Sino-Japanese Relations toward the Second Decade of the 21st Century

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Abstract: The emergence of China and Japan as economic powers next to each other is one of the significant present global developments. This contribution explores directions in Sino-Japanese relations through an analysis of evolving circumstances since the normalization of bilateral relations toward the second decade of the 21st century. The aim is to provide a short overview of the relations pointing at contemporary developments. The economic axis of the relations has been identified as an increasingly promising one.

Keywords: Sino-Japanese relations, China, Japan, East Asia, U.S., 21st century

Introduction

There has been a pattern emerging in East Asia that involves the developing geopolitical and economic power of China, and the developed economic power of Japan in a strategic alliance with the United States (U.S.). In August 2010 China overtook Japan as the world’s second largest economy after the U.S. The triangle of relationships between these three countries has been a determining factor also in contemporary Sino-Japanese relations. China’s rise is perceived in Japan as both an opportunity and a threat. Both countries are among the most powerful in East Asia, a culturally and politically diverse region. Both nations face challenges in the second decade of the 21st century. It is hard to predict any developments of bilateral relations in a pres-
ently ever-changing world. Nevertheless, many studies have been conducted. Upon this base, a segment of Sino-Japanese relations after the normalization in 1972 is presented. Available case studies, political papers, websites and media statements are analyzed. Salient axes of Sino-Japanese relations are followed, in an effort to present a short overview of the topic. The text reveals that the economic area has been an increasingly promising axis within generally chilly ties between the two countries.

**Toward the end of the 20th century**

Sino-Japanese relations have come through a complex historical evolution. Being neighbours for two millennia, only in the past few decades have the bilateral relations between the “Middle Kingdom” and the “Land of the Rising Sun” underwent historical turnovers (MOFA 2011). Frozen after the WW II, the bilateral relations started to thaw with a visit of then-Prime Minister Tanaka to China in 1972. The first “Joint Communiqué of the government of Japan and the government of the People’s Republic of China” came into being and bilateral relations were again established. Six years after the normalization in 1978 the “Treaty of Peace and Friendship between Japan and the People’s Republic of China” contributed to a developing dialogue between Beijing and Tokyo.

In the meantime, after the Third Plenum of 11th Central Committee of the Chinese Communist Party (CCP), a bundle of reforms had been introduced and a massive economic transformation process was launched in 1978 with the introduction of the first five special economic zones under a new policy of “market socialism.” These circumstances in China coincided with a gradual shift from an agricultural to an industrial society (Fujita 2007). Effects of this complex transformation must have been reflected in the bilateral relations.

In 1980s the Sino-Japanese relations became convergent in the trade-related area, therefore this period is also called the “Golden Age” of (economic) bilateral relations. At this time the Japanese economy had gone through the 2nd industrial restructuralisation resulting in the “Second Japanese Miracle” (Hart-Landsberg et al. 1998: 92). Due to the Oil Shock in 1973 Japan started to move her heavy and chemical industries to East Asian newly industrialized economies (NIE) and further to states of Association of South-East Asian Nations (ASEAN countries) in order to “update” her export composition. With Chinese economic growth at 7–8 % in the 1980s, Japan gradually turned attention back to China in order to establish further production networks (Peng 2000). Japan was looking for large markets and cheap labour to supplement her transforming export-oriented economy. This trend has continued until the present.

The political/diplomatic axis however soon reached the coldest spot in Sino-Japanese relations influenced by the June Fourth Incident at Tiananmen Square in Beijing in 1989. It led to the deterioration of the political image of a developing China in the eyes of Japan and other nations. However, events have passed rapidly ever since. For the first time, in an effort to improve the relations, Japanese Emperor Akihito visited China in 1992 to present an apology to the people of China for Japanese war crimes. But a few months later China carried out nuclear testing and caused a freeze in the diplomatic axis of bilateral relations, even though the Nuclear Non-Proliferation Treaty was in place (Sato 2001: 3). This, together with maritime research activities, brought up a wave of concern in Japan.

Moreover the Japanese economy would appear to be in stagflation resulting in the “lost decade” (1990s), while Chinese economic growth continued to accelerate. As China had gradually been performing economically and diplomatically well, sentiments of national pride were occurring among Chinese. Japan was exposed to problems stemming from a domestic economic “bubble-burst,” and regional security issues involving the Korean Peninsula or whirling issues regarding the Taiwan Strait in the middle of Sino-Japanese sphere of influence in East Asia. Parallel events evoked sentiments against each other, affected by difficulties over over-interpretation of historical issues (Tim et al. 2001), territorial disputes involving Diaoyu/Senkaku islands, or overlapping exclusive economic zones (Mulgan 2010), and later Yasukuni Shrine visits by Japanese political representatives, and other issues. In addition Tokyo aspires to a permanent membership on the UN Security Council, but China as a permanent member has never supported this idea (Nanto et al 2006). Over the 1990s Sino-Japanese relations were thus affected by suspicion.

However the mounting Sino-Japanese trade balance stressed the importance of the economic axis in the bilateral relations. Even after the Asian Financial Crisis broke out in 1997–1998, trade remains the foremost opportunity in terms of rapprochement.

In 1998 Chinese President Jiang Zemin visited Japan historically as the first Chinese leader in the country since the end of WW II. On this occasion, the “Japan-China Joint Declaration on Building a Partnership of Friendship and Cooperation for Peace and Development” was issued, followed by a “Joint Press Announcement on Strengthening Cooperation between Japan and China toward the Twenty-first Century” (MOFA 1998a, b). As Sato (2001) remarks, there was a belief it would
become a platform for a strong bilateral framework for the first decade of the 21st century.

**Toward the second decade of the 21st century**

Two breaking events in 2001 shaped the broader framework of Sino-Japanese relations toward the new century. China became a member of the World Trade Organization (WTO), which reflected China’s growing importance in the global economy, and the 9/11 terrorist attacks in the U.S. brought the issue of Japanese-American defence strategy under review. Many other events took place influencing bilateral relations during the first decade, e.g., continuing visits to the Yasukuni shrine and textbook issues in Japan and protests in China (Masuda 2005: 16–17); Chinese military spending (Chen et al. 2010); the Six Party Talks in 2003; the Chinese nuclear submarine in Japanese waters in 2004, continuing territorial questions or issues about economic exploitation of disputed areas; Asian Cup football games in 2004; anti-Japanese demonstrations in 2005 among a part of the Chinese public (Takahara 2005); utterances of nationalism; China becoming the first trading partner of Japan in 2006 (bilateral trade above US$200 billion); energy, natural resources and environmental issues, security questions, rising FDI to China and Japan’s changing ODA policy toward the PRC; development in Sino-Taiwanese bilateral relations; the Global Financial Crisis in 2008, and the Japanese economy’s slow-down by -5% while the Chinese economy soon recovered into spectacular growth of around 10% (Jeager 2010: 2–3); East Asia regionalism, regional multilateral fora on ASEAN free trade agreements (FTAs), East Asia Community initiatives (cf. Glosserman et al. 2005), and so on.

Observing these events in detail would be beyond the scope of this contribution, but a reference is given to the two selected analyses in order to address the features of Sino-Japanese relations in the middle of all these circumstances. Nanto et al. examined in 2006 that the Sino-Japanese relations were cold in the military dimension, as a result of factors such as the U.S. army presence in Japan and the Japanese Defence Forces, or maritime incursion and nuclear power factor on the side of China. The political/diplomatic dimension was characterized as “cool”, because of factors such as leadership competition, the shrine visits, WW II legacy and diplomatic pressures. The Human/Individual dimension had the attribute “mixed.” The only interactive dimension in the relations was economic. Other study by Ping Ping (2007), referring to Liu’s analysis (2005) of history, nationalism, territory, social system, security, and economic relationship evaluates the bilateral relations on the interval from “serious problems” {-3} to “close or very close relationship” {+3}. It follows that the economic relationship between China and Japan is the only existing convergent platform in
the relations, given the value 3. The remaining values were below the “threshold of convergence” \{-1;-3\}, in this order: history; territorial disputes; nationalism, social system and security. The two case studies from 2006 and 2007 refer to cold and warm spots, and emphasized the economic dimension as being the only convergent axis in the bilateral relations towards the second decade of the 21st century.

Further development in 2008 brought bilateral initiatives in creation of frameworks for mutual cooperation. Following an official visit of President Hu Jintao to Japan in 2008, the “Joint Statement between the Government of Japan and the Government of the People’s Republic of China on Comprehensive Promotion of a ‘Mutually Beneficial Relationship Based on Common Strategic Interests’” was issued (MOFA 2008a). Tokyo and Beijing recognized that “the two countries’ sole option is to cooperate to enhance peace and friendship over the long term. The two sides resolved to comprehensively promote a ‘mutually beneficial relationship based on common strategic interests’.” The following statement the “Chinese side expressed its positive evaluation of Japan’s consistent pursuit of the path of a peaceful country and Japan’s contribution to the peace and stability of the world through peaceful means over more than sixty years since the World War” can be certainly interpreted as a sign of warming ties.

Multilateralism and regional integration are significant features within the framework of contemporary Sino-Japanese relations. One of the most promising areas of improvement toward the second decade is the establishment of the East Asia Community, including the ASEAN countries. Initiatives were conducted in 2005 at the Kuala Lumpur East Asian Summit in 2005 after a decision from the previous 10th ASEAN Summit and by the 8th ASEAN Plus Three Summit held in Vientiane in 2004, referring to the “Kuala Lumpur Declaration on the East Asia Summit” on “the importance of strengthening bilateral and multilateral interactions and cooperation among the participating countries of the East Asia Summit and the world at large on issues of common interest and concern in order to enhance peace and economic prosperity” (MOFA 2005). There has been rivalry between China and Japan in free trade agreement proposals addressed to ASEAN by China and Japan separately that has yet driven the East Asian integration (Kösters 2009). In addition the triangle China-ASEAN-Japan presents a complex system in East Asian international relations. Along the East Asian Community (EAC) initiatives we can expect competition between China and Japan for leadership; influence and markets. On the other side as Tanaka et al. (2008) notice, issues related to EAC building will emphasize the benefits of economic and political liberalization, norms and institutions and can lead to action-oriented regionalism.

On the 13th of December 2008 the “Japan-China-Republic of Korea Trilateral Summit: Action Plan for Promoting Trilateral Cooperation among the People’s Republic of China, Japan and the Republic of Korea” was issued, presenting such areas for cooperation as institutionalization and exchange in the political arena, economic
affairs (mainly FTAs initiatives), environmental protection, science and technology, social and cultural affairs and cooperation in the international arena (MOFA 2008b). These initiatives should boost further regional integration in East Asia and further thaw the international relations.

The first U.S.-China Strategic and Economic Dialogue took place in July 2009. Sino-American bilateral relations have been improving in many aspects which might place Tokyo in an uncertain position — where is Japan’s place in Sino-American relations? (cf. Kingston 2011). Nevertheless, in August 2010, around the time China replaced Japan as the second largest world economy, the Third Japan-China High-Level Economic Dialogue was held in Beijing, where “the two sides welcomed the fact that this dialogue strengthened the economic dimensions of their ‘Mutually Beneficial Relationship based on Common Strategic Interests’” (MOFA 2010). At this event China and Japan have identified challenges to face mutually toward the second decade of the 21st century, including recovery of the world economy, cooperation in green economy, industry and financial cooperation, improving business environment, global cooperation and regional cooperation in the Asia-Pacific region. Prime Minister Naoto Kan requested to resume talks on the East China Sea joint gas field development9. Both countries’ economies are highly dependent on oil imports. Natural resources thus are a significant factor in Sino-Japanese relations as the global demand for oil and coal increases on a daily basis.

At the turn of the decades in December 2010 the National Defence Program Guidelines for FY 2011 by the Democratic Party of Japan were released in Japan10. As Kyodo News (2011) quoted, among other issues it stresses the priority defence area toward Taiwan, “a move apparently targeting China.” After collision of a Chinese fishing boat with a Japanese coast guard ship in September 2010, the security and defence issues were at the forefront in Sino-Japanese relations with the beginning of the second decade. On January 6th of 2011 the first Japan-China Counter-Terrorism Consultations were held in Beijing and on the 14th January 2011 the 10th Japan-China Consultation on Disarmament and Non-proliferation was held in Tokyo. Security dialogue is at the forefront of Sino-Japanese relations. In the context of the Chinese omnidirectional diplomacy and the “broader concept of Asia;” a reference is given from the US National Intelligence Council Report (2008: 33–34) with scenarios of possible Sino-US-Japanese mid-term developments. “Japan caught between the U.S. and China” will be most probably reorienting her domestic and foreign policies in the mid-term period to maintain her status of an “upper-middle rank power.” It is a question of which convergent axes might occur in the China-US-Japan triangular relationship in the mid-term, yet this scenario brings forth many questions to developments of Sino-Japanese relations.

In March 2011, a series of natural disasters befell the Japanese Tōhoku Region, the strongest earthquake in Japanese history with a magnitude of 9.0 in Miyagi Prefec-
ture and the subsequent tsunami, which led to the Fukushima Daiichi nuclear plant crisis. Eight days later on 19 March, Chinese Foreign Minister Yang Jiechi, perhaps with memory of the Sichuan Earthquake three years ago agreed with the Japanese Foreign Minister, Takeaki Matsumoto, on sharing information and cooperation in disaster prevention (Nikkei.com 2011). Japan faces a difficult social, economic and environmental domestic situation toward the second decade of the 21st century. The March 11th disasters in Japan held up production in the industrial agglomerations and caused a halt to the Japanese production due to missing parts in production chains. Agglomerations from the Tōhoku Region can lose their competitive advantage, and even if they would reach previous production volume, their eventual niche in the market will be most probably addressed by countries in East Asia. The Chinese Commerce Ministry expressed its concern about its impact on bilateral economic activities and trade11. Cooperation in creating the pre-emptive mechanisms to secure the Sino-Japanese integrating economies from negative effects of natural disasters is one of the fields with the potential for improvement of bilateral relations.

Conclusion

This contribution presented a brief overview of contemporary developments in Sino-Japanese relations with an emphasis on features and emerging directions. The economic area will remain the hottest axis leading to eventual convergence of Sino-Japanese relations in a longer turn. Both countries’ economies are complementarily integrated and both wish to keep the trade balance positive. Regional integration of East Asia presents a very promising convergent platform for Sino-Japanese relations, though there is intense competition on the horizon for decisive influence and regional hegemony. Looking at other areas of interaction, Sino-Japanese relations remain cold in security and historical issues, natural resources acquisition and territorial disputes. Nevertheless, China is considered to be Japan’s “most important neighbour” (IIPS 2008), as was indicated by the presented frameworks on Sino-Japanese bilateral cooperation following “mutually beneficial relationship based on common strategic interests.” This principle suggests a focus on win-win situations. Only with time shall we see to what extent the political axis of Sino-Japanese relations will be left cold, and if the relations en bloc will start thawing in the second decade of the 21st century.
Notes

1 Former Chinese Premier Zhou Enlai: “there would have been no good Sino-Japanese relations, only when both China and Japan are industrialized, will the two countries co-exist peacefully, and share prosperity.” (Ping Ping 2007: 140). Chinese embrace of the concept of “market socialism” towards capitalism however bears risks. Chinese industrialization demands an ever incrementing scale of natural resources and thus it represents a weighty threat to Japan, which is dependent heavily on imports of resources.

2 Many authors describe this process using the theoretical model “Flying Geese” introduced by Akamatsu in 1962. Peng (2000) dates it back to the 1930s in the Japanese Empire in connection to the concept of the Greater East Asian Co-prosperity Sphere. The newer notion relates to complementary exchange of productive factors across borders replacing imports hierarchically for exports. In the model Japan presents “head goose,” NIEs “wings” and ASEAN 4 countries “tail.” Critics of this theory, Landsberg et al. (1998) describe the model as hierarchical regionalization of investments in production that lead to intensification of competition.

3 In 1989 Emperor Hirohito’s death marked an end to the Showa era. Upcoming Heisei era in Japan turned to be a period of crisis of identity amplified by Western influence (cf. Kingston 2011, IIPS 2006: 4).

4 The Asian Financial Crisis in East Asia befell more Japanese production networks, while ethnic Chinese business networks (diaspora huaren) in East Asia responded more flexibly (cf. Peng 2000).

5 Demographic trends show that China had 1,347,563,498 of people as the most populous country in 2010, while Japan 126,804,433 placing it on the 10th place in the world. As Geohive (2011) prognosis for the year 2050 suggests, China will be the second populous country with 1,424,161,948 the population of Japan may decline to between 101–93 000 of people placing it on the 17th rank. Aging population will be the common problem.


8 The purpose here is to make a reference on regionalism initiatives rather than listing all regional groupings.


10 In the third decade of Heisei era, after over 50 years of rule of the Liberal Democratic Party (LDP), the Democratic Party of Japan (DPJ) came to power in 2010. The political crisis exemplified in rising corruption scandals in LDP went to popular Prime Minister Koizumi’s initiatives of change. Currently the DPJ has urgent issues to address, mainly the triple disaster of March 2011. The political and social transformation of Japan (cf. Kingston 2011) adds to the uncertainty of her eventual directions within the China-US-Japan triangle.

References


