’s ability to secure its interest in the regional rivalry with China. Other elements are a more
aggressive policy on FTAs in Asia, and a more creative role in many other Asian moves towards regional cooperation and integration. Successfully meeting economic competition does not mean always being ahead of China (which is simply no longer possible in many cases), but rather exploiting its comparative advantages. Managing regional rivalry also does not require Japan to be the leader in all areas, but to be communicative, responsive and imaginative; in short, to learn how to punch at least according to its weight. However, ‘value diplomacy’ or the creation by Japan of an ‘Arc of Freedom and Prosperity’, directed at countries like Australia, New Zealand or India, will not only antagonize China because of its implicit ‘soft containment’, but will also be ineffective with many of the target countries: For example, India certainly has considerable differences with China, but is fundamentally opposed to being the card of any other country and of being part of an anti-China group. Australia has very strong economic interests in China as a major customer for its natural resources.

Instead Japan should further promote and actively participate in the various Asian regional fora. As a result of their political and economic vulnerabilities, the ASEAN countries welcome a strong and imaginative Japanese, as well as US and European, contribution to regional cooperation and integration, rather than having to submit to China. For this, Japan will have to change its agricultural policy (the main obstacle for Japan’s EPA policy), and to find an answer to the question about the future of US predominance in Asia. Japan will have to become a critical supporter of a credible and multilaterally fully-engaged US in the region, and maintain its political, as well as economic, high value for its regional partners. Particularly worthwhile are the summit meetings between Japan, China and Korea which started in 1999, on the occasion of ASEAN summits with dialogue partners, but which, since December 2008, have begun to be held separately from the ASEAN summits. The involvement of the Republic of Korea is important because of the many political and economic affinities between Japan and Korea. A positive Japan-Korea relationship helps Japan with regional rivalry, and protects Korea from being too susceptible to Chinese pressure (economic competition, relations with North Korea, etc). Transforming the Six Party Talks into a framework for security cooperation in Northeast Asia is, however, less promising because it would make regional security cooperation a hostage to North Korea’s erratic behaviour, or make it downright impossible if we consider North Korea’s declaration in 2009, to never return to these Talks.

Policy suggestions
After clarifying its position and policies on the regional/global as well as economic frameworks, the following policies towards the three main disputes with China would be possible for Japan if China plays its part as well:

- Finding closure to the history issue is a distant goal. Trying to alleviate the various legacies arising from Japan’s past, for example, by removing the abandoned chemical shells, showing a less legalistic approach to civil compensation demands, promoting youth exchanges, etc., can improve the situation in the medium term. Coming to terms with the past is more than simply issuing some apologies or having proved its peaceful development since 1945, but is an ongoing process of truth seeking and contrition which elevates Japan’s moral standing, and should make the younger generation proud of its country. The Hu Jintao leadership has now publicly acknowledged that Japan has delivered several apologies and pursued peaceful development, but there is no room for Japanese complacency as the list of history-related issues shows. A sincere Japanese attitude may even become a model for China to come to terms with the dark sides of its own recent history.

- On its part, the Chinese government has to continue to recognise Japan’s apologies (even if they have sometimes been less than convincing), and Japan’s pursuit of a peaceful diplomacy since 1945. Moreover Beijing has to undo the consequences of having in the past encouraged, or at least tolerated, an anti-Japan mood, to show positive leadership in directing public opinion towards today’s Japan and not the Japan of pre-1945, and to resist any temptation in invoking an anti-Japan mood to achieve its foreign and security policy. The different social and political systems of both countries make reconciliation difficult, particularly against the background of competition and rivalry. Agreeing on a joint historical text book will be very problematic for a long time to come, but at least juxtaposing the perspectives of both sides in a single book would be an achievement. Both governments still have too much influence over textbooks (the Chinese government even more than the Japanese); and regarding bilateral history commission, Chinese historians still consider themselves too much as official representatives, rather than representative, of their discipline.
Whereas the history issue can poison the bilateral atmosphere, damage Japan’s legitimacy and moral position bilaterally and internationally, and thus make addressing the other major problems even more difficult to resolve, the Taiwan problem and the ECS disputes are more acute and severe. On Taiwan the Japanese decision-makers have to consider whether antagonising China with their ambiguity over Taiwan’s status, independence efforts and security, achieves really worthwhile leverage. The current Guomindang-headed Taiwan government is making surprising approaches to Beijing and the island’s economic dependence (particularly in overcoming the deep recession caused by the economic crisis) is increasingly limiting the future options of Taiwan. The red line for Japan should be the use of force to change the status quo and the freedom of sea lanes. Petty leverage can only divert China’s attention from this fundamental Japanese interests, and delegitimise, in China’s eyes, Japan’s national and alliance counter measures. These interests are, ultimately, also the red lines for the US, for whom the PRC is politically and economically becoming increasingly important, despite its attachment to maintaining its predominance in Asia. Such legitimate interests can also be explained to China bilaterally.

The most difficult issue is turning the ECS into a Sea of Peace and Cooperation. Japan has to envisage a move away from bureaucratic and legal tactics to a grand political package deal which includes Japanese compromises on the Senkaku Islands and on the median line, in order to pull a dangerous thorn out of the side of the relationship, and to pursue the risk-free exploitation of the many natural resources of the ECS. Access to a secure EEZ with maximum size should be considered the most important goal. The Japanese government could put a clarified position on Taiwan into a grand political package deal. Japan’s position would be strengthened by integrating Korea into the delimitation of the EEZ.

These are politically very difficult compromises for Japan and they will make sense only if the other framework issues are adequately addressed. But the alternative may be for Japan to be forced to make the same compromises later, but without receiving much in return from China. Japan has to free itself from ballast in order to pursue, with greater clarity and legitimacy, its interests in a world which is changing fast and dramatically as a result of China’s growing comprehensive power. It has to be able (economically,
politically and militarily) to credibly defend these interests as its own, while trying to make them overlap with those of as many other countries as possible. China, on the other hand, should also show willingness to compromise. It cannot be in China’s interests to heighten tensions in Asia (North Korea is already doing enough damage to China’s security interests in Northeast Asia!), to create a regional arms race and to provide fodder for the perception of the ‘China threat’. Japan is an extremely useful partner in helping China to cope with the many problems which will increasingly challenge the leadership. Too many Chinese are underestimating the goodwill which many Japanese still have towards China, but this goodwill is perishable and the young Japanese need to have a chance of inheriting it from their elders! A new government which is not dominated by the LDP might provide both sides with another chance.

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