



## Asia-Pacific Center for Security Studies



**SPECIAL ASSESSMENT**

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### **Asia's China Debate**

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# **History as a Mirror, the Future as a Window: Japan's China Debate**

**D A V I D F O U S E**

## **Executive Summary**

- A great deal of the positive public sentiment toward China that developed in Japan following the signing of the Treaty of Peace and Friendship has eroded over the past fifteen years. Generational change has diluted the Japanese war guilt complex toward China, leading to a more contentious debate on bilateral relations.
- China's military modernization program, its intimidation of Taiwan and a series of incidents involving Chinese encroachment on Japanese territory have raised the specter of a Chinese "military threat" in certain quarters of Tokyo. While many Japanese see such behavior as a sufficient basis for cutting Official Development Assistance (ODA), few see military conflict as inevitable.
- China's accession to the World Trade Organization (WTO) in 2001 stimulated a national debate on whether China's emerging industries constitute an "economic threat" to Japan. After a brief, unsuccessful effort at punitive trade restrictions against certain products, discussion has tended to focus on Japan's own need for completing structural reforms rather than the threat coming from Chinese economic development.
- Recent indications from both Japan and China show an increased willingness to take prompt diplomatic action to resolve bilateral conflicts as they arise. Many obstacles to a smoother relationship do, however, remain.
- Japan's leaders now find themselves caught between the need for increased economic integration with China and their desire to strengthen the alliance with the United States to offset China's growing political and military power.

## INTRODUCTION

The negativity of Japanese opinions about China has grown substantially in recent years. The frustration that Japanese people feel as economic stagnation in their country passes the ten-year mark has been magnified by China's ability to maintain high rates of economic growth over the same period. A tendency for the Japanese to want to reevaluate their relationship with China springs largely from this contrast, though several other factors have contributed to the intensity of the debate. Among these, a shift in the generational makeup of the Japanese public is important. Older generations saddled with guilt related to Japan's invasion of China in the 1930s have been slowly passing from the scene, leaving a public much less receptive to Chinese criticism of Japan on historical grounds. This has been reflected in the Diet, where younger members of both the dominant Liberal Democratic Party (LDP) and the main opposition Democratic Party (DP) have accepted the need for greater "realism" in Japan's approach to China. Older pro-China members of the LDP have been effectively marginalized in recent years, and the Social Democratic Party (SDP)—a long-time advocate of better relations with both China and North Korea—has been nearly extinguished. The mass media have also reflected this generational shift, now showing a greater willingness to be openly critical of China than at any time in the postwar period.

A new hard-nosed sense of pragmatism toward China has replaced the psychology of appeasement that pervaded Japanese society following the signing of the Japan-China Peace and Friendship Treaty in 1978. Where this new dynamic will lead Sino-Japanese relations in the future will be determined to a great extent by whether China is redefined as a threat to Japanese prosperity and security, or whether an emerging China is perceived to be compatible with the renewal of Japanese economic and political power. Despite the long-term trends that suggest future difficulties in Sino-Japanese relations, the balance of the current Japanese debate continues to favor constructive engagement for mutual economic benefit, while relying on the U.S.-Japan alliance to manage possible security problems emanating from China.

## THE MILITARY-STRATEGIC DEBATE

Debate in Japan over military-strategic issues is still in its infancy. Discussion of these issues has been traditionally limited to the Japanese Defense Agency (JDA), a handful of the JDA's allies inside the LDP and a few prominent academic and media commentators. The bulk of Japan's new defense debate has taken place in the aftermath of criticism Japan received during the Persian Gulf War of 1991. Lampooned for its mere financial contribution to the coalition effort, Japan began to reconsider its policy of postwar pacifism and entertained the possibility of becoming a "normal nation." Those opposed to such a transformation have argued that Japan has been quite successful as a global "civilian power" and that Japan's Asian neighbors are not ready to see Japan expand beyond its postwar policy of strictly "defensive defense." A number of events—including the North Korean nuclear crisis of 1994, China's nuclear testing in 1995, the Taiwan cross-strait crisis of 1996 and especially the North Korean test firing of a Taepodong rocket over Japan in 1998—have given legitimacy to those who favor a more robust defense capability for Japan. It is within this context that a debate over China as

a “military threat” has taken shape in the past several years. Advocates of Japan as a “normal state” have focused on double-digit growth rates in Chinese defense budgets, a buildup of short- and mid-range missiles and a series of encroachments by Chinese oceanologic research vessels into areas around Okinawa to lobby against ODA for China.

Leading advocates of this position are Hisahiko Okazaki, a former high-ranking Ministry of Foreign Affairs (MOFA) official and Yoshihisa Komori, editor-at-large of the conservative *Sankei Shimbun* newspaper. Both Okazaki and Komori have highlighted the long-term Chinese military buildup, growing Chinese nationalism and especially the threat that Chinese annexation of Taiwan might pose to Japanese national interests. According to Okazaki, not only could China's annexation of Taiwan compromise the vital sea lanes through which Japan imports most of its oil from the Middle East, it could also provide China with extreme leverage over the other nations of Southeast Asia, which could in turn have a severe impact on Japan's economic interests in the region.

Japan's military-strategic debate regarding China may in the end boil down to a debate over its Taiwan policy. Japan has long held to a “one-China” policy that advocates a peaceful resolution of the Taiwan issue. However, beginning with the announcement of the revised Guidelines for U.S.-Japan Defense Cooperation in September of 1997, in which Japan committed to supporting United States military operations in “areas surrounding Japan,” the Japanese government has shown a growing interest in the cross-Strait issue. Just prior to the announcement of the new guidelines, then Chief Cabinet Secretary Seiroku Kajiyama stated publicly that the alliance would not survive if Japan did not assist U.S. forces should they get involved in an armed conflict between China and Taiwan. Liberal Party leader Ichiro Ozawa, another outspoken critic of China, echoed this sentiment in January of 1999. Lee Teng-hui's visit to Japan in April of 2001, though justified on medical grounds, further raised suspicion in Beijing that ties between Japan and Taiwan are becoming closer. For the time being the Japanese government's official position is to neither deny nor confirm that defending Taiwan lies within the scope of the alliance. Advocates of the “China threat” nevertheless continue to lobby for less ambiguity in Japanese policy.

The wild card in the Taiwan issue may be the Japanese public, which remains hesitant to see Japan embroiled in strategic conflicts not directly involving its own defense. For the Japanese public, symbolic issues of history and territorial sovereignty may be the most important. Faced with the declining prominence of their country as an economic power, the Japanese have become increasingly touchy where issues of national sovereignty are concerned. An example of this is the May 2002 Shenyang Refugee Incident. The forcible removal of five North Korean refugees by Chinese police officers from the Japanese consulate in Shenyang, captured on television for the Japanese public, was interpreted as an infringement of national sovereignty and a breach of international law. Tokyo demanded an apology and the return of the five refugees from the Chinese government. Meanwhile, the Chinese government claimed that their police officers had been invited into the consulate and emphasized that they were there to protect the safety of the consulate. Although the asylum seekers were eventually allowed to go to South Korea, the incident left lingering ill will in Japan. All four of Japan's major newspapers editorialized that the Japanese government should continue to pursue

the violation of national sovereignty despite the release of the refugees. Media criticism, in the meantime, turned toward the purported incompetence of the Japanese MOFA in its handling of the Shenyang affair.

## JAPAN'S ODA FOR CHINA QUESTIONED

Following the Shenyang Incident in May 2002, MOFA's "China Hands" were widely portrayed in the media as Sinophiles incapable of defending Japan's national interests. This added fuel to an ongoing debate over Japan's ODA to China, a policy which MOFA has more control over than does any other ministry in the Japanese government. Many Japanese were outraged that while Japan had contributed billions of dollars to Chinese economic development since 1979, the Chinese government refused to recognize the sovereignty of Japan's consulate under international law. Some felt that recent changes in Japan's ODA policy to China had not sent a strong enough message and that a complete cessation of funds was in order.

Previously, MOFA had already stopped supplying aid in multiyear packages to complement China's five-year economic plans and instead targeted funds more narrowly for environmental and humanitarian purposes. The latter was done in 2001 to reassure the Japanese public that the funds were not being used to contribute to a Chinese military buildup. Due to growing domestic economic concerns, overall Japanese ODA had already been cut by 10 percent twice in the past four years. Nevertheless, souring public sentiment led to a 25 percent cut to ODA for China (FY 2002) with the possibility of more cuts to come. Whether or not Japan continues to supply China with aid remains an open question, as many inside Japan now feel that China's growing economy no longer meets the requirements for development assistance.

## THE ECONOMIC-STRATEGIC DEBATE

Even prior to China's formal accession into the WTO in December 2001, concern in Japan's agricultural and small and medium business sectors about China's economic competition was on the rise. Already reeling from a decade of economic stagnation, businesses too small or otherwise unable to relocate to take advantage of low Chinese labor costs began to fear an onslaught of cheap goods flowing into Japan. Bracing for a political backlash, Keidanren, the largest and most powerful business organization in Japan, published a policy paper entitled "Japan-China Relations in the 21<sup>st</sup> Century: Recommendations for Building a Relationship of Trust and Expanding Economic Exchanges between Japan and China" in February of 2001. Highlighting increasing bilateral economic interdependence, the paper argued for deepening mutual trust and broadening economic contacts in order to dampen the growing perception of rivalry between the two countries. Painting a balanced picture of both China's remarkable economic development and the many problems China faces in the future, Keidanren cautioned against letting nationalist sentiments on both sides interfere with economic integration. According to the report, Japan's interests would be best served by working with China to facilitate smooth entry into the global trade system, enhancing cooperation in multilateral efforts such as the Asia-Pacific Economic

Cooperation (APEC), the ASEAN Plus Three forum and the ASEAN Regional Forum (ARF) and exploring the possibility of setting up an East Asia free trade area. Notably, Keidanren, which has long been a powerful force in Japanese policymaking, did not hesitate to weigh in on foreign policy issues such as Taiwan. Keidanren stated that Japan should respect its former commitments to a one-China policy and that “basically, we regard relations between China and Taiwan as a Chinese internal affair.” The report did raise one cautionary note, arguing that Japan must keep a close eye on the Chinese manufacturing industry as it sharpens its competitiveness and give serious consideration to the proactive steps Japan will need to take in the future.

In April of 2001 the Ministry of Economy, Trade and Industry (METI) released a draft of the “White Paper on Trade,” which stressed the need for Japan to cooperate rather than to compete with China in international trade. The report emphasized that Japan should seek to create a new system that would divide economic roles with China and other countries in East Asia to improve efficiency amid increasing economic competition. The White Paper referred to China as “the world’s manufacturing base” and portrayed China as having enhanced its competitiveness in a broad variety of industries, from textiles and other labor-intensive activities to cutting-edge information technology. On May 3 the conservative *Yomiuri Shimbun* interpreted the report as a wake-up call for Japan, stating that “the era in which Japan led the Asian economies has come to an end and that a period of fierce competition among nations has begun.”

LDP politicians, long buoyed by their agricultural and small business constituencies, took advantage of the newly hyped “economic threat” to push, in May of 2001, for a 256 percent import tariff on a range of Chinese agricultural exports, including shiitake mushrooms, leeks and rushes used for making tatami mats. Though Japan justified the tariffs under WTO safeguard regulations (designed to protect domestic producers from temporary import surges), China retaliated in June with 100 percent tariffs on sixty varieties of products from three categories of Japanese goods—mobile phones, automobiles and air conditioners. The retaliation brought strong protests from the Japanese government, which refused to relinquish the agricultural tariffs for a period of eight months. As both governments held tightly to their respective positions, Toyota Motor Corporation President Fujio Cho called for an immediate resolution to the trade dispute, as most of Toyota’s export orders from China had been canceled because of the high tariffs imposed.

When the trade row was finally resolved in December, analysts inside Japan were highly critical of the Japanese government’s policy. As Keio University scholar Kokubun Ryosei would have it, “in the end, Tokyo backed away from a full-scale imposition of safeguards, and in retrospect it seems clear that invoking them to begin with was not in Japan’s best interests.” The *Mainichi Shimbun* saw it as “a classic example of how protectionist measures for uncompetitive industries had adversely affected industries that had made great efforts to enhance their competitiveness.” Thus contrary to its originators intent, the trade row of 2001 has led to a growing realization that Japan can no longer afford to protect its agricultural sector if it wants to compete in a globalizing economy. For Tokyo’s policy elite, the implications also pointed to the increasing vulnerability of the Japanese economy to China’s huge market.

In the aftermath of the trade row there has been an attempt among both officials and scholars to penetrate the emotional cloud that has formed around the bilateral trade issue. In a speech to the Foreign Press Center on January 17, 2002, Atsuo Kuroda, director of the financial cooperation division at METI, derided the media's fixation on the threat posed by China's industrial sector, stating that it had been "blown all out of proportion." Kuroda's view is that Japan, like the ASEAN countries, has become obsessed with the so-called Chinese threat because domestic structural reforms have made little headway. Toyoo Gohten, President of the International Institute for Monetary Affairs, has likewise indicated that the highly charged issue of the "hollowing out" of Japan's industry has been overstated. According to Gohten, Japan's overseas production ratio is still around 15 percent, lower than that of Germany (at about 20 percent) and far below that of the United States (which is close to 25 percent). The real issue is that Japan must lower its internal cost structure if it hopes to retain its own manufacturing base and attract greater foreign investment.

Beginning with Prime Minister Koizumi's January 14, 2002 speech in Singapore, Japan began making a more clear-cut effort to defuse the rising bilateral economic tensions. During this speech Prime Minister Koizumi praised the active role China has been willing to play in regional cooperation. Previously, China's efforts to form a free trade agreement with the ASEAN countries had been widely portrayed as an attempt by the Chinese to usurp regional economic leadership from Japan. Koizumi confirmed that Japan, China and South Korea had resolved to improve trilateral cooperation and promote the ASEAN Plus Three forum, with the long-term hopes of building an East Asian Community. Koizumi's downplaying of the "China threat" was welcomed in Beijing and led to a meeting between Prime Minister Koizumi and Premier Zhu Rhongji at the Boao Forum of April 2002, in which both parties agreed to the establishment of the Japan-China Economic Partnership Consultations, a mechanism for overcoming bilateral trade conflicts. In September 2002 the Chinese and Japanese foreign ministers reached a consensus on how to establish the consultation mechanism.

Pressure to iron out differences in bilateral economic ties is immense. In 2002 China outstripped the United States as top exporter to Japan, while Japanese exports to China jumped 32 percent. Under these circumstances Japanese policy-makers have struggled to form a consensus from which to engage China. The most thorough attempt at this is reflected in the policy recommendations presented to the prime minister by the Task Force on Foreign Relations in November 2002. The document, entitled "Basic Strategies for Japan's Foreign Policy in the 21<sup>st</sup> Century: New Era, New Vision, New Diplomacy," presented a resurgent China as Japan's biggest political and economic challenge. Aiming for a middle path between the "China as threat" and "China as partner" schools of thought, "Basic Strategies" characterized the relationship as one of "cooperation and coexistence interwoven with competition and friction." The task force's recommendations included following up on the East Asian Community initiative (referred to in Koizumi's Singapore speech) to balance China's growing economic influence in the region, as well as pushing forward with domestic structural reforms so that Japan can become an attractive, high-value added manufacturing economy capable of competing with China for investment. The task force also recommended that Japan demand transparency from China on its military budget,

define ODA narrowly in accordance with Japan's national interests, and urge China to liberate itself from "an enchantment with history" to form a more future-oriented relationship. On the sensitive issue of Taiwan, the report does not balk, arguing that "since the normalization of the relationship between the People's Republic of China and Japan, tremendous changes have taken place on Taiwan. It is natural that the Japan-Taiwan relationship should undergo certain change as well." Not coincidentally, the same report favors strengthening the alliance with the United States, even while Japan pursues a more independent role in that relationship.

## TAKING HISTORY AS A MIRROR

A number of positive signals over the past year give hope that Asia's two greatest powers may yet come to a more productive accommodation. Reports that a planned landing of Chinese activists on the Senkaku (Diaoyudai) Islands had been thwarted on June 24 by Japanese naval vessels were followed by a quick flurry of diplomatic activity on both sides that prevented any further difficulties from arising. In August a Chinese man was killed and a number of other Chinese injured when their digging accidentally broke open a barrel containing mustard gas left by the Japanese military during World War II. This time, unlike in the past, the Japanese government made an almost immediate apology over the tragedy and sent medical experts to help deal with the victims. On the military-strategic front JDA chief Shigeru Ishiba made a visit to China on September 1, 2003—the first such trip by a Japanese defense minister since May 1998.

Other positive steps in bilateral relations include Japanese financial and medical contributions to China's recent battle with the deadly Severe Acute Respiratory Syndrome (SARS) virus, as well as Chinese support for Prime Minister's Koizumi's trip to Pyongyang in September 2002. In April 2003 China's foreign minister Tang Jiaxuan broadened this point by informing SDP leader Takako Doi that China accepts Japan enhancing its political influence in the international community. A summit meeting between Prime Minister Koizumi and China's new President Hu Jintao in St. Petersburg, Russia on May 31, 2003 emphasized many of these new positive developments. At the meeting, Hu Jintao broke with his predecessor by stating that Japan-China relations in the new century should "take history as a mirror, look toward the future, take a long-term perspective and give consideration to a broad picture."

The idea of "taking history as a mirror and looking forward to the future" was carried to Japan again by new Chinese foreign minister Li Zhaoxing on August 11, and appears to be the new catchphrase in Sino-Japanese relations. Many obstacles to a more harmonious relationship remain, however. China's economic development has brought an unprecedented level of friction with Japan, and nationalist impulses are rising on both sides. Despite this fact—or perhaps because of it—there has also been an unprecedented level of political resolve in both countries to stop bilateral tensions from derailing the benefits of positive engagement. Japan's new tough-minded approach toward China, symbolized by its revised ODA policy, has yet to turn into an all-out struggle for influence in the region.

China's dynamic economic growth, its huge market and abundant supply of low-cost labor cannot help but force Japan to accelerate efforts toward greater cooperation and integration with China. This will place Japanese policymakers in an increasingly precarious position as they attempt to balance economic integration with China and a continued desire to enhance military ties with the United States to offset China's growing military power. The venue for this Japanese high-wire act will most likely be regional multilateral forums, where all three countries struggle for influence. Should trouble in the U.S.-China relationship emerge in the near future, it is doubtful that Japan would be sympathetic to Chinese interests, though the amount of cooperation Japan would lend to the United States in a military conflict remains uncertain.

The views expressed in this publication are those of the author(s) and do not necessarily reflect the official policy or position of APCSS, U.S. Pacific Command, the U.S. Department of Defense, or the U.S. Government.

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