JAPAN’S VIEW ON SINO-JAPANESE RELATIONS:
LEVELING THE PLAYING FIELD?

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Presented at the Woodrow Wilson Center for Scholars Conference on “Japan’s Vision for East Asia: Diplomacy Amid Geopolitical Challenges”
Washington, D.C.
March 5, 2014
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Relations between Japan and China during the past decade have been increasingly tense compared to the preceding three decades. The rise of conservative leaders within Japan’s ruling Liberal Democratic Party has often been viewed as a cause of the more assertive foreign policy in Asia and the tense relations with China. In Japan, however, the view is quite the opposite. Support for the conservative politicians is a result of the worsening security environment surrounding Japan.

The idea of liberal peace that economic interdependence will reduce the risk of war has been tested against the other idea of geopolitical rivalry, and the latter seems to be gaining ground in Japan’s security thinking about China. In the economic domain, the idea of win-win cooperation with China has been replaced by a more cautious pursuit of a bigger win for Japan. On the security front, Japan is trying to match the growing diplomatic power of China and retain superior military power over China in the combined strength with the United States.

Prime Minister Shinzo Abe’s historical revisionist agenda have invited strong criticism from China and Korea, and highly publicized disappointment from U.S. ambassador Caroline Kennedy. While Abe’s personal obsession is blamed for his behavior, the relentless complaints from China and Korea have served to remind the Japanese of the worsening security environment in Asia today. Abe may very well attempting to end the regularized use of the history card by China and Korea, in order to win Japan a diplomatic voice it deserves on regional security matters and enable closer military cooperation with the United States that the latter demands. The increasing regional economic nexus centered on Japan and China has been mutually beneficial. On the other hand, geopolitical rivalry between the two countries has been intensifying. The bilateral relations have become an experiment between liberal peace driven by economic interdependence and geopolitical realism.

Economic Rivalries
China’s relentless economic growth has been driven by steady inflow of foreign capital, technology, and management expertise, as well as access to the export markets. Staking the country’s political stability on legitimacy through continuous high economic growth, the Chinese political leadership since Deng Xiaoping has pursued inward foreign investments. Japanese manufacturing firms responded quickly in search of cheap labor costs, while the Japanese government provided a large sum of concessionary loans for China’s infrastructure development. China’s transition to a market economy has been incremental. State owned enterprises, which employ a large portion of the labor population, have not been fully rationalized, and their control
over the domestic market is protected through various mercantilist policies, despite repeated protests from foreign and domestic private competitors.

China’s effort to upgrade its technological level through localization of components production has employed tariff barriers and investment regulations. Japan’s effort to liberalize China’s investment environment through a trilateral investment agreement including South Korea stopped short of banning discriminatory investment permit practices by China, which favors domestic firms. Trilateral free trade negotiation with the same members was proposed and is expected to bring down the transactional costs of intra-regional trade of both components and finished products. However, the political tension in the region has severely interfered with moving the negotiation process forward.

While Japan has played a prominent role in China’s development, its significance in China’s overall economic relations is gradually declining. China’s two-way trade with Japan has declined in proportional terms in recent years, while the United States increased its share of China’s two-way trade. With the increasing trade surplus with the United States and the upward pressure on the renminbi, China buys dollar in the form of U.S. Treasury bonds and has now replaced Japan as the top cumulative holder of U.S. government debt. This new economic interdependence between China and the United States has raised the Japanese fear of U.S. temptation to adopt a balancing strategy between China and Japan or worse siding of Japan for the sake of closer relationship with China.

**Conflict over Territories**
The most direct cause of the current bilateral discord between Japan and China is the maritime demarcation dispute, which partly involves the Senkaku islands in East China Sea. While the dispute over sovereignty of the islands has gained media attention, the extent of the maritime boundary dispute stretches across the entire East China Sea, as there is a large overlap between China’s extended continental shelf claim and Japan’s claim based on the equidistant line. Bilateral --and partly trilateral including South Korea-- demarcation negotiations over the East China Sea have not taken place. The location of the Senkaku islands, which Japan has administratively controlled between 1895 and 1945 and again since 1972, on the continental shelf inside China’s claimed line has caused a sort of Catch-22. Japan with the current administrative control does not recognize existence of a sovereignty dispute over the islands without China filing an official case with the International Court of Justice. Whether Japan would agree to an international arbitration in case China does file a case is unknown, yet some suggest Japan do exactly that or even voluntarily go to ICJ first. China’s reluctance to go to ICJ is seemingly its weak legal ground. The uncertainty over the Senkaku islands prevents the two countries from defining the overall maritime boundary dispute.

The Chinese drilling of natural gas at the Chunxiao (Shungyo) field just outside Japan claimed boundary has raised the Japanese fear that China might be siphoning gas from the Japanese side as well. Escalation of the tension in 2005 following China’s rejection of a Japanese request to
share geological survey data involved a Chinese dispatch of a missile destroyer flotilla to the area. While the overall estimated deposit of gas does not seem to be large compared to the massive amount of bilateral trade and investments, symbolic importance of the gas dispute was much greater. Japan and China in 2008 agreed in principle to a joint development of the Chunxiao field, but the working-level negotiations to detail the principle agreement have stalled in the deteriorating bilateral political relations. The locations of the four known gas fields on the eastern edge of the shallow continental shelf favors pipeline shipping of the gas to the Chinese mainland, while the deep Ryukyu Trough on the east of the gas fields requires other more costly means of gas shipment to the nearest Japanese landmass. The Japanese government’s opening of bid for test-drilling the field inside the Japanese claimed boundary did not attract a single domestic bidder, indicating poor profit prospects. With as strong bargaining position, China has proposed joint exploration of the fields inside Japan-claimed boundary, including an area around the Senkaku Islands, which Japan quickly rejected for their possible negative implications on pending demarcation settlement. The public focus on the Senkaku islands since the collision of a Chinese fishing boat with two Japanese Coast Guard patrol boats in the area in 2010 has largely left the gas dispute outside public discussions, while further unilateral attempt by China (such as bringing new equipment to the existing rig) to alter the status quo is closely being monitored by Japan.

**Diplomatic Ambitions**

Japan’s postwar pacifism and its constitutional interpretation against collective defense kept the country from returning to the status of a major security actor during the early Cold War period. During the renewed tension with the Soviet Union during the 1980s, the United States started encouraging Japan to reorient itself toward a more active security role within a stronger alliance with the United States. The combined maritime dominance in the Western Pacific by the U.S. and Japanese forces checked the Soviet expansion in East Asia, and China focused on building its economy. The abrupt ending of the Cold War in the late-1980s and the collapse of the Soviet Union in the early 1990s led to a shift in the Chinese view about the U.S.-Japan alliance. The “cork-in-the-bottle” explanation that the fear of the Soviet Union would lead Japan to remilitarize, had the alliance with the United States not eased this fear, started losing credibility in China. With its new economic superpower status, Japan started actively seeking representation in the UN Security Council (UNSC) and dispatching peacekeeping troops abroad in the early 1990s. China saw Japan’s overseas military dispatches with suspicion.

China, however, was reluctant to open a full-scale diplomatic war against Japan during the 1990s. Japan had played a key role in reconnecting China with the Western world in the aftermath of the Tiananmen Square incident. Japanese aid and investments continued to play key roles in driving China’s economic growth. Premier Jiang Zemin’s patriotic education campaign, however, inevitably refocused on Mao Zedong’s anti-Japanese struggle from the nation-building stage of China. Chinese academics blame the public opinion for the Chinese government’s inability to
soften its Japan policy, but evidence suggests that demonstrations in Chinese cities still can be turned on and off at will by the government authority.

Prime Minister Junichiro Koizumi’s drive to enhance the U.S.-Japan security alliance and actively seek a permanent membership in the UNSC during his tenure in the early 2000s finally broke China’s awkwardness into an explicit opposition to Japan’s candidacy. The earlier UN-centered orientation of the Japanese overseas troop dispatches has been blurred as the country allowed more room for flexible bilateral security cooperation with the United States and its other allies (i.e. Britain, Australia, and New Zealand) during the Operation Enduring Freedom (OEF) and the Operation Iraqi Freedom (OIF). China activated its own global PKO participations, now operating a naval flotilla in the anti-piracy operation off Somalia along with other nations including Japan.

The Chinese opposition to active Japanese security role is even more pronounced in the East Asian vicinity. The North Korean development of ballistic missiles and nuclear weapons urged Japan to move toward integrating its military operations with the U.S. forces. By the late-1990s, China saw these trends in contradiction to its own security strategy. Most importantly, China saw U.S.-Japan cooperation on missile defense as a threat to its numerically inferior strategic force vis-à-vis the United States and a potential means of interference into Taiwan’s sovereignty issue. Lacking present military capability to directly confront the United States, China has focused on a diplomatic campaign to sideline Japan and directly deal with the United States on strategic matters.

While Japan has attempted securing U.S. defense commitment to the Senkaku islands, China has tried to keep the United States neutral on the questions of sovereignty over the Senkakus and maritime demarcation in East China Sea. The Chinese declaration of an Air Defense Identification Zone (ADIZ) over the East China Sea in late 2013 tested the limit of diplomatic offensive against Japan without closing the direct channel of security dialogue with the United States. Only a few days before the Chinese announcement, the U.S. National Security Advisor Susan Rice’s speech and responses during the Q&A session afterwards had failed (purposely?) to convey a strong message to China on the East and South China Sea disputes. While China’s ADIZ call was called bluff by the bold U.S. response of flying two unarmed B-52 bombers into the zone, China skillfully created an image of U.S.-Japan split with its demand of flight plan reporting to civilian airliners, which Japan rejected and the U.S. carriers consented upon endorsement of the State Department. The ADIZ issue will likely resurface as China’s enforcement capability rises, and pose Japan a diplomatic challenge to keep the United States on its side in quelling possible Chinese challenges via air to the Japanese sovereignty over the Senkaku islands.
Ideational Clashes
China pursues a schizophrenic policy of deepening economic integration with Japan, while challenging Japan over sovereignty of the Senkaku islands and the broader maritime demarcation and control. Japan sees no feasible alternative to growing economic interdependence with China, while China sees the term of interdependence is shifting in its own favor. Japan seeks improving the terms of economic interdependence by setting limits to China’s mercantile economic policy through trade and investment rule making. At the same time, Japan consolidates its security alliance with the United States as a hedge against an aggressive China. Pursuit of these policies by Japan is accompanied by changes in the ideational domain. As Japan attempts to transform the Chinese economy into a more open one, Japan has largely moved away from its East Asian model of economic development. In the security domain, the theoretical rationalization of the U.S.-Japan alliance has expanded beyond the passive reluctant realism of the past into a more proactive alliance of democracies. China’s resort to “history” of its own preferred time frames and interpretations in asserting its policy stances has disrupted the present regional international order in East Asia. Hence, Japan’s defense of its regional security interests inevitably entered the domain of history discussions to some extent, although Japan primarily deals with the regional security issues within the domain of contemporary international law and alliance politics.

Regionalism vs Multilateralism
China’s entry into the World Trade Organization (WTO) exposed its trade policy to multilateral rules. Most importantly, the most favored nation clause and the non-discrimination principle of the trade rule assured that China is a fair competitive ground for all other WTO members. Within this broad framework, China nonetheless retained a high level of tariffs on manufactured goods and restricted foreign entries into various domestic services. Japan’s manufacturing-based investments coped with the high tariffs well. Moving the labor-intensive final assembly process first and gradually increasing production and procurements of components into China, the Japanese firms initially took advantage of high tariffs to shield Japanese transplant operations from competition against American and European component exporters. However, the Chinese government policy to promote transfer of more component production and technology transfer into China led to rapid hollowing of the Japanese manufacturing sector. It became therefore urgent for the Japanese government to lower the level of Chinese tariffs on components import.

The complete deadlock in the WTO Doha round in 2002 urged Japan to promote a free trade agreement with China, but the trilateral FTA negotiation including Korea also deadlocked over political tensions. The trilateral investment agreement did conclude, but Japan could not get China to agree to a full national treatment of foreign investors. As the Japanese economy shifted more into the service industries and revenues from intellectual property rights (IPR), the need for liberalization of the service sector and improved IPR protection became urgent for Japan. The earlier plan to use the trilateral FTA with China and Korea as a lever to promote greater regional integrations (such as RCEP and FTAAP) has been reversed, and Japan now relies on TPP as a lever to jump-start the trilateral negotiation with China and Korea.
As Japan shifts its primary focus from East Asia and China-centered regional integration to a U.S.-centered regional integration, the underlining paradigm has also shifted from the mercantile East Asian model to a liberal Anglo-American model. Although Japanese economic negotiators still have to work hard on domestic adjustment among conflicting interests, the shift in the overall external negotiation strategy is likely to encourage drastic changes in Japan, if the United States can reciprocate them with its own market opening.

**Clash of Law and History**
The disputes in the East China Sea illustrate a complex mix of historical and international legal claims that coat the clash of tangible economic and geopolitical interests on the eastern edge of the Eurasian continent. Japan’s claim of sovereignty over the Senkaku islands is based on its documented international declaration in 1895 that is consistent with international legal practice. Japan can prove with evidence that no law or treaty since then has altered Japanese sovereignty over the Senkaku islands with the only exception of the allied occupation of entire Japan (1945-1951) and the following U.S. occupation of Okinawa (1952-1971). China’s effort to turn the Senkaku islands into a pre-1895 historical issue and an issue of “Japanese aggression” has been resisted by Japan.

China did not start the ongoing anti-Japanese campaign solely in response to flaring up of the Senkaku Islands dispute since 2010. However, the intensification of the Senkaku islands issue did fuel the anti-Japanese demonstrations in China. From the Japanese point of view, the government in Beijing under the strong leadership of Mao first did not claim the Senkakus, then raised an issue in competition with the Nationalist government in Taiwan but tacitly agreed to keep the issue on the backburner. The lead-up to nationalization of the Senkakus by the Noda Government was no doubt a tit-for-tat by both sides, but Japan as the current party to control the islands see the Chinese maritime law, which explicitly stated the “Diaoyu” as its territory triggered the action-reaction chain.

For Japan, U.S. neutrality on the question of sovereignty over the Senkakus has been a source of complaint. The U.S. ambiguity on this matter seems to have been a result of courtesy to Taiwan at the time the United States was secretly preparing normalization with Beijing. The issue came up several times, with Japanese calling for clarification when U.S. commitment seemed insufficient. While informed U.S. policymakers are aware of the extremely sensitive nature of this issue, other U.S. observers and even some policymakers casually throw such comments as “Japan should acknowledge that there is a dispute.” China no doubt promotes this view among U.S. and even Japanese opinion leaders through its propaganda, while concealing that it has no intention to settle the “dispute” through the International Court of Justice. U.S. pressure on Japan to negotiate with China on the Senkaku issue is equated by Japan with abandonment by its prime ally for a selfish realist policy—a possible trigger for rise of Gaullist nationalism.

With China, the Senkaku islands dispute for Japan is a manifestation of things to come in the broader maritime competition. The brute force of geopolitics dictates that Japan’s location is
critically important for both the predominant maritime power of the United States and the
growing naval power of China breaking out into the open Pacific. While Sino-U.S. naval
competition will raise the importance of the Japanese navy in joint operations with the United
States, Sin-U.S. accommodation runs a risk of neglecting Japanese interests. In particular, the
freedom of navigation through exclusive economic zones as an international principle has been
the backbone of Japanese maritime policy in cooperation with the United States. Japan has
supported this principle, which underwrites U.S. military intelligence gathering in China’s EEZs,
at the cost of allowing China to do the same within Japan’s EEZs. The dilemma is not of Japan’s
making, but of the United States which has reserved signing the Law of the Sea on this matter
and China which has stretched its interpretation of the law. Any change to the current U.S.
position must therefore be closely consulted with Japan.

Security Diplomacy
For post-Cold War Japan, desire to have its legitimate security interests and role recognized in
the region has been the key driver of its policy. While this desire is most strongly manifested
among the Gaullist realists, it is shared among both moderate conservatives and the left in Japan
with less emphasis on military roles. The Japanese pursuit of representation in security
diplomacy has collided with the Chinese as well as Korean desire to keep Japan stripped of its
security roles and the U.S. tendency to cast regional security issues in its global agenda and at
times in domestic politics.

The ongoing problems on the Korean Peninsula clearly illustrates Japan’s struggle to be included
during the past two decades. The bilaterally negotiated agreed framework between North Korea
and the United States placed a share of financial burden on Japan for building light-water
reactors in North Korea. The deal most importantly left the growing Japanese concern about the
Nodong ballistic missiles unaddressed. Japan nearly walked out of the aid consortium when
With the launching of the six-party negotiation framework, Japan’s representation and
consultation with the United States improved. UN Security Council diplomacy over the North
Korean nuclear and missile testing since 2006 has witnessed Japan’s active yet flexible and
cooperative roles in building a sanction regime.

Japan’s drive for a permanent membership to the Security Council, on the other hand, faced a
major setback, when not only China’s predictable opposition successfully muted otherwise
available ASEAN support, but also the United States opposed the particular inclusive format,
which would have significantly expanded the UNSC. Japan has been patiently taking up UN
peacekeeping roles in a universal fashion. The decision to dispatch is first driven by desire to
have a presence, and second by safety of the location. Immediate security and economic interests
are of lesser consideration, as the ongoing dispatch to South Sudan is hard to be justified on the
ground of these material interests.
The diplomatic battle over the emerging security voices and roles of Japan has expanded into the propaganda domain. China and Korea have captured the domestic debate in Japan about inclusion of the Class-A war criminals into the Yasukuni Shrine’s list of deified souls and turned visits to the shrine by Japanese prime ministers into an international issue in the mid-1980s, at the time Japanese Prime Minister Yasuhiro Nakasone was expanding the role of the Self Defense Forces in U.S. regional security strategy. A similar internationalization of the previously domestic issue occurred over the Japanese government censorship of the school history textbooks. In both cases, China and Korea allege that Japan deny wartime aggression and crimes and cast an image of unremorseful country unworthy of security roles. The Japanese government for a long time refrained from countering the Chinese and Korean propaganda, but suffered even more when the ultranationalists responded on their own in an unrestrained manner to fuel the dispute. By 2013, the Japanese government has encouraged its ambassadors to contribute op-ed pieces to explain the Japanese positions on historical issues.

POLICY RECOMMENDATIONS

China’s economic and military rise is undoubtedly the fundamental driving force of regional shift in East Asia. Japan has responded with this shift with a combination of liberal economic engagement of China and consolidation of the military alliance with the United States. However, the hope in a peacefully engaged China has waned due to its aggressive behavior in the East and South China Seas.

China has employed a major anti-Japanese campaign for a combination of internal and external political objectives. Internally, the patriotic drive at the time of widening social gap under a high speed growth borrows from the historical theme of anti-Japanese struggles. Externally, the message of an “unremorseful” Japan serves to deny Japan a role in security diplomacy. China’s provocation against the right-wing elements in Japan is used to “prove” its points through their responses.

- Polarization of public opinion in Japan is a result of this Chinese strategy. China is engaging in a dangerous self-fulfilling prophecy, which aids the Japanese ultra-right at the expense of the moderates. So far, Japan has restrained itself and calmly responded to the Chinese provocations over the Senkakus and through establishment of the ADIZ.

- Prime Minister Abe’s handling of the history issues seems to be driven by a strategic purpose of countering the Chinese propaganda, assuring Japan a legitimate voice on security matters, and enhancing the U.S.-Japan alliance. The United States is well advised to be extremely cautious in criticizing Abe on this account, be open to courageously admit its own overdoing during World War II, and prioritize its commitment to Japan over its desire to engage China. U.S. fear of ultra-nationalism in Japan is the kind of wedge, which China has been working to drive between the United States and Japan.