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**THESIS**

**SINO-JAPANESE RELATIONS: COOPERATION,  
COMPETITION, OR STATUS QUO?**

by

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March 2008

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**SINO-JAPANESE RELATIONS: COOPERATION, COMPETITION, OR  
STATUS QUO?**

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Major, United States Air Force  
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Submitted in partial fulfillment of the  
requirements for the degree of

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## **ABSTRACT**

Over the course of their history, bilateral Sino-Japanese relations have experienced a paradoxical relationship of autonomy and interdependence, mutual respect and suspicion, and admiration and condescension. The approach these regional powers take towards their bilateral relations – whether it is competition, cooperation, or the status quo – will circumscribe the framework for regional stability in the coming decades. To the casual observer, the cultural animosities stemming from World War II atrocities might indicate that diplomatic relations will be forever troubled. However, mutually beneficial economic ties have always existed between these two compatible economies.

This thesis unravels the complex relationship by examining the salient diplomatic, economic, and security issues. It finds that the doomsayers who cite virulent anti-Japanese nationalism in China are too pessimistic and the liberally inclined advocates of economic interdependence are too optimistic. It also finds that security concerns in the Taiwan Straits and the East China Sea have generally been quelled by the pragmatic political elites on both sides, who have managed to diffuse any potential escalation into armed conflict. Thus, the future for Sino-Japanese relations portends a continuation of the status quo, with bounded fluctuations between the optimists and the doomsayers.

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# **I. SINO-JAPANESE RELATIONS: COOPERATION, COMPETITION, OR STATUS QUO?**

## **A. PURPOSE**

Over the course of their history, bilateral Sino-Japanese relations have experienced a paradoxical relationship of autonomy and interdependence, mutual respect and suspicion, and admiration and condescension that continues to shape the Asian political landscape.<sup>1</sup> The purpose of this thesis is to answer the fundamental question of where is the bilateral relationship headed, and then assess the implications for U.S. foreign policy in the region.

## **B. IMPORTANCE**

The United States National Security Strategy places considerable importance on East Asian regional stability. The February 2007 report by Armitage and Nye affirms that "stability in East Asia will rest on the quality of U.S.-Japan-China relations, and even though the United States is closely allied with Japan, Washington should encourage good relations among all three."<sup>2</sup> Hence, the Sino-Japanese bilateral relations affect Washington's approach to policy in the Pacific theater. Since the end of World War II, the relationship has vacillated between short periods of attraction and friendship and longer periods of repulsion and enmity. Since the early 1990's, public opinion on either side of the East China Sea has dramatically dropped from once favorable opinion to now negative sentiments. Since the end of World War II, Japan's security alliance with the United States and economic ascension to the world's second largest economy has tilted the context of the Sino-Japanese relationship in Japan's favor. However, the end of the Cold War has created an international context in which both nations are more or less equal powers. The approach these regional powers take towards their bilateral relations –

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<sup>1</sup> Akira Iriye, *The Chinese and the Japanese* (Princeton: Princeton University Press, 1980).

<sup>2</sup> Richard Armitage and Joseph Nye, "The U.S.-Japan Alliance: Getting Asia Right through 2020," Center for Strategic and International Studies, February 2007, 14.

whether it is cooperation, competition, or the status quo – will circumscribe the framework for regional stability in the coming decades.

Gilbert Rozman, professor of sociology at Princeton University, sorts the outlook for Sino-Japanese relations into three categories: 1) optimists, who focus on regional economic interdependence, 2) pessimists, who focus on great power rivalry, and 3) doomsayers, who emphasize anti-Japanese nationalism that may ultimately lead to a third Sino-Japanese War.<sup>3</sup> This thesis examines the perspective of the doomsayers by looking at the affects of anti-Japanese nationalism on diplomacy, then the perspective of the optimists by looking at the causality of economic interdependence and security cooperation, and the perspective of the pessimists by looking at the security relationship. Drawing from the conclusions of the diplomatic, economic, and security chapters, the final chapter assesses whether Sino-Japanese relations will remain “status quo” and recommends a mixture of economic engagement and security hedging policies.

### **C. LITERATURE REVIEW**

The expansive scholarship invested into the volumes of literature on Sino-Japanese relations can be divided into two categories -- international relations based and policy focused -- and each category has three different schools of thought. The first category places the relationship within the framework of international relations and the three schools of thought on the likely course of Sino-Japanese relations are as follows: 1) Cooperation based on “liberal” economic interdependence, 2) Confrontation based on “realist” security interests and irreconcilable historical animosity, and 3) Status quo or continued economic interdependence, but without convergence on diplomatic relations.<sup>4</sup> The cooperation school of thought asserts that both sides officially advocate regional stability and continued economic interdependence citing as evidence the recent Asian

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<sup>3</sup> Gilbert Rozman, “Sino-Japanese Relations: Mutual Images and the Balance Between Globalization and Regionalism,” Asia Program Special Report, Woodrow Wilson International Center for Scholars, No 113, July 2003, 8.

<sup>4</sup> Wolf Mendl, *Issues in Japan’s China Policy* (New York: Oxford University Press, 1978); David Chibbet, *The Japan-China Phenomena: Conflict or Compatibility?* (Tokyo: Kodansha International Ltd: 1975).

summitry where both sides have been optimistic about further collaboration.<sup>5</sup> The confrontation school of thought is more pessimistic citing ongoing territorial disputes, potential confrontation for scarce resources, and worsening tensions regarding military build-up and Japan's bid for a permanent seat on the United Nations Security Council.<sup>6</sup> Several pessimist scholars point to the "historical" issues over such hot-button issues as history textbooks, war reconciliation, and Yasukuni shrine visits, which have effectively stymied more cordial diplomatic relations.<sup>7</sup> Finally, the "status quo" school puts the relationship within the context of the broader strategic security and economic context, but portends that the influence of nationalistic movements fueled by historical enmity will prevent substantial diplomatic accommodation.<sup>8</sup>

The second major category filters the context of the bilateral relationship through the policy lens and approaches the relationship from the policy making perspectives of Beijing, Tokyo, or Washington. The Beijing perspective views Japan's actions as aggressive and indicative of its inherent militaristic tendencies.<sup>9</sup> Chinese scholars and Japanese right-wing watchers point to Japan's constitutional reform movement, potential

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<sup>5</sup> For an analysis on theories of interdependence, see Robert O. Keohane and Joseph Nye, *Power and Interdependence: World Politics in Transition* (Boston: Little, Brown, 1997). James J. Przystup, "Japan-China Relations: Ice Breaks at the Summit," *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Center for Strategic and International Studies (Honolulu, HI), November 2006.

<sup>6</sup> See Michael Green, "The Limits of Economic Interdependence: Sino-Japanese Relations," in *China's Foreign Policy*, eds Alastair Iain Johnston and Robert S. Ross (Stanford, CA: Stanford University Press, 2006) 162-182; Tsuneo Akaha, "U.S.-Japan Relations in the Post-Cold War Era," in *Japanese Foreign Policy Today*, eds Inoguchi and Jain (New York: Palgrave, 2000), 198-224; Robert Marquand, "Nationalism Drives China, Japan Apart," *The Christian Science Monitor*, Dec 29, 2005; Allen S. Whiting, *China Eyes Japan* (Berkeley: University of California Press, 1989).

<sup>7</sup> See Caroline Rose, *Interpreting History in Sino-Japanese Relations* (London: Routledge, 1998); Danielle F. S. Cohen, "Retracing the Triangle: China's Strategic Perceptions of Japan in the Post-Cold War Era," *Maryland Series in Contemporary Asian Studies* Number 2 (2005); Akira Iriye, *China and Japan in the Global Setting* (Cambridge: Harvard University Press, 1992).

<sup>8</sup> See Robert S. Ross, *Managing a Changing Relationship: China's Japan Policy in the 1990's* (Carlisle, PA: Strategic Studies Institute, U.S. Army War College, 1996); Robert G. Sutter, *Chinese Policy Priorities and Their Implications for the United States*, (Lanham: Rowan and Littlefield, 2000), 79-95; Dick Nanto and Emma Chanlett-Avery, "The Rise of China and Its Effect on Taiwan, Japan, and South Korea: U.S. Policy Choices" CRS Report for Congress, Jan 13, 2006; Daojiong Zha, "The Taiwan Problem in Japan-China relations: An Irritant or Destroyer?" *East Asia: An International Quarterly*, Spring 2001, 205-224; Peggy F. Meyer, "Sino-Japanese Relations: The Economic Security Nexus," in *Politics and Economics in Northeast Asia*, ed Tsuneo Akaha (New York: St. Martin's Press, 1999), 135-157.

<sup>9</sup> Jing-Dong Yuan, "Chinese Perspective on U.S.-Japanese Alliance," paper presented at a Conference at the Monterey Institute for International Studies held 4 March 2007.

nuclear weapons capability, and politically conservative leanings as indicative of Japan's threat to China.<sup>10</sup> The Tokyo perspective views China's actions as intended to stymie Japan's national comprehensive power.<sup>11</sup> China watchers from both Japan and the U.S. point to the PRC's aggressive actions during the 1996 Taiwan missile crisis, the build up of intermediate range ballistic missiles, and conflicts in the East China Sea as signals of China's quest for East Asian predominance.<sup>12</sup> Finally, the Washington perspective lays out the best policy options that balance U.S. national interests against the struggles between these Asian powers.<sup>13</sup> Asian affairs watchers generally offer policy options that accommodate both sides in multi-level, meaning Track I (official), Track II (semi-official and non-governmental) and Track III (public), engagement strategies.<sup>14</sup> Several important questions arise from closer examination of the Sino-Japanese relationship, like whether a security dilemma will emerge, or whether economic interdependence alone can foster good will, or whether the negative trends in cultural affinity could be reversed. In addition to those questions, the fundamental question this thesis seeks to answer is what are the trends for future Sino-Japanese relations?

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<sup>10</sup> Wu Xinbo, "The Security Dimension of Sino-Japanese Relations: Warily Watching One Another," *Asian Survey*, Vol. 40, No.2 (March-April, 2000): 296-310; Wan Ming, *Sino-Japanese Relations: Interaction, Logic, and Transformation*, (Stanford: Stanford University Press, 2006); Wenran Jiang, "New Dynamics of Sino-Japanese Relations," *Asian Perspective*, Vol. 31, No. 1, (2007): 15-41;

<sup>11</sup> Akio Takahara, "Japanese NGOs in China," paper presented at the East Asian Institute's Conference on China-Japan Relations: Conflict and Cooperation, August 1-2, 2002, Singapore.

<sup>12</sup> Thomas J. Christensen, "Fostering Stability or Creating a Monster?," *International Security*, Vol. 31, No. 1, (Summer 2006): 81-126; Mark J. Valencia, "The East China Sea Dispute: Context, Claims, Issues, and Possible Solutions," *Asian Survey*, Vol. 31, No.1, (2007): 127-167; Young C. Kim, "Japanese Policy Towards China: Politics of the Imperial Visit to China in 1992," *Pacific Affairs*, Vol. 74, No. 2, (Summer 2001): 225-242; The National Institute for Defense Studies, *East Asian Strategic Review*, March 2007.

<sup>13</sup> Ezra Vogel, "The United States Perspective" in *The Age of Uncertainty: The U.S.-Japan-China Triangle from 1989 to 2001*, eds by Ezra Vogel, Yuan Ming, Akihiko Tanaka, Harvard East Asian Monographs Online, (Cambridge, MA: Harvard University Asia Center, 2004).

<sup>14</sup> Camilla T. N. Soerensen, "Strategic "Traingularity" in Northeast Asia: The Sino-Japanese Security Relationship and U.S. Policy," *Asian Perspective*, Vol. 30, No. 3, (2006): 99-128; James Kelly, et al., *Sino-Japanese Rivalry: Implications for U.S. Policy*, Institute for National Strategic Studies Special Report, April 2007; Paul Midford, "China Views the Revised U.S.-Japan Defense Guidelines: Popping the Cork?," *International Relations of the Asia-Pacific*, Vol. 4, (2004): 113-145; Melvin Gurtov, "Options for Reconciling China and Japan," *Asian Perspective*, Vol. 31, No. 1, (2007): 169-175; Peter Van Ness, comment on "Japan-China Joint History Project" The Reconciliation Between Japan and China and the Cooperative Consultative Network Blog, comment posted March 23, 2007, <http://china-japan-reconciliation.blogspot.com/2007/03/japan-china-joint-history-project.html>, (accessed May 22, 2007).

#### **D. METHODOLOGY AND SOURCES**

The author will make assessments on the varying viewpoints regarding the direction of Sino-Japanese relations and formulate a policy recommendation based on the analysis of current trends. A thorough analysis of the key areas of conflict will address the social, cultural, economic, and security barriers to better bilateral relations.

This thesis uses a combination of both primary and secondary sources to assess each country's national interests and policy choices. In addition, personal interviews with both Chinese and Japanese experts in their field have been used to analyze potential courses of action. Professor Jing-Dong Yuan from the Monterey Institute of International Studies and Professor Akio Takahara from Tokyo University represent the Chinese perspective, and Professor Seiichiro Takagi from Aoyama Gakuin University, Mr. Masayuki Masuda and Dr. Yasuhiro Matsuda from the National Institute of Defense Studies represent the Japanese perspective.

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## II. DIPLOMATIC ISSUES: THE EFFECTS OF NATIONALISM

### A. INTRODUCTION

When discussing Sino-Japanese relations with interested observers, a common observation is that the emotional nature of anti-Japanese nationalism prevents Chinese from having “rational” conversations about Sino-Japanese diplomatic relations.<sup>15</sup> For the purposes of this chapter “nationalism” refers not to the patriotic national pride that was exhibited at the 1964 Tokyo Olympics or in the lead up to the 2008 Beijing Olympics, but rather the hate-filled sentiment echoed in terms like “little Japanese” (*xiao riben*) and “devils” (*guizi*) that is often perpetuated in anti-Japanese riots, demonstrations, and internet chatrooms.<sup>16</sup> How much influence does this type of nationalism have on the overall relationship between Japan and China? This chapter makes the case that nationalism is a constraining factor that weakens the outlook for optimists, but it is also constrained by several factors that prevent a “doomsday” scenario.

#### 1. The Framework

This chapter is organized into four parts. The first part highlights four different arguments that forewarn of a worsening anti-Japanese nationalism in China. The next part acknowledges the cause for concern, but puts forward counter-arguments for why alarmists need not worry. The third part underscores the already existing interdependencies within the region and highlights some positive signs for the convergence of national interests. Finally, the last part draws some conclusions on the effects of future Sino-Japanese diplomatic relations.

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<sup>15</sup> Comments from Frank Hawke at the Naval Postgraduate School, Chairman, Greater China Kroll, Beijing, a long time China observer February 6, 2007.

<sup>16</sup> Peter Hays Gries, “China’s “New Thinking on Japan,” *The China Quarterly*, 2005, 837.

## **B. NATIONALISM INFLAMES EMOTIONAL DOMESTIC FORCES**

At the heart of the argument that anti-Japanese nationalism will ultimately divide these nations are the premises that 1) historical enmity runs deeply into society and cannot be ameliorated until there has been satisfactory reconciliation, 2) the sensationalistic media are getting worse and not better and imperfect information will continue indefinitely, 3) issues of territorial sovereignty are important enough that Beijing would risk war to resolve them, and 4) Beijing is highly influenced by anti-Japanese public opinion and protests.

### **1. Historical Enmity Runs Deep**

The conventional wisdom put forth by prominent scholars studying Chinese nationalism is that the root causes of virulent anti-Japanese nationalism stem from Japanese insincere apologies, mistreatment of Chinese people, lack of reconciliation, and whitewashing of history.<sup>17</sup> Chinese scholars have said that the Japanese apologies appear insincere because they only came after much Chinese diplomatic pressure.<sup>18</sup> Chinese complain that Japan has shirked responsibility for the war and failed to compensate individual Chinese citizens who suffered directly at the hands of the Japanese Imperial Army, including comfort women, forced laborers, and mistreated POWs.<sup>19</sup> In the eyes of the Chinese public, Japan's perceived lack reconciliation instigates hatred because Japan needs to do more (i.e., apologize more, give more, repent more) before they will forgive Japan for its wartime atrocities.

Even though Beijing may be more pragmatic, according to Chinese scholars, large swaths of Chinese society resent Japanese whitewashing of historical facts, the lack of

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<sup>17</sup> Robert Marquand, "Nationalism drives China, Japan apart," *The Christian Science Monitor*, December 29, 2005; Peter Hays Gries, "China's "New Thinking on Japan," *The China Quarterly*, 2005.

<sup>18</sup> Jing-Dong Yuan, "Chinese Perspective on U.S.-Japanese Alliance," Paper presented at Monterey Institute of International Studies, Monterey, CA, March 4, 2007

<sup>19</sup> Hugo Restall, "Opposing the Sun: Japan Alienates Asia," *Far Eastern Economic Review*, April 2005, 8.

sincerity in restitution, and some even fear resurgence in militarism.<sup>20</sup> Compared to the German post-World War II openness regarding history, the Chinese point is well made because there have been no bilateral agreements on history textbooks or commonly vetted memorials to the victims of war.<sup>21</sup> The inability of scholars to agree upon the basic precepts of the historical record adds to the complicated issue of unraveling history. In 2005, a joint Sino-Japanese commission to study history was given a charter to produce a report by 2008. However, when Ezra Vogel was asked to comment on the progress of the commission, he indicated that the political and emotional viewpoints were preventing an unbiased scholarly approach and leading to quarrels.<sup>22</sup> Scholars like Thomas Berger say the history problem will not go away because the Cold War forces that kept the xenophobic sentiment bottled up no longer exist, allowing the brooding sentiment to grow and be exploited by factions that benefit from demonizing the unknown.<sup>23</sup>

## 2. A Sensationalized Media Exacerbates the Sino-Japanese Divide

Susan Shirk's recent study of media outlets in China demonstrate a proclivity to propagate xenophobic news stories in a vicious cycle that further exacerbates inherent nationalistic tendencies. She asserts that Chinese media sources compete with each other to appeal to potential audiences and tend to publish one-sided stories in order to increase readership.<sup>24</sup> In addition, the general public tends to trust non-official sources more than the officially sanctioned news sources. The net affect is less accurate and more

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<sup>20</sup> Yinan He, "History, Nationalism and the Emerging Sino-Japanese Conflict," (paper prepared for the Fairbank Center for East Asian Research, Harvard University, March 19, 2005), 13.

<sup>21</sup> Preechayana Wongaroon, "Comparison of Reconciliation between Franco-German and Sino-Japanese Relations," August 27, 2006, *Reconciliation Between China and Japan and the Cooperative Security Network*, <http://china-japan-reconciliation.blogspot.com/2006/08/comparison-of-reconciliation-between.html>, (accessed September 17, 2007).

<sup>22</sup> Ezra Vogel, When ask about his expectation of the China-Japan Joint History Research Committee, *Beijing Review*, Reporting from New York, April 10, 2007.

<sup>23</sup> Thomas U. Berger, "Of Shrines and Hooligans: The Structure of the History Problem in East Asia after 9/11," Presentation at Boston University, October 28, 2005.

<sup>24</sup> Susan Shirk, "Changing Media, Changing Foreign Policy in China," *Japanese Journal of Political Science*, 8 (1), April 2007: 43.

sensationalized information. In fact, Shirk's conclusion is that the media drive the anti-Japanese sentiment, thus forcing Beijing's foreign policy to react to public opinion.<sup>25</sup>

### **3. Territorial Disputes Inflamm Nationalistic Sentiment**

Territorial issues that carry intonations of violating sovereignty are often the most violent and emotional disputes with Japan. In China, the disputes over the Diaoyu Islets created a firestorm of protest in 1990, 1996, and again in 2003. A nationalistic public outcry called upon Beijing to defend China's "national dignity."<sup>26</sup> Downs and Saunders, report that on September 13-14, 2006, "the PLA practiced blockades and landings on islands off Liaoning Province that may have been intended to warn Tokyo against further incursions on the Diaoyu Islands."<sup>27</sup>

In 2004, several rounds of negotiations regarding the exclusive economic zone (EEZ) in the East China Sea between China's Foreign Ministry and Japan's Ministry of Foreign Affairs resulted in an impasse. While not directly related, in July 2004, a Han-class submarine entered Japanese waters, seemingly to probe Japan's underwater detection capabilities. The PLA's increasing offensive capabilities and increasing defense budget are a cause for concern among U.S. and Japanese defense strategists.<sup>28</sup> The major security concern is that the Beijing will need to base its legitimacy on its pledge to uphold China's sovereignty and will choose military options to respond to territorial issues for the sake of Chinese pride, honor, and national unity. Beijing's aggressive actions in the Spratly Islands and adamant insistence on its territorial rights to Taiwan indicate that it will not give up the Diaoyu Islets without a fight.

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<sup>25</sup> Susan Shirk, "Changing Media, Changing Foreign Policy in China," *Japanese Journal of Political Science*, 8 (1), April 2007: 68-69.

<sup>26</sup> Erica Strecker Downs and Phillip C. Saunders. "Legitimacy and the Limits of Nationalism: China and the Diaoyu Islands," *International Security*, Vol. 23, No. 3, (Winter, 1998-1999): 130.

<sup>27</sup> *Ibid*, 134.

<sup>28</sup> Office of the Secretary of Defense, "Annual Report to Congress: Military Power of the People's Republic of China 2007," <http://www.defenselink.mil/pubs/pdfs/070523-China-Military-Power-final.pdf>, (accessed November 2, 2007).

#### 4. Bottom-up Approach to Xenophobic Nationalism in China

Even though Beijing maintains an authoritarian hold on Chinese society, the accumulated enmity towards Japanese transgression has led to visible and increasingly frequent anti-Japanese protests, which constrain Beijing's foreign policy options and force the government into a reactive mode. The following is a list of protests in 2003:

- August 4, 2003: In Qiqihar, protesting the inadvertent discovery of a cache of World War II Japanese chemical weapons that led to one death and 43 injuries,<sup>29</sup>
- September 30, 2003: In Zhuhai, protesting an orgy of Japanese tourists with Chinese prostitutes on September 18<sup>th</sup> (anniversary of the Marco Polo Bridge incident),<sup>30</sup>,
- October 9, 2003: From Zhejiang, 13 protestors attempted to land on Diaoyu Island,<sup>31</sup>
- November 3, 2003: In Xi'an, protesting a lewd skit by Japanese University students,<sup>32</sup>

Anti-Japanese incidents in China culminated in April 2005 with demonstrations occurring in multiple cities throughout China following a combination of announcements regarding the Japanese Ministry of Education's release of a controversial history textbook and regarding Japan's potential bid for permanent seat on the United Nations Security Council.

In many respects, Chinese political leaders are reluctant to embrace Japan because of the lessons learned from the demise of Hu Yaobang, which was partially attributed to his pro-Japanese foreign policy stance in the late 1980s.<sup>33</sup> Subsequently, both Jiang Zemin and Hu Jintao have been cautious not to alienate internal hard-line factions

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<sup>29</sup> "Relic of War Adds to Strain in Beijing Ties with Tokyo," *The New York Times*, August 12, 2003

<sup>30</sup> "China Angered by Reported Orgy Involving Japanese Tourists," *The New York Times*, September 30, 2003.

<sup>31</sup> "Reclaiming the Diaoyu Islands: a volunteer memoir," *Beijing Times*, November 13, 2003, [http://english.peopledaily.com.cn/200311/13/eng20031113\\_128219.shtml](http://english.peopledaily.com.cn/200311/13/eng20031113_128219.shtml), (accessed September 20, 2007).

<sup>32</sup> "Culture Clash: Curtain still raised on Chinese protests over 'obscene skit'," *Asahi.com*, November 3, 2003.

<sup>33</sup> Allen S. Whiting, *China Eyes Japan*, (Berkeley: University of California Press, 1989), 17-49.

regarding their Japan policy. China watcher Peter Hays Gries speculated that the Ma Licheng article espousing a “new thinking” towards Japan was promulgated by Hu Jintao’s think-tank to get a feel for the receptiveness of the Chinese public to forgive Japan for past atrocities and approach the relationship as equals.<sup>34</sup> The negative reaction and death threats thrust onto Ma Licheng showed that timing in 2003 was not right for such an approach and Hu has remained cautious since that trial balloon failed.

A recent internet phenomenon of *fenqing* (indignant) young people has been grabbing headlines in the Chinese press for overt acts of anti-Japanese nationalism, like splashing human waste on a Chinese actress, who wore a dress resembling the Japanese flag.<sup>35</sup> In 2005, the 101-story Mori building being built in Shanghai’s Pudong Financial District ran into anti-Japanese protests when the mayor of Shanghai objected to a design feature that looked like a “rising sun” over Shanghai.<sup>36</sup> The fact that 90,000 on-line protestors effectively diverted the award of a Shanghai-Beijing railway contract from a Japanese company for \$12B to a more expensive German proposal shows that public opinion does indeed constrain economic ties.<sup>37</sup> When grouped together in this context, it is not inconceivable that scholars would broadly draw the same conclusion -- that the tap root of nationalism within Chinese society is genuine hatred towards Japan for wartime atrocities and a fear of a resurgent militarism.

### C. CAUSE FOR CONCERN, BUT NOT ALARM

While the Sino-Japanese relationship did look “ripe for rivalry” between 2001 and 2005,<sup>38</sup> closer inspection reveals that anti-Japanese nationalism is also constrained by

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<sup>34</sup> Peter Hays Gries, “China’s “New Thinking on Japan,” *The China Quarterly*, December 2005, No. 184, 834.

<sup>35</sup> He Yanan, “Remembering and Forgetting the War: Elite Mythmaking, Mass Reaction, and Sino-Japanese Relations, 1950-2006,” In *History and Memory*, eds Eva and Marc Besen (Bloomington: Indiana University Press, 2006), 61.

<sup>36</sup> “Shanghai’s bristling skyline gets giant new landmark,” *CNN.com/Asia*, September 14, 2007, <http://www.cnn.com/2007/WORLD/asiapcf/09/14/china.tallest.building.ap/index.html?iref=newssearch>, (accesses September 20, 2007).

<sup>37</sup> Peter Hays Gries, “China’s “New Thinking on Japan,” *The China Quarterly*, 2005, 844.

<sup>38</sup> Aaron L. Friedberg, “Ripe for Rivalry: Prospects for Peace in a Multipolar Asia,” *International Security*, Vol 18, No. 3, (Winter 1993/1994), 5-33.

pragmatic decision making and a larger desire for economic prosperity. The commonly held argument that xenophobic nationalism will lead to enduring rivalry can be either refuted or mitigated with counter-arguments that assert 1) historical enmity is actually shallow, 2) a seasoned media narrows the divide, 3) pragmatism trumps the emotion of territorial disputes, and 4) top-down influences of popular opinion can quell belligerent ultranationalist factions.

### **1. Historical Enmity is a Shallow Argument**

First of all, the complexity of the historical enmity argument requires that it be broken down into smaller segments. From the Chinese perspective, Japan is easy to hate because of its insincere apologies, mistreatment of Chinese people, lack of reconciliation, and whitewashing of history. Each of these arguments also has a Japanese perspective and counterarguments. Japan often complains of “apology fatigue” because Prime Minister Murayama clearly apologized on the fiftieth anniversary of the end of World War II to all Asian nations and Emperor Akihito, during his first state visit to China in 1992, expressed his deep remorse to the people of China for enduring hardships at the hands of the Imperial Army.<sup>39</sup> Regarding general cases of wartime mistreatment, Japan has hid behind the legal argument that punitive damages were already paid to governments when relations were normalized via the 1951 San Francisco Treaty and the 1972 joint communiqué establishing diplomatic relations with the PRC. However, regarding specific cases of compensation, non-governmental agencies with semi-governmental support have established the Asian Women’s Fund to compensate comfort women and paid damages to the victim of the Qiqihar chemical weapons discovery.<sup>40</sup> Japan has worked with Chinese government officials to safely dispose of remaining canister of mustard gas in the Heilongjiang province.<sup>41</sup> While it is true that Sino-Japanese reconciliation pales in comparison to the Franco-German case, if reconciliation

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<sup>39</sup> Yutaka Kawashima, *Japanese Foreign Policy at the Crossroads*, (Washington, D.C.: Brookings Institution Press, 2003), 15.

<sup>40</sup> “Fund ends payment to comfort women,” BBC News, February 20, 2002; <http://news.bbc.co.uk/1/hi/world/asia-pacific/1831172.stm> (accessed September 13, 2007); “Japan to Pay \$2.7 Million to Lethal Gas Leak Incident,” Xinhua News Agency, October 19, 2003.

<sup>41</sup> “Experts to Destroy Japan’s Chemical Weapons,” CCTV.com, November 9, 2003.

is looked at from a broader colonial lens, then there are precedents where nation-states have ignored past atrocities for the sake of the greater good. Examples include bilateral ties between England and India, Netherlands and Africa, the Netherlands and Indonesia, and finally the United States and Native Americans.

Finally, on the issue of whitewashing historical facts, every country, including China, distorts the historical record. The Uighurs in Xinjiang and Llamaists in Tibet likely tell a different version of history than what is taught in Chinese history books. The more significant question seems to be whether Japan's distortion of history will lead it back down the road of militarism. In a survey called the "Beijing Area Study" conducted in 2001-2003, Alastair Iain Johnston found that the Chinese perception of threat from "Japanese militarism" was a distant sixth behind the threats of Taiwan independence, domestic social unrest, U.S. military power, global problems, and global economic decline.<sup>42</sup> Two other interesting observations from that study data were that U.S. reporting on "rising Chinese nationalism" may have had a selection bias in selecting mostly (30 percent) young Chinese students as sources. The second is that the more educated and traveled the respondents were, the less likely they were to consider the United States a threat. Therefore, Chinese rising nationalism may have been misrepresented in the press and as Chinese society becomes more educated and traveled, there may be reason for cautious optimism that anti-Japanese nationalism may diminish over time.

## **2. A Seasoned Media Narrows the Divide**

Susan Shirk's point that the sensationalized media in China hamstringing the Beijing's foreign policy making is well taken, but there is also no reason to be pessimistic that the media will not improve and evolve into a more credible source for information over time. As Chinese society becomes more educated and critical of its news sources, the effects of Chinese "yellow journalism" are likely to subside over time. While the evolution of "yellow journalism" in the United States in the late 1890s is inherently

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<sup>42</sup> Alastair Iain Johnston, "The Correlates of Beijing Public Opinion towards the United States, 1998-2004," In *New Directions in the Study of China's Foreign Policy*, eds Alastair Iain Johnston and Robert S. Ross, (Stanford, CA: Stanford University Press, 2006), 362.

different than the sensationalistic media in China in the late 1990s, Beijing has taken some initial steps in preparation for the 2008 summer Olympic Games. On October 18, 2007, the Beijing Organizing Committee for the Olympic Games has promised to allow foreign media free and open access to the internet and freedom of movement.<sup>43</sup> In fact the media could play a crucial role in a larger political opening of China to a democratic regime change. If the media succumb to the pressures of ultra-nationalism, then they might become the propaganda arm for a new regime and exacerbate tensions with Washington and Tokyo. However, a professionalized media that stays “above the fray” of domestic politics could potentially be the catalyst for democratic change and a truly free press in China.

### **3. Pragmatism Trumps Emotion on Territorial Issues**

Territorial disputes over the Senkaku Islands in both 1990 and 1996 were closely examined by Downs and Saunders.<sup>44</sup> They found that despite vehement calls from Chinese nationalists and a joint letter from thirty-five PLA generals demanding stronger action, Beijing intervened with calculated pragmatism to quell the dispute.<sup>45</sup> In November 2004, when a Han-class submarine was apparently probing Japanese undersea detection capabilities, the Chinese Foreign Ministry in rare form apologized for “technical problems” with the PLAN submarine.<sup>46</sup> While ultra-nationalist elements undoubtedly exist within Chinese society, the current government is committed to positive future relations with Japan and is not ready to challenge the Japan-U.S. security alliance. On October 30, 2007, Beijing stepped up its carrot and stick efforts to deter protestors from sailing to the disputed Senkaku Islands.<sup>47</sup> The fact that authorities forced

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<sup>43</sup> Louise Evans, “Games may open door to press freedom,” *The Australian Media*, October 18, 2007, <http://www.theaustralian.news.com.au/story/0,25197,22603969-5013611,00.html>, (accessed November 28, 2007).

<sup>44</sup> Erica Strecker Downs and Phillip C. Saunders. “Legitimacy and the Limits of Nationalism: China and the Diaoyu Islands,” *International Security*, Vol. 23, No. 3, (Winter, 1998-1999): 114-146.

<sup>45</sup> *Ibid*, 138.

<sup>46</sup> Li Yongyan, “Beijing says the ‘s’ word,” *Asia Times Online*, November 23, 2004. <http://www.atimes.com/atimes/China/FK23Ad01.html>, (accessed September 9, 2007).

<sup>47</sup> Kenji Minemura and Nozomi Hayashi, “China Constrains Activists Who Advocate China’s Ownership of Senkaku Islands,” *Asahi Shimbun*, November 7, 2007.

the protestors to sign a written pledge not to sail again shows that Beijing is serious about improving relations with Japan. Those judgments were echoed by Michael Green in testimony before congress, when he said “there is reason to expect that both Tokyo and Beijing will add more nuance and caution to their treatment of controversial historical and territorial issues over the coming months and that will contribute to a more stable equilibrium in their bilateral relationship.”<sup>48</sup>

#### **4. Top-Down Influences Can Channel Nationalism as a Positive Force for Unity**

The bottom-up argument about xenophobic nationalism certainly carries some weight, but the virulent nature of Chinese demonstrations needs to be put in perspective and perhaps anti-Japanese sentiment could even be unlearned. The number and frequency of anti-Japanese public protests seem intense when looked at as a group, but when compared to the 58,000 “mass incidents” reported in 2003, they represent only a small fraction of pent up anger that Chinese society holds towards other aspects of its life “like environmental problems, wage disputes, social welfare problems, the restructuring of state-owned enterprises, and evictions.”<sup>49</sup> As in 1986, student demonstrations are likely as much about bad cafeteria food, corruption, and inequality as they are about the organized protest of the day. Allen Whiting reports that interviews after the 1986 textbook protest showed that “more than anti-Japanese sentiment motivated the student demonstrators.”<sup>50</sup> Given the larger picture, the anti-Japanese riots only represent a small portion of animosity in China and protests alone should not be used as a barometer to predict a worsening relationship, because students demonstrate their anger for a variety of reasons.

According to Chinese scholars, the underlying cause for enmity towards Japan is based on myth-making from the central government during the 1980s political education

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<sup>48</sup> Michael Green, “Japan’s Tense Relations with Her Neighbors: Back to the Future,” Testimony on Hearing on House Committee on International Relations, September 14, 2006.

<sup>49</sup> Louisa Lim, “Chinese protests on the rise,” *BBC News*, June 8, 2004, <http://news.bbc.co.uk/go/pr/fr/-/2/hi/asia-pacific/3786541.stm>, (accessed September 9, 2007).

<sup>50</sup> Allen S. Whiting, *China Eyes Japan*, (Berkeley: University of California Press, 1989), 76-77.

campaigns (PEC) that fostered unity within China by deflecting hatred outward toward Japan.<sup>51</sup> Beijing learned that while anti-Japanese nationalism does create a sense of unity among the people, it also negatively affects its ability to maintain openness toward Japanese trade and investment. Among Chinese government and business leaders, many have changed their tone and are advocating restraint and moderation in discussions about Japan. A growing number of “moderate party leaders advocate a plan that acknowledges Japan’s contributions, Japan’s democratic and peaceful orientation in the second half of the 20<sup>th</sup> century.”<sup>52</sup> If anti-Japanese sentiment was learned in the 1980s PECs, then there exists the possibility that pro-Japanese sentiment could be re-learned if the central government wanted to embark on a propaganda campaign to show how the post-World War II Japanese have been helpful to Chinese economic growth and development. In fact, some of that is already happening with the disclosure of official developmental assistance (ODA) projects funded with Japanese money getting more attention now, than they did in the 1980s and 1990s.<sup>53</sup>

Prior to the Wen-Abe summit in April 2007, CCTV began to run stories with positive coverage of Japan. In a special series on Japan, CCTV host Bai Yansong interviewed Tsuneo Watanabe, the chairman and editor in chief of the *Yomiuri Shimbun*, Japan’s largest newspaper. Yansong asked about the *Yomiuri Shimbun* project to “determine who was responsible for the war” and inquired about Watanabe’s perspectives on the prime minister’s Yasukuni shrine visit.<sup>54</sup> It was an unprecedented display of impartiality for an official Chinese news source. The more surprising outcome was that only a few months after the positive coverage and Wen Jiabao’s summit in Tokyo, polls showed positive trends in terms the public’s perception of Japan. The Genron NPO, a non-profit organization, conducted a joint public opinion survey in May 2007 which found that there was a 20 percentage point improvement in Chinese

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<sup>51</sup> Yinan He, “History, Nationalism and the Emerging Sino-Japanese Conflict,” (paper prepared for the Fairbank Center for East Asian Research, Harvard University, March 19, 2005).

<sup>52</sup> Pang Zhongying, “Increasing co-operation or confrontation? Foresight is needed in dealing with Sino-Japanese relations” *World Economics and International Politics*, No 9 (2003), 15-17.

<sup>53</sup> Interview with Akio Takahara PhD, at Tokyo University, August 26, 2007.

<sup>54</sup> Beijing CCTV, “CCTV Reporter Interviews Yomiuri Chairman Tsuneo Watanabe on Historical Issues,” March 20, 2007.

perceptions of Japan.<sup>55</sup> If a couple months of positive propaganda can generate 20 points of improved perceptions, then public opinion may not be as ardently anti-Japanese as the pessimists may think.

Even during the most fanatical attacks from ultranationalists, a moderate line began to emerge, which advocated “patriotism without jingoism.” Defenders of prudent patriotism protected the right to offer opposing views by remonstrating “gang of four” methods and showing how extreme “left” methods are not what the Chinese of today should be grasping for as they move toward advancing their society.<sup>56</sup> “Writing in the *Jiefang Ribao* (Liberation Daily), Sima Xin argued that the expression of patriotism must be ‘civilized not barbaric.’”<sup>57</sup> As long as a contingent of open-minded people in China continue to advocate for a broad exchange of ideas, then in the not too distant future, optimists can hope that the emotion of Sino-Japanese relations will fade and interested observers will be able to have an open and rational conversation about Japan. The hope of Ma Licheng and others is that China will be ready to embrace the concept of empowerment and relinquish the concept of victimization. In hindsight, even the controversy over the Mori building was overblown. The president of the Mori construction company put a positive spin on the completed \$1.1 billion project saying “we were happy to make the change because it did not cause any real delays and it pleased the Shanghai authorities.”<sup>58</sup>

While anti-Japanese nationalism certainly is cause for concern within the context of Sino-Japanese diplomatic relations, it is not a cause for alarm. Perhaps a good test of this assertion would be a resurgence of anti-Japanese nationalism during the 2008 summer Olympics in Beijing. If a repeat of the 2004 Asian Cup protests were to occur, one could make the assertion that nationalism in China is still a significant factor in the

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<sup>55</sup> Tokyo Shimbun, “Japan-China joint poll: More than half see China’s sentiment toward Japan as improved,” August 18, 2007.

<sup>56</sup> Peter Hays Gries, “China’s “New Thinking on Japan,” *The China Quarterly*, 2005, 835.

<sup>57</sup> Liberation Daily, reproduced on Sina.com at <http://ent.sina.com.cn/r/m/2002-01-09/69273.html>, (accessed January 9, 2008).

<sup>58</sup> “Shanghai’s bristling skyline gets giant new landmark,” CNN.com/asia, September 14, 2007, <http://www.cnn.com/2007/WORLD/asiapcf/09/14/china.tallest.building.ap/index.html?iref=newssearch>, (accessed September 20, 2007).

evolving diplomatic relationship. However, if nothing happens, it does not necessarily mean that relations are friendly, but just that relations are retuning to more normal standard.

#### **D. POSITIVE TRENDS SIGNALING CONVERGENCE**

Since the summer of 2006, political rhetoric between China and Japan began to soften and a long awaited opening began. Positive trends are visible in both countries and Track II (semi-governmental) and Track III (non-governmental) programs of friendship and amity continue to foster positive results.

##### **1. Positive Trends in Japan**

While Prime Minister Koizumi got credit for implementing difficult economic reforms in Japan, he also took much criticism for his foreign policy towards China. By the end of his term in office he received calls from seven former prime ministers and countless public admonitions from business leaders to stop visiting the Yasukuni shrine.<sup>59</sup> When Prime Minister Abe took office, his “no confirmation, no denial” policy on Yasukuni shrine visits enabled him to make his first state visit to China, thus breaking the ice. According to Japanese polling data, “an overwhelming 82 percent surveyed said that the next Prime Minister should not visit Yasukuni, while only 10 percent supported the continued homage.”<sup>60</sup>

While anti-Chinese nationalism does exist in Japan, those elements of society represent a small minority with little political clout. Japanese generally associate ultra-nationalists with the “yakuza” criminal element and Japan’s National Police Agency monitors 500 different right-wing groups (uyoku dantai) and estimates that their numbers do not exceed 10,000 members.<sup>61</sup> A recent headline grabbing action from the ultra-

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<sup>59</sup> Abe’s press conference, Beijing, October 8, 2006, <http://www.kantei.go.jp/jp/abespeech/2006/10/08chinapress.html>, (accessed November 2, 2007).

<sup>60</sup> Wenran Jiang, “New Dynamics of Sino-Japanese Relations,” *Asian Perspective*, Vol. 31, No. 1, 2007, 36.

<sup>61</sup>“Asia: Old Habits Die Hard; Japan’s Ultra-Nationalists,” *The Economist*, Vol. 383, Issue 8529, May 19, 2007, 63.

nationalists was the burning of Koichi Kato's home for criticizing Prime Minister Koizumi's visits to the Yasukuni Shrine. However shortly after the incident, the leader of the right-wing group responsible for the arsonist, told police authorities that he was disbanding his organization.<sup>62</sup> The desperate measures taken by these right-wing groups are often interpreted as a reflection of its lack of mainstream Japanese political influence. Some analysts presume that Koizumi's visits to the Yasukuni Shrine demonstrate his right-leaning nationalistic tendencies, but other analyses attribute his homage to his personal views on praying for the war dead.<sup>63</sup>

The recent election of Yasuo Fukuda, the eldest son of former Prime Minister Takeo Fukuda, a pro-China statesman, will likely bode well for improved diplomatic relations. The Fukuda faction in Japanese domestic politics has always taken a soft approach towards China.<sup>64</sup> Yasuo Fukuda has already announced that he does not intend to pay homage to the Yasukuni Shrine and even suggested that the Yasukuni issue be removed by building a separate war memorial.<sup>65</sup> In order to placate Chinese desires Fukuda has even decided not to recognize the Dalai Lama as a VIP. Pema Gyalpo, a former representative of the Dalai Lama and professor at Torin University in Yokohama commented that "among the democratic nations, Japan is the only one that refused to meet His Holiness."<sup>66</sup> On November 30, 2007, Japan and China held their first ever ministerial-level economic dialogue in Beijing, where Japanese Foreign Minister Masahiko Komura met with Chinese Vice Premier Zeng Peiyan.<sup>67</sup> On December 27, 2007, Prime Minister Fukuda kept his promise to pay an official visit to Beijing by the end of 2008. Hu Jintao personally ensured a warm reception especially since Fukuda's

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<sup>62</sup> "Asia: Old Habits Die Hard; Japan's Ultra-Nationalists," *The Economist*, Vol. 383, Issue 8529, May 19, 2007, 63.

<sup>63</sup> Sebastian Moffett, "Koizumi's Shrine Visit Tests China Ties," *The Wall Street Journal*, October 18, 2005, B4.

<sup>64</sup> Young C. Kim, "Japanese Policy Towards China: Politics of the Imperial Visit to China in 1992," *Pacific Affairs*, Vol. 74, No.2, (Summer 2001), 232.

<sup>65</sup> Catherine Makino, "Japan: Fukuda Placates China by Snubbing Dalai Lama," *Global Information Network*, November 26, 2007, 1.

<sup>66</sup> *Ibid*, 1.

<sup>67</sup> Associated Press, "Japan, China to hold first ever economic dialogue on Sat," November 29, 2007, [http://www.breitbart.com/article.php?id=D8T6UNC00&show\\_article=1](http://www.breitbart.com/article.php?id=D8T6UNC00&show_article=1), (accessed December 5, 2007).

announcement not to support Taiwan's planned referendum to join the United Nations saying "if the referendum holds the possibility of Taipei unilaterally changing the status quo, I can't support it."<sup>68</sup> This change of China policy within the Liberal Democratic Party presents an opportunity for the diplomatic pendulum to swing back towards the optimists again.

## **2. Positive Trends in China**

The normally cautious Hu Jintao administration has opened up to cooperation with Tokyo with multiple good will visits and an increasingly moderate diplomatic tone. Even though anti-Japanese websites and comics still exist in Chinese subculture, mainstream news sources have downplayed anti-Japanese news articles. A survey of the Open Source Center news timeline since 2006 has shown an absence of reports on anti-Japanese nationalism, where it averaged dozens of articles per year in the period between 2001-2006. In fact, news reports show a concerted effort from the central government to mute potential flare ups aimed at Japan. The central government censored the movie "Memoirs of a Geisha" because the lead character, portrayed by a Chinese actress, could be construed as a prostitute and censors were concerned the film might reignite anti-Japanese sentiment.<sup>69</sup> Regarding Prime Minister Abe's potentially nationalistic visit with Judge Radhabinod Pal's son in India, the Chinese Foreign Ministry commented rather mutedly that "the international community has reached its final conclusion on this issue a long time ago."<sup>70</sup>

Good will visits from the Defense Minister Cao Gangchuan in August 2007 and top political advisor Jia Qinglin in September 2007 are keeping Sino-Japanese relations

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<sup>68</sup> Daily Yomiuri Online, "Fukuda, Hu Agree to seek gas rights pact / Exchange program to expand," December 29, 2007, <http://www.yomiuri.co.jp/dy/world/20071229TDY01303.htm>, (accessed January 5, 2008).

<sup>69</sup> Xinhua News Agency, "China bars Hollywood 'Geisha'," February, 2, 2006 [http://news.xinhuanet.com/english/2007-08/29/content\\_6627979.htm](http://news.xinhuanet.com/english/2007-08/29/content_6627979.htm) (accessed September 13, 2007).

<sup>70</sup> "Foreign Ministry Spokesperson Jiang Yu's Remarks on Japanese Prime Minister Abe's meeting with the son of Indian Judge Radhabinod Pal," August 27, 2007, <http://www.fmprc.gov.cn/eng/xwfw/s2510/t355741.htm> (accessed September 13, 2007).

in a positive light and helping to shape public opinion.<sup>71</sup> The *Nikkei Shimbun* reports that planning has begun for a Hu Jintao visit to Tokyo in the spring of 2008.<sup>72</sup> As the post-Cold War East Asian structure adjusts, these visits may be indicators that China intends to embrace Japan's technological advances in energy conservation, pollution control and nuclear energy production as a part of its grand strategy for peaceful development. A couple of litmus tests regarding China's diplomatic strategy toward Japan would be a continued decrease in provocative military actions and the continued positive polling data on Chinese impressions of Japan.

### 3. Positive Trends on Track II and Track III Efforts

Japan's Ministry of Foreign Affairs reports that the flow of cultural exchange is increasing in all major categories. In particular, the Japan-China 21st Century Friendship Program, mainly consisting of high school students was launched in 2006, to promote exchanges among the youth. In the first year of the program, approximately 1,200 Chinese high school students were invited to Japan, where they deepened their understanding of Japan through school visits and stays with Japanese families. About 150 Japanese students went to China at the invitation of the Chinese side.<sup>73</sup> Other categories are also showing increases from previous years in terms of cross-country vocational study, bilateral travel, and visa applications.<sup>74</sup> While often under reported and overlooked by journalists, there have been consistent efforts from both Japan and China to build closer bonds of friendship.

Encouraging reports are also surfacing from the Jamestown Foundation that "the Chinese leadership was aware that China's continued economic development depended

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<sup>71</sup> Xinhua News Agency, "China to learn from Japan's Energy-Saving, Environmental Protection: Top Political Advisor," September 13, 2007; Chinaview.cn, "Chinese defense minister: Sino-Japanese friendship contributes to regional prosperity," August 29, 2007, <http://www.china.org.cn/english/wen/206662.htm> (accessed September 13, 2007).

<sup>72</sup> "Coordination underway for President Hu's Japan visit next spring: Chinese Premier asks Prime Minister Fukuda to visit China," *Nikkei Shimbun*, September 28, 2007, 1.

<sup>73</sup> MOFA Bluebook, "Student Exchange," <http://www.mofa.go.jp/region/asia-paci/china/relation.pdf> (accessed September 13, 2007).

<sup>74</sup> MOFA Bluebook, *Ibid.*

upon both Japanese investments as well as stable relations with the regional powers.”<sup>75</sup> Scholars from the United States and other parts of the world have been engaged on the topic of Sino-Japanese rivalry with workshops being established at the Australian National University in 2006, the University of Victoria and the University of Alberta in Canada in 2007, and Uppsala University in Stockholm and Keio University in 2007.<sup>76</sup> While ultra-nationalists’ mindsets will not likely change soon, these bonds of cultural understanding may one day grow into the mainstream and positively affect the perspectives of future generations.

## E. CONCLUSIONS

Anti-Japanese sentiments in China are real, but so are the feelings of amity and cooperation. While the negative aspects of anti-Japanese nationalism are constrained by diplomatic pragmatism and economic interdependence, examples like the last minute redesign of the Mori building and the cancelled Shanghai-Beijing bullet train demonstrate the pessimistic view that anti-Japanese nationalism constrains closer economic ties. Despite his best intentions, former Prime Minister Koizumi’s foreign policy toward China failed causing a period of severe isolation from Beijing. During this period (2001-2005), diplomatic relations drifted towards the doomsayer end of the Rozman spectrum. However, the upcoming state visit of Hu Jintao to Japan and the more dovish Japanese prime minister would indicate that a shift towards the optimists should be expected in the near-term. However, the long-term projections for Sino-Japanese diplomatic relations are for more of the same. Politicians will likely continue their cautious approach to each other because of the political risk associated with alienating the “hawks” within their domestic polity. Thus, diplomatic relations will likely stay the course with only half-hearted attempts to ameliorate the significant political differences.

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<sup>75</sup> Xide Jin, “Confluence of Considerations: Sino-Japanese Relations from Beijing’s Perspective,” *China Brief*, Jamestown Foundation, Vol. 7, Issue 9, May 2, 2007, [http://www.jamestown.org/china\\_brief/article.php?articleid=2373368](http://www.jamestown.org/china_brief/article.php?articleid=2373368), (accessed December 7, 2007).

<sup>76</sup> Wenran Jiang, “New Dynamics of Sino-Japanese Relations,” *Asian Perspective*, Vol. 31, No. 1, 2007, 39-40.

Rather than Michael Green's prediction of stable equilibrium, the author expects bounded fluctuations in diplomatic relations that will vary depending on the tension between the centripetal forces of economic interdependence and the centrifugal forces of anti-Japanese nationalism. However, a potential wild card that could upset the dynamics of this relationship is the nationalistic impulses that could potentially emerge if China were to undergo a democratic regime change.

### III. ECONOMIC ISSUES: DOES INTERDEPENDENCE LEAD TO COOPERATION?

#### A. INTRODUCTION

Given the existing levels of historical animosity and political distrust between these regional powers, it would be improbable to expect a close friendship or an alliance to develop between Japan and China within the next decade. However, because of the pressures of global markets and economic interdependence, one might expect more diplomatic and security cooperation than what exists today. The rules of the twenty-first century “great game” have changed international relations and created “complex interdependencies” between all nation-states.<sup>77</sup> Modern world powers need an educated labor force, robust capital markets, and peaceful development, not territorial expansion and the benefits of military dominance are on the decline.<sup>78</sup> Astute scholars, like Michael Yahuda, suggest there are limits to the liberal international relations theory that asserts interdependence can lead to cooperation.<sup>79</sup> More specifically, this section examines the causal relationship between Sino-Japanese economic interdependence and security cooperation analyzed in four steps (and parts) as illustrated in figure 1.

#### 1. The Framework

The first part evaluates the interdependencies of both economies in order to calculate the cost of conflict. The second part looks at trade, investment, financial integration, and aid to determine whether interdependencies actually do lead to increased empathy. The third part provides one example where interdependencies did lead to

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<sup>77</sup> Robert O. Keohane and Joseph S. Nye, “Complex Interdependence and the Role of Force” in *International Politics: Enduring Concepts and Contemporary Issues*, eds Robert J Art and Robert Jervis (Boston: Longman, 2003).

<sup>78</sup> Richard Rosencrance, “Power and International Relations: The Rise of China and Its Effects,” *International Studies Perspectives*, (2006) 7, 31-35.

<sup>79</sup> Michael Yahuda, “The Limits of Economic Interdependence: Sino-Japanese Relations,” in *New Directions in the Study of China’s Foreign Policy*, eds Alastair Iain Johnston and Robert S. Ross, (Stanford: Stanford University Press, 2006), 162-186.

diplomatic cooperation. The fourth part explores other factors affecting Sino-Japanese security cooperation besides just economic interdependency. Finally, the last part concludes with an assessment of the challenges facing each economy in the next twenty years.



Figure 1. Interdependence-Empathy Hypothesis

## B. ECONOMIC INTERDEPENDENCE: THE COST OF CONFLICT

Economic interdependence is generally measured in terms of trade and investment. Hence, the opportunity cost of a Sino-Japanese conflict could be measured in terms of lost trade and investment due to a political decision to sever relations with each other. Isolation from the U.S. and Japanese markets alone would cost China about 25 percent of its total trade and 75 percent of its total inward foreign direct investment (FDI). European and other Asian nations may be reluctant to trade and invest in a conflict zone for several years, so China’s economy would be thrown back to the Korean War era, where it was isolated and weak. While the Chinese are resilient people, the resulting economic implosion would cause massive unemployment and social unrest, making CCP regime survival iffy at best.

In 2006, Sino-Japanese trade exceeded \$200B making China Japan’s largest trading partner representing about 20 percent of Japan’s total trade.<sup>80</sup> The Japanese economic recovery since 2003 is largely based on profits from Japanese companies in China, which if lost, would send the Japanese economy into a tailspin. Assuming at least

<sup>80</sup> “Improved China-Japan trade forecast after PM Abe’s visit,” *The International Herald Tribune*, Oct 10, 2006, [http://www.iht.com/articles/ap/2006/10/10/business/AS\\_FIN\\_China\\_Japan\\_Trade.php](http://www.iht.com/articles/ap/2006/10/10/business/AS_FIN_China_Japan_Trade.php), (accessed November 2, 2007).

a five year period before economic relations were re-established, the direct cost of conflict would be in the trillions of dollars, with the indirect costs to the region likely approaching the tens of trillions of dollars resulting in a global recession and even perhaps a depression in the entire East Asia region. However, just because the cost of conflict is so high, does it correspond to increased empathy?

### **C. INTERDEPENDENCY AND EMPATHY**

Empathy is defined by the *American Heritage Dictionary* as identification with and understanding of another's situation, feelings, and motives. While both sides might understand each other's motivation to not engage in a costly conflict, it is still a conceptual leap of faith to expect a common understanding about finance to carry over into empathy in other areas like politics or security concerns. Even though trade, investment, and financial integration seem to be deepening, a closer look shows that these ties also have drawbacks that constrain both diplomatic and security cooperation.

#### **1. Sino-Japanese Trade Trends**

In 2006, China surpassed the United States as Japan's largest trading partner, but this close relationship, which has mostly been described as complementary, has also been fraught with friction. In the early 1980s trade frictions grew with China because of a perception that Japan was exploiting Chinese workers, holding back on technology transfers and profiting from unfair trade practices. Trade wars erupted over agricultural imports and car exports. Japanese analysts are quick to warn that the complementary nature of the trade relationship could be short lived. Today, Japan exports steel and semi-conductors to China, while China exports mostly textiles and inexpensive manufactured electronics back to Japan, but concerns about a "hollowing out" of the manufacturing sectors are forcing businesses to question the practice of off-shoring their factories.<sup>81</sup> If Japan does not migrate to the service sector where it enjoys a comparative advantage of highly skilled labor, it will compete head-to-head with China which has a comparative

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<sup>81</sup> Toyoo Gyohten, "China vs. Japan: Part 1 – Changing Perception and Reality," Global Platform: Japanese Institute of Global Communications, February 6, 2003, [http://www.glocom.org/opinions/essays/200302\\_gyohten\\_china/index.html](http://www.glocom.org/opinions/essays/200302_gyohten_china/index.html) (accessed September 17, 2007).

advantage in low-cost labor. In addition, realists are quick to remind liberal advocates of economic interdependence that prior to 1914 robust trade between England and Germany did not prevent World War I.

## **2. FDI Trends**

In 2005, foreign direct investment from Japan reached \$28B, which accounted for over 50 percent of inward investment for China, but concerns over technology transfers and long-term loyalty have caused Japanese firms to shift to a “China plus one” investment strategy.<sup>82</sup> Since the anti-Japanese riots in 2005, Japanese investment trends to China are declining and trends towards Southeast Asia and India are increasing. The graph in figure 2 shows that FDI investment for domestic sales have dropped off in 2005.

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<sup>82</sup> Michael Yahuda, “The Limits of Economic Interdependence: Sino-Japanese Relations,” in *New Directions in the Study of China’s Foreign Policy*, eds Alastair Iain Johnston and Robert S. Ross, (Stanford: Stanford University Press, 2006), 162-186.

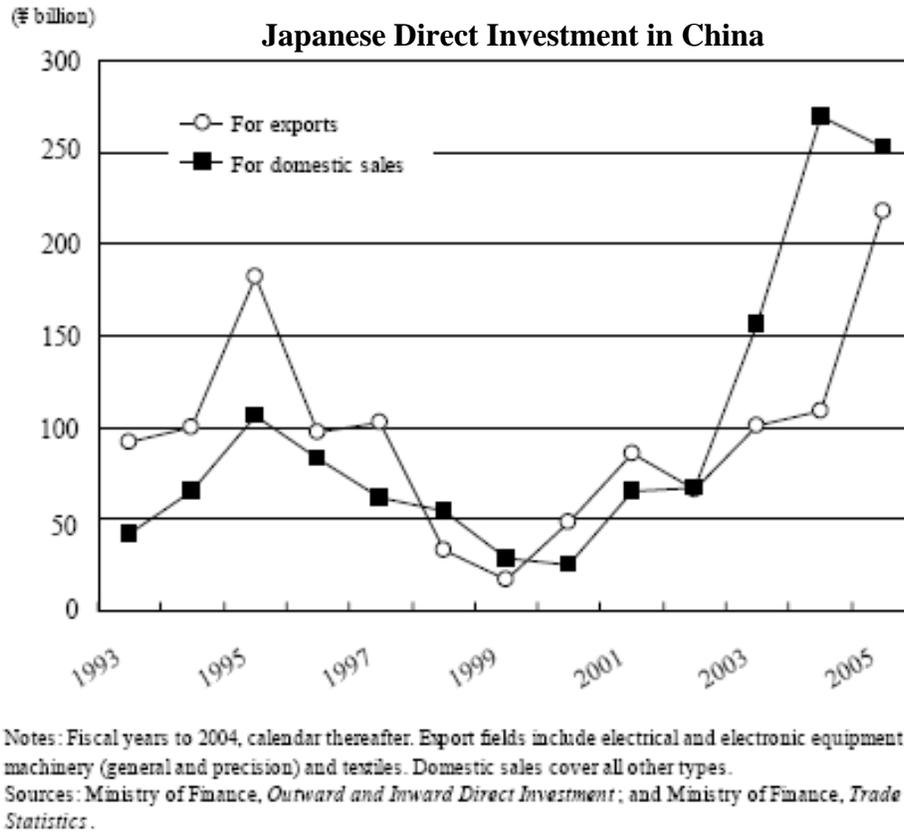


Figure 2. FDI Trends from Japan to China<sup>83</sup>

In addition, the Japan External Trade Organization (JETRO) is concerned about the potential lifting of favorable contract laws in China’s special economic zones.<sup>84</sup> Even a small change in the taxation legislation could easily turn a profitable investment into a losing proposition.

### 3. Financial Integration and Foreign Exchange Trends

The level of financial integration also appears much deeper especially after the 1997 Asian Financial Crisis (AFC). According to Ming Wan, “the AFC strengthened not

<sup>83</sup> Japanese Ministry of Finance, “Outward and Inward Direct Investment,” Ministry of Finance, Trade Statistics, 2006.

<sup>84</sup> Japan External Trade Organization, “2006 JETRO White Paper on International Trade and Foreign Direct Investment (Summary),” JETRO, 30.

weakened the region's interest in economic cooperation."<sup>85</sup> However, a closer look at the Asian Developmental Bank and the Chiang Mai Initiative, show that the roots of cooperation have not spread to the political arena. These initiatives basically prevent hedge-fund speculators from mounting another attack on an Asian currency, like what precipitated the Thai baht crisis in 1997. In addition, both Japan and China have bet on the U.S. dollar to provide macro-economic stability and have accumulated unprecedented holdings of U.S. debt with foreign exchange reaching over \$1.3 trillion in China and \$895 million in Japan.<sup>86</sup> However, just because their economic future relies a healthy U.S. dollar does not mean that they are dependent on each other's economic stability. Assuming that the economic interdependence link to empathy is weak, perhaps economic incentives might be a better way to create understanding for another's situation, feelings, and motives.

#### **4. Japanese Aid as an Economic Strategic Tool?**

Through a program called official developmental assistance (ODA) Japan has provided low-interest loans and grants to China starting in 1979 totaling nearly \$30B over the course of 29 years. Japan is the world's single largest donor country of ODA and has to some extent bought good will. According to a 2006 BBC World Service poll, Japan was most widely viewed as having a positive influence on the world, with 31 of 33 countries giving a positive rating.<sup>87</sup> The two countries that did not respond favorably were China and South Korea, demonstrating that economic incentives do have limits.

Can Japanese economic aid be used as a strategic tool to compel China to its will? On May 15, 1995, despite Japanese diplomatic pleas for a moratorium, China conducted

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<sup>85</sup> Ming Wan, "Economic Interdependence and Economic Cooperation: Mitigating Conflict and Transforming Security Order in Asia," In *Asian Security Order: Instrumental and Normative Features*, ed. Muthiah Alagappa, (Palo Alto, CA: Stanford University Press, 2003), 281-299.

<sup>86</sup> United States – Japan Investment Initiative 2007 Report, Tokyo Embassy, <http://tokyo.usembassy.gov/pdfs/wwwf-20070601-invest-rpt-e.pdf>, (accessed September 12, 2007).

<sup>87</sup> BBC World Service, World Public Opinion.Org, [http://www.worldpublicopinion.org/pipa/articles/home\\_page/168.php?nid=&id=&pnt=168&lb=hmpg1](http://www.worldpublicopinion.org/pipa/articles/home_page/168.php?nid=&id=&pnt=168&lb=hmpg1), (accessed September 13, 2007).

its 42nd underground nuclear test at Lop Nor.<sup>88</sup> Tokyo threatened to hold back the low-interest loans promised to Beijing. Beijing rebuked the threat, saying that the ODA was owed to the Chinese people because war reparations were never paid. Tokyo relented and only held back \$75M and the Chinese completed their testing in August and September of 1995 and finally signed the Comprehensive Test-Ban Treaty on July 30, 1996.<sup>89</sup> In the case of the Chinese 1995 and 1996 nuclear testing, it would seem that economic incentives were ineffectual as an economic tool to punish bad behavior. In general, economic interdependence between Tokyo and Beijing has not led to increased empathy nor has it bought “good will.”

#### **D. ENVIRONMENTAL INTERDEPENDENCE**

While the argument for economic interdependence may be weak, the fact that Japan is geographically down wind from China makes these countries also environmentally interdependent. China’s poor environmental record has the potential to ruin the air in and the oceans surrounding Japan. In addition, the mismanagement of nuclear power generation facilities could endanger Japan with the threat of Chernobyl-like nuclear fallout. Even though Japan has voted to discontinue ODA in 2008 for low interest loans to China, Japan sees it in its best interest to continue to provide grant money to key projects, like environmental problems and nuclear safety.<sup>90</sup> The ecological concerns stem from the acid rain and photochemical smog that plagues southern Japan.<sup>91</sup> These concerns have compelled Japanese leaders to put the resolution of environmental issues at the center of their China strategy of building a strategic partnership.<sup>92</sup> These thoughts were first espoused by Prime Minister Ryutaro Hashimoto in his September 5,

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<sup>88</sup> Michael J. Green, *Japan’s Reluctant Realism*, (New York: Palgrave, 2001), 80-81.

<sup>89</sup> *Ibid.*, 102.

<sup>90</sup> *Ibid.*, 81.

<sup>91</sup> Chisa Fujioka, “Smog smothers Japan, experts point to China,” *Reuters*, August 24, 2007, <http://www.reuters.com/article/scienceNews/idUST21446820070824?feedType=RSS&feedName=scienceNews>, (accessed September, 28, 2007).

<sup>92</sup> Wenran Jiang, “New Dynamics of Sino-Japanese Relations,” *Asian Perspective*, Vol. 31, No. 1, 2007, 26.

1997 speech in Beijing, entitled “Japan-China Relations in the New Age: New Developments in Dialogue and Cooperation.”<sup>93</sup>

## **E. PROSPECTS FOR SECURITY COOPERATION**

Why is there a difference between economic interdependence and environmental interdependence? The author postulates that the reason that environmental cooperation does spill over into the diplomatic field is because the risk tolerance and mindset of the individual decision makers are the same. Business-minded entrepreneurs are motivated by potential profits or best case scenarios, whereas defense specialists are concerned about worst case scenarios. Politicians in a democratic society are motivated by popular opinion and need to be able to articulate to a domestic audience the reasons behind their policy decisions. Close economic ties directly impact only a small sector of society, while the negative impacts of environmental problems affect a larger audience. Hence, the threat of poisonous smog choking the innocent resonates with voters helping to change an uncooperative predisposition to one of cooperation. The concept of energy and environmental cooperation resonates in China as well. While on a good will tour of Japan, Jia Qinglin, chairman of the Chinese People's Political Consultative Conference, said that “China will learn the advanced technologies and successful experiences from Japan in the fields of energy-saving and environmental protection.”<sup>94</sup>

Can the combination of economic and environmental interdependencies guarantee peace and the absence of military conflict? Scholarly studies on the linkages of economics and security in East Asia have shown them to be relatively weak.<sup>95</sup> Using the analogy of a mugger threatening a victim at knife point saying “your money or your life,” it is relatively easy to understand that victims will usually choose to spare their own lives (i.e. regime survival). In addition, economic policy coordination is complex and

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<sup>93</sup> Ryutaro Hashimoto, speech given September 5, 1997, <http://www.mofa.go.jp/region/asia-paci/china/dialogue.html>, (accessed September, 28, 2007).

<sup>94</sup> Beijing Xinhua, “China To Learn From Japan's Energy-Saving, Environmental Protection: Top Political Advisor,” September 13, 2007.

<sup>95</sup> Susan Shirk and Christopher Twomey, *Power and Prosperity: Economics and Security Linkages in Asia-Pacific*, (New Brunswick: Transaction Publishers, 1996).

compartmentalized. The same applies to security policy with the additional restriction that much of the information is sensitive and classified. Hence, increased cooperation on the economic front does not readily translate to increased cooperation on the security front. In that context, it is completely reasonable to expect minor skirmishes to occur, as militaries test the limits of their capabilities. Politicians, too, would likely condone minor conflicts as long as they were confident limited military actions would not escalate nor negatively affect economic relations.

While security guarantees are not likely, there is no reason to be overly pessimistic, either. As long as the economic gains outweigh the domestic losses in the “great game” of globalization, neither side is going to purposely topple the international order or the East Asian Economic infrastructure. The thin veneer of environmental interdependence can serve as a core common interest to a Sino-Japanese diplomatic approach to build a strategic partnership.

Other factors to calculate into the security cooperation equation are the U.S. military capabilities, potential flare ups in the Taiwan straits, and energy security concerns. The U.S.-Japan alliance dominates the East Asian security context with a U.S. military presence at forward deployed bases and second strike nuclear capabilities. The Taiwan Relations Act (TRA) mandates that the United States support the Taiwanese military with weapon systems designed to keep parity with the mainland forces, which serves as another structural wedge preventing closer Sino-Japanese security cooperation. However, the Taiwan problem might become moot as “China’s and Taiwan’s mutual WTO membership further cross-strait economic integration and decrease tensions between the two sides.”<sup>96</sup>

Finally, energy security also plays into the overall strategic calculus. The Chinese “Malacca dilemma” does present a temporary sense of dependence on the U.S. Navy for protection of the sea lanes of communication that protect oil imports from the Middle East. Given that both China and Japan are dependent the benevolence of the United

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<sup>96</sup> Ming Wan, “Economic Interdependence and Economic Cooperation: Mitigating Conflict and Transforming Security Order in Asia,” In *Asian Security Order: Instrumental and Normative Features*, ed. Muthiah Alagappa, (Palo Alto, CA: Stanford University Press, 2003), 298.

States for their energy security, they will likely be “locked in” to a static security relationship for at least the next two decades.

## **F. CHALLENGES FOR CHINA-JAPAN IN 2027**

July 7<sup>th</sup>, 2027 will mark the ninetieth anniversary of the Marco Polo Bridge incident, in which the Japanese initiated the second Sino-Japanese War (1937-1945). Will the Chinese still hate the Japanese in 2027? Liberal international relations theorists would say that depends on the Chinese economic situation. If China were able to overcome the challenges of an aging population, the lack of a social security net, blatant environmental pollution, and endemic Chinese Communist Party (CCP) corruption, then the CCP might feel that it is on its way to becoming more than a regional power. The predictions from a Goldman Sachs report in 2003 are optimistic and based on models that factor in growth in employment (ages 15-60), growth in capital stock, and the total-factor productivity (TFP). These models are based on the assumption that the country can maintain macro economic stability, efficient institutions (that do not waste government funds), openness to trade and FDI, and increasing education levels for its population.<sup>97</sup> China has been doing extremely well on three of the four assumptions, but suffers from inefficient legal, social welfare, and environmental institutions. Tackling the corruption issue from within could prove to be difficult given China’s track record of local officials ignoring prescribed policy initiatives and absconding government funds.<sup>98</sup> If additional government funds are diverted from economic investment to social welfare and fixing environmental problems, then China’s growth could become derailed. A significant source of inefficiency for China could manifest itself in terms of food and (fresh) water security. A gloomy outlook on the agricultural sector predicts that China’s inability to feed its own population could put a strain on global grain supplies.<sup>99</sup> Food and water

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<sup>97</sup> Dominic Wilson and Roopa Purushothaman, “Dreaming With BRICs: The Path to 2050,” Goldman Sachs Global Economics Paper No: 99, October 1, 2003.

<sup>98</sup> Elizabeth C. Economy, “The Great Leap Backward? The Costs of China’s Environmental Crisis,” *Foreign Affairs*, September/October 2007, 56.

<sup>99</sup> Interview with Akio Takahara PhD, at Tokyo University, August 26, 2007; Lester R. Brown, *Saving the Planet: How to Shape an Environmentally Sustainable Global Economy*, (New York: W. W. Norton, 1991), chap. 7.

shortages could potentially divert precious national resources to the import of grains and basic food stuffs that are more efficiently produced within its own borders.<sup>100</sup> As China's arable farmland decreases and its population increases its appetite for meat, an unbiased OECD study predicts that China's net grain imports will grow to about 43 million metric tons in 2010, about one tenth the world's supply, which will still affect world market prices.<sup>101</sup> In addition, the worsening environmental malaise has the potential to seriously erode TFP growth and capital stocks, as well. Lost productivity due to illness and increased capital costs required to establish a clean working environment could potentially divert investment elsewhere.<sup>102</sup>

Japanese competitiveness in 2027 will be affected by a graying and shrinking population, an inefficient domestic economy, and a lethargic governmental reform program. Although the Japanese economy has shown signs of resuscitating itself from a decade-long recession, the *Economist* says that there is still a long way to go before the economy can experience sustained growth.<sup>103</sup> A Deutsche Bank Research study cites that Japan's population has been declining since 2005 and the xenophobic nature of "island nation" politics makes increased immigration an unlikely response to a shrinking labor force.<sup>104</sup> Although Japan is one of the most educated societies in the world, it is yet unclear if education translates directly into innovation, which is what businesses need to remain competitive in the increasingly service-oriented world market. Based on reports about a growing "not in employment, education or training" (NEET) population in Japan, analysts are concerned that the younger generations do not possess the same "work ethic" as previous generation of workers.<sup>105</sup> A second concern is the huge inefficiency with the

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<sup>100</sup> Leif Rosenberger, "Towards Food Security," USPACOM 2005 Economic Update Vol III, 52-68; Kent Butts, "Towards Water Security," USPACOM 2005 Economic Update Vol III, 68-82.

<sup>101</sup> *Ibid.*, 63.

<sup>102</sup> Susan Economy, "The Great Leap Backward? The Costs of China's Environmental Crisis," *Foreign Affairs*, September/October 2007, 58-59.

<sup>103</sup> "Special Report Japan's Economy: Time to Arise from the Great Slump," *The Economist*, July 22, 2006, 65-67.

<sup>104</sup> "Japan 2020 – the decline in trend growth is home-made," *Deutsche Bank Research*, September 26, 2006, 1.

<sup>105</sup> Heyjin Kim, "A NEET trick: Living on Familial Love," *Asia Times Online*, February 17, 2006, [http://www.atimes.com/atimes/Asian\\_Economy/HB17Dk01.html](http://www.atimes.com/atimes/Asian_Economy/HB17Dk01.html), (accessed September 9, 2007).

Japanese domestic market. Compromising over 80 percent of the GDP, the domestic market needs to be reformed to better use the labor and capital within its borders.<sup>106</sup> Finally, financial reforms are needed to bring the balance sheets back into order. Having once been the largest creditor country in the region Japan now carries a debt worth 150% percent of GDP. The debt needs to be brought under control by increasing government revenues (i.e., raising the consumption tax) and reducing government spending. Japan's competitiveness in 2027 will depend largely on its ability to increase government revenues and produce more with a smaller workforce.

Even though economic predictions are far from reliable, on the whole, analysts view China's "feel the stones as one crosses the river" approach to reform as beneficial for long-term growth, while the Japanese tendency to resist policy reform is an indication of poor future economic performance, which would give China the upper hand in the race to 2027.

## **G. CONCLUSIONS**

The Asia-Pacific region has been relatively quick (compared to Latin America and Africa) to learn that comprehensive national power is inextricably linked to economic power, which is linked to openness to global trade and a stable security environment. More specifically, Tokyo and Beijing have the precarious task of managing a complex diplomatic relationship that effect and is affected by the economic and security relationship. This chapter sought to develop the links between economic interdependence and security cooperation. However, the results are that while economic interdependence does increase the costs of conflict, it is certainly not a guarantee for peace. In most cases, economic interdependence did not lead to empathy in either diplomatic or security circles. The main reasons for this are that the risk tolerance and decision making priorities for the individuals involved are uniquely different. However, environmental interdependence does show promise as an area from which a robust bilateral relationship could be built. While there may not be a link from economic cooperation to security cooperation,

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<sup>106</sup> William W. Lewis, "Japan: A Dual Economy," in *The Power of Productivity*, (Chicago: Chicago University Press, 2004), Chap 2.

security cooperation continues for other reasons like energy security and the protection of alliance relationships. Finally, an analysis of Sino-Japanese economic prospects for the next 20 years shows that China may have the upper hand, which would significantly alter the current status quo of East Asian economic powers. So, if the conclusions of this hypothesis hold true, the economic rise of China should *not* lead to a dramatic change in either the diplomatic or security relationship. Hence, both Japan and China will adjust economically, but there would be little spill over into the security context of the East Asia region.

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## IV. SECURITY ISSUES: MILITARY AND ENERGY STRATEGIES

### A. INTRODUCTION

For the purposes of this chapter, Sino-Japanese security issues encompass both military and energy security, defined as measures taken to ensure sovereignty of territorial borders and access to the energy that fuels the economy. In fact, scholars such as Jitsuo Terashima of the Mitsui Bussan Strategic Research Center argue that military and energy strategy should be inextricably linked due to their relevance to national interests.<sup>107</sup> The former undersecretary of defense Joseph Nye once said “security is like oxygen – you tend not to notice it until you begin to lose it, but once that occurs there is nothing else that you will think about more.”<sup>108</sup> In the twenty-first century, with the growing concerns regarding the effects of “peak oil” on continued economic growth, it is not surprising that access to fossil fuels and the clean development of electrical power often frame the debate over military strategy. The underlying questions this chapter seeks to address are two fold – 1) what is the likelihood that a “security dilemma” will emerge in the region, and 2) what are the salient security issues for the bilateral relationship in the next five to ten years. Finally, the chapter provides some conclusions about where the Sino-Japanese security relationship is headed.

#### 1. The Framework

In order to answer the first question on the probability of a “security dilemma” emerging in the region, the first four parts provide a military assessment on both the Chinese People’s Liberation Army (PLA) and the Japanese Self-Defense Force (JSDF) and address the security related problems and disputes, namely the ongoing rift over the Senkaku/Diaoyutai islands and Taiwan as they relate to the U.S.-Japan Security Treaty. The military assessments will explore the capabilities (in terms of nuclear, conventional,

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<sup>107</sup> Jitsuo Terashima, “New Energy Friction: Japan’s Crisis,” *Bungeishunju April* (2007): 2.

<sup>108</sup> Joseph S. Nye Jr., “East Asian Security: The Case for Deep Engagement,” *Foreign Affairs* (July-August 1995), 91.

and asymmetric potentialities), the perceived strategic goals, and implications for each country. The next five parts focus on energy security and attempt to put a positive spin on the potential for cooperation in overcoming the challenges in the bilateral relationship. These topics include the territorial dispute over the East China Sea natural gas and oil resources, the cooperation with Beijing in developing both nuclear energy and energy conservation programs, and the potential collaboration with Russian and other energy rich countries. The last two parts assess the strategic implications of energy security and evaluate the military to military relations.

## **B. MILITARY ASSESSMENT**

### **1. The Chinese Military Assessment**

Deriving an accurate assessment of the PLA is challenging due to the low levels of transparency and high levels of deception surrounding China's defense capabilities. However, PLA published defense white papers and scholarly analysis of the PLA does allow for an educated guess on China's military capability. China tested its first nuclear weapon in 1964, joined the Nuclear Non-Proliferation Treaty (NPT) in 1992, and signed the Comprehensive Test Ban Treaty (CTBT) in 1996. China has the largest standing military in the world with 2.3 million and a defense budget estimated at \$44.9 billion, an increase of 17.8 percent over the 2006 budget and the largest increase in five years.<sup>109</sup>

The PLA strongest levers of military power over the JSDF are the 2<sup>nd</sup> Artillery's strategic assets. According to international security organizations, the 2<sup>nd</sup> Artillery possesses 22 inter-continental ballistic missiles, supposedly aimed at the United States or Russia, and 770 intermediate and short range ballistic missiles, reportedly aimed at Taiwan and U.S. bases in Japan.<sup>110</sup> Japanese defense officials have taken notice of these missiles and efforts to improve their guidance systems. The seeds of ideological mistrust

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<sup>109</sup> Jim Yardley and David Lague, "Beijing Increases Defense Spending," *International Herald Tribune*, March 4, 2007, <http://www.iht.com/articles/2007/03/05/asia/web-0305military.php>, (accessed June 10, 2007).

<sup>110</sup> Institute of International and Strategic Studies (London, UK), *The Military Balance, 2004/5 and 2006*.

were sewn at the beginning of the Cold War with the seemingly belligerent actions of shelling of the Taiwanese islands of Matsu and Quemoy in 1954 and 1958. In February 1995, China's military occupation of the Mischief Reef heightened concern about potential conflict with Beijing. However, the July 1995 missile exercise and ensuing March 1996 missile crisis showed that post-Cold War conflict could potentially entangle Japan in a larger U.S.-China conflict, which made both Japanese conservatives and liberals wary of Chinese strategic aims.

In addition to the nuclear threat, the PLA Navy (PLAN) submarine fleet and China's military modernization program have alarmed several high-level U.S. officials. Off the coast of Okinawa on November 10<sup>th</sup> 2006, a Chinese "quiet" diesel Kilo-class submarine shadowed a U.S. aircraft carrier -- increasing tensions and potentially risking a military confrontation, said U.S. Pacific Forces commander, William J. Fallon.<sup>111</sup> President Hu Jintao refers to the vulnerability of China's oil supply lines from the Middle East and Africa as the "Malacca Dilemma." China's growing military spending and apparent pursuit of maritime power projection capabilities has elicited a watchful response from both Japan and U.S. China-watchers forewarning of a growing potential for a zero-sum competition in the region.<sup>112</sup> Director of National Intelligence John D. Negroponte prescribed vigilance regarding China's military ambitions before the Senate Select Committee on Intelligence on February 2, 2006, warning that "China's military is vigorously pursuing a modernization program: a full suite of modern weapons and hardware for a large proportion of its overall force structure; designs for a more effective operational doctrine at the tactical and theater level; training reforms; and wide-ranging improvements in logistics, administration, financial management, mobilization, and other critical support functions."<sup>113</sup> China's increased wealth has "fueled a military

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<sup>111</sup> Bill Gertz, "Admiral Says Sub Risked Shootout," *Washington Times*, November 15, 2006.

<sup>112</sup> Thomas J. Christensen, "Fostering Stability or Creating a Monster?: The Rise of China and U.S. Policy toward East Asia" *International Security*. (Summer 2006): 81-126.

<sup>113</sup> John D. Negroponte, "Annual Threat Assessment of the Director of National Intelligence for the Senate Select Committee on Intelligence," February 2, 2006, <http://intelligence.senate.gov/060202/negroponte.pdf>, 21, (accessed January 9, 2008).

modernization program that has steadily increased Beijing's force projection capabilities," and the country "may become a peer competitor to the United States at some point."<sup>114</sup>

What are Beijing's intentions regarding the PLA? That question is best answered by examining capabilities and investments. The current defense strategy – "local wars under conditions of informatization" – means that the PLA is acquiring weapons that may be used both for defensive and offensive purposes. Weapon system procurements seem to be aimed at specific war zones, like the Taiwan Strait and South China Sea. The PLA is acquiring naval and air projection capabilities like the nuclear submarines and in-flight refueling, but procurement budgets are constrained and the military-industrial complex will have difficulty closing the technology gap with Japan and the West.<sup>115</sup> Despite a downsizing since 1998, the PLA's personnel costs still account for nearly 40-50 percent of its budget and maintenance costs are increasing, leaving indigenous research and development to be funded with extrabudgetary revenues.<sup>116</sup> Therefore, the PLA's procurement strategy leverages technologies like information warfare and quiet submarines that produce significant effects without a considerable amount of investment. While the PLA's asymmetric capabilities are improving, its level of actual combat experience is remarkably low. Two weeks in 1979, when the PLA were driven back by a smaller North Vietnamese force, represents its most recent combat experience. Since the conventional force has large capability gaps and limited resources, the ongoing revolution in military affairs (RMA) is most likely a euphemism for a phased transformation process, where only a small portion of elite forces are given the training and resources to truly modernize.<sup>117</sup>

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<sup>114</sup> John D. Negroponte, "Annual Threat Assessment of the Director of National Intelligence for the Senate Select Committee on Intelligence," February 2, 2006, <http://intelligence.senate.gov/060202/negroponte.pdf>, 22, (accessed January 9, 2008).

<sup>115</sup> David Shambaugh, *Modernizing China's Military*, (Berkeley: University of CA Press, 2002), 282-283.

<sup>116</sup> *Ibid*, 224.

<sup>117</sup> David M. Finkelstein, "China's National Military Strategy," in *The People's Liberation Army in the Information Age*, eds James C. Mulvenon and Richard H. Yang (Washington D.C.: RAND, 1999), 144.

What does this mean for Japan? Until such time that the PLA can achieve a truly capable military, it will continue to emphasize the “perception of power,” avoid a direct confrontation with the U.S.-Japan alliance, and use diplomatic channels to constrain the expansion of Japanese military power. International calls for more transparency have resulted in the PLA publishing defense white papers since 1998, which have helped to diffuse the emergence of a conventional arms race in the region. Despite the PLA’s double-digit increases in defense spending, the JSDF has remained fixed at 1 percent of GDP, which is an indicator that the security dilemma has not yet emerged.

## **2. The Japanese Military Assessment**

The civilian controlled JSDF is much more transparent and easier to understand, since much of the organizational structure was directly adopted from the U.S. military in the 1950s, but Japan’s “peace constitution” introduces nuances unique to Japan’s military. Even though Japan and China are the strongest military powers in northeast Asia, Japan’s post-World War II alliance with the United States complicates any kind of an “apples to apples” comparison to the PLA. Japan renounced nuclear weapons and formally adopted the “three non-nuclear” principles in 1971 and it ratified the NPT in 1976 and the CTBT in 1997. Japan has the twenty-first largest standing military in the world with 0.23 million and the fourth largest defense budget at about \$40 billion.<sup>118</sup>

Despite the PLA’s relative strength in size and arms compared to the JSDF, Chinese leaders are wary of any indication that the “cork will come off the bottle” and Japanese militarism will once again become resurgent.<sup>119</sup> The Chinese definition of a peaceful Japan is one that strictly adheres to the “renunciation of war as a sovereign right” clause in the constitution. From the Chinese perspective, Japan would overstep constitutional boundaries if and when it ever interpreted the constitution to allow for the possession and use of nuclear weapons; militarized space with dual-use observation and

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<sup>118</sup> Thomas Berger, “Japan’s International Relations: The Political and Security Dimensions,” in *The International Relations of Northeast Asia*, ed. Samuel S. Kim (Lanham: Rowman & Littlefield Publishers, Inc, 2004), 135.

<sup>119</sup> Paul Midford, “China Views the Revised U.S.-Japan Defense Guidelines: Popping the Cork?,” *International Relations of the Asia-Pacific*, (2004): 113-145.

communications satellites; supported U.S. rear area operations; acquired any offensive power-projection weapon systems; and especially engaged in overseas military operations. By keeping the JSDF “boxed in,” not only are Chinese fears of Japanese militarism contained, it also ensures that Japan’s regional influence is bottled up, especially regarding Taiwan and the sea lanes traversing the South China Sea.

The Chinese view of the U.S.-Japan alliance has come full-circle based on the perceived motivations of the alliance. After the communist victory over Chiang Kai-shek’s ROC, the PRC demonized Japan as “imperialist dogs.” However, after the Sino-Soviet split and the 1969 border conflicts, the PRC “opened” to the United States in 1972 and supported the U.S.-Japan alliance, as it kept Japanese rearmament in check. Then, after the end of the Cold War, the PRC once again viewed the alliance as a means to contain a rising China. Chinese analysts point to the following indicators of a maturing U.S.-Japan alliance as evidence of a deliberate “containment” policy. First, the Chinese perceive the September 1997 new Guidelines for U.S.-Japan Defense Cooperation as U.S. encouragement for Japan’s constitutional reform to allow for collective defense. The new guidelines set the precedent for greater JSDF support in rear area operations, sharing of intelligence information, and cooperation in the projection of U.S. power from Japanese bases. Second, the Chinese are keenly aware of Japanese efforts to develop an indigenous space intelligence, surveillance, and reconnaissance capabilities. From Tanegashima Space Center, a field center of the National Space Development Agency (NASDA), two earth observing satellites have been launched that carry sensors that can detect 2.5 meter objects on earth and orbit over the Asia-Pacific region.<sup>120</sup> Despite the fact that Japan claims these satellites were launched in response to the North Korean nuclear missile threat, the Chinese view these spy satellites as a violation of the 1969 NASDA regulations that prohibit the militarization of space for early warning missile defense purposes.<sup>121</sup>

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<sup>120</sup> Ye Lian and Sima Hangren, “Spy Eyes Hidden in Japanese Satellite,” *China’s National Defense*, February 7, 2006, [http://www.chinamil.com.cn/site1/zbx1/2006-02/07/content\\_401384.htm](http://www.chinamil.com.cn/site1/zbx1/2006-02/07/content_401384.htm), (accessed May 22, 2007).

<sup>121</sup> You Wenhui, “Japanese Space Policy Going through Significant Change,” *Reminwang military Channel*, January 11, 2006, <http://military.people.com.cn/GB/1078/4017365.html>, (accessed May 22, 2007).

Lastly, China's gravest security concern is Japan's abandonment of its non-nuclear principles. Chinese alarm bells were ringing when former Prime Minister Yasuhiro Nakasone proposed the idea to consider developing nuclear weapons.<sup>122</sup> These calls exacerbate Chinese concerns because Japan has announced plans to build a fast-breeder reactor that can reprocess spent uranium and manufacture weapons grade plutonium. Currently, the United States vehemently objects to North Korea and Iran possessing both uranium enriching and spent fuel reprocessing capabilities, but has been complicit in allowing Japan to obtain both, which constitute a full nuclear fuel cycle.

### **3. Nuclear Arms Race?**

The potential for a nuclear arms race cannot be disregarded offhand. Both China and North Korea pose a significant threat to Japan. Even though Japan has the raw material and technical capability to put a warhead on a missile, several normative, political, and practical reasons prevent Japan from becoming a nuclear weapons state. The after shock of living with nuclear fallout at both Hiroshima and Nagasaki has created a popular anti-nuclear movement within Japan. It is not uncommon for the mayor of Hiroshima or Nagasaki to lead international anti-nuclear movements. Politically, Japan faces opposition from its allies and Asian neighbors who loathe a nuclear armed Japan. Lastly, because Japan is so dependent on nuclear power, breaking away from the nuclear non-proliferation regime would cut off its civilian nuclear energy program from the international community.

Given these constraints, it is highly unlikely Japan's nuclear energy program will ever be linked to the development of nuclear weapons in the near future. However, the fact that Japan has a robust energy capability gives it extra leverage in dealing with China. From the Japanese perspective, limited access to natural resources of raw uranium means that self-sufficiency is of utmost importance. The plutonium fuel fabrication facilities at the disputed Rokkasho village site can reprocess the spent uranium into a mixed-oxide fuel that can then be partially reused in a fast-breeder reactor, essentially reusing its

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<sup>122</sup> "Nakasone Proposes Japan Consider Nuclear Weapons," *The Japan Times*, September 6, 2006.

limited uranium resources.<sup>123</sup> Japan's ability to indigenously produce plutonium troubles nuclear non-proliferation regime experts because it creates a double standard for Japan. Tokyo is aware of the concern, but points to its transparency, trustworthiness, and membership in the nuclear non-Proliferation Treaty (NPT) to allay fears. In fact, the International Atomic Energy Agency (IAEA) does not solely rely on trust, because it spends 30 percent of its inspection budget on monitoring and surveillance at the Rokkasho village site.<sup>124</sup> However, international nuclear energy experts still question the need for Japan to develop a fast-breeder reactor at a cost which has amounted to 2,190 billion yen, nearly three times the original budget, and the estimated future cost of the reprocessing itself is at 19 trillion yen for 40 years.<sup>125</sup> Therefore, Japan's insistence to continue to develop a fast breeder reactor despite objections based on cost, necessity, and non-proliferation issues stirs unrest among its Chinese neighbors.

What are the implications on a potential arms race with China? In the near term, Japan will continue to build capabilities designed to thwart the North Korean missile threat and China will continue to agitate against those dual-use capabilities. As long as Japan lacks an offensive missile capability, the PLA will likely remain ambivalent towards the JSDF's military modernization efforts.

#### **4. Problems and Disputes**

##### *a. The Taiwan Problem*

The Taiwan problem has plagued Sino-U.S. relations since the Korean War and consequently it has been a continuous source of concern. China's vexation on Taiwan appears on two levels – the military capability of defending Taiwan and the political arrogance of intervening in internal Chinese affairs. The controversy about

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<sup>123</sup> Japan Nuclear Fuel, Ltd (JNFL), "Japan's Nuclear Fuel Cycle Facilities," <http://www.japannuclear.com/nuclearpower/fuelcycle/facilities.html>, (accessed June 10, 2007).

<sup>124</sup> Jitsuo Terashima, "New Energy Friction: Japan's Crisis," *Bungeishunju*, April 2007.

<sup>125</sup> Foreign Press Center Japan (FPCJ), "Significant steps Made in Japan's "Plutonium-Thermal" Nuclear Program," April 6, 2006, [http://www.fpcj.jp/e/mres/japanbrief/jb\\_620.html?PHPSESSID=ea2607d04c228d27ef4fae9b1cb2d033](http://www.fpcj.jp/e/mres/japanbrief/jb_620.html?PHPSESSID=ea2607d04c228d27ef4fae9b1cb2d033), (accessed May 14, 2007).

Japan's military capability arises from the definition of the security perimeter. The 1997 U.S.-Japan Defense Guidelines had ambiguous language that said that Japan would provide facilities and rear area support for U.S. operations in Japan's "surrounding areas."<sup>126</sup> Even though the official Foreign Ministry position is that "surrounding areas" does not include Taiwan, on August 17, 1997, Chief Cabinet Secretary Seiryoku Kajiyama stated "in case of a Taiwan-China military conflict, how could we flatly refuse a request from the U.S. forces for support, even a supply of water?"<sup>127</sup> In 2002, the United States, Japan, and Taiwan have held high-level strategic dialogues and a Japan-Taiwan air defense conference was held in Taipei.<sup>128</sup> In addition, Taiwan has been encouraged to purchase the same Patriot Advanced Capability (PAC)-III air defense system that the JSDF has bought from the United States. China strategists are also troubled that the Japanese ballistic missile defense (BMD) development announced in September 1998 might also have an offensive "boost phase" or preemptive capability. Another point of dread for PLA strategists is the potential for the Japanese BMD and the U.S. national missile defense to effectively negate China's first-strike capability, thus triggering a nuclear arms race.

The second issue China took umbrage at was "meddling in internal affairs." In February 2002, after the so called "2 + 2" meeting of the U.S.-Japan Security Consultative Committee, the joint statement included the common strategic objective to "encourage the peaceful resolution of issues concerning the Taiwan Strait through dialogue."<sup>129</sup> The Chinese Foreign Ministry strongly condemned any kind of bilateral statement that infringed on the sacrosanct "one China principle." In the Chinese view, the U.S.-Japan security alliance clearly exceeds the bounds of the defense of Japan and crosses the line into Chinese sovereignty. Despite Japan's claims that the BMD system is

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<sup>126</sup> Akio Takahara, "Japan's Policy Toward China in the 1990s" in *The Age of Uncertainty: The U.S.-Japan-China Triangle from 1989 to 2001*, eds by Vogel, Ming, Tanaka, Harvard East Asian Monographs Online, (Cambridge, MA: Harvard University Asia Center, 2004).

<sup>127</sup> Christopher B. Johnstone, "Japan's China Policy: Implications for U.S.-Japan Relations," *Asian Survey*, Vol. 38, No. 11 (November 1998): 1069.

<sup>128</sup> Kyodo News, "Taiwan Defense Minister Meets 2<sup>nd</sup> Senior U.S. Official," March 18, 2002, [http://findarticles.com/p/articles/mi\\_m0XPQ/is\\_2002\\_March\\_18/ai\\_84393787](http://findarticles.com/p/articles/mi_m0XPQ/is_2002_March_18/ai_84393787), (accessed June 9, 2007)

<sup>129</sup> Ministry of Foreign Affairs of Japan, <http://www.mofa.go.jp/region/n-america/us/security/scc/joint0502.html>, (accessed June 9, 2007)

aimed at “terrorists and rogue states,” Chinese view the strengthening of U.S.-Japan cooperation on BMD development as a means to restrict Beijing’s options regarding the Taiwan Straits. Since its inception, Beijing has resented every purchase of weapons from the United States via the Taiwan Relations Act. However, Taipei’s reticence to buy more weapons from the United States is rather frustrating for Washington because the PLA modernization efforts seem to indicate that the virtual military “stalemate” across the Taiwan Strait may soon tip in favor of the mainland.

As a final note, the long-term prospects for a Taiwanese initiated independence referendum are very low. Taiwan’s domestic politics between pan-blue and pan-green parties remain divided, which means the two-thirds majority necessary to initiate a national independence referendum will never likely come to fruition.<sup>130</sup>

#### ***b. Territorial Disputes***

One of the primary security concerns in Sino-Japanese relations is the handling of territorial disputes, namely the Senkaku/Diaoyutai islands and the seabed resources in the East China Sea (ECS). Even though these islands (one island and seven islets) are uninhabited, both Japan and China claim ownership. The Chinese and Taiwanese position based on historical navigational records dating back to 1403 that refer to Diaoyutai as Taiwanese islands and should have been returned to Chinese sovereignty, but the KMT government did not immediately demand possession because U.S. forces took control of the islands.<sup>131</sup> The Japanese position is that the islands should be treated like the rest of the Okinawan chain and were returned to Japanese possession in 1971.<sup>132</sup> Japanese nationalists built a lighthouse on the Uosturi Island in 1978 and Japanese government claims to have leased the Senkaku islands to private owners living on the nearby Ishigaki Island in 2002. The Senkaku/Diaoyutai islands became the center of a

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<sup>130</sup> Interview with Yasuhiro Matsuda PhD, at Japan’s National Institute of Defense Studies, August 24, 2007.

<sup>131</sup> GlobalSecurity.org, “Senakaku / Diaoyutai Islands,” <http://www.globalsecurity.org/military/world/war/senkaku.htm>, (accessed June 9, 2007).

<sup>132</sup> Ministry of Foreign Affairs of Japan, “The Basic View of Sovereignty over the Senkaku Islands,” <http://www.mofa.go.jp/region/asia-paci/senkaku/senkaku.html>, (accessed June 9, 2007).

firestorm of both Japanese and Chinese nationalism in 2005, which contributed to the anti-Japanese riots, and continues to be a source of tension.<sup>133</sup>

### **C. ENERGY SECURITY: “TURNING POISON INTO MEDICINE”**

The next section focuses on the opportunities for increased energy and military security cooperation. Based on the diplomatic aims of the April 11-13, 2007 Sino-Japanese summit held between Chinese Premier Wen Jibiao and Prime Minister Shinzo Abe, areas for cooperation were in the East China Sea and in energy technology exchange, which were defined as the Chinese development of safe nuclear power and energy conservation via energy efficient technology.<sup>134</sup> A third important energy security aspect, not mentioned in the 2007 summit, is the on-going debate regarding financial support for the Russian Siberian-Pacific pipeline and who will win the “energy game.” While Washington does not have a direct policy stake in the bilateral energy policies these countries adopt, future regional stability hinges on the ability of both sides to circumvent conflict and accommodate their mutual energy security interests.

#### **1. Sea of Conflict or Cooperation?**

At the Sino-Japanese summit, Premier Wen Jiabao referred to the East China Sea as the “sea of cooperation.” Wen’s choice of words underplays the level of retrenchment that both the Japanese and Chinese Ministries of Foreign Affairs have encountered throughout their negotiation process. Even after eight deliberations of the Japan-China Consultation on East China Sea and Other Matters, negotiators could not bridge the gap between their positions.<sup>135</sup> The Japanese base their position on the 1982 United Nations Convention on the Law of the Seas (UNCLOS), which demarcates the exclusive economic zone (EEZ) by drawing a median line in cases when the line in the water

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<sup>133</sup> GlobalSecurity.org, “Senakaku / Diaoyutai Islands,” <http://www.globalsecurity.org/military/world/war/senkaku.htm>, (accessed June 9, 2007).

<sup>134</sup> Xinhua News Agency, “Wen Calls For Further Trade Development of China-Japan Economic, Trade Ties,” <http://www.china.org.cn/english/wen/207025.htm>, (accessed May 22, 2007).

<sup>135</sup> MOFA Japan, “Online Bluebook,” May 21, 2007, [http://www.mofa.go.jp/announce/event/2007/5/1173504\\_848.html](http://www.mofa.go.jp/announce/event/2007/5/1173504_848.html), (accessed June 10, 2007).

overlaps a neighboring countries claim to the same area.<sup>136</sup> The UNCLOS EEZ principle allows for the development and preservation of the water, fish, and seabed exclusively to the owning country. The Chinese position is based on a 1958 Geneva Convention on the Continental Shelf, which states that a country's EEZ rights extend to the edge of the continental shelf as a "natural prolongation of the land."<sup>137</sup> Both positions are based in international law and both have international precedents set in other disputes. The joint development of four oil and gas fields -- Chunxiao (located 3 miles west of the median line) and Tianwaitian, Duanqiao, and Longjing -- which straddle the median line boundary remains the sticking point in negotiations.<sup>138</sup> The Chinese have offered joint development of the areas in the overlapping EEZ, which the Japanese have flatly refused. The Japanese countered with the joint development of all the fields including the Chunxiao, which is already reportedly producing 300,000 cubic meter of gas a day since January 28, 2006, and the Chinese refused.<sup>139</sup> While the estimates vary, what is at stake is approximately a three-year supply of natural gas (7 trillion cubic feet) and a 20-year supply of oil (100 billion barrels of oil) based on current consumption rates.<sup>140</sup>

Why should the United States care about this dispute? The East China Sea issue is being closely watched by Pacific Forces Command, and military strategists are currently "war gaming" potential options in the case of a direct military attack. The simulation is based on 2004 and 2005 maritime scenarios, where PLAN naval vessels "played chicken" with a Japanese survey ship and a destroyer aimed its guns at a Japanese P3-C surveillance aircraft.<sup>141</sup> The U.S. Department of State official stance on this issue is "that both sides should seek a peaceful resolution to the dispute." Resolution would require compromise on both sides and the political fortitude to withstand the

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<sup>136</sup> Mark J. Valencia, "The East China Sea Dispute: Context Claims, Issues, and Possible Solutions," *Asian Perspective*, (2007): 142.

<sup>137</sup> Mark J. Valencia, "The East China Sea Dispute: Context Claims, Issues, and Possible Solutions," *Asian Perspective*, (2007): 139.

<sup>138</sup> *Ibid*, 132.

<sup>139</sup> *Ibid*, 135.

<sup>140</sup> Library of Congress, Business Reference Services, "World Natural Gas Industry Trends," Spring 2006, <http://www.loc.gov/rr/business/BERA/issue5/trends.html>, (accessed June 10, 2007).

<sup>141</sup> Valencia, 131.

domestic blowback from nationalistic opposition. Japan would have to give up the claim to EEZ rights from the disputed Senkaku Islands and China would have to give up its claim of continental shelf sovereignty, which would set an unfavorable precedent for other territorial disputes. However, if the territorial claims could be availed, then an agreement could link several outstanding issues, like establishing permanent EEZ borders, joint development zones, and fisheries conservation into a single package.

Currently, the Chinese have the upper hand because the Chunxiao drilling platform will apparently be ready to transport gas resources to Shanghai by early 2008.<sup>142</sup> Japanese concerns about whether the other fields are connected under the seabed will become irrelevant at that point. Japanese bargaining power will be eroded because the “do nothing” plan risks losing all the resources. In addition, the United Nations has said it will step in and arbitrate the dispute if it is not resolved bilaterally by May 2009.<sup>143</sup>

## **2. Energy Cooperation Policy: Nuclear Power Plants and Energy Efficiency Technology**

Well respected in energy and economic circles, Jitsuo Terashima makes a case that Japan should follow the United States and merge its military and energy strategy into a comprehensive plan.<sup>144</sup> Terashima advocates using the “New State Energy Strategy,” compiled by the Ministry of Economy, Trade and Industry (METI), as a cornerstone of the overall national strategic policy for cooperating with regional powers. This strategy leverages one’s comparative strengths against a rival’s weakness, Japan’s advanced level of nuclear energy and energy conservation technology represents strength. By the year 2030, all of Japan’s 55 operating nuclear power plants will have to be refurbished. Given Japan’s lack of natural resources, Terashima argues that Japan should increase the already high (30-40 percent) reliance on nuclear energy. Another pillar of this energy strategy is to leverage Japan’s advances in recyclable energy and energy conservation.

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<sup>142</sup> ChinaDaily.com, “Production Begins at Chunxiao Gas Field,” August 6, 2006, [http://www.chinadaily.com.cn/china/2006-08/06/content\\_657939.htm](http://www.chinadaily.com.cn/china/2006-08/06/content_657939.htm), (accessed June 10, 2007).

<sup>143</sup> “Japan Stokes Sea Dispute,” *BBC News*, July 14, 2005, <http://news.bbc.co.uk/2/hi/asia-pacific/4681823.stm>, (accessed May 25, 2007).

<sup>144</sup> Jitsuo Terashima, “New Energy Friction: Japan’s Crisis,” *Bungeishunju April* (2007): 1.

Japan is already one of the most energy efficient countries in the world with an energy rating of 37 percent, twice as high as the United States. Japan's goal is to raise that to 41 percent by 2030.<sup>145</sup>

In contrast, China only has four operating nuclear power plants and an energy efficiency rating of four percent. China needs to both increase its energy supply and reduce its demand if it is going to solve its impending energy crisis and sustain the double-digit growth into the next decade. Japan is poised to offer help, but will likely attempt to bundle the energy aid with concessions in other strategic areas.

Terashima also suggests that South Korea and Japan work with China, Thailand, and Myanmar to develop a consortium to jointly construct a canal and strategic reserve facilities in the Isthmus of Kra.<sup>146</sup> With Japan's and South Korea's large foreign currency reserves, the five countries could pool financial reserves under the auspices of the Asian Development Bank to coax Thailand and Myanmar to accept the inevitable environmental impacts. Currently, China's Sinopec and Thailand's PTT are conducting a feasibility study to construct a 250 km overland pipeline to the Gulf of Thailand with large storage facilities and oil terminus stations on either end.<sup>147</sup> While the feasibility study is still uncertain, if this project is half as successful as the pipeline along the Suez Canal, it would likely save \$0.50 to \$2.00 per barrel and reduce traffic through the Straits of Malacca.<sup>148</sup>

### **3. The Russian Energy Triangle**

The abundant Russian oil and gas reserves in Central Asia and Siberia could potentially create a strategic triangle that could possibly alienate one of the three participants. During negotiations on the trans-Siberian pipeline, with an estimated capacity of 1.5 million barrels per day, both Japan and China have tried to establish

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<sup>145</sup> Jitsuo Terashima, "New Energy Friction: Japan's Crisis," *Bungeishunju April* (2007): 1-9.

<sup>146</sup> *Ibid.*: 6.

<sup>147</sup> Henry J. Kenny, "China and the Competition for Oil and Gas in Asia," *Asia-Pacific Review*, Vol. 11, No. 2 (2004): 43.

<sup>148</sup> *Ibid.*, 34.

agreements with Russia that exclude the other side from access to Siberian hydrocarbon resources.<sup>149</sup> In 2003, the Russian energy giant Yukos and the China National Petroleum Corporation (CNPC) signed a memorandum stating that they would plan to build a 2,300 km pipeline from Eastern Siberia. However, the Yukos chairman was jailed for failing to pay back taxes, and a Japanese proposal to build a 4,200 km pipeline to the Russian Far East looks to be more attractive to Transneft, the Russian oil pipeline monopoly.<sup>150</sup> Japan's offer included \$16 billion to finance the project, better technology to maintain the pipeline, and access to more oil markets on the Pacific seaport of Nakhodka. Although the Siberian-Pacific pipeline project is mired in controversy because of the environmental impacts<sup>151</sup>, the project would boost the Russian economy and has President Putin's unquestionable support.

Another arena for competition for China and Japan are the Sakhalin I and Sakhalin II oil and natural gas projects. Although initially started as a Shell, Mitsui, and Mitsubishi consortium, China is seeking a share of the resources now that exportation has begun. Some analysts have held out hope that Chinese and Japanese gas companies could work together against Gazprom, the Russian gas giant, to negotiate cheaper prices.<sup>152</sup> However, demand from other Northeast Asian consumers would ensure that market forces determined price.

#### **4. The Energy Game**

Tokyo's inability to normalize relations with Moscow because of irreconcilable differences regarding the Northern Territories and China's active military involvement in the Shanghai Cooperation Organization (SCO) will likely tip the energy security balance in favor of Beijing. One of the major risks associated with oil and gas pipelines is

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<sup>149</sup> Nelson Thacker, "The Longest Oil Pipeline," *The Krai: A Magazine for the Russian Far East*, Jan 2006, <http://www.thekrai.com/articles/January%2006/nelsononpipeline.htm>, (accessed June 9, 2007).

<sup>150</sup> Henry J. Kenny, "China and the Competition for Oil and Gas in Asia," *Asia-Pacific Review*, Vo. 11, No. 2 (2004), 39-40.

<sup>151</sup> Thacker, "The Longest Oil Pipeline," *The Krai: A Magazine for the Russian Far East*, Jan 2006, <http://www.thekrai.com/articles/January%2006/nelsononpipeline.htm>, (accessed June 9, 2007).

<sup>152</sup> Interview with Jing-dong Yuan PhD, at Monterey Institute of International Studies, March 3, 2007.

terrorist sabotage. Therefore, China has had the impetus to foster military cooperation via the SCO with Kyrgyzstan, Uzbekistan, and Kazakhstan in joint counter-terrorism exercises between the PLA and Central Asia military forces.<sup>153</sup> While Japan does have bilateral agreements with Brunei for oil and gas exports, China's energy resources options in Latin America, Africa, and Central Asia far outweigh the long range potential for deliverable fossil fuels. China has also been investing in Australia and Indonesia to grab a greater share of production of the Northwest Shelf Project and the Tangguh liquefied natural gas (LNG) Project, respectively.<sup>154</sup> The strategic shuffle to secure energy resources is certainly not over, but at this stage China seems to be edging out Japan in this energy game.

#### **D. MILITARY TO MILITARY RELATIONS**

Since the beginning of military-to-military contacts in the 1980s, the relationship has always been obscured by complications stemming from the U.S.-Japan Security Alliance. But recent events indicate that the relationship is becoming more independent and focused. High-level security dialogues have been held on an official bilateral basis since 1993 and also on the fringe of multi-national forums. In July 2006, the tenth bilateral security dialogue was held in Beijing, where vice foreign ministers presided over discussions where civilian and military officers exchanged views aimed at improving understanding.<sup>155</sup> During the summer of 2006, mid-level military exchanges sponsored by the Sasakawa Foundation also discussed the exchange of students from their respective military academies.<sup>156</sup> In total, Japanese and Chinese military leaders officially have met 23 times between 1984 and 2006, but there were significant gaps between 2002 and 2006 due to Prime Minister Koizumi's visits to the Yasukuni shrine. During that time, however, government leaders still held security dialogues at multilateral

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<sup>153</sup> PRC White Paper on National Defense, December 2006.

<sup>154</sup> Nelson Thacker, "The Longest Oil Pipeline," *The Krai: A Magazine for the Russian Far East*, Jan 2006 <http://www.thekrai.com/articles/January%2006/nelsononpipeline.htm>, (accessed June 9, 2007).

<sup>155</sup> People's Daily Online, "China, Japan Hold 10<sup>th</sup> Security Talks," July 21, 2006, [http://english.people.com.cn/200607/21/eng20060721\\_285484.html](http://english.people.com.cn/200607/21/eng20060721_285484.html), (accessed January 9, 2008).

<sup>156</sup> People's Daily Online, "U.S. Navy Destroyer Visits Qingdao," September 13, 2005, [http://english.people.com.cn/200509/13/eng20050913\\_208286.html](http://english.people.com.cn/200509/13/eng20050913_208286.html), (accessed January 9, 2008).

venues like the Asia-Europe Meeting (ASEM), the ASEAN+3, the China-South Korea-Japan Summit, the Asian-Africa Summit, and APEC meetings. Coordination on issues regarding Japanese abductees and North Korea nuclear testing occurred on the sides of these larger forums.

The promotion of regional security provides another common area of interest for the PLA and JSDF. An example of promoting security was the cooperation between the militaries to help clean up buried mustard gas and chemical weapons left behind by the Japanese Imperial Army. In September 2000, 75 Japanese and 200 Chinese civilian and military personnel successfully removed some 900 chemical warfare shells left behind in the Heilongjiang province. This issue plagued the Japanese judicial system for years, but military cooperation helped to ameliorate the situation. In order to avoid conflict escalation in the East China Sea, hotlines have been established at each respective military headquarter to enhance communication. Future joint training exercises in humanitarian relief and natural disaster response are also being considered as well as agreements on how to handle potential incidents at sea. China's concern about terrorist and maritime piracy threats in the Straits of Malacca could also encourage collective participation in joint exercises with the littoral states of Thailand, Malaysia and Indonesia. Realizing the importance of the larger relationship, on September 1-3, 2007, Defense Minister Masahiko Komura met with the Chinese Defense Minister Cao Gangchuan -- the first such meeting since 2003.<sup>157</sup> From November 28 to December 2, 2007, and a historic naval port call occurred where the PLAN missile destroyer *Shenzhen* conducted a four-day good will visit in Tokyo Bay, the first such meeting since the 1930s.<sup>158</sup> Overall, the bilateral military relationship is in the initial stages of developing a cooperative approach to future relations.

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<sup>157</sup> The Asahi Shimbun, August 31, 2007, "Komura Urges Clear China Military Policy," <http://www.asahi.com/english/Herald-asahi/TKY200708300407.html> (accessed September 3, 2007).

<sup>158</sup> China Military Online, "PLA Warship's Landmark Visit to Japan," November 28, 2007, [http://english.chinamil.com.cn/site2/special-reports/2007-11/28/content\\_1039613.htm](http://english.chinamil.com.cn/site2/special-reports/2007-11/28/content_1039613.htm) (accessed January 5, 2008).

## E. CONCLUSION

Using the strategic metaphor of a chessboard where key pieces are often “pinned down” by a combination of other pieces, the military balance of power regarding nuclear weapons and the Taiwan problem are virtually immovable objects in the overall strategic context. However, movement in terms of energy security is more likely in the next five to ten years. Japan should be motivated to negotiate the joint development of the East China Sea and has leverage against China because of its comparative advantage in nuclear energy and energy conservation technology. China has the upper hand regarding access to fossil fuels, but is leery of Japan’s BMD shield. Both sides are working toward conflict avoidance as the military to military relationship further develops. On the whole, “hard” security considerations are stable and the expansion of a potentially destabilizing arms race is unlikely. A litmus test of the security relationship would be a breakthrough in the East China Sea (ECS) discussions. While the author judges a breakthrough unlikely; recent editorials from the *Asahi Shimbun* following Prime Minister Fukuda’s December 27-30, 2007 official visit to Beijing indicate that “there is no need to be pessimistic” regarding the settlement of the gas fields.<sup>159</sup>

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<sup>159</sup> Asahi Shimbun, “Editorial: Japan-China summit,” December 31, 2007, <http://www.asahi.com/english/Herald-asahi/TKY200712310036.html>, (accessed January 7, 2008).

## V. IMPLICATIONS FOR U.S. FOREIGN POLICY

### A. SUMMARY

#### 1. Anti-Japanese Nationalism is Limited

The chapter on diplomatic issues challenged the conventional wisdom that anti-Japanese sentiment is ruinous for positive bilateral relations. While anti-Japanese nationalism is certainly a significant factor affecting the overall relationship, it is also limited by a pragmatic approach from Beijing as well as countered by positive trends in both Japan and China signaling greater cooperation in furthering common interests. However, the author's assessment is that politicians on both sides will likely continue a cautious diplomatic approach and will likely "stay the course" with very little significant progress in areas like the East China Sea negotiations.

#### 2. Economic Interdependence is Limited

The chapter on economic issues found that economic interdependence did not lead to empathy in diplomatic or security circles. The main reasons for this are that decision-making priorities for the individuals involved (entrepreneurs, security specialists, and politicians) are uniquely different. However, environmental interdependence did show promise as an area from which a "strategic mutually beneficial relationship" could be built. An analysis of Sino-Japanese economic prospects for the next 20 years shows that China has the upper hand, which could significantly alter the current status quo of East Asian economic powers. However, because economic and security linkages are weak, the economic rise of China should *not* lead to a dramatic spill over into the diplomatic or security context of the East Asia region.

#### 3. Security Issues Remain Status Quo

The chapter on security issues found that the security relationship remains static. Both sides are working toward conflict avoidance as the military-to-military relationship

further develops. Existing frictions, like Taiwan or the East China Sea, have the potential to flare up into large-scale security problems; however, the political will to prevent escalation also exists. Even though both sides are improving their military capabilities and wearily watching the other, the expansion of a potentially destabilizing arms race is unlikely. Common national interests in energy security represent a potential area of cooperation and a foundation from which to build a strategic mutually beneficial relationship.

Following the Rozman model illustrated below in figure 3, the optimists are constrained by nationalistic feelings that have derailed economic ties in the recent past. The “doomsayers” are also constrained by pragmatic decision-making and the regional security framework. As long as the “hard” security component of the relationship remains static, as it is today, one should expect to see Sino-Japanese relations improve in the near-term. However, because complex issues, like wartime reconciliation and territorial sovereignty, remain unresolved the long-term implications for Sino-Japanese relations are for bounded fluctuations between the optimists and the doomsayers.

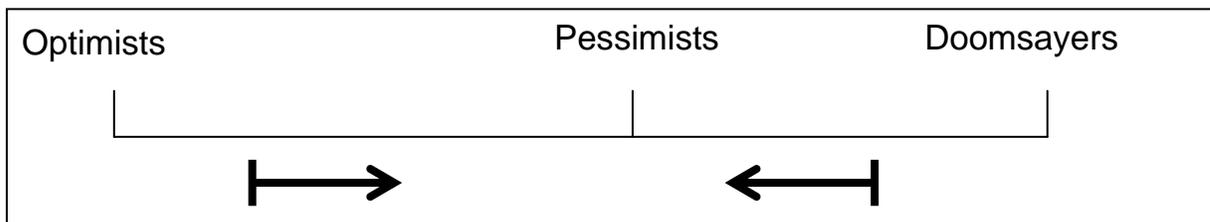


Figure 3. Rozman's Model

## B. IF “STATUS QUO,” THEN WHAT?

Given that Japan and China are locked in to their current pattern of constrained “cold politics and hot economics,” what type of policies should Japan, and the U.S.-Japan alliance, take towards China? John Ikenberry asserts that U.S. foreign policy since the Cold War has followed a two pronged strategy of liberal engagement and realist

containment.<sup>160</sup> While the author agrees that engagement is necessary, the approach towards containment should be modified in China's case.

Historian Walter LeFeber commented that U.S. national interests are served when the Chinese government is strong enough to control its own people, yet weak enough to accede to U.S. demands.<sup>161</sup> Keeping the Chinese government strong enough to control its own people is a primary goal of the economic engagement plan. China faces numerous challenges in the next twenty years with a massive pollution problem, which ripples into areas like food security, (fresh) water security, and social unrest. Beijing has improved the living standards of many of its people over the last 30 years with its rapid economic modernization, but sustaining such growth will become increasingly more difficult in the years ahead.

The containment strategy used during the Cold War would not be advisable against China. Unlike Eurasia, where clear East-West fault lines created a stable bipolar world, a divided Asia in a U.S.-China bipolar context would not be in U.S. interests. Rather, a passive containment strategy headquartered in Hawaii, but operationally managed from Guam and Japan would provide the United States close proximity to monitor, protect and forward its interests (i.e. SLOCs and Taiwan). In that context, the U.S.-Japan alliance and U.S. bases operating from Japan will remain a critically important element of maintaining stability in the region.

### **C. RECOMMENDATIONS FOR U.S. POLICY**

U.S. policy towards Sino-Japanese relations should embrace the concept of developing a "strategic mutually beneficial relationship." The first of three policy recommendations is that the alliance should "wait and see" what happens in China – both economically and militarily. Much of the speculation on the rise of China is based on

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<sup>160</sup> John G. Ikenberry, "Power and the Liberal Order: America's Postwar World Order in Transition," *International Relations of the Asia-Pacific*, 2005, 133-152.

<sup>161</sup> Walter LeFeber, *The Clash: U.S.-Japanese Relations throughout History*, (New York: W.W. Norton & Company, 1997), 74.

economic models that predict China will have the largest economy by 2050.<sup>162</sup> The 2007 DoD Report to Congress noted that the PLA has purchased offensive weapons and are developing 5<sup>th</sup> generation fighters, but its respective employment strategies and operational capabilities are still unknown. As the April 2007 INSS report from Michael McDevitt advocates, U.S. foreign policy toward this bilateral relationship should be “to help, or at least do no harm.”<sup>163</sup> A premature move to counter a rising economic or military threat could create a “self fulfilling prophecy” and lead to conflict.<sup>164</sup>

A second policy recommendation to protect against the future uncertainty of a belligerent China is to embrace China’s military diplomacy. Key concepts for U.S. military planners would be to build an environment of “reciprocity and transparency” with open lines of communication to prevent escalation. Dialogues need to be opened to examine why the incidents-at-sea agreement failed in the 2001 EP-3 incident and lessons learned need to be incorporated into future agreements to prevent reoccurrences. Confidence building measures are already in place to establish a predictable relationship, where both sides can begin the process of building trust. Finally, coalition military exercise programs could be established with a focus on areas of mutual interest. For example, the U.S.-Japan alliance is interested in reducing piracy in Southeast Asia, controlling potential pandemics in the region, enhancing disaster relief capabilities, enforcing nuclear non-proliferation treaties, preserving the environment, and combating terrorist networks. Planning for both military engagement and confrontation will create inconsistencies in PACOM’s strategy towards China, but hedging against the unknown future provides a better set of long-term options.

The third recommendation for sustaining the status quo relationship would be continued engagement under the auspices of Deputy Secretary of State Robert Zoellick’s line of encouraging Beijing to be a “responsible stakeholder.” Both diplomatic and

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<sup>162</sup> Dominic Wilson and Roopa Purushothaman, “Dreaming With BRICs: The Path to 2050,” Goldman Sachs Global Economics Paper No: 99, October 1, 2003.

<sup>163</sup> Michael McDevitt, “Sino-Japanese Rivalry: Implications for U.S. Policy,” *INSS Special Report*, National Defense University, April 2007, 6.

<sup>164</sup> Alexander Wendt, “Anarchy is What States Make of It,” in *International Politics: Enduring Concepts and Contemporary Issues*, (New York: Longman Publishers, 2003), 61.

economic engagement would ensure American businessmen had access to the growing middle class in the Chinese market and that China is an insider in the twenty-first century “great game.” Diplomatic pressure in the form of carrots would at least try to encourage China to adhere to the rules when it comes to the environment, law enforcement and basic human rights. Some China watchers perceive that “the majority of Asian states currently view China as more benign than malign and are accommodating themselves to its rise.”<sup>165</sup> Thus, the “responsible stakeholder” policy would not only encourage China to help resolve global problems, but also strengthen the existing international institutions which the United States maintains a leadership role. While the playing field is never completely level, the liberal approach to foreign policy is much better than anarchy.<sup>166</sup>

As mentioned in Chapter I, the quality of U.S.-Japan-China relations is paramount to preserving stability in the region. Encouraging policies that enhance both Sino-Japanese and Sino-U.S. relations are in the best interest of the Asia-Pacific region and the United States. Prematurely reacting to the rise of China by condemning it rather than embracing it would do more harm than good.

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<sup>165</sup> David Shambaugh, “China Engages Asia: Reshaping the Regional Order,” *International Security*, Vol. 29, No. 3 (Winter 2004/05), 67.

<sup>166</sup> Richard Rosencrance, “Power and International Relations: The Rise of China and Its Effects,” *International Studies Perspectives*, (2006) 7, 31-35.

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