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**Competing as Potential Superpowers:
Japan's China Policy 1978-1998**

by

Wenran Jiang, B.A., M.A.

A Thesis submitted to the Faculty of Graduate Studies and Research
in partial fulfilment of the requirement for the Degree of
Doctor of Philosophy

Department of Political Science
Carleton University
Ottawa, Ontario
Nov. 6, 1998

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submitted by

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in partial fulfilment of the requirements
for the degree of Doctor of Philosophy

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ABSTRACT

This dissertation examines Japan's relations with China in the context of interactions between potential hegemonic powers in the world political economy. It contends that the fundamental question in Sino-Japanese relations is neither misperception nor misunderstanding. The nature of Japan's relations with China is predominately determined by the two countries' relative positions in the world political economy which has gone through major structural changes in the past two decades. It is the two countries' changing status in the changing international system, their conflicting national interests, and their irreconcilable national goals in the region and in the world that have been primarily responsible for the ups and downs in the bilateral relationship in the closing decades of the twentieth century.

This thesis also argues that Japan's domestic politics has played a powerful role in shaping its relations with China. Successfully dealing with Beijing is critical for Japan if it is to assert any meaningful global role, yet despite Tokyo's repeated attempts since the 1970s to incorporate China into an East Asian regional framework centred on Japan, a set of complicated internal developments in Japanese politics, interacting with external factors, have hampered the realization of this policy goal. Japan is still in the process of searching for a successful China policy while coping with the uncertainties presented by a China that is rapidly emerging as a major world power.

Theoretically, the project explores how the interaction between structural factors at the level of the international system and domestic factors at the nation-state or unit level have affected Japan's China policy. Empirically, this thesis argues, through eight case studies, that a number of commonly accepted models of Japanese foreign policy do not accurately depict Japanese behaviour towards the People's Republic of China; that the perception of Beijing as the sole unstable and unpredictable party in the bilateral relationship is incorrect; and that Japan's relations with China must be studied in a broader framework of systemic transformations of the international political economy.

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NOTES ON THE TEXT

Throughout this dissertation, Japanese and Chinese names are given in their original order, with the family name first. However, the bibliography is alphabetically arranged according to the family name. If a Japanese or a Chinese author publishes in both English and Japanese/Chinese, that author's name appears in the footnotes in the order of its original publication.

The long vowel does not appear on Japanese names that are frequently printed in English, such as Osaka (Ôsaka) and Ohira (Ôhira).

The *pinyin* system is used for the romanization of Chinese terms.

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LIST OF ABBREVIATIONS

CCP	Chinese Communist Party
DAC	Development Assistance Committee
DPJ	Democratic Party of Japan
EPA	Economic Planning Commission
EU	European Union
IMF	International Monetary Fund
JCP	Japan Communist Party
JSP	Japan Socialist Party
JSP	Japan Socialist Party
KMT	Kuomintang/The Nationalist Party (of the Republic of China/Taiwan)
LDP	Liberal Democratic Party
LOS	The Law of Sea
MITI	Ministry of International Trade and Industry
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
NAFTA	North American Free Trade Agreement
NDPO	National Defense Program Outline
NFT	New Frontier Party
ODA	Official Development Assistance
OECD	Overseas Economic Cooperation Fund
PLA	People's Liberation Army
PPP	Purchasing Power Parity
RMB	Renminbi (the Chinese currency)

SDPJ	Social Democratic Party of Japan (the former JSP)
SII	Structural Impediment Initiative
TPF	Treaty of Peace and Friendship
WHO	World Trade Organization

LIST OF JAPANESE AND CHINESE TERMS

Amakudari	Descend from heaven (a system for top ex-bureaucrats to join the private sector after they retire from the government)
Bunkyo zoku	Culture and education tribe
Chûgokunetsu/	China fever/China boom
Chûgokubûbu	
Datsua nyûô	Leaving Asia, joining Europe
Gaiatsu	Foreign/external pressure
Gaimusho	Japan's Ministry of Foreign Affairs
ichi taisui	Neighbours across the strip of water
Ijitsuron	Theory of Japan as an "revisionist state"
Kokusai kokka	International state
Minshuto	Democratic Party of Japan
Monbusho	Japan's Ministry of Education
Nihonron/	Studies of Japan/Japanese
Nihonjinron	
Seiji taikoku	Political superpower
Shinshintô	New Frontier Party
Sôgô anzen hoshô	Comprehensive security
Zaikai	Japan's financial world
Zuku	The parliamentary tribe, special issue groups in the Japanese Diet

Chapter 1

Introduction

China and Japan have been interacting with each other and misunderstanding each other for a century, during which both underwent the most dramatic changes. There is little evidence that either country “understands” the other any better than it did in the past.¹

- Chalmers Johnson

A quarter of a century has passed since Chalmers Johnson made this critical observation, pointing to a fundamental problem in Sino-Japanese relations. Today, examining “misunderstandings” or “misperceptions” in the bilateral relationship remain a focal point of academic inquiry.² After establishing diplomatic relations in 1972, Japan and China signed a peace and friendship treaty in 1978. More than two decades of normal bilateral relations have been marked by both cooperation and conflict.³ In retrospect,

1. Chalmers Johnson, “How China and Japan See Each Other,” *Foreign Affairs*, Vol.50, No.4, July 1972, p.717.

2. See Allen Whiting, *China Eyes Japan*, University of California Press, Berkeley, 1989; and other articles in Christopher Howe, ed., *China and Japan: History, Trends, and Prospects*, New York: Oxford University Press, 1996.

3. The word “normal” could be confusing in describing Sino-Japanese relations. Japan used to claim the establishment of Manchukuo was a normal development in its relations with China in the 1930s. Today, while diplomats in Beijing and Tokyo are busy preparing for the twentieth anniversary of the signing of the Peace and Friendship Treaty, phrases like “peaceful and friendly relations” and “ichi taisui” (neighbours across the strip

what have the two countries learned from their limited time of peaceful coexistence? Do they understand each other better today than twenty five years ago? If so, what has made this better understanding possible? If no, what are the problems hindering the process? Do controversies, competition and conflicts in bilateral relations stem from miscommunication, misperception and misunderstanding or from some other systemic and structural factors in the world political economy that need to be closely examined?

This dissertation examines Japan's relations with China in the context of interactions between potential hegemonic powers in the world political economy. It contends that the fundamental question in Sino-Japanese relations is neither misperception nor misunderstanding. The nature of Japan's relations with China is predominately determined by the two countries' relative positions in the world political economy which has gone through major structural changes in the past two decades. It is the two countries' changing status in the changing international system, their conflicting national interests, and their irreconcilable national goals in the region and in the world that have been primarily responsible for the ups and downs in Sino-Japanese relations in the closing decades of the twentieth century. This thesis also argues that Japan's domestic politics has played a powerful role in shaping its relations with China. Successfully dealing with China is critical for Japan if it is to assert any meaningful global role, yet despite Tokyo's repeated attempts since the 1970s to incorporate China into an East

of water) are often heard from officials on both sides. But here the word "normal" is used in a neutral way, indicating a commonly acceptable condition between two sovereign states when they interact with each other in the world system.

Asian regional framework centred on Japan, a set of complicated internal factors, interacting with external factors, have hampered the realization of this policy goal. Japan is still in the process of searching for a successful China policy while coping with the uncertainties presented by a China that is rapidly emerging as a major world power.

Theoretically, the project explores how the interaction between structural factors at the level of the international system and domestic factors at the nation-state or unit level have affected Japan's China policy. Empirically, the project intends to answer the following closely related questions: What are the purposes, means and outcomes of Japan's China policy in the past twenty years? How have Sino-Japanese relations been affected by the systemic changes in world politics, especially the relative decline of U.S. power, the end of the Cold War and the rise of China? Why does distrust and hostility between Tokyo and Beijing still exist despite the two countries' extensive economic interdependence?

Through examining Japan's China policy from 1978 to 1998, the thesis argues that a number of commonly accepted models of Japanese foreign policy do not accurately depict Japanese behaviour towards the People's Republic of China; that the perception of Beijing as the sole unstable and unpredictable party in the bilateral relationship is incorrect; and that Japan's relations with China must be studied in a broader framework of systemic transformations of the international political economy.

Extremely conscious of China's importance in whatever role Japan may play in world affairs, decision makers in Tokyo have been working to bring China into a regional

political-economic formation with Japan as the “leading goose.”⁴ But unlike its foreign policy toward the United States, which has developed in the postwar years with some continuity and efficiency, Japan’s China policy has been marked by limited achievements, mixed with miscalculations, inconsistencies and adjustments in the period under study. Although the changing balance of power in Asia and in the world are the primary determinants of Japanese policy toward Beijing, a number of complicated internal and external variables have affected Japan’s China policy formation, and prevented Tokyo from realizing some of its major objectives.

This thesis utilizes the literature on hegemonic theories in the field of international relations developed over the past three decades to examine these variables. The theoretical focus of the project is, as will be shown in detail later, on relationships between potential hegemonic powers. Hegemony means different things to different players in the international system. The American government likes to talk about U.S. leadership in world affairs and is proud of being the sole superpower; the Russians used to legitimize their intervention in Eastern European countries by claiming other socialist states had only “limited sovereignty;” Tokyo always refers to its increasing role in global politics as

4. In the past two decades, many have used the “flying geese” formation to describe the regional division of labour among East Asia’s fast industrializing economies, that is, the most advanced economy (Japan) leads the way with the so-called “four tigers” (South Korea, Taiwan, Hong Kong and Singapore) right behind, and followed by the other Asian countries (like ASEAN countries and China). As will be discussed later, the “flying geese” formation, first developed by the famous Japanese economist Akamatsu Kanemae to conceptualize development patterns of different industrial sectors and of different countries, was popularized by the Japanese leadership in the late 1970s and early 1980s to theoretically justify Tokyo’s leadership position in the East Asian political economy.

making an “international contribution,” Beijing, on the other hand, swears to “never seek hegemony” and chants the “anti-hegemony” slogan whenever possible.

In this study, hegemony is not treated in any one dimensional manner. Nor does it denote only military or economic or political dominance. Hegemony, which means leadership in Greek, is defined as a dominant state’s ability and willingness to establish, define and maintain certain norms and rules in the international system. A qualified hegemon must not only have economic, political and military power but must also have a certain ideological appeal, or what Antonio Gramsci called “ideological hegemony,” or what Joseph Nye calls “soft power.”⁵ A hegemon must also be willing to pay for, or persuade or force others to share the cost of maintaining the international system.⁶ Recent examples of hegemonic powers are the Pax Britannica and the Pax Americana. Japan and China are studied as hegemonic candidates because both have been perceived by many, at least until recently, as having the potential to take over the hegemonic power status from the United States or to significantly redefine and modify certain established norms and rules that have served Washington and to a large extent, its allies in the postwar period.

5. While Gramsci’s concept of hegemony is in the realm of “superstructure” as defined by Karl Marx in his study of history, Nye’s conceptualization of soft power is, in contrast to the “hard power” of military and economic strength, mainly about a leading country’s persuasiveness vis-à-vis other countries in the international system.

6. My definition of hegemony is very similar to Gilpin’s in these aspects but I do not put too much emphasis, as Gilpin does, on the hegemon’s commitment to maintain a specific “liberal” world economic order in the cases of Britain and the United States. See Robert Gilpin, *The Political Economy of International Relations*, Princeton: Princeton University Press, 1987, pp. 72-80. I will come back to this point later in this chapter.

Here the issue is not whether Japan or China is a hegemon. Neither of them are, and neither of them will be in the near future, although both may possess certain qualities to become one. Rather, the issue is that there has been a debate on whether Japan, or (recently) China, will be taking over the former Soviet Union as the major rivalry to the U.S. hegemony. Both Tokyo and Beijing have also been contemplating such possibilities and adjusting their foreign policies accordingly in the ever changing international and domestic environments. Certainly, in order to adequately explain Japan's foreign policy behaviour, we need to employ a range of theoretical and analytical tools rather than depending on a single theory or a single model.

I. The Period Under Research

For most of the past two thousand years, Japan and China have had close ties when they were in contact. Japan long regarded China as its sole source of civilization. However, the decline of the Qing Dynasty which was further hastened by the invasion of Western powers and the success of Japan's Meiji Restoration in the mid-nineteenth century drastically changed Japan's position as China's student. The next hundred years witnessed the worst period in Sino-Japanese relations. Japan's neighbouring countries, especially China, suffered deeply in Japan's painful and ruthless search for its new role in Asia and in the world. Japan's defeat at the end of World War II did not bring a new start in the bilateral relationship. The establishment of the People's Republic of China (PRC), the Korean War and the beginning of the Cold War kept the two countries apart, and the

hostility towards each other continued until the early 1970s.

The thesis covers the Sino-Japanese relationship in a twenty year period from 1978-98. The year 1978 is chosen as the beginning point of the project because of a number of significant developments in East Asian international relations.

First, although Japan and China established formal diplomatic ties in 1972 when Japanese Prime Minister Tanaka Kakukei rushed to Beijing after U.S. President Richard Nixon's shocking announcement that he would visit China, it was the signing of the Peace and Friendship Treaty between Tokyo and Beijing in 1978 that formally settled war-related issues and promised a new era in the bilateral relationship.⁷ A century of antagonistic relations between the two countries had ended. Positive remarks from both Beijing and Tokyo indicated a bright future in the bilateral relationship.⁸ Due to the unique state of the Sino-Japanese relationship, Tokyo had to develop a new China policy without existing foreign policy models to follow.

Second, the peace treaty, plus the expected establishment of diplomatic relations between China and the United States in 1979, meant that major powers in East Asia would have to redefine their positions in the region in terms of political, economic and

7. For detailed studies of the signing of China-Japan Peace and Friendship Treaty and its implications, see *Tôa* (Asia Monthly), October 1978, Tokyo: Kasankai; Robert Bedeski, *The Fragile entente: the 1978 Japan-China Peace Treaty in a global context*, Boulder: Westview Press, 1983.

8. For an in-depth comparative study of Japan and the United States on their normalization process with China, see Sadako Ogata, *Normalization with China; a comparative study of U.S. and Japanese processes*, Berkeley: University of California Press, 1988.

strategic relations with each other. Did these developments signal a new alliance between China, Japan and the United States. in dealing with the former Soviet Union? Did the Sino-Japanese peace treaty indicate that, as Robert Bedeski concluded, Japan was choosing a side in the bitter Sino-Soviet confrontation? What were the long term strategic implications of the so-called “anti-hegemony” clause in the treaty?

Third, all these events coincided with the implementation of the open-door policy in China’s foreign relations and with Japan’s efforts in diversifying its sources of energy supply after the shock of the first oil crisis and on the eve of the second oil crisis. Both Beijing and Tokyo seemed to have what the other needed in terms of economic development: resources, a vast market and cheap labour on the Chinese side and capital, technology and managerial know-how on the Japanese side. To what extent did this economic complementarity affect the subsequent development of the Sino-Japanese relationship?

1978 was also a significant year in the domestic development of both countries. With the arrest of the Gang of Four and the re-emergence of Deng Xiaoping, Beijing declared an end to the ten year long Cultural Revolution and began to pursue economic reforms. The Four Modernizations program (modernization of agriculture, industry, science and technology, and national defence), first proposed by the late Premier Zhou Enlai in 1964, was again put forward as China’s national priority. A group of top technocrats who had management skills and were advocating closer economic ties with Japan took charge of the reform process in China.

Accompanying this profound policy change was the beginning of China's foreign policy re-orientation. It was clear in 1972, when China and Japan resumed diplomatic relations, that Beijing's predominant concern was national security and strategic relations in Northeast Asia. The tension which had built up between the PRC and the Soviet Union in the 1960s climaxed in a series of border clashes in 1969 when the Chinese leadership saw a clear threat from its northern neighbour. Mao Zedong and Zhou Enlai considered rapprochement with Washington and Tokyo as a strategic move against the Soviet threat. What they did not anticipate was that this would pave the way for China's new open-door policy which would be implemented when Deng Xiaoping came to power six years later.

Unlike Mao and Zhou, the Beijing government under Deng perceived quite a different role for Japan after 1978. First, China viewed the signing of the friendship treaty as a diplomatic victory which showed that Japan had finally "taken a side" in the Sino-Soviet dispute and confrontation in Beijing's favour.⁹ Second, realizing how far China had lagged behind in its economic development, the Chinese leadership foresaw a huge potential in Japanese financial assistance in promoting its modernization program. Third, Beijing expected Japan to be a window through which Western technology and investment could come to China.

Japan was equally excited about its new relationship with the People's Republic. Public opinion polls revealed that the Japanese people had very positive and friendly

⁹. Bedeski, *The Fragile Entente*.

attitudes toward the Chinese. China was the most liked country in Asia with 62 percent of those surveyed having friendly feelings for China. Only the United States overtook China with 72 percent in this category.¹⁰ Then Japanese Prime Minister, Ohira Masayoshi, was a major figure in lobbying for a closer Sino-Japanese relationship in the ruling Liberal Democratic Party (LDP). In preparing for Ohira's visit to the PRC, scheduled for 1979, plans for the first package of Japanese official development assistance (ODA) to China were actively under way. In such an atmosphere, the private sector reacted with great enthusiasm as it anticipated the potential of an open market with one billion people. As the thesis will demonstrate, the China policy was to become a major tool in the internal power struggle of the LDP in seizing the position of prime minister. The "China Fever" in Japan would also lead to the first round of major economic frictions between the two countries.

With our investigation starting in 1978, Japan's China policy clearly reflected the above trends. However, this new phase in Sino-Japanese relations experienced both achievements and setbacks in the next two decades. This project analyzes the evolution of Japan's China policy in the following four identifiable periods. First, from the late 1970s to the early 1980s, Japan's China policy can be characterized as politics driving economics: economics and other aspects of the relationship were very much dominated by political and strategic considerations of the top LDP leadership in a wave of China fever. Second, the mid-1980s can be summarized as politics contesting economics:

¹⁰. Japanese Prime Minister's Office, *Seron Chyosa*, February 1979, pp.46-51.

Japan's China policy showcased a tension between Japan's political goals in the international arena and its consideration of enhancing economic ties with China. Third, from the late 1980s to early 1990s, the Japanese approach was to let politics accommodate economics when dealing with China. Fourth, the mid-1990s was the beginning of a new era for Japan to reconsider its China policy and re-position itself in political, strategic and economic terms.

The project ends in 1998 not only because of the desire to include the most up-to-date materials empirically but also due to some noticeable changes in how Japan and China are being perceived in the world political economy. In the past few years, there has been a heated debate in the West on the so-called "China threat."¹¹ China is now viewed by some as the most likely rival to U.S. hegemonic power, even with a number of constraints.¹² On the other hand, Japan, with its ongoing difficulty in domestic economic adjustments, is seen as becoming a "normal" advanced industrial state suffering from

11. See Richard Bernstein and Ross Munro, "The Coming Conflict with America," and Robert Ross, "Beijing as a Conservative Power," *Foreign Affairs*, Vol. 76, No. 2, March/April 1997; David Shambaugh, "The United States and China: Cooperation or Confrontation?" and Samuel Kim, "China as a Great Power," *Current History*, September 1997.

12. See Richard Bernstein and H. Ross Munro, *The Coming Conflict with China*, New York: Knoph, 1997; William J. Dobson and M. Taylor Fravel, Red Herring Hegemon: China in the South China Sea," *Current History*, September 1997.

many economic problems experienced by other industrialized capitalist states.¹³ The prolonged recession in Japan has led to a reassessment of Japan's would-be-hegemon status. Although some continue to see Japan as a global power,¹⁴ and others continue to pursue Japan's supporting role to U.S. hegemony,¹⁵ many have begun to emphasize Japan's limitations with its position as a challenger to U.S. dominance being overtaken by China as it gains prominent status with its continuing high economic growth rate.¹⁶ The year 1998 is also the time when the details of the new Japan-U.S. security arrangement, jointly announced at the Clinton-Hashimoto summit in 1996, will be finalized and submitted to the Japanese Diet for ratification. All these indicate a possible new orientation in Japan's China policy that is yet to be documented and studied as events unfold. Hopefully, the two decade long period covered by this work can serve as a starting point.

13. Here the term "normal" means that Japan is after all not that different from other industrialized countries in terms of having had economic recessions from time to time. See James Shinn, "Japan as an 'Ordinary Country'," *Current History*, December 1996.

14. See for example, Alan Tonelson, "America, Germany, and Japan: The Tenacious Trio?" *Current History*, November 1995.

15. See for example, Koji Taira, "Japan as Number Two: New Thoughts on the Hegemonic Theory of World Governance," in Tsuneo Akaha and Frank Langdon, eds., *Japan in the Posthegemonic World*, Boulder: Lynne Rienner Publishers, 1993.

16. See David P. Rapkin, "Japan and World Leadership," in David P. Rapkin ed., *World Leadership and Hegemony*, Boulder: Lynne Rienner Publishers, 1990; Richard H. Solomon, "Who Will Shape the Emerging Structure of East Asia?" in Michael Mandelbaum, ed., *The Strategic Quadrangle: Russia, China, Japan, and the United States in East Asia*, New York: Council on Foreign Relations Press, 1995.

II. An Evaluation of the Current Research

1. The literature on Japan's foreign policy

The study of Japan's China policy cannot be separated from an assessment of Japan's overall foreign policy. However, the study of the latter in the postwar period has been at times influenced by stereotype conceptualizations of Japan and at other times, shaped by the conditions of Japanese-U.S. relations. The study of Japan's foreign policy in general has gone through three periods in the postwar period.

From the early 1950s to the early 1970s, Japan was closely attached to the Japan-U.S. alliance relationship in formulating its foreign policies. Edwin Reischauer called this situation "the favourable environment" for Japan's diplomacy created by the United States.¹⁷ Patrick Smith, on the other hand, critically points out that Japan was under strict U.S. control in this period, making Tokyo a Cold War warrior for the West, even at the expense of Japanese democracy and sovereignty.¹⁸ Even in recent years when Japan has become the second largest economic power in the world, people still express doubt

17. See, Edwin O. Reischauer, in Robert Scalapino, ed., *The Foreign Policy of Modern Japan*, Berkeley: University of California Press, 1977, p.xvii. But how Japan successfully selected its foreign policy priorities in the first three decades after World War II needs to be further studied.

18. See Patrick Smith, *Japan: A Reinterpretation*, Pantheon Books: New York, 1997.

about Japan's capability in the foreign policy arena.¹⁹ Many works, while acknowledging that Japan followed U.S. foreign policy in the Asia-Pacific region in the postwar period, fall short in analyzing Japan's foreign policy operating environment, Japan's perception of the world, and the foreign policy-making process.²⁰

Japan's foreign policy in the 1970s was viewed as being in a period of transition. The Nixon Shocks of the early 1970s affected Japan's foreign policy perspectives in a substantial way. Tokyo's prompt response to Nixon's Beijing visit led to a breakthrough in Japan's relations with China. For most of that decade, Japan, while maintaining its close ties with the United States, began to pursue its own foreign policy goals such as the attempted "equal-distance diplomacy" towards China and the former Soviet Union and policy initiatives towards Arab countries that were not exactly in line with the American policies in the region. During the same period, Japan's economic power continued to expand at a faster pace than other industrialized nations. Attempts have also been made

19. Observers are divided on whether Japan is unwilling to take foreign policy initiatives or it is not able to make foreign policy choices. See Tsuneo Akaha and Frank Langdon, ed., *Japan in the Post Hegemonic World*, Boulder, Colo.: Lynne Rienner Publishers, 1993, pp. 4-7. A personal experience illustrates the state of affairs in this aspect. When I went to Japan for my dissertation research in the early 1990s, at least two Japanese friends (in a well-known Japanese university) responded to my interest in Japan's foreign policy in the following words: "Does Japan have a foreign policy?" Half jokingly though, it reflects a stereotype conceptualization of Japan's foreign policy.

20. Instead, Japanese scholars primarily focused on Japan's economic success in the period. Works on Japan's foreign policy by Western scholars (Scalapino, ed., 1976; Frank Langdon, *Japan's Foreign Policy*, 1973) are few in number.

to portray Japan as a role model of development for the Third World countries.²¹

While the “transition” thesis continued to dominate some of the studies on Japanese foreign policy in the 1980s,²² several important theoretical frameworks emerged that primarily tried to explain the role of the Japanese state. These analyses have important and explicit implications for studying Japan’s foreign policy.

For instance, Kent E. Calder employs the term “reactive state” to explain Japan’s complex relationship with the international economic system.²³ Calder argues that the Japanese government is very sensitive about Japan’s position in the international environment, and that this is reflected in its complex foreign policy behaviour which is a combination of pragmatism, hesitancy and passiveness. Although Japan has become an economic superpower second only to the United States in the world, its foreign policies are rarely initiated but often produced by high levels of foreign pressure, or *gaiatsu*, on Japan. To many critics, Japan simply does not want to take international responsibilities and make proper contributions. For Calder, two factors are responsible for the reactivity

21. For example, Okita Saburo, a prominent Japanese economist and Minister of the Foreign Ministry in the Ohira cabinet, wrote many essays in the 1970s regarding “the Japanese example.” See Okita Saburo, *The Developing Economies and Japan: Lessons in Growth*, Tokyo: University of Tokyo Press, 1980.

22. See Saito Shiro, *Japan at the Summit: Its Role in the Western Alliance and in Asian Pacific Co-operation*, London: Routledge, 1990, Preface.

23. Calder defines the concept of a reactive state within the context of the international arena as: 1) the failure of the state to initiate any major independent foreign policy, despite having the power and the national incentive to do so; and 2) reacting to outside pressure for change. See, Kent E. Calder, “Japanese Foreign Economic Policy Formation: Explaining the Reactive State,” *World Politics*, Vol. 40, No.4, July 1988, p.518.

of contemporary Japanese foreign policy. First, Japan's resource vulnerabilities force the Japanese government to weigh every foreign policy issue carefully before making any moves; otherwise, Japan may not be able to guarantee its economic security. Second, Japan is in a U.S.-arranged security framework which has provided Japan with many privileges since World War II, as well as placing certain restraints on Japan.²⁴

Chalmers Johnson, in his *MITI and the Japanese Miracle*, presents a different framework for studying the Japanese state.²⁵ Searching for the causes of Japan's economic success, the author carefully examines the role of the modern Japanese state in general and the Ministry of International Trade and Industry in particular. He concludes that a "capitalist developmental state" is the essence of the Japanese model. Japan, according to Johnson, is neither a market economy like the United States and Western European countries nor a planned economy like those following the Soviet model. The government, functioning as an "economic general staff," which provides "administrative guidance" is responsible, and should be credited, for Japan's economic miracle. This model not only emphasizes the dominant role of the state versus the market but also clearly outlines the areas in which the Japanese state should take an active foreign policy stance. These measures "included, on the protective side, discriminatory tariffs,

24. For further analysis on Japan as a reactive state, see Tanya L. Casperson, *Japan's Contemporary Foreign Policy: A Reactive State?* Honour's Thesis, Department of Political Science, Carleton University, Ottawa, Canada, June, 1989.

25. Chalmers Johnson, *MITI and the Japanese Miracle*, Stanford: Stanford University Press, 1982.

preferential commodity taxes on national products, import restrictions based on foreign currency allocations, and foreign currency controls.”²⁶

Although Johnson’s study first appeared as praise for the Japanese experience, his conclusions later became the basis for arguments that Japan, far from “beating the West at its own game,” might not be playing the Western “game” at all.²⁷ As Omori and Packard point out, criticisms of Japan’s foreign trade policy in the mid-1980s led to the conceptualization of Japan as a “revisionist state” among democratic countries.²⁸ Publications such as *Trading Places* (1988), *More Like US: Making America Great Again* (1989), *Agents of Influence* (1990), and *Looking at the Sun* (1994) transformed the debate from focusing on Japan’s unfair trading practices to whether Japan was a potential threat to U.S. national security and survival.²⁹ Almost opposite to Calder’s “reactive state”

²⁶. Ibid., p.29.

²⁷. Chalmers Johnson is also labelled as the "Godfather" of the revisionist view on Japan, see, Omori, Minoru & Packard, George R. *Nichibei Shôtotsu no Michi* (Collision Course), Tokyo: Kôdansha, 1990, p.27.

²⁸. Ibid., Chapter 1. The term “revisionist” is translated in Japanese as *Ijitsuron*.

²⁹. See Clyde V. Prestowitz, Jr., *Trading Places: How We Allowed Japan to Take the Lead?* New York: Basic Books, Inc., 1988; James Fallows, *More Like US: Making America Great Again*, Boston: Houghton Mifflin, 1989; Pat Choate, *Agents of Influence: How Japan's Lobbyists in the United States Manipulate America's Political and Economic System*, New York: Alfred A. Knopf, 1990. See also Edward J. Lincoln, *Japan's Unequal Trade*, Washington, D.C.: Brookings Institution, 1990; Daniel Burstein, *Yen: Japan's New Financial Empire and Its Threat to America*, New York: Simon and Schuster, 1988; James Fallows, *Looking at the Sun: The Rise of the New East Asian Economic and Political System*, New York: Pantheon Books, 1994.

thesis, the above writers see a very active Japanese government in its foreign policy arena: it collaborates closely with Japan's big corporations; sets clear foreign policy objectives; makes decisive moves in pursuing its national interests; and influences and even controls the U.S. policy making process, winning one victory after another.

Similarly critical of Japan's international behaviour but taking a different approach is Karel van Wolferen who, in a bestseller *The Enigma of Japanese Power* employs what he calls a systemic way of analyzing Japan. He characterizes the Japanese political system as "people and politics in a stateless nation," (subtitle of his book).³⁰ To Wolferen, Japan does not possess an active central government that guides the society nor does Japan work like a "Japan Inc." as some people claim. For this author, although Japan is a nation with a long history, its society in the past two thousand years can be characterized as lacking a central authority. Only when there has been a need to make contact with the outside world did the Japanese state play a key role. There are many power centres in Japanese society today but there is no ultimate authority, not the ruling Liberal Democratic Party, not the bureaucracy, not big business, and not even the Prime Minister. While such a System "overrules the state at every turn," "the preservation of its own power is the first priority of every System component."³¹

30. Karel van Wolferen, *The Enigma of Japanese Power: People and Politics in a Stateless Nation*, London: MacMillan, 1989. For explanation of his systemic approach, see, Chapters 1-2.

31. Ibid., pp.47-48.

2. The literature on Sino-Japanese Relations

Despite both China and Japan being the research areas of many scholars, studies on Sino-Japanese relations are limited in number. Not many works published in English, Japanese and Chinese are directly related to the current research.³² Many articles regarding this bilateral relationship since the 1970s have been written, but scholarly books have emerged only recently in mainland China on such an important subject.³³ In China, reforms since 1978 have brought considerable academic freedom but issues of contemporary Chinese foreign policy are still politically sensitive. Critical works by scholars of Chinese origin are also limited in the West.³⁴

Two books, both written in Japanese, provide the most up-to-date record of Sino-Japanese relations in the postwar period. The revised edition of Furukawa's *Postwar*

32. They include the works of Allen Whiting, Laura Newby, Robert Taylor, Chae-Jin Lee, Tanaka Akihiko, Furukawa Mantarô and Quansheng Zhao, Wolf Mendl, Christopher Howe, and Akira Iriye, Lin Daizhao, Wu Xuewen, et al., among others.

33. See Lin, Daizhao, *Zhanhou zhongri guanxi shi 1945-1992* (Postwar Sino-Japanese Relations 1945-1992), Beijing: Peking University Press, 1992; Wu, Xuewen, Lin Liande and Xu Zhixian, *Zhongri guanxi 1945-1994* (Sino-Japanese Relations 1945-1994), Beijing: Shishi chubanshe, 1995; Liu, Jiangyong, ed., *Kuashiji de riben* (Japan at the Turn of the Century), Beijing: Shishi chubanshe, 1995.

34. Although Chinese scholars and students of international relations have been coming abroad to study since the late 1970s, their works have not reflected Chinese perspectives on Sino-Japanese relations. As acknowledged by the editors of *The Chinese View of the World*, their book does not even have a chapter on China's foreign policy towards Japan. See Yufan Hao & Guocang Huan, eds., *The Chinese View of the World*, New York: Pantheon Books, 1989. But recent works which help to fill in this gap have been written by Quansheng Zhao, *Japanese Policymaking: The Politics Behind Politics*, London: Praeger, 1993.

Japan-China Relations provides a detailed account of the bilateral relations since World War II. As a veteran journalist covering the subject for many years, Furukawa presents both historical facts and vivid descriptions of events. It is the best book for one who wants to know how the two governments (as well as the elite in both countries) have interacted in the past four decades. However, this book is more historical and journalistic in its orientation than academic. It does not provide an analytical framework for understanding the dynamics of Sino-Japanese relations. In comparison to the length of the book, the part covering the 1980s is very short and inadequate.

A much smaller book on the same period of Japan-China relations has been written by professor Tanaka of Tokyo University. *Nitchû kankei 1945-1990* (Japan-China Relations 1945-1990) sketches Sino-Japanese relations up to the Tiananmen Tragedy of 1989. The most significant part of the book is its attached essay on Japan's China policy making process which is a specialty of Tanaka.³⁵ In comparison with Furukawa's work, this book is very brief and, as Tanaka stated to this author, it is designed to be used as a general textbook. The main problem with the book, however, is its conservative perspective. It does not present alternative views on the bilateral relationship and its basic tone is similar to the Japanese government's official view on many events.

There are many China experts in Japan's various academic circles but the majority

³⁵. See Tanaka Akihiko, *Nitchû Kankei 1945-1990* (Japan-China Relations 1945-1990), pp.189-207.

of their writings is on China's political, economic and social development.³⁶ Sino-Japanese relations are referred to only when the impact of these developments is discussed. One exception is a volume edited by Kajimura Hideki and Kin Taijian.³⁷ This book focuses exclusively on the economic aspect of Sino-Japanese relations and carries out several concrete case studies.

Many observers in other countries have written in-depth scholarly works on contemporary Sino-Japanese relations. In 1984, Chae-jin Lee published *Japan and China: New Economic Diplomacy*, his second book on the subject.³⁸ Lee analyzed the intense economic interactions between the two countries in the late 1970s and the early 1980s with several case studies and placed the Sino-Japanese relationship in a new international context. His positive view of Japan's relations with China was carried further in Robert Taylor's book *The Sino-Japanese Axis*.³⁹ According to Taylor, Japan was loaded with high technology but lacked natural resources, while China had an

36. Many volumes were published on China, as well as articles in this regard. For example, Kojima Tomoyuki, *Samayoeru Chûgoku* (China in Chaos), Tokyo: Jiji Press, 1989; Iwanami kôza, *Gendai chûgoku* (Contemporary China), 6 vols., Tokyo: Iwanami shoten, 1990; Amako Satoshi, *Chûgoku* (China), Tokyo: Tokyo University Press, 1992.

37. Kajimura Hideki and Kin Taijian, eds. *Nitchû keizai koryu no kenzo to tanbô* (The Present Situation and the Prospect of Japanese-Chinese Economic Interactions), Tokyo: Hakutô Shobô, 1989.

38. Lee's first book, *Japan Faces China*, Baltimore: Johns Hopkins Press, 1976.

39. Robert Taylor, *Sino-Japanese Axis: A New Force in Asia?* London: The Athlone Press, 1985.

abundance of natural resources but was short on technology. These basic conditions plus the new bilateral relationship, Taylor states, would facilitate the emergence of a Sino-Japanese axis beneficial to both countries and creating a new balance of power in Asia. There not only exists a complementarity between the economies of China and Japan, but this cooperation also has a cultural base. This perspective is further elaborated in Taylor's latest book.⁴⁰

While Taylor seems to have presented an "ideal type" scenario which is drawn under the assumption that there is little conflicting interest between Japan and China, Robert Bedeski contends that, with the decline of the U.S. influence in East Asia, Japan and China are becoming two "gravitational fields" in the region, both trying to attract South Korea and Taiwan. This scenario emphasizes the rival aspect of the Sino-Japanese relationship.⁴¹

Two more works do not share Taylor's optimistic view.⁴² First, Laura Newby challenges "the notion of a Sino-Japanese 'special relationship' based on the theory of economic complementarity reinforced by geographic proximity, cultural affinity and

40. Robert Taylor, *Greater China and Japan: Prospects for an Economic Partnership in East Asia*, London: Routledge, 1996.

41. Robert Bedeski, "Reorienting the Orient," *International Perspective*, March/April, 1988.

42. For a detailed review of the two books written by Laura Newby and Allen Whiting, see Wenran Jiang, "Understanding China's Relations with Japan and the U.S.," *The Journal of International Studies*, Tokyo: Sophia University, No.26, January 1991.

common historical experience.”⁴³ Newby argues instead that Sino-Japanese economic cooperation was mainly due to political and strategic reasons. Beijing regarded Japan as the key to the West in its modernization program but did not want its market to be monopolized by the Japanese. For Tokyo, economic involvement in China was based on long-term goals, and as a result of this approach Japan took greater risks and suffered greater losses than other nations. Many factors which Taylor perceived as advantageous in Japan-China relations are also shown by Newby to be sources of frustration and friction in the relationship.

Throughout the book Newby treats both Japan and China as unified actors, each trying to maximize their national interests in the bilateral relationship. This theoretical perception of the nation-state leads her to contend that the fundamental problem underlying the Sino-Japanese relationship is “the problem of power sharing in the Asia-Pacific region.”⁴⁴ In their interactions, the two countries are always conscious of the other’s intentions. Newby concludes that priorities in Sino-Japanese relations have, together with the changing international context, shifted away from economic matters in the second half of the 1980s and will probably shift to strategic concerns in the 1990s.⁴⁵

As a research fellow at the Royal Institute of International Affairs in London at

⁴³. Laura Newby, *Sino-Japanese Relations: China's Perspective*, London: Routledge, 1988, p.3.

⁴⁴. Ibid.

⁴⁵. In fact, by the middle of the 1990s, the Sino-Japanese strategic relationship is in the process of being redefined by both countries.

the time of writing, Newby consciously observed this relationship with a British/European interest. In various places in the book the author summarizes the successes and problems of Japan's economic activities in China as lessons for the countries of the European Community (EC). While believing that "it is patently not in Western economic interests to let Japan monopolize the China market," Newby warns that it would also not be in the EC's interest if Sino-Japanese relations were to be disrupted.⁴⁶

Despite the author's astute grasp of the subject, Newby's book is too brief and at times simplistic in dealing with so many issues over a ten-year time period in this very complicated bilateral relationship. However, a more comprehensive, and somewhat different analysis of the issues raised by Newby can be found in Allen Whiting's *China Eyes Japan*.⁴⁷

Whiting's book is so far the most authoritative and detailed review of Sino-Japanese relations in the 1980s. Whiting, who is one of the foremost specialists on China's foreign relations in the United States, bases his book on extensive interviews with academics, diplomats, journalists and students, in many cities in China, and on a smaller scale in Japan. The research project was conducted according to the same theoretical

⁴⁶. Ibid., pp.46-47.

⁴⁷. Allen S. Whiting, *China Eyes Japan*, Berkeley: University of California Press, 1989.

framework which the author has utilized in a number of his books since the early 1950s.⁴⁸ Accompanying his analysis of Chinese publications, Whiting makes case studies of the events in Sino-Japanese relations that occurred between 1982 and 1987 to demonstrate what Japan's image was in Chinese eyes and how China's perception of Japan through that image affected Beijing's policy towards Japan, thereby influencing the development of Sino-Japanese relations.

Whiting challenges the commonplace assumptions that Deng Xiaoping's pragmatism has, as in other policy areas, also prevailed in China's foreign policy making. In actuality, many obstacles which existed in Beijing's foreign policy behaviour prevented the Chinese government from implementing a "pragmatic" or "rational" policy towards Japan. Whiting argues that these obstacles were derived from China's perception of Japan through an image formed in close connection with the modern history of the bilateral relationship. Although many Chinese advocated Japan as a role model for China, the confrontation and conflict between the two countries which characterized this historical period had made Japan's image in China more negative than positive.⁴⁹ In

48. These works include: *Soviet Policies Toward China, 1917-1924*, New York: Columbia University Press, 1954; *China Crosses the Yalu*, New York: MacMillan, 1960; *Dynamics of International Relations*, New York: McGraw-Hill, 1956.

49. For earlier studies of China's foreign policy behaviour towards Japan using a similar approach, but with a much more quantitative emphasis, see Okabe Tatsumi, *Chûgoku no tainichi seisaku* (China's Foreign Policy Towards Japan), Part II, Tokyo: Tokyo University Press, 1976; Okabe Tatsumi, ed., *Chûgoku gaikô seisaku kettei no kôzô* (The Structure of China's Foreign Policymaking), Chapters 1-3, 6, Tokyo: Nihon Kokusai Mondai Kenkyûsho, 1983.

backing up his argument, Whiting carefully examines views expressed in historical studies by Chinese scholars and how the Chinese mass media, controlled by the government, responded to issues such as the textbook dispute, the fortieth anniversary of Japan's defeat in World War II, and the Yasukuni Shrine question with public campaigns aimed at presenting a negative image of Japan. Whiting also notices that Japan's image was not always unfavourably presented by the Chinese. He documents how the Chinese press praised Japan as a role model in education, quality of life, positive aspects of society, and most importantly, economic development. With respect to how the Chinese view Japan's strategic role, Whiting reveals how opinions could differ according to people's specializations, between publicly stated and privately held views, and between different generations. These different strategic outlooks compete with each other for influence over policy makers and the policy making process.⁵⁰ After detailed analyses of the major events affecting Sino-Japanese relations in the 1980s, Whiting concludes that "the historical heritage of 1894-1945 continued to weigh heavily, casting a shadow over prospects for the 1990s."⁵¹

A joint reading of these works by Whiting and Newby enhances our understanding of Sino-Japanese relations in the 1980s. Yet comparing the two works suggests the following observations. First, at the theoretical level, Whiting and Newby employ

50. For a brief review of Japanese-Chinese military exchanges, see Hiramatsu Shigeo, "Nitchû gunji-kôryû no kiseki" (A Sketch of Japan-China Military Exchanges), *Tôa* (Asia Monthly), No.252, June 1988.

51. Whiting, *China Eyes Japan*, p. 200.

different theoretical frameworks for their analyses. Arguing against the use of the purely economic approach in perceiving the relationship, Newby stresses that the basic problem of Sino-Japanese relations arose from the conflict of the two countries' national interests (as defined in economic, political, and strategic terms) in their pursuit of power in the Asia-Pacific region. Hence, Newby joins a large number of scholars who contend that the rational calculations of national interest prevailed over ideological factors in the post-Mao period of Chinese foreign policy. Whiting, as one of the earlier advocates of the behavioral approach to the study of foreign policy, questions this application of Morgenthau's realist paradigm in the study of Chinese foreign policy by demonstrating that China's foreign policy did not become more rational and pragmatic, at least not in the case of its policy toward Japan.⁵²

Second, although both Whiting and Newby agree that there were serious problems in the economic interactions between Japan and China, that politics tended to dominate economics in China's Japan policy and that the prospect of bilateral relations was not optimistic, they stress different factors in their explanations of the causes of these problems. To Newby, frictions were due to the fact that Japan and China, as potential rivals in the region, tried to maximize their national interests even though, to a certain extent, economic considerations provided an incentive for both sides to minimize political problems in past decades.⁵³ Whiting, on the other hand, emphasizes "the historical

⁵². Ibid., pp.16-20.

⁵³. Newby, p.90.

heritage that burdens Chinese memories of the past and prejudices perceptions of the present.”⁵⁴ He cites this heritage as the major cause of controversies and suggests that Beijing’s reactions to Japanese behaviours during 1982-87 actually “jeopardized China’s interest in better relations between the two countries.”⁵⁵

Finally, both books draw heavily on Chinese sources and mainly present, as the title of Newby’s book suggests, a Chinese perspective on the bilateral relationship. While Chinese views on many issues are examined and evaluated, these works are not designed to reflect Japanese perspectives. Certainly, the above writers have no intention of neglecting how the Japanese perceived China in the 1980s but if we want to further enhance our understanding of this bilateral relationship, China’s image in Japan and Japan’s China policy in this period must also be carefully studied. On this aspect, no comprehensive work has been done. It is this lack of academic exploration that led to the initial research for the current dissertation.

This project examines a twenty year period in Japan’s relations with China, with the emphasis on the Japanese side. Works on Japan’s foreign policy in general do not put enough emphasis on Japan’s relations with China.⁵⁶ As reviewed above, some of the

⁵⁴. Whiting, 1989, p.197.

⁵⁵. Ibid., p.19.

⁵⁶. For example, there are only a few pages referring to this subject in Drifte’s book on Japan’s foreign policy. Reinhard Drifte, *Japan’s Foreign Policy*, New York: Council on Foreign Relations Press, 1990.

current works on the subject cover a shorter period;⁵⁷ others study a particular aspect of the bilateral relationship,⁵⁸ and yet others focus on the Chinese side in their research.⁵⁹ Although there are a number of books in Chinese and Japanese, they tend to be either too general,⁶⁰ or to carry a particular nationalistic overtone.⁶¹ There are no systematic studies of Japan's China policy covering an extended period of time. None of the current studies analyze the long-term trend of Japan's China policy and its changes.

This enterprise intends to address these problems in the field and fill a gap in the current literature by focusing on Japan's China policy from 1978 to 1998, analyzing the bilateral relationship primarily from the Japanese side (although not necessarily relying only on Japanese materials). This project both tells the story from its investigation of Japan's China policy and sheds more light on the interactions between Tokyo and Beijing through critically re-interpreting some existing evidence. The thesis also disputes a number of assumptions and conclusions prevailing in the above mentioned literature, that

57. See Whiting, Newby, Lee, Zhao, Taylor. Iriye's small book goes to another extreme, dealing with the past century. Akira Iriye, *China and Japan in the Global Setting*, Cambridge, Harvard University Press, 1992.

58. Taylor, 1990; Zhao, 1996.

59. Whiting, Newby, Lee to a certain extent.

60. Furukawa, Tanaka, Lin, Wu, et. al.

61. On the Chinese side, see Liu Jiangyong, ed., *Kuashiji de riben* (Japan at the Turn of the Century), Beijing: Shishi chubanshe, 1995; and on the Japanese side, see Nakajima Mineo, *Chugoku ni jubaku sareru Nippon* (The Japan that is Bound by China), Tokyo: Bungei shunju, 1987.

is, China is primarily responsible for the ups and downs in its relations with Japan; Japan has greater leverage in the bilateral relationship; Beijing tends to behave irrationally while Tokyo is always in a position of responding to the “crises” caused by the Chinese side; and Japan has been successful in utilizing its policy mechanisms (both formal and informal) in achieving its China policy goals. In fact, this project demonstrates that policymaking on China in Japan went through what I call a “learning curve” or an adaptive process in the period under research.

There is a tendency to regard China as the party that brings uncertainty to the bilateral relationship.⁶² Without looking at the Japanese side, most people assume China’s political structure and system are responsible for the problems that have occurred in the relationship while a democracy like Japan is unlikely to be inconsistent or unstable in implementing foreign policies. Yet, there is another commonly accepted notion of asymmetrical relations between China and Japan: China takes a high posture and Japan takes a low posture.⁶³ China is again the source of problems in the unbalanced relationship.

This project argues that it was often the case that the Japanese side brought uncertainty to the bilateral relationship, that there is no clear evidence that certain types of political systems may generate certain types of foreign policy behaviour, and that

62. Whiting, China Eyes Japan; Drifte, *Japan’s Foreign Policy*; Lee, *China and Japan: New Economic Diplomacy*.

63. Hidenori Iriye article, in Howe, ed., *China and Japan: History, Trends, and Prospects*.

Japan's China policy was not always consistent, rational and well implemented. Japan's China policy in the late 1970s and the following years was heavily influenced by Japan's domestic politics and inter-LDP power struggles. The commonly held view that the politician-bureaucracy-business triad always works well was not the case in Japan's China policy in the late 1970s and early 1980s. The thesis explores the correlation between Japan's domestic politics, its international environment, especially its relations with the United States, and its foreign policy toward China in four sub-periods.

III. The Analytical Framework

The study of Sino-Japanese relations is related to the general perception of Tokyo's foreign policy. This dissertation puts to the test the applicability of the existing theories of Japan's foreign policy.⁶⁴ It demonstrates that Japan's China policy behaviour did not conform to conventionally constructed models. First, the major works on Sino-Japanese relations are heavily influenced by the realist approach to international affairs. They tend to treat Japan's foreign policy as rational, well-planned, well-calculated and well-executed.⁶⁵ This general model is also applied to Japan's China policy by most writers. While recognizing the strength of the realist approach, especially its system-level

64. For Japan's foreign policy in general, see also Kenneth Pyle, *The Japanese Question: Power and Purpose in a New Era*, Washington D.C.: The AEI Press, 1992; William R. Nester, *Japan's Growing Power over East Asia and the World Economy: Ends and Means*, London: MacMillan Press, 1990; Drifte, *Japan's Foreign Policy*.

65. This group include Johnson, Pyle, Fallows, Nester, Newby, among others.

analysis of the world political economy and hegemonic power struggles, this work takes into consideration how factors in Japan's domestic politics and other social, cultural and economic conditions influence Japan's foreign policy making and performance. Japan's China policy must be examined in the context of changing balance of power in the world political economy. But this structural premise does not prevent the dissertation from setting an extensive agenda in finding out how the overall positioning of China in Japan's foreign policy was related to policy making, policy performance, and most importantly, policy outcomes.

Second, some people study Japan's foreign policy from the liberal perspective, or the complex interdependence paradigm.⁶⁶ This model tends to evaluate Japan's foreign policy in non-zero-sum terms, stressing cooperation in Japan's interactions with other countries. Although some writers point to Japan's good will in conducting its foreign policy,⁶⁷ and others pay attention to Japan's vulnerability and its need for interdependence,⁶⁸ the liberal perspective emphasizes the peaceful nature of postwar

66. This approach was first developed by Keohane and Nye, see Robert Keohane and Joseph Nye, *Power and Interdependence*, Boston: Little Brown, 1977. See also, Robert Axelrod, *The Evolution of Cooperation*, New York: Basic Books, 1984. The works Saito and Taylor reviewed earlier can be put into this group. For a realist critique of this approach, see Joseph M. Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism," *International Organization*, Vol.42, No.3, August 1988; John Mearsheimer, "The False Promise of International Institutions," *International Security*, Vol.19, No.3, Winter 1994/95.

67. See Saito, *Japan at the Summit*.

68. Taylor, *Greater China and Japan*.

Japanese foreign policy in general. It argues that very little, if any, of Japan's emerging economic and financial clout has been translated into political-strategic power.

The difficulties for applying the liberal/interdependence approach to the study of Sino-Japanese relations are that:

1) the interdependence perspective was primarily developed to analyze cooperation between advanced industrialized countries, and the theoretical applicability to other types of state cooperation is limited although not impossible.⁶⁹ The Sino-Japanese relationship falls into the latter category;

2) whether the relationship between China and Japan is based on harmonious common interests or cooperation is debatable, and therefore, whether the failure in the bilateral relationship is a matter of failed cooperation with common interests or the result of fundamental conflicts of interests is also debatable;⁷⁰

3) even though on the surface Japan and China are complementary to each other in terms of economic exchanges, many have pointed out the so-called "asymmetrical" character of the relationship: China takes a high posture and Japan takes a low posture,⁷¹ or the duality of interactions: in terms of political economy: interdependence versus

⁶⁹. Robert Keohane, *Neorealism and Its Critics*, New York: Columbia University Press, 1986, pp.6-7.

⁷⁰. For a discussion of harmony, cooperation and discord as concepts of complex interdependence, see Robert Keohane, *After Hegemony*, Chapter 4.

⁷¹. See Hidenori Ijiri's article in Howe, ed., *China and Japan: History, Trends, and Prospects*.

potential threat;⁷² in terms of history: a combination of romantic views and realpolitik toward each other;⁷³ in terms of culture: both have a superiority versus an inferiority complex with each other.⁷⁴

This thesis offers a critical assessment of the liberal/interdependence approach based on a thorough investigation of Japan's China policy over a twenty year period, and it attempts to provide some answers to these questions. The intensity of economic interactions between China and Japan has been unprecedented in the past two decades, but controversies, conflicts, confrontations and mistrust have been a part of this relationship, and they have never been far from the surface even in the most harmonious periods as proclaimed by both sides. There has been much discussion about Japan's efforts in re-joining Asia, or the Asianization of Japan (in contrast to the historically known efforts of *datsua nyûô* - "leaving Asia, joining Europe"). An extensive study of Japan's China policy will shed light on this aspect of Japan's overall foreign policy formation.

Third, quite a number of works on Japanese foreign policy, which may not be easily identified by their theoretical orientation, claim that Japan does not have a coherent foreign policy agenda or implementation mechanism, nor does Japan conduct its foreign affairs from an independent framework. The writers in this group can be classified into

⁷². Shambaugh's article in *ibid*.

⁷³. Mendl, *Issues in Japan's China Policy*, p.78.

⁷⁴. Ijiri, in Howe, ed.

several schools of thought. One group sees Japan as a proxy of the United States with no foreign policy of its own (writers from the left). Others argue that Japan's foreign policy is reactive in nature.⁷⁵ Still others see that Japan had no clear foreign policy goals, drifting around,⁷⁶ or being manipulated by other countries.⁷⁷ These views are in sharp contrast to the realist observation of Japan's foreign policy behaviour: well-calculated, cleverly-planned, nearly-conspiratorial and skilfully-implemented.

The above approaches have their strengths and weaknesses. While utilizing the merits of analysis of these theoretical frameworks, the current project is parsimonious in empirical studies but tries to put Sino-Japanese relations in the changing environment of the world political economy. For example, the study is not based on the assumption that Japan is unique in any way, as the so-called "revisionist school" tends to argue.⁷⁸ To state that something is unique means a standard has already been set and certain subjective factors are involved. Japan's uniqueness should not be defined in that it behaves differently from the United States or other European countries. Rather, Japan is

⁷⁵, Kent Calder, *Crisis and Compensation*.

⁷⁶. Mendl, *Japan's Asia Policy: Regional Security and Global Interests*, London: Routledge, 1995.

⁷⁷. As in the case of Sino-Japanese relations, Ijiri, in Howe, ed., *China and Japan: History, Trends, and Prospects*.

⁷⁸. Johnson, Prestowitz, Fallows and van Wolferen are, due to their critical attitudes in their works on Japan, grouped together as the "gang of four" in representing the revisionist school.

studied here as a country whose behaviour has been a reflection of its own development and position in the world.

On the other hand, this project is not a direct account of what happened in the Sino-Japanese relationship in the period 1978-1998, nor is it simply an account of the official Japanese responses to Japan's China policy issues. Instead, several foreign policy factors will be considered. First, I will examine the nature of Japan's China policy, including the systemic pressure on foreign policy makers and the impact of "images" on Japan's China policy,⁷⁹ in a changing international environment. Second, I will consider, in the main body of the thesis, how Japan's China policy was formulated in this period of time and evaluate it through a number of case studies in the four sub-periods. Finally, I will put two decades of Sino-Japanese relations into a theoretical framework for the purpose of finding some patterns in Japan's policy toward China.

Theoretically, this work tests and evaluates some of the major theories of the world political economy. Since the late 1970s, international relations literature has been mostly dominated by a dichotomy between the hegemonic stability perspective and the cooperation after hegemony perspective.⁸⁰ The focus of both schools is primarily on a

⁷⁹. Allen Whiting has provided detailed analyses of Japan's images in Chinese eyes and I intend to present here China's images in Japanese eyes. For the importance of images in Sino-Japanese relations, see Whiting, 1989, pp.16-20.

⁸⁰. See Robert Gilpin, *The Political Economy of International Relations*; Robert Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton: Princeton University Press, 1984. For the polemic debate centred primarily but not limited to U.S. scholars, see Stephen Krasner, "State Power and the Structure of International Trade," *World Politics*, Vol. 28, No. 3, April 1976; Duncan Snidal, "The

declining United States and its implications for the world political economy. This study, however, puts the theoretical focus on the patterns of conflict and cooperation between potential hegemonic powers (China and Japan) with the consideration of the current hegemon's relations with its potential challengers (i.e., the United States. versus Japan, or Russia, or Germany or China).

To accommodate the inquiry of Japan's relations with China, this project will utilize, with modification and critical adaptation, available theoretical approaches such as structural realism and hegemonic stability.

The theoretical construct of the thesis borrows some major elements from structural realism.⁸¹ The most important being the structural and systemic explanation of international politics, that is, structural forces are fundamental in driving individual states' external behaviour in the international system. Secondly, states are primary actors in the system, as Kenneth Waltz argues, trying to maximize their perceived national interests, thus performing similar functions. Finally, states differ because capacities are not

Limits of Hegemonic Stability Theory," *International Organization*, Autumn 1985; Bruce Russett, "The Mysterious Case of Vanishing Hegemony; or, Is Mark Twain Really Dead?" *International Organization*, Vol.39, No.2, 1985. Michael Webb and Stephen Krasner, "Hegemonic Stability Theory: An Empirical Assessment," *Review of International Studies*, April 1989; Joseph Nye, *Bound to Lead: The Changing Nature of American Power*, New York, 1990; Robert Keohane, "Problematic Lucidity," *World Politics*, Vol.50, No.1, October 1997.

⁸¹. Kenneth Waltz, *Theory of International Politics*.

distributed evenly among them, and the distribution of power changes with time.⁸²

However, this thesis utilizes the structural realist framework with the following critical modifications. First, it argues that the system level explanation should not exclude the unit (state) level explanation. The so-called “third image” does not necessarily contradict the “second image” in studying international relations.⁸³ The challenge is how to accommodate both system-level and unit-level analyses. In the case of Japan’s China policy covered here, structural theories and unit-level theories are being reconciled by differentiating the levels of analysis. The thesis contends that the Japanese state reacted to international systemic changes with great sensitivity and perceived China’s place in Japan’s foreign policy with strategic insight. But concrete policy implementations and performances often failed to manifest Tokyo’s strategic goals or achieve expected outcomes due to 1) domestic political constraints and/or 2) tensions between political, strategic and economic policies in a given period of time. The result was a gap, sometimes wide and sometimes narrow, between the strategic rationale at the system-level and the policy performance at the unit-level regarding Japan’s China policy.

Second, and closely related to the above point, the dissertation questions the

⁸². Ibid., Chapter 4. For Waltz’s recent analysis of the post-Cold War international order, see “The Emerging Structure of International Politics,” *International Security*, Vol.18, No.2, Fall 1993. For a constructive criticism of Waltz, see John Ruggie, “Continuity and Transformation in the World Polity: Toward a Neorealist Synthesis,” in Robert Keohane, ed., *Neorealism and its Critics*.

⁸³. See Kenneth Waltz, *Man, the State and War*, New York: Columbia University Press, 1959.

microeconomic foundation of structural realism, which equates states with firms in a competitive market environment. It argues that unlike firms which are treated as rational actors capable of pursuing well-defined goals in microeconomics theory, the state is a much more complex entity, with many domestic factors that have a profound influence on a country's foreign policy. Japan's China policy, as will be demonstrated in the following pages, often complicated the rational actor image of the Japanese state which has encountered difficulties in its pursuit of complementary goals.

I find hegemonic stability theory the most useful for the subject of this dissertation.⁸⁴ Originally proposed by Charles Kindleberger in the early 1970s, the theory argues that "for the world economy to be stabilized, there has to be a stabilizer, one stabilizer."⁸⁵ Robert Gilpin has made a comprehensive contribution to the theoretical construction of the hegemonic stability scholarship.⁸⁶ According to Gilpin and other advocates of the theory: 1) The existence of an hegemonic power is the most conducive to

84. The term "hegemonic stability theory" was labelled by Robert Keohane who is not an advocate, as some are confused to believe, but a critic of the theory. See Robert Keohane, "The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967-1977" in Ole Holsti, Randolph Siverson, and Alexander George, eds., *Change in the International System*, Boulder, Colo.: Westview Press, 1980; *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton: Princeton University Press, 1984, Chapter 3.

85. Charles Kindleberger, *The World in Depression, 1929-1931*, Berkeley: University of California Press, 1973, p.305.

86. Primarily in his *U.S. Power and the Multinational Corporation: The Political Economy of Foreign Direct Investment*, *War and Change in World Politics* and *The Political Economy of International Relations*.

a liberal economic order in the world. Although the world economy functions without one, it works the best when there is a dominant power; 2) While serving its own interest, the hegemon provides certain “public goods” to the system, such as an open world economic structure, a common currency and international security; 3) The hegemon is measured by its ability and willingness to take the leadership position. To stabilize the system, a hegemon needs strong economic, financial and military power to maintain the system, and a strong commitment to a liberal and open world economic system.⁸⁷

The theory of hegemonic stability has been challenged and criticized on a number of aspects. There are heated debates on the theory’s basic assumptions, its theoretical and empirical foundations and its analytical strength.⁸⁸ Robert Keohane contends that international cooperation and regime building can be achieved without a hegemon;⁸⁹ Duncan Snidal points to the limited utility of the public goods and leadership hypotheses;⁹⁰ Joseph Nye and Bruce Russett try to demonstrate, with their respective

87. See Gilpin, *The Political Economy of International Relations*, Princeton: Princeton University Press, 1987, Chapter 3; Stephen Krasner, “State Power and the Structure of International Trade,” *World Politics*. For a recent discussion on the issue, see John Ikenberry, “The Future of International Leadership,” *Political Science Quarterly*, Vol.111, No.3, Fall 1996.

88. For a good summary of the critics of the theory, see Joanne Gowa, “Rational Hegemons, Excludable Goods, and Small Groups: An Epitaph for Hegemonic Stability Theory?” *World Politics*, Vol.41, No.3, April 1989.

89. Robert Keohane, *After Hegemony*.

90. Duncan Snidal, “The Limits of Hegemonic Stability.”

empirical analyses, that the decline of U.S. power has not occurred;⁹¹ David Lake emphasizes the importance of looking at the whole international economic structures in understanding the role performed by hegemons;⁹² Donald Crone argues that the development of international regimes in the Pacific political economy has proven the irrelevance of the Pax Americana.⁹³ These discussions are in many ways useful and important to the current project. But the utility of hegemonic theories to this project is as follows.

1) The hegemonic theory attempts to build a bridge between hierarchy and anarchy in the world system. While assuming that the international society is anarchical in nature, the hegemonical theorists tends to emphasize the importance of a core power in performing the role equivalent to that of a central government in a domestic society. Without getting into an empirical debate about the validity of a hegemon's role in history, we can see a clear presence of U.S. power in East Asia in the period under study. The U.S. hegemonic power in the region created a hierarchical relationship between Washington and Japan and many countries. It provided certain goods to Japan and other countries for satisfying its own Cold War strategies. At the same time, it has also

⁹¹. Joseph Nye, *Bound to Lead*; Bruce Russett, "The Mysterious Case of Vanishing Hegemony."

⁹². David Lake, "Beneath the Commerce of Nations: A Theory of International Economic Structures," *International Studies Quarterly*, Vol.28, No.2, June 1984.

⁹³. Donald Crone, "Does Hegemony Matter? The Reorganization of the Pacific Political Economy," *World Politics*, Vol.45, No.4, July 1993.

contributed to the rise of Japan, China and other industrialized states in East Asia. This is a hegemon's dilemma: a hegemonic leader tends to contribute to the rise of its potential rivals and to its own decline.

2) American hegemony, while benevolent to certain key partners at times, is nevertheless self-serving in nature.⁹⁴ With the rise of Japan in the late 1970s and early 1980s, and China in the late 1980s and early 1990s, U.S. pressure on both countries (more so on Japan but with China beginning to feel the heat in the last few years as its trade surplus with the United States grew until it was second only to that of Japan's) to share the cost of maintaining the U.S. hegemonic position. As will be seen, the systemic pressure, of which the United States was a major factor, regulated Japan's strategic rationale in its relations with the PRC in all the four periods under research.⁹⁵ The thesis intends to single out some systemic variables at the global level that affect the general behaviour of state interactions. But rather than dealing with Japan's relations with a hegemon or with other middle powers,⁹⁶ this dissertation's theoretical premise is to

⁹⁴. John Conybeare calls it "hegemonic predation." See Conybeare, *Trade Wars: The Theory and Practice of International Commercial Rivalry*, New York: Columbia University Press, 1987. Gilpin discusses the transition of the United States from "a benevolent to a predatory hegemon." See Gilpin, *The Political Economy of International Relations*, Chapter 10.

⁹⁵. For a study that uses hegemonic stability theory to explain Japan's cooperation with the United States to support the latter, see Richard Rosecrance and Jennifer Taw, "Japan and the Theory of International Leadership," *World Politics*, Vol. 42, No.2, January 1990.

⁹⁶. See the similar panel topic in Japan Studies Association of Canada 1997 Annual Conference.

connect the study of Sino-Japanese relations (in its empirical and bilateral sense) with the study of systemic changes of power politics at the global level.

3) Japan's China policy in the past two decades adds a new dimension to the discourse of hegemonic stability. In the first half of the period under research (the late 1970s to the late 1980s), Japan was the most debated challenger to U.S. hegemony. Later, Japan was even regarded as the country that had really "won the Cold War" at the expense of the United States by those who view Tokyo as a threat to U.S. interests. But in the 1990s, China has, with its fast economic development and unbending attitude toward Washington, become the most watched state as a potential rival to U.S. superpower status. This shift of debate from whether Japan is the potential challenger to U.S. power to whether China is the country that will generate the "coming conflict with America" is yet to be extensively explored. The interesting question in such a shift is: how did the two potential great powers respond to their respective rise of status in the international political economy and interact with each other? I argue here that both the United States and Japan had to deal with the hegemon's dilemma, that is to trade with China for their own interests but in the process strengthen China's economic strength.⁹⁷ Neither have been successful. More significantly, as Joanne Gowa points out, a hegemon's efforts in maintaining an international free trade regime result in "security externalities" which strengthens the hegemon's rival:

The security externalities of trade arise from its inevitable jointness in

⁹⁷. Gilpin devotes a substantial part of *The Political Economy of International Relations* to the question of the paradox position of the United States in its relations with Japan.

production: the source of gains from trade is the increased efficiency with which domestic resources can be employed, and this increase in efficiency itself frees economic resources from military uses. Thus, trade enhances the potential military power of any country that engage in it. In doing so, free trade can disrupt the pre-existing balance of power among the contracting states.⁹⁸

It is within such a theoretical framework that we examine the changing pattern of Japanese policy toward China while the balance of power was going through the above mentioned systemic changes.

To reconcile the system-level and unit-level analysis in the study of American foreign policy, John Ikenberry, David Lake and Michael Mastanduno identified three major theoretical explanations of foreign policy behaviour: system-centred, society-centred and state-centred explanations. Although the group's focus was on the importance of the state-centred analysis, their theoretical overview is important to foreign policy studies in general.⁹⁹ As summarized by these writers, systemic theories "deserve a certain primacy over other levels of analysis."¹⁰⁰ Robert Keohane puts it more adequately:

[A]n international-level analysis ... is neither an alternative to studying

98. Joanne Gowa, "Rational Hegemons, Excludable Goods, and Small Groups: An Epitaph for Hegemonic Stability Theory?" *World Politics*, Vol.41, No.3, April 1989, p.323.

99. John Ikenberry, David Lake and Michael Mastanduno, "Introduction: Approaches to Explaining American Economic Policy," in John Ikenberry, David Lake and Michael Mastanduno, eds., *The State and American Foreign Economic Policy*, Ithaca: Cornell University Press, 1988.

100. *Ibid.*, p.4.

domestic politics, nor a mere supplement to it ... On the contrary, it is a *precondition* for effective comparative analysis. Without a conception of the common external problems, pressures, and challenges ... we lack an analytic basis for identifying the role played by domestic interests and pressures ... Understanding the constraints imposed by the world political economy allows us to distinguish the effects of common international forces from those of distinctive national ones.¹⁰¹

Under such a theoretical premise, this project intends to explore the inner-connections among all three levels of explanations for Japan's China policy.

The thesis is designed to be both an empirical study of Japan's relations with China in the past two decades and a critical re-interpretation of existing works on the subject. It is empirical in that: (1) The inquiry covers about two decades of Japan's China policy in a systemic and comprehensive manner. Such a study has not been done so far in other works in this area. (2) The major body of the dissertation is organized around case studies on Japan's China policy, which serve as an empirical base in testing the following very conflicting assumptions about Japan's foreign policy behaviour: first, Japan's postwar foreign policy was a result of calculated choices made by the conservative leaders of Japan, and Japan achieved its foreign goals with "brilliant success",¹⁰² and second, Japan did not have any concrete foreign policy goals or strategies (due to either naiveness or various restraints), and it was manipulated by foreign powers like the United States

¹⁰¹. Robert Keohane, "The World Political Economy and the Crisis of Embedded Liberalism," in John H. Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism*, Oxford: Clarendon Press, 1984, p.16.

¹⁰². Pyle, *The Japanese Question*.

and China but could do little to change the situation;¹⁰³ (3) The project adds a dimension to the study of hegemonic theories in international relations (hegemonic stability, cooperation and discord after hegemonic decline, the rise and fall of great powers, etc.) by focusing on the interactions of two potential hegemonic powers.

This is not just an issue concerning the level of analysis in constructing theories. It is significant in that the two countries involved here, Japan and China, have been widely viewed as challengers to the Pax Americana - the current U.S. dominated international system. With the breakdown of the Soviet Union, Tokyo and Beijing, as the main potential hegemonic powers rivalling Washington in the Cold War period, are now becoming more prominent in the international economy. Although both China and Japan are seen by many as challengers to the United States, they differ in many ways. Japan is an ally of the United States while Beijing and Washington are still searching for a way to “engage” in a kind of “partnership,” with sometimes open hostilities. Japan and China also have different political systems. These factors make it more difficult, yet more interesting to observe the bilateral relationship and its implications for a post-Cold War world order that is still in formation.

This work is also interpretative in that it disputes a number of existing perceptions commonly accepted by scholars and students of Sino-Japanese relations. In fact, a number of cases studied in this thesis are re-interpretative in nature because others have written about them, despite their different focus or empirical basis. I write about

103. See the works by Saito, Calder, Ijiri, etc.

them not just because I have gathered more/different/new materials but because the observations, conclusions and interpretations I generate from these case studies are different from, or even contradictory to others. This in no way implies that similar cases conducted by others are less valuable or less useful in understanding Sino-Japanese relations in the period. In the research for this thesis I have benefited substantially from some of the excellent scholarly writings on the topic. But as my own investigation progressed, I have found discrepancies and problems in the published materials, and in the process recognized the necessity of looking into a wide range of cases, including some of the topics that had already been studied by others.

I have selected eight case studies on Japan's China policy. They cover more than a twenty year period and are diverse in subject, ranging from diplomatic negotiations to economic interactions to cultural discourse to the formation of military alliances. Yet, every case in its own way generates strong empirical evidence that supports the central argument of this study. The first two cases reflect Tokyo's efforts to utilize the PRC as solutions to Japan's new international challenges in both strategic and economic areas in the late 1970s while the timing of Tokyo's China policy initiatives were largely determined by Japan's domestic political schedule. The second set of case studies demonstrates how Japan's rising "great power" status in the world economy and a strong LDP government under Prime Minister Nakasone Yasuhiro in the middle of the 1980s pushed Japan's China policy in the direction of pressuring Beijing to accept Tokyo's political leadership role (as a member of the West) in East Asia, resulting in tense political

confrontations between the two countries.

The third pair of case studies focuses on how Japan employed its large ODA program to the PRC as both economic and political leverage in achieving Japan's overall foreign policy goals. These two case studies reveal that Tokyo's efforts in lobbying for Beijing among Western powers in the post 1989 Tiananmen period was a part of Japan's so-called re-Asianization strategy that was designed to make Japan the voice of Asia and deal with its image of being a challenger to U.S hegemony at the time. The last two cases illustrate Tokyo's changing China policy in response to the PRC's rise to replace Japan as the most visible hegemonic candidate not only competing with Japan in East Asia but challenging the United States in the coming century.

All of these cases also have the following common themes. First, they all display how international and domestic factors interact in shaping Japan's China policy. Second, they all showcase how important China has been in Japan's comprehensive national security strategy, and how the China factor has been treated by Tokyo in its own quest for a great power status in the past twenty years. Finally, these cases collectively reveal certain patterns of evolution in Japan's China policy that we will assess in the conclusion.

I must add a few words about my conceptualization of values and social science research. I believe that selected data in empirical studies, methodologies, and theoretical frameworks employed in a given project are a reflection of the investigator's subjective choice. The review of literature on the subject clearly shows that Japanese and Chinese

writers tend to be less critical of their own country when writing about the bilateral relations. In the research process, I have been confronted with the difficult issue of drawing the line between emotions and objective analysis. I am Chinese in origin but I have a profound attachment to Japan, which is a direct result of my many years of studying, living and working there. My normative preference for such an important research topic is that Sino-Japanese relations should never return to the days of hostility and war, and for that purpose, good scholarship must be devoted to the continuous development of a deeper understanding of this relationship. I have made every effort to ensure that none of my normative concerns obstruct my objective analysis.

In the next four chapters, I will examine Japan's China policy in four periods respectively. Chapter 2 studies the period from the late 1970s to the early 1980s. Internationally, Japan was rising as an economic superpower but facing energy supply and security concerns. Accompanying the signing of the Sino-Japanese peace treaty in 1978, there was a strong China fever in Japan, and Prime Minister Ohira Masayoshi's "pro-Beijing" stance within the LDP was well known. Japan's China policy performance will be evaluated through two case studies: Case 1 - Ohira, the internal LDP politics and Japan's China policy initiatives; and Case 2 - a different interpretation on the rush of Japanese business in China's "new great leap forward."

I argue that despite Japan's desire to develop a stable relationship with China due to the clear political, economic and strategic significance, there were no clearly formulated

policy measures in Japan's China policy after the signing of the Peace and Friendship Treaty in 1978. Domestic politics and inter-LDP power struggles greatly affected Tokyo's China policy making process in the late 1970s and the early 1980s. Riding on a wave of China fever, significant political actors sought to seize advantages in Sino-Japanese relations in order to solidify domestic political gains and other policy concerns. Japan's China policy in this period can be characterized as politics driving economics: economic and other aspects of the relationship were very much dominated by political and strategic considerations of the top LDP leadership in a wave of China fever. And one result was the temporary setback suffered by Japan's private sector in the early 1980s.

Chapter 3 deals with the second period - the mid-1980s. Being the second largest economy in the world, Japan was seeking an equal partnership with the United States and was more assertive politically in international affairs. There was a stronger tendency to defend Japan's past war record. Japan continued to provide large amounts of yen loans to China, aggressively trying to incorporate China into the East Asian "flying geese" formation led by Japan. Tokyo repeatedly tested China's position on historical issues. The focus will be on the period when Nakasone was Prime Minister (1982-87) . Case 3 - textbook disputes; Case 4 - Nakasone's visit to Yasukuni shrine.

I argue that Nakasone's strong position in domestic politics enabled him to pursue a more aggressive foreign policy agenda. During Nakasone's three cabinets, Japan's China policy was a combination of calculated moves and ad hoc responses. This reflected a Japan that tried to be more assertive due to its increased political, economic and military

power and its concern over maintaining friendly relations with its neighbours. However, a mixed strategy of using economic benefits (such as ODA) as carrots while testing its political control over China with sticks began to emerge. The result was politics contesting economics: Japan's China policy showcased a tension between Japan's political goals in the international arena and Japan's consideration of enhancing economic ties with China. The bilateral relationship in most of the 1980s reflected this incompatibility in Tokyo's foreign policy goals, either at times of cosy mutual visits between Nakasone and Hu Yaobang or the stormy times of anti-Japanese demonstrations by the Chinese students. Nakasone was, however, not successful in using the economic/ODA leverage as carrots while expecting China to give concessions on sensitive political issues such as the nature of World War II and Japan's political/military status in the 1980s.

The third period, from the late 1980s to the early 1990s, is the subject of investigation in Chapter 4. Domestically, Japan's bubble economy was about to burst, and the LDP was involved in a series of scandals. Internationally, Tokyo paid for a large portion of the Gulf War cost but was blamed for not keeping up as a major world power. Under such circumstances, Japan had to re-orient itself through the so-called "Asianization" process. These were reflected in Japan's China policy performance: Case 5 - the changing nature of Japan's ODA to China; and Case 6 - Tiananmen and Japan's response.

I argue that Tokyo, pressured by the United States in their bilateral trade frictions,

began to reposition itself as an Asian power. ODA was more and more used as a means of achieving Japan's China policy goals. After the Tiananmen incident, Japan tried to accommodate China's concerns in promoting Japan's interests rather than forcing Japan's will on Beijing by joining Western sanctions. Japan's China policy went through this subtle but decisive shift after the Tiananmen crisis in 1989. Tokyo's efforts to mediate between China and other Western powers who imposed sanctions against China provided a good opportunity. Japan, utilizing the China issue, functioned as a major broker among the world's leading political/military powers for the first time in the postwar period. In 1992, the new Japanese emperor visited China and President Jiang Zemin made a trip to Japan, marking a new era of Sino-Japanese relations, as acknowledged by both sides. A major factor of these "new friendly relations" was Japan's approach in making politics accommodate economics when dealing with China.

The fourth period - the mid-1990s will be examined in Chapter 5. While Japan continued to suffer from a domestic recession, political re-alignment brought some uncertainty to Japanese domestic politics. The generational change in Japanese politics and the strengthening of the defense establishment had an important impact on the direction of Japan's China policy. The end of the Cold War, the "re-gained" competitiveness of the United States in certain industrial sectors, and the rise of China presented new challenges for Japan's foreign relations. How to cope with China - another superpower candidate in the region - was the central concern for this period. Case 7 - Japan's expanding ODA objectives in the PRC; and Case 8 - an analysis of the renewed

Japan-U.S. security arrangement.

I argue that Japan, alarmed over China's rapid economic growth, military expansion, and nuclear weapons testing, began to use the ODA leverage in a more assertive manner. The new Japan-U.S. security relationship was in fact primarily designed for dealing with China's hegemonic ambitions. However, this move did not resonate well with Beijing. It in fact triggered a classical "security dilemma" between China and its potential rivals in the region. Nor did the move indicate that the long time economic antagonism between Washington and Tokyo had disappeared overnight. Japan's China policy has come to a crossroad.

In the concluding chapter, I will summarize the research results and make an overall analysis.

Chapter 2

China Fever and the China Rush

[T]here are two reasons Japanese opinions on relations with China tend to lose a proper perspective. First, Japanese people overestimate China's physical resources, such as raw materials, industrial potential, purchasing power, and especially military strength. Second, the Japanese underestimate China's political strength.¹

- Okazaki Hisahiko

After Nixon's stunning announcement that he was about to visit the PRC, Tokyo spent most of the 1970s searching for a China policy that was aimed at repositioning Japan in a new international environment. This chapter examines two cases to illustrate how Japan implemented its newly developed China policy initiatives, and evaluates their outcomes. I argue that despite Japan's clear recognition of China's political, economic and strategic importance, neither the LDP politicians nor Japan's powerful business world could effectively translate their desired goals into practical and beneficial policy outcomes. The first section reviews the historical context of Japan's China policy and the changing environment in the late 1970s and the early 1980s. The two following sections jointly demonstrate how Tokyo looked to Beijing as the solution to Japan's strategic and

¹. Okazaki Hisahiko, Japanese diplomat, author and Director General for Foreign Relations at the Defense Agency at the time of writing this article. See "Utage no ato no Chûgoku ron" (China After the Banquet), in *Shokun*, July 1980, English translation in *Japan Echo*, Vol. 8, Special Issue, 1981, p. 48.

economic problems, which was a result of interactions between specific international and domestic factors (at both the system-level and the unit-level) in Japan's China policymaking.

I. The International Environment of Japan's China Diplomacy

1. The Historical Context

China occupies a unique position in Japan's foreign relations. Throughout history, Japan's foreign policy has contained two major characteristics. First, the Japanese are willing to learn from any civilization that they perceive as more advanced and superior. About fifteen hundred years ago, Japan actively absorbed many elements of the Chinese civilization and transformed itself into a more advanced stage of social, political and cultural development. For centuries, Japan was proud to identify itself with China which was a superpower in many ways. Yet in the last several hundred years, China has come to lag behind Western civilizations. In the same period, Japan decisively shifted to a new position, that is, learning from the West and eventually, by the turn of the last century, putting itself on the road to modernization. This time, Japan's ally was Great Britain, the first industrialized nation in the world. After World War II, Japan established an alliance relationship with the United States, the new hegemon. Allying with the most advanced nations in the world and making the best use of the existing international system has benefitted Japan. History proves that Japan is probably the best example of a country

learning from the outside world.

The second major feature of Japanese diplomacy is the practice of power politics. Many studies are devoted to analyzing Japan's expansionism from the period of the late nineteenth century to the end of World War II. Some argue that Japan was pursuing imperialism; others are convinced that Japan adopted expansionism out of its own insecurity.² Despite these different views, they do reflect the Japanese perception of international relations as hierarchical with the strong prevailing. In pushing its own militarist policies in the Asia-Pacific region, Japan learned a bitter lesson.

How do all of these relate to Sino-Japanese relations? The Japanese must deal with a dual image of China. On the one hand, China was undeniably the major source of Japanese civilization for many centuries. From its writing system to its architecture, Japanese society reveals its attachment to China and many Japanese are still appreciative of this fact. On the other hand, Japan is the first non-Western nation to achieve industrialization and is now far ahead of China. In Japanese eyes, contemporary China is rather backward. In Japan's perception of the world, China is the only country that projects both superior and inferior images. It is a complex reality for Japan's diplomacy. China is not just a neighbour. It is a teacher that has lost its status in modern times, and Japan is no longer the student. Instead, in many ways Japan has become the teacher and it has been trying to impose its own roles on China. Japan tried to convince China to

2. See for example, Inoguchi Takashi, *Gaikô taiyô no hikaku kenkyû* (Comparative Studies on Foreign Policy Behaviour), Tokyo, Gennandô shoten, 1978.

accept Japan's leadership role and its view of world order. When this failed, Japan mobilized its military might in an attempt to force China to comply. It was a tragic and unsuccessful approach.

2. From the Yoshida Letter to Tanaka's Beijing Visit

After the establishment of the PRC in 1949, Japan's China policy was influenced by three major developments: the U.S. occupation of Japan and its control of Tokyo's foreign policy agenda; the worldwide Cold War between the East and the West; and the outbreak of the Korean War. By the early 1950s, Japan's traditional tie of trade with mainland China was basically cut off and replaced by increased trade with the United States and Europe, as shown in Table 1 (next page).

Under considerable pressure from the United States, Japan decided to sign a unilateral peace treaty with Taiwan. In a letter to the U.S. Secretary of State, John Foster Dulles, in December 1951, Japan's Prime Minister Yoshida Shigeru made it clear that (1) although Japan would ultimately seek diplomatic relations with China as a whole, the current situation would only allow Japan to sign a peace treaty with the Republic of China; (2) Japan's relationship with Taiwan would apply to all territories which were then and which might be under Taiwan's control; (3) since the PRC was condemned by the United Nations as an aggressor in the Korean War, and continued to support Japan's Communist Party in its plans to overthrow the current Japanese government by violent means, Tokyo had no intention of signing a peace treaty with the

Beijing government.³

Table 1
Japan's Main Trading Partners, 1929-54 (¥ million)

Year	China	Europe	United States
1939	2,462	357	1,644
1942	2,737	81	14
1945	1,226	3	22
1946	553	78	4,988
1949	16,685	19,788	207,544
1952	17,107	60,746	360,943
1954	50,739	65,757	407,268

Note: The figures refer to total trade of exports plus imports; 'Europe' means the UK, France and Germany.

Source: International Historical Statistics, ed., B.R. Mitchell, Tokyo: Macmillan Press/Hara Shobo, 1984. Printed from Shiro Saito, *Japan at the Summit*, p.12.

³. Nagano, Nobutoshi, ed., *Nihon gaikô handobutku* (A Handbook of Japanese Diplomacy: Selected Documents with Commentaries and Chronology of Events), Tokyo: The Simul Press Inc., 1981, p.161.

The Yoshida letter set the tone for policies regarding Japan's political relationship with the mainland in the following two decades. Beijing viewed such a move as a victory of the conservative forces in Japan and accused the Yoshida government as reactionaries serving the interests of American imperialism. However, the demand for trade with the Mainland remained strong in Japan. Despite the continuous pressure from the United States to isolate Beijing and the Yoshida government's efforts in expanding trade relations with areas where anti-Japanese feelings were not strong,⁴ the governments after the Yoshida cabinet encouraged the non-official trade with the Mainland to develop.

From the mid-1950s to the late 1960s, Japan's foreign policy towards mainland China had three major characteristics. First, the China issue was a focal point of Japan's domestic politics, especially in terms of inter-party relations between the Liberal Democratic Party (LDP) and the opposition parties. The LDP, which was in power all these years, consistently opposed any tangible move towards establishing diplomatic relations with China, and Japan voted repeatedly against accepting the Mainland into the United Nations. In contrast, the Japan Socialist Party (JSP), the main opposition party, and the Japan Communist Party (JCP) made the China question an important issue in their campaign against the LDP in all the elections and in the Diet. To push for a Sino-Japanese rapprochement, they regularly sent their delegates and Diet members to Beijing to hold talks with top Chinese leaders such as Mao Zedong and Zhou Enlai, and to publish joint communiques criticizing the LDP's China policy. However, as shall be

4. *The New York Times*, Feb. 4, 1950, in Wolf Mendl, *Issues in Japan's China Policy*, p.6.

shown later in this thesis, China policy was not a central issue of Japanese domestic politics after 1972, although Japan's opposition parties continued to be a major force in Tokyo's China policy making process.⁵

Second, Japan's foreign policy towards China went along a path of "separating politics from economics." Although there was pressure from the United States, the Chinese Nationalists and pro-Taiwan forces in Japan, there was also pressure from the business community and pro-Beijing groups for resuming traditional trade relations with the Mainland. As a result, Japan was able to trade with the Mainland while the Western world, led by the United States, was implementing a full-out containment policy. The first unofficial trade agreement between the two countries was signed as early as June 1952 when the Korean War was still under way. Many such trade agreements followed in subsequent years. In the late 1950s, the Japanese government insisted that the PRC's trade mission in Tokyo had no official status and the flying of flags had no legal significance. By the late 1960s, the trade offices in both Beijing and Tokyo played more active roles in managing their bilateral affairs. Nevertheless, the Japanese government officially avoided negotiations regarding the establishment of diplomatic relations with Beijing, and followed the United States in preventing the PRC from replacing Taiwan in

⁵ Certainly, neither the LDP nor the JSP was a single bloc. There were different factions in both parties. While there were policy disputes between the moderates and the radicals regarding China inside the JSP, there were also factions that favoured a closer relationship with the mainland within the LDP. At the same time, Beijing also tried to manipulate these differences in order to achieve its objectives in managing Sino-Japanese relations. For more analysis regarding the dynamics of party politics and Japan's China policy in this period, see, Lee, *Japan Faces China*, Chapters 2-3.

the United Nations.

Third, private channels played an important role in carrying out Japan's China policy objectives. In this regard, no other bilateral relations resembled the high level private contacts which were going on between the Chinese leadership and the Japanese influential figures. Beijing categorized all the unofficial contacts between the two countries as "people's diplomacy." It put great efforts into influencing Japan's domestic politics, especially Japan's China policy making process. At the same time, Japan was able to promote its economic interests and detect China's intentions by keeping many private channels open for communication. These channels included not only business, academics and opposition parties, but also pro-Beijing LDP members. These contacts, as shown in the process of normalizing bilateral relations, were instrumental in bringing a swift and decisive change in Japan's China policy.⁶

In October 1971, when the U.S. president Richard Nixon announced that he would visit Beijing, the Japanese government was in shock. As Ogata Sadako points out, the Satō government felt betrayed by its closest ally for not receiving any consultation in advance. In many ways, the "Nixon Shock" forced Japan to reflect on its foreign policy orientation and transformed Japan's perception of its relationship with the United States.⁷

⁶ On the topic of Japan's informal diplomacy, Quansheng Zhao's book is an excellent source: *Japanese Policymaking: The Politics Behind Politics*, London: Praeger, 1993.

⁷ Ogata, Sadako, *Normalization with China: A comparative study of U.S. and Japanese processes*, Berkeley: University of California Press, 1988.

Japan was not only in diplomatic chaos regarding its China policy, but its domestic politics, especially the power struggle among different factions of the ruling LDP was also greatly affected by the China question. Prime Minister Satô Eisaku's strong anti-Mainland stance made it very difficult for Japan to effectively adjust its China policy while the Chinese leadership showed no interests in making any progress with a government which they perceived as following the old U.S. China policy and pro-Taiwan position. As a result, both Japan and the world witnessed the defeat of the Satô government and the coming to power of Tanaka Kakuei who made the breakthrough visit to Beijing in September 1972 to normalize Sino-Japanese relations. The normalization process is not the focus of this thesis because good research has already been done on this topic.⁸ What should be emphasized is that all of the three above characteristics of Japan's China policy in the 1950s and in the 1960s contributed to the rapid policy changes the Tanaka cabinet was able to achieve within a very short period of time. Once Tanaka expressed his intention of normalizing relations, all political parties supported him, regardless of their ideological orientations. The leaders of the JSP and the Clean Government Party (CGP) served as important go-betweens for Tanaka's visit to China. The trade missions in both capitals became de facto embassies when it was time to "combine politics and economics." Furthermore, long-time contacts from different parties, including the LDP had made trips to Beijing to convey important messages for

⁸ See Furukawa Mantarô, *Nitchû sango kenkai shi* (A History of Postwar Japan-China Relations), Chapters 8-9; Ogata Sadako, *Normalization with China*; Chae-Jin Lee, *Japan Faces China*, Chapter 3; Wolf Mendl, *Issues in Japan's China Policy*, Chapters 2-3.

high level contacts.

3. The Changing International Environment

The dramatic change in Japan's China policy after the "Nixon Shock" was one of the most significant changes in Japan's postwar diplomacy. The initial response to the new U.S. China policy by the Satô government was more reactive in nature but once Tanaka came to office, Tokyo acted decisively to achieve its foreign policy goals. The normalization of this bilateral relationship ended one of the final chapters in Japan's war settlement with its neighbours. The next step was the negotiation of a peace treaty between the two neighbours, with the process beginning in 1974. Beijing insisted on an "anti-hegemony" clause in the treaty, widely regarded as China's policy of a united front against the Soviet threat. In Japan, Tanaka Kakuei's resignation, which was precipitated by his involvement in the Lockheed bribery scandal in November 1974 and the subsequent changes in Japan's Prime Ministers, did not change Japan's China policy direction in general.⁹ But Tokyo was reluctant to get involved in the Sino-Soviet dispute, thus the negotiations did not result in a speedy conclusion of a peace treaty.

While Japan's China policy was heading in a new direction, there were new issues facing the Japanese leadership. For instance, although "the supra-partisan diplomacy"¹⁰

9. Miki Takeo: December 1974 - December 1976 and Fukuda Takeo: December 1976 - November 1978.

10. This was labelled by Furukawa Mantarô, *Nitchû sango kankei shi*, p.367.

contributed to the Sino-Japanese normalization, the China question was by no means out of Japan's domestic politics. Optimism for the potential of Japan-China cooperation was high, yet Tokyo had to reposition itself in East Asia vis-à-vis other powers.

On the sensitive question of Japan-Taiwan relations, the Tanaka government, partly due to the understanding of Beijing and partly due to the pressure of pro-Taiwan forces inside the LDP, adopted the stance of "separating politics from economics," a principle used for dealing with the mainland in the 1950s and the 1960s. When Miki Takeo came to power in December 1974, Japan's China policy did not change course, despite the fact that his cabinet included pro-Taiwan LDP politicians such as Fukuda Takeo, Nadao Hirokichi and Shiina Etsusaburo.

However, the issue of balancing Japan's position between China and the Soviet Union, two giant regional powers in hostile confrontation, proved to be more difficult. From 1972 to 1978 when the Treaty of Peace and Friendship was being negotiated, Japan tried to avoid any move that might be seen as leaning towards Beijing and away from Moscow. After Tanaka stepped down in 1974, the succeeding Miki and Fukuda cabinets carefully pursued the so-called "equal-distance diplomacy" to achieve this goal. But the new development in post-Vietnam War Asia and the deteriorating relations between Japan and the USSR contributed to Tokyo's reconsideration of this policy stand.

After the Vietnam War, the U.S. withdrawal from the region produced a power vacuum. The Carter administration's consideration of scaling down the U.S. military

presence in Asia caused serious concerns in Japan and Washington's other Asian allies.¹¹ Facing a declining U.S. power in Asia, Tokyo began to study the new reality of its own defense, which would later led to Japan's new conceptualization of "comprehensive national security."¹² Meanwhile, there were clear signs that the Soviet Union had become more assertive in Asia, especially in its strengthened military ties with Hanoi. Moscow not only took a more active position in a worldwide competition with the United States for influence but also expanded its military buildup in Northeast Asia.

Japanese-Soviet relations also deteriorated. On September 1976, Lieutenant Belenko of the Soviet Air Force landed at Hakodate airport of Hokkaido with his MiG-25 fighter, seeking political asylum. Tokyo, while concerned about its failure to detect the approaching Soviet jet, went ahead to disassemble the plane together with the U.S. Air Force experts. This move angered Moscow which in turn declared a 200-mile fishing zone in March 1977. The new fishing zone included the four Northern islands off Hokkaido, which were occupied by the USSR since the end of World War II but disputed by Japan as its territory.

Under such circumstances, Japan's strategic choices had become even more limited, with the so-called "equal-distance" diplomacy appearing not to work to Tokyo's benefit. While Moscow continued to criticize the potential of a "anti-hegemony" clause in

11. For more on the U.S. strategy in Asia after the Vietnam War, see Bedeski, *The Fragile Entente*, Chapter 2.

12. See Appendix II.

Sino-Japanese negotiations on the peace treaty, it proposed to Japan its own draft of a peace treaty. After being rejected by Tokyo, the Kremlin published its version of the USSR-Japan peace treaty in the Soviet press. The Japanese leaders interpreted these steps taken by the USSR as an attempt to ignore Japan's claim to the Northern territories, and to pressure Japan to go through a process of "Finlandization."¹³

At the same time, the death of Chinese leaders Mao Zedong and Zhou Enlai in 1976, the immediate downfall of the "Gang of Four" including Mao's wife and several top radical leaders, and the end of the ten year long Cultural Revolution did not interrupt China's initial goal of normalizing relations with Japan and the pursuit of a peace treaty. After the arrest of the "Gang of Four," the new Chinese leadership quickly moved to end the radical policies of the Cultural Revolution and to start emphasizing the importance of economic modernization. When Deng Xiaoping, who had a reputation of being a pragmatist, re-emerged in 1977 to take control of China's reforms, it was clear that China's post-Mao power struggle had ended in favour of those who wanted to put China on the road of the "Four Modernizations" (industry, agriculture, science and technology, and national defence). In early 1978, the conclusion of a Sino-Japanese long term trade agreement further paved the way for resuming a more active negotiation for the peace treaty.

The above international changes coincided and interacted with Japan's domestic

13. The terms of the Soviet proposal for a peace treaty with Japan contained similar terms to the USSR's treaties with East European countries. For more details on Japanese-Soviet relations in this period, see Hiroshi Kimura, "Japan-Soviet Relations: Framework, Development, Prospects," in *Asian Survey*, Vol. 20, No. 7, July 1980.

politics and led to the 1978 Sino-Japanese Peace and Friendship Treaty. We now examine the linkage of Japan's domestic politics and its China policy in detail.

II. Case Study One - Domestic Politics and Japan's China Policy before and after the 1978 Peace Treaty

1. Japan's China Fever

If Tanaka's historical Beijing visit in 1972 marked the end to a century of hostile relations between Japan and China, then the signing of the peace and friendship treaty in August 1978 could be seen as the beginning of a new era in the bilateral relationship.¹⁴ Accompanying the establishment of diplomatic relations, China's door to the Western world gradually opened; traditional friendships between the two countries were renewed; cultural exchanges increased; and trade and other economic activities intensified. As a result, China became a country admired by more and more Japanese people. In fact, it was widely observed that China fever gripped all aspects of Japanese life for some time after 1972.¹⁵

In August 1970, polls indicated that China was held at the same level of esteem as

14. The term *Nitchû shinjidai* (New Era or New Epoch of Japan-China Relations) was widely used to describe the state of the bilateral relationship in the mid and late 1970s. See Furukawa Mantarô, *Nitchû sengo kankei shi*, Chapter 9; Nitchû Yûkô Kyôkai, ed., *Nitchû yûkô undô shi*, Chapter 6; and *Japan Quarterly*, January-March 1979.

15. See, Furukawa Mantarô, *Nitchû sengo kankei Shi*, p.433.

the then Soviet Union, far behind countries like Switzerland or the United States. This changed dramatically after Tanaka's Beijing trip in 1972. Polls showed that Japanese people liked China six times over the Soviet Union and that the PRC's favourable ratings surpassed both Great Britain and France.¹⁶ An *Asahi Shimbun* poll taken on September 18, 1972, on the eve of Tanaka's visit to China, asked the following question: "From now on, with which country do you think Japan must maintain the most friendly relations?" Thirty-eight percent of those who responded named China, 29 percent answered the United States while only 2 percent mentioned the Soviet Union.¹⁷ *Chūgokunetsu* (China fever), or *chūgokubūmu* (China boom) were very popular terms in Japan throughout the 1970s. By September 1980, a foreign policy opinion poll released by the Prime Minister's Office showed, for the first time, that China was the most favoured country for 79 percent of those surveyed, in comparison to the United States which placed second with 77 percent.¹⁸

The Japanese leadership was fully aware of the spreading China Fever and in many ways utilized this popular trend to take initiatives in diplomacy with China: either serving Japan's long term interests or enhancing its own political bases in domestic politics. A close examination of the economic and political concerns of the Fukuda and Ohira cabinets reveals that major China policy moves by the two Prime Ministers were

¹⁶ Jiji Press, *Monthly Popularity Polls*, see John Welfield, *An Empire in Eclipse*, p.321.

¹⁷ Welfield, p.322.

¹⁸ *Tokyo Shimbun*, September 29, 1980.

carefully timed and implemented. And the second case study in the next section will show how Japan's push for capturing the China market was a short-term calculated risk.

2. The Fukuda Cabinet and the Peace Treaty

Fukuda Takeo (in office from 1976-78) was closely connected to the former Prime Minister Satō Eisaku (in office from 1964-72), serving key positions in every Satō cabinet, including Foreign Minister. Fukuda's pro-Taiwan tendency was well-known. In his first year as Prime Minister, Fukuda was not in a hurry to conclude a peace treaty with China.¹⁹ However, by early 1978 this had changed. What altered Fukuda's stance regarding China? The answer lies not only in the economic and political conditions of the bilateral relationship but also in Japan's domestic politics, especially internal LDP politics.²⁰

By the late 1970s, there were important reasons and great interests in Japan expanding its good relations with China. In addition to the strategic context discussed earlier, the first international oil crisis of 1973 and the economic recession which followed brought Japan's high growth of the 1960s to a halt. Throughout most of the 1970s, Japan was restructuring its economy to suit a world of the post-Nixon shock and post-oil shock

19. Ogata Sadako, *Normalization with China*, p.80.

20. For more analyses on the process of the treaty negotiation, see Robert Bedeski, *The Fragile entente*; Ogata Sadako, *Normalization with China*; Chae-Jin Lee, "The Making of the Sino-Japanese Peace and Friendship Treaty," *Pacific Affairs*, Vol. 52, No. 3, Fall, 1979.

period.²¹ As Kent Calder points out, there were growing international pressures on Japanese conservative policymaking in the late 1970s. Japan's international environment became more turbulent. The re-evaluation of the yen in 1977-78 and the doubling of the world price of crude oil in 1979 presented serious problems to the Japanese economy.²² The opening of the China market at this point was more than a welcome change in China's internal reforms for Japan's business community. China's rich resources, especially coal and oil, were viewed as a valuable source in lessening Japan's overdependence on Middle Eastern oil. China's ambitious modernization program indicated a huge demand for Japan's technology, capital, plant equipment and other products. How to access China's market and how to increase trade with China were important topics for both the Japanese government and the private sector.

It was the *zaikai*, the Japanese financial community that made the push first.²³ In early 1977, the president of the powerful Keidanren (Japanese Federation of Economic Organizations) Dokô Toshio visited Beijing and met with Premier Hua Guofeng and other top Chinese leaders. Hua and all eight vice chairmen urged Fukuda to conclude the peace

21. Here the Nixon Shock refers to Nixon's announcement in 1971 that the United States would suspend convertibility of the U.S. dollar into gold, a move that shocked the world and was a significant eroding factor in the postwar Bretton Woods monetary system.

22. Calder, *Crisis and Compensation*, pp.117-9.

23. For a good case study on the role of the *zaikai* in Japan's China policymaking, see Ogata Sadako, "The Business Community and Japanese Foreign Policy: Normalization of Relations with the People's Republic of China," in Robert Scalapino, ed., *The Foreign Policy of Modern Japan*.

treaty with China for the benefit of trade relations.²⁴ In February 1978, half a year before the conclusion of the Treaty of Peace and Friendship, the two countries concluded the “Long Term Trade Agreement,” with the president of the Japan-China Economic Association, Inayama Yoshihiro, signing the agreement and the president Dokô Toshio of Keidanren attending the signing ceremony. The agreement promised the “export of technology, plants, building materials, and machine parts from Japan to China, and Japanese imports of crude oil and coal from China.”²⁵

In early 1978, after just over one year in office, the Fukuda cabinet faced a public very concerned with price stabilization and economic recovery. In about the middle of that year, Fukuda’s own popularity slipped to 24 percent.²⁶ It was around this time that Fukuda decided to send his Foreign Minister Sonoda Sunao to Beijing for the final stage of the peace treaty negotiations. Apart from economic concerns, LDP factional politics played an important role in Fukuda’s China policy decision.

Many observers and press reports saw the conclusion of the peace treaty between Japan and China as a compromise over the wording of the treaty, especially regarding the so-called “anti-hegemony” clause. As mentioned before, there was another dimension concerning the timing of the treaty overlooked by many who wrote about the event.

24. *Asahi Shimbun*, February 4, 1977.

25. Shiranishi Shin’ichirô, “A New Era Comes to Japan-China Relations (2): The Potential for Economic Cooperation,” *Japan Quarterly*, January-March 1979, p.35.

26. *Asahi Shimbun*, July 10, 1978.

Fukuda's two year term as the president of the ruling LDP, as well as the Prime Minister, was about to end. His major rival for the LDP presidential election was the LDP Secretary General Ohira Masayoshi, Tanaka's Foreign Minister and the leader of the LDP's "pro-Beijing" faction. There was strong evidence that the peace treaty would become an issue in the then upcoming leadership race as China fever was high at the time. As Tanaka Kakuei used the China issue to defeat Satō's LDP presidency in 1972, the issue of the peace treaty with China was an opportunity for the Ohira faction to discredit the Fukuda faction. The Ohira faction and others seeking the LDP leadership, as reported, "could demand a power transfer on the ground of Fukuda's incompetence if he was unable to make an early settlement on the Sino-Japanese treaty question."²⁷ Therefore, the signing of the Treaty of Peace and Friendship in August 1978 was part of Fukuda's preemptive move against the Ohira faction for the LDP leadership bid set for December (For a full text of the treaty, see Appendix I).²⁸

Fukuda's success in concluding the treaty was generally seen as a "meritorious achievement," although it came as a "shock" to the Ohira faction.²⁹ Since it was no longer possible to demand a power transfer from Fukuda based on the non-conclusion of the

27. *The Japan Times*, October 19, 1978, article by Shimizu Minoru. For more information on LDP Diet members' attitudes towards the peace treaty with China, see Chae-Jin Lee, "The Making of the Sino-Japanese Peace and Friendship Treaty," *Pacific Affairs*, Vol.52, No.3, Fall 1979.

28. See, *The Japan Times*, September 6, 1978, article by Jerome Alan Cohen (Special to *The Los Angeles Times*).

29. *The Japan Times*, October 10, 1978.

peace treaty, the Ohira faction instead tried to minimize Fukuda's contribution. They contended that Fukuda did nothing more than continue the Sino-Japanese normalization process "realized in 1972 by the combined efforts of then Prime Minister Kakuei Tanaka and then Foreign Minister Ohira."³⁰ When Chinese Vice Premier Deng Xiaoping went to Tokyo in October 1978 for the ratification of the treaty, the occasion became another focus of factional politics. All parties tried to "utilize" Deng's visit. For the Fukuda faction, the intended objective was well explained by a leader close to the Ohira faction:

The Fukuda camp is trying to use Deng's visit to boost Fukuda's popularity so as to create a mood for his reelection. Scenes of Fukuda-Deng meetings or of the exchange of the ratification instruments will be reported by newspapers and television. This will contribute greatly to Fukuda's publicity.³¹

For the Ohira faction, on the other hand, a scheduled meeting between Deng and the former Prime Minister Tanaka was used as a chance to showcase Ohira's contribution as the Foreign Minister who realized the normalization between China and Japan. This was seen as boosting Ohira's popularity while at the same time counter-checking Fukuda's moves.³²

³⁰. Ibid.

³¹. Ibid.

³². Actually, Deng's visit to Tanaka's home was a point of controversy. At the time, Tanaka was a defendant in the Lockheed bribery scandal and in a position of penance. There were reports that the Chinese side strongly requested the meeting. However, there were also rumours within the LDP that the Tanaka-Deng meeting was intended by Ohira to counter the influence of Fukuda. For more details, see *The Japan Times*, October 25, 1978.

It was a combination of the changing regional strategic context, the rising China fever among the Japanese, the economic situation in Japan, the progress in concluding a peace treaty with China, and the LDP's factional dynamics that pushed Japan's China policy to a new stage.

Prime Minister Fukuda indeed occupied the spotlight for a while by concluding the Treaty of Peace and Friendship with China, but this alone could not guarantee his re-election bid for the president of the LDP. In November 1978, Fukuda conceded defeat to Ohira after losing the first ballot vote of the LDP presidential election. Ohira came to power as Japan's 26th postwar Prime Minister at the time of the Second Oil Crisis and a world-wide economic recession. Nevertheless, Japan's relations with China were warming up rapidly. Ohira was about to push this relationship to a new height during his time in office.

3. The Implications of the Peace Treaty

Both Tokyo and Beijing attached significance to the 1978 Treaty of Peace and Friendship. China emphasized the "anti-hegemony clause" and saw it as a failure by the Soviet leadership to prevent the signing of such a treaty between China and Japan.³³ Both

³³. See *Renmin Ribao* (People's Daily), Editorial, August 14, 1978. The "anti-hegemony clause" is in Article 2 of the treaty: "The contracting parties declare that neither of them should seek hegemony in the Asia-Pacific region or in any other region and that each is opposed to efforts by any other country or group of countries to establish such hegemony." The Soviet Union expressed its rejection of the "anti-hegemony" clause in the treaty because of obvious reasons at the time. For this purpose, the Soviet Foreign Minister Gromyko visited Japan in early 1976.

the CCP Chairman Hua Guofeng and Vice Chairman Deng Xiaoping attended the signing ceremony, considered an unusual step by the Japanese press. Deng visited Japan specifically for the formal ratification of the treaty in October 1978, further displaying China's seriousness in its efforts to build a new type of bilateral relationship.

The Japanese side viewed the long-term significance of the treaty as mainly three fold: strategic, economic and historical. From a strategic point of view, the treaty had an impact at three inter-related levels. First, the treaty affected the balance of power between the major powers at the global level. After Nixon and Tanaka visited China in the early 1970s, the triangular relationship among as well as between the three major nuclear powers, China, the United States and the Soviet Union, began to shift in China's favour. As an indirect consequence of the treaty, the U.S.-China relationship was strengthened while Soviet strength in the region was weakened. Second, the treaty created a new situation in East Asia at the regional level. A closer relationship between Japan and China was not only regarded as beneficial to Japan's security, but was also seen as a stabilizing factor for the Korean Peninsula where tensions were still high between the North and the South. Third, the treaty raised speculations and expectations about a future "alliance" relationship at the bilateral level, although it was not clear whether it should be a so-called "soft alliance" or in the form of an "anti-hegemonic united front."³⁴

From an economic perspective, Japan saw the treaty as signalling a new stage in

³⁴. See Sakanaka Tomohisa, "Nitchû jôyaku no kokusai seijijô no imi" (The Japan-China Treaty Viewed from the Standpoint of Strategy), *Tôa* (Asia Monthly), Special Edition on Japan-China Treaty, October, 1978

Sino-Japanese economic cooperation, despite the fact that there was only a brief mention in the treaty of enhancing bilateral economic and cultural relations. The economic opportunities came at a time when bilateral trade was steadily expanding, leading one Japanese commentator to describe the treaty as a “rocket launcher” where Japan-China trade could take off with a “quantitative leap.”³⁵ And we will return to this aspect in the next case study.

Finally, from a historical vantage point, many Japanese felt that the treaty represented the end of an unfortunate period between two historically and ethnically close peoples. For many, the treaty:

not only is a clear-cut step taken which legally disposes of the abnormal situation that had existed since the end of the Second World War, but also a full stop is placed to mark the end of an era of more than eighty years -- ever since the Sino-Japanese War of 1894-95 -- of incessant strife and disputation between the two countries.³⁶

Unlike Tanaka’s trip to Beijing, which was perceived primarily as Japan’s response to the “Nixon Shock,” the conclusion of the Treaty of Peace and Friendship was seen internationally as a proud move for Japan’s diplomacy which for most of the postwar

³⁵. Yamamoto Takeshi, “Nitchû keizai kôrû no shindankai” (A New Page in Japan-China Economic Exchange), *Ibid.*, p.28.

³⁶. Tagawa Seiichi, “Don’t Forget the Well-Diggers,” *Japan Quarterly*, January-March 1979, p.19. See also, “Kantôgo” (Opening Remarks) by the Chairman of Kazenkai, Konoe Michitaka, the son of former Japanese Prime Minister Konoe Fumimaru, *Tôa*, October 1978.

years had followed the U.S. agenda.³⁷ It was another sign of Japan's desire for autonomous diplomacy.

Nevertheless, the improvement of Sino-American relations was also conducive to a closer Japan-China relationship. The United States and the PRC formally established diplomatic relations on January 1, 1979, allowing Tokyo to be more at ease in pursuing its relations with Beijing. Moreover, the open-door policy of Chinese reformers presented a new image of China, a socialist state implementing market reforms and tolerating more and more political freedom.³⁸ Thus China's international standing as a different type of communist state was more attractive in comparison with the then Soviet Union and other Eastern European countries. The breakdown in detente between the two superpowers and the Soviet invasion of Afghanistan further increased China's strategic role as a counterweight to the USSR in Asia. Even though Japan had been cautious during the negotiations of the Treaty of Peace and Friendship to not provoke the Soviet Union, there was a clear tendency for Japan, China and the United States to share a similar strategic

³⁷ The LDP regarded the treaty as a "complete victory for Japan" and "as a result of its conclusion, international esteem for Japan has risen, and Japan's potential voice in international affairs has become greatly strengthened." See *Liberal Star*, September 10, 1978, quoted from Chae-Jin Lee, "The Making of the Sino-Japanese Peace and Friendship Treaty," *Pacific Affairs*, Vol.52, No.3, Fall 1979.

³⁸ In the late 1970s, Deng Xiaoping allowed, although for a limited time, China's democracy activists to present their opinions at the centre of Beijing, a place known as "Xidan Democracy Wall."

concern in East Asia.³⁹

With the conclusion of the Treaty of Peace and Friendship, Japan's so-called omni-directional diplomacy, which implied maintaining an equal distance between Japan and the two communist giants, the PRC and the USSR, was no longer held to be viable. The Soviet Union did not hide its bitterness over the treaty while Tokyo was very much in a mode of enjoying its honeymoon with Beijing. As if planned well in advance, General Zhang Caiqian, Deputy Chief of General Staff of the People's Liberation Army (PLA), paid a four-day unofficial visit to Japan just a month after the conclusion of the peace treaty. As the first high ranking Chinese army official (and the first Chinese government official after the signing of the peace treaty) to visit Japan, General Zhang met with General Takashima Takehiko, Chairman of the Joint Staff Council of the Self-Defense Forces (SDF). The two sides shared the view that "the armed forces of the two countries should promote contacts at various levels for the sake of mutual understanding."⁴⁰ General Zhang also met with other high ranking Japanese military officials, as well as the Vice Minister of Defense Maruyama Ko. While the official Soviet News Agency Tass reported the visit in detail, General Zhang criticized the Soviets' hostile attitude towards the Treaty of Peace and Friendship.⁴¹

39. Japan insisted in putting a "third country clause" in the Treaty of Friendship and Peace (as Article 4), which states: "The present treaty shall not affect the position of either contracting party regarding its relations with third countries."

40. *The Japan Times*, September 10, 1978.

41. *Ibid.*

The visit was seen by top civilian leaders of Japan's Defense Agency as a "political typhoon" from China, "striking perhaps the most sensitive spot in Japan's diplomacy." Although the Foreign Ministry reportedly told the Defense Agency that there might be possible diplomatic repercussions from General Zhang's visit, the SDF brass were happy to have had the "windfall opportunity" to exchange views with the veteran Chinese military expert.⁴² The event was even more significant considering that General Zhang was not only Deng Xiaoping's protégé but also in charge of the equipment and procurement branch of the general staff of the PLA.⁴³ It was not clear, however, if a Chinese "shopping list" of military related equipment was discussed.⁴⁴

It is against this background that Japan's relations with China rapidly expanded beyond the strategic framework of the early 1970s with the most notable feature being the increasing enthusiasm of Japan's involvement in China's renewed four modernizations program. Despite the rhetoric in diplomatic language at official banquets, the question for the Japanese foreign policy makers was how to pursue this new relationship with Beijing, and how to translate the desired policy goals into fruitful achievements.

42. See *The Japan Times*, September 18, 1978.

43. Ibid.

44. Later, Foreign Minister Sonoda told a Diet committee that "Japan should not raise objections to China's efforts to modernize its military capability so as to be able to stand up against the Soviet Union because it had the right to protect its independence." *The Japan Times*, October 14, 1978.

4. Ohira Masayoshi and Japan's China Policy

Like Fukuda, Ohira also began his career as a Finance Ministry bureaucrat before entering politics. Unlike Fukuda, Ohira was considered a “dove” in terms of broad political philosophy. Upon taking over the government from Fukuda, Ohira was faced with a number of problems. First, for two years in a row Fukuda had failed to achieve the growth target his cabinet had set. Second, Fukuda was not able to reduce the deficit. Third, Ohira's support within the LDP was still fragile and he therefore had to prove himself strong enough to stay in power. During the 1970s, no Japanese Prime Minister was able to stay in power for longer than a single term (two years as the LDP leader), reflecting changes in Japanese politics in general and the problems within the ruling LDP in particular. After the Satô administration which remained in power for seven years and eight months, the Tanaka cabinets lasted two years, five months; the Miki cabinets were in power a little over two years; and the Fukuda cabinets lasted less than two years. One observer put it in very frank terms: “The past three administrations (before Ohira) were thus nothing but a continuous succession of trials and errors.”⁴⁵

To overcome these difficulties, Ohira made foreign policy a major part of his overall design to improve the national economy and to enhance the power base of his cabinet. In June, 1979, after half a year in office, Ohira successfully hosted the annual summit of the seven industrialized nations, held for the first time in Tokyo. Ohira's summit politics on the diplomatic front was not just limited to the Western countries.

45. Uchida Kenzô, “Our New Prime Minister, Masayoshi Ohira,” *Japan Echo* Volume VI, No.1, 1979.

China was also very important for Ohira's foreign policy agenda, not only because of Ohira's "pro-Beijing" background but also because of the need to boost Ohira's domestic popularity through closer Sino-Japanese ties in the wave of China fever.

Ohira deserves a major part of the credit for Japan's successful efforts to normalize relations with China in the early 1970s.⁴⁶ It would have been Ohira's first priority to conclude the Treaty of Peace and Friendship with China had Fukuda failed to do so. Since China fever was running high when he entered the Prime Minister's office, Ohira was in a good position to promote closer relations with the PRC while boosting his own personal popularity. In his first address to the Diet as the new Prime Minister, Ohira stated that he would continue the current Japanese foreign policy and pursue a balanced approach in Japan's relations with both China and the Soviet Union.⁴⁷ In contrast to his rhetoric, Ohira, in foreign policy practices, was far more active in creating closer ties with Beijing than with Moscow.

Ohira's coming to power coincided with the new development of Sino-American relations. When China and the United States formally established diplomatic relations in

46. See Furukawa Mantaro, *Nitchû sengo kankeishi* (History of Postwar Sino-Japanese Relations), revised ed., Tokyo: Hara shobo, 1988, Chapter 9. Recent Chinese publications written by foreign policy experts have revealed more insights and details about the Sino-Japanese normalization process. For Ohira's positive role in this period, see Lin Daizhao, *Zhanhou zhongri guanxi shi 1945-1992* (Postwar Sino-Japanese Relations 1945-1992), Beijing: Peking University Press, 1992' pp.210-228; Wu Xuewen, Lin liande and Xu Zhixian, *Zhongri guanxi 1945-1994* (Sino-Japanese Relations 1945-1994), Beijing: Shishi chubanshe, 1995, Chapter 8-9.

47. *The Japan Times*, December 9, 1978.

January 1979, it seemed that a U.S.-Japan-China triangle was in formation. A *Japan Times* front page story featuring the new Pacific era displayed a large picture, of two joined hands in front of the smiling portraits of Ohira, the U.S. President Jimmy Carter and the Chinese Premier Hua Guofeng.⁴⁸ As Bedeski observed, once the United States started taking sides in the Sino-Soviet dispute, it was hard for Japan to use diplomatic terms such as “omnidirectional diplomacy.”⁴⁹

From another perspective, the Sino-U.S. rapprochement further paved the way for Japan to attain closer relations with China. This was evident in that Ohira took the unusual step of reappointing Sonoda Sunao as Foreign Minister in his first cabinet. Known as a pro-PRC politician, Sonoda forcefully pushed for the Treaty of Peace and Friendship between Japan and China and successfully signed it when he was Fukuda’s Foreign Minister. It must be noted that while there has been a lot written about the warming economic relationship between Tokyo and Beijing in this period, there was not much attention given to the linkage between Japan’s domestic politics and Ohira’s China policy. In fact, Ohira’s China diplomacy is another good example of how China fever was employed by top politicians to improve their own image at home.

In the first half of 1979, most of Ohira’s foreign policy efforts were devoted to the up-coming Tokyo summit of the seven industrialized nations. Although Ohira’s support was fragile both within the LDP and in opinion polls when he succeeded Fukuda,

48. See *The Japan Times*, January 19, 1979.

49. Bedeski, *The Fragile Entente*, p.79.

the first six months appeared very promising for the Ohira government. As one commentator reviewed later, Ohira gained a great deal of personal and political prestige in steering the Tokyo summit to a successful conclusion and “his position looked surprisingly favourable in his first six months in office, so much so that by summer there was already speculation that the Ohira regime was here to stay.”⁵⁰

In this period, China was a top priority of Ohira’s diplomatic agenda. Ohira initially scheduled a visit to China for himself as early as September 1979, but two major factors postponed his trip. First and the most significant reason was that, by summer, public opinion polls consistently placed the LDP’s support ratings close to 50 percent. This led most people, including Ohira himself, to believe that the declining trend of the LDP since the early 1970s was at a turning point. Ohira, against the opposition of some of his colleagues, decided to dissolve the Lower House in September and call for a midterm election.⁵¹ He hoped such a move would strengthen both his own position within the LDP and the LDP’s fortune in the House. Indeed, if Ohira could manage to lead the party in winning a stable majority of at least 271 seats (against a pre-dissolution strength of 249 seats), he would almost be guaranteed a second term presidency of the

⁵⁰. *The Japan Times*, December 27, 1979.

⁵¹. In fact, an *Asahi Shimbun* poll showed that the nonsupport rate for the Ohira Cabinet surpassed its support rate in August 1979 -- 35 percent vs. 30 percent respectively. Paradoxically, the support rate for the ruling LDP was as high as 52 percent, the highest rating paralleling that of the Ikeda Cabinet in 1964. See *Asahi Shimbun*, September 3, 1979. On September 7, Ohira dissolved the House of Representatives when the opposition parties presented a nonconfidence motion against his cabinet.

LDP, hence paving the way for a long Ohira era.⁵² The second reason for Ohira postponing his trip to China was the consideration of Japanese-Soviet relations at the time. During Hua's visit to Europe and Deng's trip to the United States, China's anti-Soviet rhetoric was very strong and since Ohira's "pro-PRC" stance was so well-known he took extra precautions not to offend the Soviet leaders by rushing to Beijing. In dealing with this sensitive issue, Ohira was trying to arrange a similar visit to Moscow in order to avoid controversy.⁵³

In the end, the general election proved to be a miscalculation of the political situation by Ohira and the LDP's reported popularity among voters was exaggerated. Voter turnout was the second lowest in the postwar elections. Instead of winning a comfortable majority in the House as expected, the LDP secured only 253 seats in the 511-seat House of Representatives. This "backlash" immediately triggered a new power struggle within the LDP. Former prime ministers Miki Takeo and Fukuda Takeo demanded that Ohira resign as LDP president (and hence step down as prime minister) to take responsibility for the defeat the LDP suffered in the election. Failing to enhance his power base in the general election, Ohira found himself fighting for his own political survival. Ohira's rivals led by both Miki and Fukuda numbered half the party following. This LDP inter-factional power struggle lasted for 40 days, leading to the unprecedented move of nominating two prime ministerial candidates from a single political party in the

⁵². See *The Japan Times*, December 27, 1979.

⁵³. See Bedeski, *The Fragile Entente*, pp80-81.

Lower House. Although Ohira eventually retained his position as prime minister, damage had been done. Both the LDP and Ohira himself were further weakened in this entire process. As Ohira's close aide, Chief Cabinet Secretary Ito Masayoshi observed, "Recently the prime minister's hair has whitened considerably ... If anything, the white hair is perhaps a telltale sign of how hard the prime minister has laboured recently."⁵⁴

Under such circumstances, Ohira promptly re-scheduled his visit to Beijing for December 1979, without even arranging a date for going to Moscow. The China trip, at this point, was a much welcome relief for the personally exhausted Ohira and it provided a badly needed statesman image of Ohira for the Japanese public. As reported: "For the first time in two months, Ohira was all smiles on TV screens and in the newspapers as he received an enthusiastic welcome from the Chinese leaders and people in Beijing."⁵⁵

Nevertheless, both Ohira and the Foreign Ministry tried to keep a low-key profile for the China visit. Ohira told a Diet session that "It is not unusual for two nations to exchange mutual visits of their top leaders and hold frank discussions on various matters of mutual concern."⁵⁶ These words aside, Ohira's five-day Beijing trip had important implications for both Sino-Japanese relations and regional international relations. Therefore, it is necessary to look beyond Ohira's domestic concerns and examine Ohira's China policy in a broader context.

54. *The Japan Times*, December 13, 1979.

55. *Ibid.*

56. *The Japan Times*, December 3, 1979.

First, in terms of Japan's relations with China, Ohira was the first Japanese Prime Minister to visit China after Tanaka's normalization trip to Beijing in 1972. From 1972 to 1979, the volume of two-way trade had grown nearly seven times to seven billion US dollars a year; personal exchanges more than tripled to upwards of 40,000 in the number of visitors to each country; and many agreements were concluded for trade, shipping, fishery and basic principles involving the two countries' relations.⁵⁷ Ohira's visit was as significant as the normalization and the conclusion of the Treaty of Peace and Friendship in that Japan for the first time provided China with US\$1.5 billion worth of yen loans under the Official Development Assistance (ODA) program.

Japan's ODA programs to China will be examined in detail in later chapters. Here it is important to note that Japan's growing trade with China in the late 1970s put more and more pressure on both sides to find a means for China to pay for its large scale plant purchases from Japan. China's modernization programs under then Premier Hua Guofeng were very ambitious and the shopping lists for Japanese plants and goods were very long. Since the Japanese business community was also eager to sell, the way Beijing paid for its bills became a major priority. In the history of the PRC, only for a short period in the 1950s did Beijing accept foreign aid when the Soviet Union offered to help China's industrialization attempt. In this situation the Japanese government actively pushed its oil industry to import oil and coal from China. But the amount was limited both by China's ability to export and by the characteristics of Chinese oil which was more

⁵⁷. *The Japan Times*, December 5, 1979.

difficult to refine. This alone could not enable China to generate enough hard currency for buying Japanese plants and other needed equipment.

Second, Ohira's China visit, despite his desperate attempt to strengthen his own position at home, was a part of Japan's foreign policy design to create a regional network that could support Japan's "comprehensive national security" (See Appendix II).⁵⁸ While Japan's first loan package to the PRC was considered generous, Ohira clarified that Japan's ODA to China was a part of Japan's overall aid program to the rest of Asia (where Japan has designated most of its ODA to this day), and the aid to other major Asian recipients would not be affected by Japan's new ODA program to China.

Ohira also made it clear that Japan's foreign policy towards Vietnam would not be influenced by the then hostile confrontation between Beijing and Hanoi. By late 1979, China was becoming more and more concerned with the situation in Indochina. The Vietnamese invasion of Kampuchea resulted in the collapse of the China-backed Khmer Rouge regime, with Beijing accusing Hanoi of seeking regional hegemony. Armed conflicts at the Sino-Vietnam borders were becoming increasingly frequent. Under such circumstances, Japan was very reluctant to be drawn into the Sino-Vietnamese confrontation. Expressing similar concerns for the region's stability but not giving up Japan's basic policy toward Vietnam, Ohira told the Chinese leaders that Japan would fulfil the 14 billion yen aid loan it had pledged to Hanoi for the 1979 fiscal year. Japan was also clear on its position of not taking sides in the Sino-Vietnamese dispute, despite

⁵⁸. The Appendix contains the most significant summary of the Japanese comprehensive security framework.

China's attempts to get Japanese support.

In fact, Ohira was trying to play a mediator's role in relaxing tensions in East Asia and Indochina. For Ohira's trip, the Japanese Foreign Ministry reportedly prepared a plan for a political solution to the Kampuchea problem. Due to China's strong opposition, the plan Ohira took with him "stayed in his pocket."⁵⁹ Ohira also exchanged views with Chinese leaders regarding the situation on the Korean peninsula. Both sides promised to make efforts in creating an international environment conducive to the reunification of North and South Korea.⁶⁰

Ohira's summit diplomacy with China continued with his invitation to Premier Hua to visit Japan. Half a year later, in late May 1980, Hua Guofeng, who was then both Premier and Chairman of the Chinese Communist Party, became the first highest ranking Chinese leader to visit Japan. The anti-climax was that ten days before Hua's visit, Ohira suffered a defeat in a non-confidence motion introduced by the opposition parties in the Diet. The defeat can be partially explained by the absence of more than 60 LDP members who were rebelling against Ohira. Hence when Hua arrived in Tokyo, the Ohira Cabinet had become a caretaker administration. Nevertheless, both sides approached the visit seriously.

At this point, the bilateral relationship was steadily improving. Due to China's

⁵⁹. See *Far Eastern Economic Review*, December 21, 1979.

⁶⁰. For more analyses on the impact of Ohira's Beijing visit on Asian international relations, see Robert Bedeski, *The Fragile Entente*, Chapter 5.

increasing domestic energy demand and the restructuring of the Chinese economy, Vice Premier Gu Mu notified the Japanese Foreign Minister Okita that it would be difficult to fulfil the targeted amount of oil exports to Japan as earlier promised. However, the first yen loan was proceeding as planned, and both sides were satisfied with their increasing economic exchanges.

The world situation was another area in which both Beijing and Tokyo found some common ground. The Soviet invasion of Afghanistan seemingly legitimized and proved the necessity for Beijing's constant warnings about Moscow's expansionism. Both Japan and China expressed concern over the long term intention of the Soviet Union. On another hot topic, the American hostage situation in Iran, Ohira emphasized Japan's decision of imposing sanctions against Iran while Hua said the U. S. should seek a peaceful solution to the issue. As for the East Asian region, Hua made two gestures that further demonstrated the cosy relationship between Tokyo and Beijing at the time. First, Hua declared during his Tokyo press conference that North Korea would never attack South Korea. For the Japanese government that had always wanted the cooperation of the Chinese leadership in maintaining the stability of the peninsula, this was no doubt a great relief. Second, Hua told Ohira that Japan needed a certain level of defense power for its own sovereignty and territorial rights, and that China had no intention of meddling in the issue of Japan's defense build-up. This obviously was a reflection of the international united front policy pursued by Beijing against the perceived Soviet threat.

Ohira's sudden death on June 12, 1980, before the election elicited great

sympathy for the LDP from the Japanese people and helped the party return to power with a commanding majority. In retrospect, Ohira's China policy influenced the evolution of Sino-Japanese relations in several important aspects. First, Ohira took with him the first ever yen loan package from the Japanese government to China. Since then, China has been a major recipient of Japan's ODA. Second, the three principles regarding Japan's China aid policy (as will be discussed in detail later) have continued to form the foundation of Japan's ODA policy towards China up until today. Third, it was Ohira who actively promoted the establishment of annual Sino-Japanese ministerial meetings for improving mutual understanding and maintaining high level contacts. These meetings are still being held every year. The Chinese side saw the death of Ohira as a major loss. Hua, the last foreign leader Ohira hosted before his death, returned to Japan for Ohira's memorial service.

The focus of the above investigation into the Fukuda and Ohira cabinets is not simply to reveal the fierce internal power struggle of the LDP. This aspect of Japanese politics has been well documented and studied by many serious Japan watchers. What this case study has shown is the complex connection between Japan's domestic politics/inner LDP politics and Japan's foreign policy making in the case of Japan's relations with the PRC at a particular period of time. It challenges a number of conventionally accepted features of Japanese foreign policy.

First, the China policy performance of the Fukuda and Ohira administrations displayed more complexity than the general perception that Japan's postwar foreign

policy, like its postwar industrial policy, consists of well calculated moves.⁶¹ As shown, the significance of a closer relationship with China was clearly recognized by both prime ministers and their teams. Even with Fukuda's traditional "pro-Taiwan" stance, he did not depart from the basic direction of Japan's China policy set earlier by the former Prime Minister Tanaka. However, the signing of the peace treaty and Japan's "giving-in" on the so-called "anti-hegemony" clause in the treaty reflected Fukuda's concern for his own political fate as much as that of a rational calculation on the Japanese part.⁶² Similarly, Ohira's rush to aid China and his summit diplomacy with the Chinese leadership seemed to confirm his "pro-Beijing" position on the surface. But in reality, Ohira tried to use his China policy to promote himself at home, and thus China policy decisions were often made according to that necessity.

Second, the Fukuda/Ohira cabinets' interactions with China raise the question of whether China was the only unstable party in the Sino-Japanese relationship, as documented by many who have written on the subject.⁶³ Domestic political conditions in Japan, in the cases of Fukuda's and Ohira's China policies, seemed to have a significant input on the outcomes of Japan's China policy initiatives in the late 1970s.

⁶¹. See Nester, 1990; Newby, 1988; Pyle, 1992.

⁶², In fact, the issue of the peace treaty with China was played out in Japanese politics right after Tanaka stepped down. Miki, Fukuda's predecessor, was not able to conclude the treaty, which became a major cause for his downfall. See *The Economist*, June 28, 1975, p.48.

⁶³. Whiting, 1989; Lee, 1974, 1986; Mendl, 1978.

Third, the conviction that Japan's powerful bureaucracy makes foreign policy with politicians only following carefully setup procedures does not hold well in both Fukuda's and Ohira's foreign policies toward China. Both prime ministers, partially due to their own strong background as former bureaucrats, made strong personal imprints on Japan's China policy making. Fukuda pushed the bureaucracy aside when needed to pursue the conclusion of the peace treaty with China while Ohira rushed ahead with his yen loan package to China without giving the bureaucracy enough time to work out a similar procedure for Japan's ODA to other countries.

III. Case Study Two - Japan in Motion for Capturing the Chinese Market

The significance of the Treaty of Peace and Friendship with its economic implications was not exaggerated. 1978 witnessed a major leap forward in the two countries' trade and economic cooperation. With the encouragement of the long-term agreement and the prospect of the conclusion of the peace treaty, Japan-China two way trade grew by 42.6 percent in the first half of 1978 over the same period in 1977. The increase was impressive even when the yen's appreciation against the U.S. currency is taken into consideration.⁶⁴ Japan's exports to China in the same period expanded 27.1 percent.⁶⁵ The conclusion of the peace treaty also coincided with China overtaking the

⁶⁴. *The Japan Times*, August 2, 1978.

⁶⁵. *The Japan Times*, August 1, 1978.

Soviet Union in trade with Japan.⁶⁶

1. The Rush to the China Market

Riding on this wave of momentum, Japan's Minister of International Trade and Industry Komoto Toshio visited Beijing in September 1978, just one month after the signing of the peace treaty. Optimism on both sides was high and the result of the visit was very impressive. In his talks with top Chinese leaders, Komoto not only expressed the Japanese government's firm support for the long-term trade agreement signed in February, but also managed to extend its effectiveness until 1990 instead of 1985 as originally planned. This is easily understood given that in the half year since the signing of the long-term trade agreement Japanese companies had managed to sell ten plants, eight ships, two oil rigs, more than 2,000 trucks and other heavy equipment and machinery. In addition, negotiations on another 11 plants, two thermal power plants, expansion of two Chinese steel mills and two shipyards were going well, not to mention that the largest project, the Baoshan Steel Mill worth \$3 billion was also under way. Watanabe Yaeji, president of the Japan-China Association for Economic Cooperation quoted Komoto as saying that China will be second only to the United States in Japan trade.⁶⁷

In 1979, Japan's trade with China totalled 6,658 million dollars, an increase of 31 percent over the previous year, consisting of exports of 3,770 million dollars, up 22

⁶⁶. *The Japan Times*, October 23, 1978.

⁶⁷. *The Japan Times*, September 18, 1978.

percent, and imports of 2,951 million dollars, an increase of 45 percent, over the previous year respectively. Of China's total overseas trade amounting to 29,200 million dollars in 1979, Japan-China trade occupied about 23 percent. In Japan's total overseas trade, trade with China at the time occupied 3.1 percent, ranking seventh following Hong Kong in exports and 10th following Malaysia in imports.⁶⁸

Although there were critics of the Japanese government's optimistic approach, China fever overall was running high. Even cautious observers expressed great excitement for the long term picture. A *Japan Times* editorial claimed: "it can be expected that some, if not all, of the barriers that now stand in the way of trade expansion will be either reduced or removed in due course."⁶⁹

Therefore, the state of Japan's China policy after the treaty was that both the Japanese government and the business community, the former known as providing guidance for economic growth while the latter being the best industrialists and traders, were enthusiastically involved in generating China fever. The motivation, as outlined earlier in this chapter, can be better illustrated by the case of the steel industry.

In the late 1970s, the iron and steel industry was one of the most noticeable areas in Japan's rapidly evolving commercial relations with China. Ever since China launched its ambitious modernizations program in the later half of the 1970s, Japan's giant iron and steel makers had been active in pursuing exports of both steel and steel plants in the

⁶⁸. *Jiji Press* Ticker Service, May 23, 1980.

⁶⁹. *The Japan Times*, September 21, 1978.

newly opened China market. This occurred at a time when the iron and steel industry in Japan was going through a structural depression. The iron and steel industry was one of the strong pillars of Japan's modernization. In the early twentieth century, Japan had produced a moderate amount of 50,000 tons. but after the end of World War II this figure had increased ten fold. By the time of the first oil crisis in 1973, Japan was already the third largest steel producer in the world, after the United States and the Soviet Union.

Since then, however, many factors which had contributed to the earlier expansion were changing in an unfavourable way. With the slow down of the Japanese economy, domestic demand decreased sharply; with the world in recession and the rise of protectionism, exports had also slowed. The yen's appreciation was another obstacle for Japan's competitiveness in the world market. As a result, Japan's steel industry was facing over-production, surplus and under-utilization of its facilities. According to one analysis, Japanese steelmakers had an output of 110 million tons of crude steel in 1977, about one-fifth less than their capacity.⁷⁰ In an estimate by the Ministry of International Trade and Industry (MITI), surplus production in fiscal 1980 would account for 17.4-28.9 percent of the nation's total steel bar and shape steel production capacity unless effective measures to reduce production were taken.⁷¹ To save the troubled steel industry, MITI complied, with the Recession Industry Law, the so-called basic stabilization program for the open-hearth and electric furnace steel industry. The industry

⁷⁰. *The Japan Times*, November 2, 1978.

⁷¹. *The Japan Times*, August 1, 1978.

was expected to implement specific plans for reducing excess production capacity and MITI would provide it with financial assistance under this law.⁷² Another way was to seek a new market for the excess capacity. This was where China fitted into the picture.

In fact, China was as eager to get Japan's steel plants as Japan was to sell them. Although China was the fifth largest steel maker in the world by 1977, increased steel output was seen as central to China's drive for the four modernizations. Premier Hua Guofeng's Ten-Year Plan for the Development of the National Economy (1976-85) called for a doubling of the national steel output within eight years. China not only wanted to modernize major existing plants but also decided to construct three more large scale steel complexes. The plan later proved to be too ambitious and beyond China's ability, but in the initial phase both sides were overly optimistic. When Deng Xiaoping was in Japan in October 1978 to ratify the peace treaty, he toured Nippon Steel Corporation (NSC), the world's largest steelmaker. He told NSC president Inayama Yoshihiro: "I must beg you to conclude a 'gentleman's agreement' with us to help us realize our desire to be initiated into the secrets of high-efficiency production management. We plan to introduce the modern know-how to our new Baoshan Steelworks (in Shanghai)."⁷³

This was certainly welcome news for Japan's steelmakers. Following Deng's visit, Japan's "big-six" steelmakers dispatched a high-level mission to China to negotiate more

⁷². Ibid.

⁷³. *The Japan Times*, October 27, 1978.

exports of steel.⁷⁴ The largest deal was a steel cooperation agreement signed in December 1978 under which Japan was to build a huge steel complex at Baoshan near Shanghai. After months of work, the two sides agreed that NSC was to be in charge of designing the whole complex and responsible for providing all the equipment, totalling ¥400 billion. The signing ceremony was a large affair, with NSC president Inayama leading a 100 member delegation of Japanese businessmen.⁷⁵ For this project, Japan would send 1,500 experts to China and train 2,000 steel experts for China.⁷⁶

All these activities were strongly supported by the Japanese government. Pressured by increasing oil prices and decreasing exports, the Japanese political leaders were very concerned with meeting their promised economic growth targets. Due to the furious factional politics for the leadership of the LDP, a slower economy meant a weakening in the position of the Prime Minister. If Japan could export more steel and steel plants to China and in return get Chinese oil, as MITI perceived and planned, the situation for Japan to receive both export payments and oil from China would be ideal. Hence, MITI strongly encouraged the steel industry's efforts in trading with China while at the same time pressing the oil and electric industries to purchase more Chinese crude oil. However, the Japanese oil industry was reluctant to import more Chinese oil because it was very heavy and difficult to refine in comparison with the oil from the Middle East.

⁷⁴ *The Japan Times*, October 31, 1978.

⁷⁵ *The Japan Times*, December 22, 1978.

⁷⁶ *The Japan Times*, January 18, 1979.

In this regard, MITI promised financial assistance to the oil industry for constructing more oil refining and residue cracking facilities, reflecting MITI's eagerness for Chinese oil and its optimistic estimate of China's capacities to increase oil production dramatically.⁷⁷

Unlike the oil industry which was concerned mainly with the unnecessary costs involved in refining Chinese oil, the Japanese government had its own strategic considerations regarding the country's overall energy supply. In fiscal 1977, Japan depended on the Middle East for 77.71 percent of its total oil imports. Drawing lessons from the 1973 oil crisis, the Japanese government decided to diversify its energy sources and increase the country's overall oil reserve. MITI also predicted that the supply of Arabian light crude oil to the world market would decrease by the mid-1980s.⁷⁸ This partially explains why while the oil industry was reluctant to buy more oil from China the Japanese government was pushing for negotiations with the Chinese side for more imports, even if it had to build more facilities to handle the difficult refining process.

MITI planned for Japan to stockpile up to a total of 10 million kiloliters of oil, equivalent to the nation's 10-day consumption. In this plan, part of this amount would come from China. A semi-government corporation would be established to construct and operate cracking facilities in Hokkaido specifically for Chinese crude oil. At the same

⁷⁷. See *The Japan Times*, November 7, 1978. See also Chae-Jin Lee, *China and Japan*, Chapter 2. For a detailed analysis of China's international energy relations, see Kim Woodard, *The International Energy Relations of China*, Stanford: Stanford University Press, 1980 (Chapter 6 is related to Japan).

⁷⁸. See *The Japan Times*, September 11, 1978.

time, Japan responded to Beijing's request for helping China's oil development.⁷⁹

Komoto Toshio, the Minister of MITI, believed that in the long run, Chinese oil would reduce Japan's dependence on the Middle East and contribute to attaining a trade balance between Japan and China.⁸⁰

In other economic sectors, Japan was also seeking a wide range of other cooperative agreements with China. Immediately following the peace treaty, the Japanese government agreed to support China in coal mining, railway modernization, and even jet engine development.⁸¹ Certainly China fever was not just limited to the economic area. Japan's Health and Welfare Ministry decided to push for a medical cooperation agreement with China.⁸² The Ministry of Education was ready to accept more Chinese to study in Japan and a large "Japan-China Hall" subsidized by the Foreign Ministry was planned to accommodate Chinese students in Tokyo. Related cultural exchanges such as book fairs were also underway.⁸³

However, the rosy picture of the bilateral relationship did not stay the same for long. The sudden death of Ohira coincided with a cooling of relations between Japan and

⁷⁹. *The Japanese Times*, September 10, 1978; November 4, 1978.

⁸⁰. Ibid.

⁸¹. See *The Japan Times*, August 6, 16; September 14; October 8, 1978.

⁸². *The Japanese Times*, September 8, 1978.

⁸³ *The Japan Times*, August 27; October 5, 14, 15, 1978.

China. This was not because the new Prime Minister Suzuki Zenkô pursued a different China policy. Rather, various problems existed in the late 1970s yet lay hidden beneath the surface of the bilateral relationship, only emerged in the early 1980s. The new decade witnessed a gradual decrease of China fever in Japan. Thus, it is necessary to further examine some of the major problems in Sino-Japanese economic relations, and how the Japanese government responded to them.

2. Troubled Economic Relations

As reviewed earlier, Sino-Japanese trade increased significantly after the establishment of diplomatic relations. In 1972, the total trade volume (export and import) between the two countries was \$1.1 billion. In 1981, it increased to \$10 billion, and by 1985, it had grown to \$19 billion, about 20 times more than the 1972 figure.⁸⁴ The honeymoon of intense economic interactions of the late 1970s was characterized with high growth in bilateral trade, high targets on future increases and high expectations from both sides in meeting these targets. Despite signs of problems and the warnings of some experts, both Tokyo and Beijing were optimistic about the prospects of bilateral cooperation.

The trouble seemed to begin with China's domestic economic readjustment. After Mao's death and the arrest of the "Gang of Four" (several top leaders including Mao's wife) China's economic reform process took off rapidly. Placing the Four Modernizations

⁸⁴. Furukawa, *Nichu sengo kankeishi*, p.442.

program at the centre, the post-Mao leadership headed by Hua Guofeng outlined a bold plan for a new “Leap Forward.” After a series of meetings in late 1977 and early 1978, Hua announced a ten-year short-term plan (1975-85) and a twenty three-year long-term plan (1977-2000), targeting rapid economic development. Calling for the mechanization of 85 percent of agriculture and the production of 60 million metric tons of steel by the year 2000, the new plan was designed to complete 120 large-scale capital construction projects, involving a massive plant and equipment importation program and was to require an investment of US\$360 billion. The total investment needed for the whole program, as indicated in Table 2 (next page) , was to be \$600 billion.

Before the unrealistic nature of the new program became apparent, China had made significant efforts in pursuing Japanese investment and technology. As mentioned earlier in the chapter, the Japanese government responded positively, not only providing official loans but encouraging the private sector’s involvement in China. However, the early presence of Japanese business in China proved to have both its advantages and risks. When China had to modify the experimental economic reform programs, the Japanese private sector involved in China suffered. The problems in the bilateral economic relations in the early 1980s reflected the complexity of interactions between China’s domestic policy adjustments and its foreign policy.

The Hua administration’s ambitious plans had several shortcomings. First, the priorities of development continued to focus on industry at the expense of agriculture. Second, heavy industry continued to be prioritized ahead of light industry, with an

Table 2
China's Ten-Year Plan, 1976-1985

Output, By Sector	Projected Growth
Agriculture	
Average annual growth rate	4-5 percent
Grain output in 1985	400 million metric tons (285 million metric tons in 1977)
Industry	
Average annual growth rate	10 percent
Coal production in 1985	1,000 million metric tons (537 million metric tons in 1977)
Steel production in 1985	60 million metric tons (26 million metric tons in 1977)
Oil production in 1985	200-300 million metric tons (90 million metric tons in 1977)
Electricity output in 1985	500 billion kwh (223 billion kwh in 1977)

Note: Total investment required 1,000 billion yuan (about \$600 billion).

Source: Tagawa Gorô, *Chûgoku no keizai* [China's economy] (Tokyo: Kyôikusha, 1982), p.40. Printed from Chae-Jin Lee, *China and Japan: New Economic Diplomacy*, Hoover Institution Press, Stanford, University: Stanford, 1984, p.31.

emphasis on metallurgical, machine-building, and processing industries. Third, while the target for petroleum development was set too high, the development of other energy resources, such as coal and electric power, and transport facilities were neglected. Fourth, the overall efficiency of the economy was still low and there were no major efforts in

the overall efficiency of the economy was still low and there were no major efforts in improving this aspect. Finally, the immediate shopping spree for modern plants and equipment, and the expansion of capital construction projects threw China into a \$6 billion deficit.⁸⁵

The policy readjustment process in China was accompanied by the emergence of Deng Xiaoping as paramount leader. Deng's pragmatic approach towards the economy had been widely known since the early 1960s. When Deng consolidated his power base at the Third Plenum of the Eleventh Party Central Committee in late 1978, the Chinese leadership began to correct the economic plans set earlier under Hua. The second session of the Fifth National People's Congress (NPC) in June 1979 marked the beginning of a three-year readjustment plan called "readjustment, restructuring, consolidation and improvement."

Many domestic production goals were revised to a more moderate level. This was attainable due to the basic command structure of China's economic system. But the adjustment in the international arena involved many other factors other than a domestic party document. Up until early 1979, China had signed many large-scale plant and equipment contracts with some major Japanese firms which in turn contracted out parts of their work to many smaller firms. To what extent China's readjustment process could and would affect Japan's private firms, that had begun to carry out the contracts, was obviously not fully understood nor appreciated by the Chinese authorities. When Beijing

felt it was simply impractical and at times impossible to purchase such a large amount of plants and equipment and to continue to bear a growing deficit, it announced that a large number of plant and equipment contracts signed earlier with the foreign firms, most of which were Japanese, had to be cancelled, frozen, suspended, deferred or renegotiated. For many of the Japanese involved, this shift in China's economic policy was disastrous as they had already started carrying out their contractual obligations. Although the Japan side had repeatedly advised the Chinese side that the Baoshan project should not be postponed, criticism of the project was loudly voiced and widely dispersed in China. After Baoshan's problems regarding the supply of industrial water, drainage, pollution, investment return, etc. were criticized at the Third Session of the Fifth National People's Congress in August-September 1980, Vice Premier Gu Mu, when meeting with the Nomura Group delegation on November 21, confirmed that the State Council had decided to postpone the Baoshan project. On January 20, 1981, the Japan side was formally notified that the second phase of the Baoshan project was cancelled, and that the first phase was to be suspended. By the end of the same month, China informed the related firms in Japan that the construction of Nanjing, Shengli and Dongfang plants had also been halted.⁸⁶

Among the cancelled and suspended projects were the following five large-scale projects that had been signed with Japanese companies: the Baoshan Steel Mill, Dongfang

Chemical-Industrial Complex, Yanshan Chemical-Petroleum Complex, Nanjing Chemical-Petroleum Complex and Shengli Chemical-Petroleum Complex. The economic loss to the Japanese companies was tremendous. According to an estimate by one Japanese specialist, China's decisions regarding these larger projects directly affected at least thirty Japanese firms with contracts, and in monetary terms involved more than 320 billion yen, or 1.5 billion U.S. dollars. From this amount, orders worth over 100 billion yen had already been placed in Japan, and a large quantity of goods were at the ports, ready to be shipped to China.⁸⁷ For example, Tôyô Engineering had finished all the design work of the ethylene plant order for the Nanjing Complex, had nearly completed all the orders for goods and equipment, and of the twenty-two planned ships eight had been loaded. For the Shengli Complex, Tôyô Engineering had loaded fifteen of the twenty-two ships ordered for that ethylene plant. In another example, Mitsui Chemical-Petroleum had loaded two of the five ships for its order of a polyethylene plant. In the contracts for the Dongfang Complex, approximately 55 percent of them had been fulfilled and loaded onto ships. In the case of Tôyô Engineering, the cancelling of the Nanjing Complex and the Shengli Complex alone cost 81 billion yen with 300 of its subordinate firms being affected.⁸⁸

When the Japanese government representative Okita Saburo met Chinese Vice Premier Gu Mu in February 1981 to discuss the matter, he was told that China's basic

direction of importing large plants had not changed although small scale adjustments were needed. Nevertheless, the Japanese side was disappointed and frustrated by the Chinese actions.

A widely publicized case of Sino-Japanese economic cooperation was the construction of the Baoshan Steel Mill near Shanghai.⁸⁹ Both sides put considerable efforts in making the big steel complex a symbol of the new harmonious relations between the two countries. But even this project was scrutinized for its economic inefficiency and financial burdens. When China's readjustment program started, all the major Japanese participants in the Baoshan complex had put a significant amount of work into fulfilling the contracts. The Mitsubishi group had already begun producing equipment worth 65 billion yen as part of its 85 billion yen contract. Nippon Steel, the largest partner in the project and involved in the negotiations from the very beginning, had prepared sixteen packages of its plants. It was in charge of the project's construction, administration, technical training, and had planned to station about 3,000 personnel at this complex during its peak period of construction.⁹⁰

When the final cancellations were announced, both the government and the private sector in Japan reacted with surprise and resentment. It was difficult for the Japanese business community to believe that China could just send them a telegraph to cancel the

contracts for which both sides had worked so hard. To the Japanese, the sending of a telegram to cancel legal contracts was not the appropriate means of communication, to say the least.⁹¹ The Japanese companies involved telegraphed their protest to the Chinese government and urged for the continuation of the contracts, but Beijing was firm in its determination to readjust the targets set up under Hua Guofeng's Ten-Year Plan. Although China was willing to compensate for the losses suffered by the Japanese companies in the contracts, the Japanese side was still frustrated by its perception that China was not very apologetic about the whole situation.⁹²

While private negotiations went on, the Japanese business community urgently demanded that the Japanese government come to its assistance. Tokyo responded promptly. Okita Saburo, former Foreign Minister and a China specialist, was sent to Beijing representing the Japanese government. Okita clearly expressed the Japanese dissatisfaction to vice Premier Gu Mu when they met in Beijing in February 1981:

The Chinese side did not give enough consideration in dealing with the current problem. We have to express our strong concern over the way China handled the issue. This is not just a question of how much money was involved, but it is a question of credibility.⁹³

The Japanese are known for their subtle ways of displaying their concerns even on

important issues. Thus such direct language by Okita, who at times had advised the Chinese government and who was generally regarded as an old friend by the Chinese leadership, indicates the extent to which Japan was disturbed over the plant cancellations. There was a wide range of discussions regarding the “Japan-China Plant Problem” as headlined by many special reports and presentations in Japan.⁹⁴

Even when the Japanese government became involved, Beijing’s response was to continue to explain its readjustment policies. In responding to the question of China’s international credibility, Gu Mu made it clear that without first restoring credibility among the Chinese people, international credibility is impossible to guarantee.⁹⁵ In an effort to ease the crisis, the Chinese leadership made repeated requests for financial assistance from the Japanese government for the future renewal of the cancelled projects, including the Baoshan Complex. Deng Xiaoping himself discussed the need for more Japanese loans when he met with various Japanese delegations in this period.⁹⁶ It should be noted that the Chinese leadership was very frank in its appeals to Tokyo for financial assistance. This frankness is especially noteworthy given that only several years prior to this event, the issue of whether to receive loans from a capitalist country or not was a

very seriously debated question concerning China's principles of economic development, with very high political stakes. These direct requests made by the top Chinese leaders also showed how difficult China's position was in implementing its open door policy and in dealing with its economic readjustment. Japan, after all, was the first advanced industrialized nation to provide China with ODA. This eagerness was certainly encouraged by the willingness of the Japanese government to intervene and supply further loans to China in order to fulfil the contracts.

After going back and forth for many visits, meetings and bargaining sessions, the Japanese government finalized in September 1981 a total package worth 300 billion yen in addition to the loans given to China for continuing the Baoshan project and other plant constructions. China, at the same time, settled several compensation claims with the Mitsubishi group and the Japanese firms involved in the second-phase construction of the Baoshan project. After accepting the Japanese government's loans, Beijing actively pursued the resumption of the projects that had been suspended due to the earlier financial restraints. The first phase of the Baoshan project was back on track in the same month the Japanese loans were received, and two months later, in November 1981, China reached a consensus for resuming the second phase of the Baoshan project.⁹⁷

In analyzing the whole plant cancellation crisis, the focus tended to be on the Chinese side. Several aspects of Chinese foreign negotiation behaviour were revealed.

First, China did not seek to inform the involved parties first of its decision to cancel plants but instead related this information to other sources such as visiting delegations. In this way, China could later impose a known reality on its foreign contractors, giving the latter little choice but to accept the Chinese decision. Second, the Beijing government was viewed as constantly playing business competitors in China off one another. Although the Japanese side repeatedly invited China's Vice Premier Gu Mu to Tokyo when he requested the Japanese government's financial support, Gu did not visit Japan. Instead, he led a delegation to Western Europe, which is considered to be Japan's business rivals in China's market. This was viewed as playing competitors against each other for gains rather than pursuing actions that were more in keeping with the friendly relations Beijing always advocated. Third, the Chinese leadership tended to treat foreign governments as agencies which can be used to secure their own private companies during times of crisis. Fourth, China was willing, as this case showed, to sacrifice its international credibility for domestic political and economic concerns. Finally, the Japanese government and the business community not only viewed China's domestic readjustment as the main cause for the cancellation but paid attention to the Chinese attitude towards the cancellation. They heard the following opinions expressed by the Chinese side on various occasions:

- 1) China did not seek war compensation from Japan;
- 2) The total amount of 30 billion yen in financial loss was not a significant amount for Japan;
- 3) Export insurance would cover any loss resulting from the cancellation;

4) The already made plants could be sold to others.⁹⁸

While many lessons were drawn from examining the Chinese side, less attention was paid to the Japanese side. The question still remains how Japan perceived the whole event and how both the government and the companies involved reacted to the Chinese decisions. In these aspects, the complex situation surrounding the cancellation crisis should be more thoroughly analyzed. In fact, the Japanese side could have done more to prepare themselves for dealing with certain developments.

First, both the Japanese government and the business community were so encouraged by the signing of the friendship treaty in 1978 that they greatly underestimated the complexity of doing business with China. Despite the geographical and cultural compatibility, and a friendlier political atmosphere, China was still at the very beginning stage of its open door policy and its economic and administrative structure was basically what Chalmers Johnson called a “command economy.”⁹⁹ The Japanese side was aware of these realities but was obviously pushed by the potential benefits of getting into the Chinese market ahead of others. As has been the case with Japan’s business and trade strategies elsewhere in the world, the rationale which dominated the Japanese perception of China was to deal with a foreign market for its long term and potential profits. But this outlook did not prepare the Japanese government nor the private companies for taking the necessary precautions before jumping into large-scale projects

with China.

Second, when both sides were conducting negotiations for plant imports, feasibility studies were not properly carried out. Japan is known for its well-controlled feasibility studies in implementing its foreign aid programs and all contractual projects. In comparison with their Chinese counterparts, the Japanese teams were better trained and much more experienced on the matter of finance, material supply, environment, etc. The Chinese side not only rushed in with an ill-designed plan for importing foreign plant equipment, but also lacked know-how in carrying out feasibility studies for large-scale, modern projects, such as the one in Baoshan. However, the Japanese side underestimated the financial burdens these huge projects would place on China's overall finance. In the case of Baoshan, the Nippon Steel planning team did not foresee, or at least overlooked, the environmental, material, and energy burden the project might have on China's limited capability in coping with these new demands. Most projects were pushed through more with enthusiasm than in the objective and calculated manner needed. There is no doubt that Japanese companies were eager to become involved in these large projects because the world-wide economic recession had put a considerable amount of pressure on the Japanese economy in the late 1970s.¹⁰⁰

Third, signs of financial trouble and readjustment politics did not come suddenly but did occur early on in the process. Almost right after the contracts were signed, it

became apparent that the financial burden was too heavy for China to continue the plant imports. Even according to the Japanese record, the Chinese government suggested as early as February of 1979, only two months after all the major contracts had been signed, that the method of payment on \$1.5 billion worth of Baoshan equipment be changed from cash payment to deferred payment.¹⁰¹ To suggest changing the terms of the contracts shortly after their signing is in itself a reflection of the seriousness of China's financial situation. If the Japanese side had been able to effectively register this early warning signal of the situation in China, a lot of the damage could have been prevented in both economic and political terms. In addition to the lack of early detection was a reluctance by many Japanese officials and business executives to acknowledge that Beijing was financially unable to meet the terms it had signed with the Japanese contractors. The Japanese government was overly-optimistic about China's foreign reserve and China's petroleum production which was seen as a major source of repayment that China could utilize.

Fourth, the above reluctance in realizing the difficulties China had in implementing the contracts was accompanied by the Japanese way of perceiving the benefits of these projects for China. To many in Japan, all the projects were crucial components of China's industrialization. They tried to convince the Chinese leadership that cancellation and suspension of plant equipment would seriously damage the health of the Chinese economy, and certainly China's international reputation. Different levels of Japanese

government officials and business delegations repeatedly advised the Chinese government that these projects should be carried out because they were in the long-term interests of China's four modernizations program. This was a clear case of assessing the situation in different ways. The fact was that the Chinese leadership knew very well that these projects would help China's economic growth in the long run, but their dilemma was how to pay for them. The Japanese side emphasized the importance of these programs while paying less attention to what difficulties China was facing in readjusting its own development pace.

Fifth, the cancellation case probably produced more negative images of China in the Japanese press than the actual reality of how the Chinese government handled the matter. The Japanese public is one of the best informed in the world. News such as China's unilateral cancellation of plant contracts was quite a shock and, to a certain extent, hard to believe in a society where contractual credibility is the basis of survival for any kind of business operation. By the press focusing more on the damages inflicted on the Japanese side by these cancellations and suspensions, it tended to give less coverage of Beijing's efforts to take financial responsibility. A Japanese officer in MITI acknowledged that the Japanese press sensationalized the issue of contract cancellations. Then the media became preoccupied with the Japan-US automobile dispute with the result that China's willingness to compensate for the losses of the Japanese firms according to international standards was not adequately reported. On this aspect, the Ministry of Foreign Affairs released misleading news items on China due to its own lack

of awareness about specific economic issues.¹⁰² Another example was that the Japanese mass media widely reported that Deng Xiaoping treated the plant cancellation matter as “a small problem.” This drew considerable attention and criticism. But the context of this remark was that, preceding this comment, Deng had stated that “if considering the long history of Japan-China relations...”¹⁰³ Obviously, as noted by the editor of *Japan-China Economic Association Monthly Bulletin*, Deng made a general remark putting this matter in a historical perspective while the Japanese journalists quoted Deng out of context and accused him of being irresponsible.¹⁰⁴

Sixth, the one-sided media reports not only led to communication gaps, but also resulted in misinformation and sometimes wrong conclusions. Even academics were influenced by following these reports. Laura Newby observed in 1988:

The confidence of the Japanese business community was shattered. The frustration and embarrassment felt by the Japanese politicians, who had so recently boasted of the goodwill and trust in Sino-Japanese economic relations, was accentuated by the casual manner in which the contracts had been cancelled. Yet while the cancellations dealt a severe blow to Japanese industry and brought into question the whole practice of Japanese government guarantees of contracts with China, it was the political implications which gave the greatest cause for concern.¹⁰⁵

Only half these remarks are accurate: the grave consequences of the cancellation. When

Newby refers to “the casual manner in which the contracts had been cancelled,” she means the cancellation telegraphs sent by the Chinese side. But the Chinese explanation of this move was overlooked altogether. In April, 1981, Chinese vice Premier Yao Yilin provided the Chinese perspective on the matter when talking to Furui Kijitsu, head of a visiting group from the Japan-China Friendship Diet Member’s Association. The purpose of sending the telegrams to the related Japanese firms, explained Yao, was to inform the Japanese side to stop relevant production as soon as possible because China was fully aware that much of the equipment was in the process of production, and was even being loaded onto ships in the case of finished products. The measure was aimed at minimizing the cost of cancellation for both sides, and was a sincere and swift decision made by the Chinese side. Yao further pointed out that the decision was based on rational commercial considerations, since China was ready to compensate for losses incurred by the Japanese companies.¹⁰⁶ These comments have not received enough attention in the cancellation case studies.¹⁰⁷

Although the Chinese government settled the compensation claims for the related Japanese firms through negotiations, and most projects, such as Baoshan Steel Mill, were re-implemented, China’s international business credibility was weakened in the process. In the short run, it marked the end of Japan’s China fever that had been generated by the

friendship treaty of 1978. In the next decade, the Chinese received less direct investment from Japan in comparison with the scale of trade between the two countries. The Japanese reflected on this special event and learned from it. All China related journals in Japan featured discussions and analyses regarding the cancellation.¹⁰⁸ Both the government and the private sector became very cautious in dealing with China, resulting in Japan's reluctance to increase direct investment in, and technology transfer to China. Throughout the 1980s and the early 1990s, Japan continued to lag behind Hong Kong, the United States and even Taiwan in direct investment and in setting up joint-ventures in China. From the early 1980s, many Japanese enterprises viewed the investment environment in China as risky. The economic readjustment of the late 1970s and the political uncertainty led to the Japanese approach of trading more but investing less in the Chinese market. Despite repeated requests from the Chinese leadership, the lack of direct Japanese investment and technology transfer became a major stumbling block in Sino-Japanese economic interactions.

Ironically, the Japanese reluctance to invest in China proved to be a disadvantage. By the mid-1990s, when the Japanese were convinced that it was safe and profitable to invest in the Chinese market on a large scale, they were already facing severe competition from Western Europe and the United States. In some sectors, such as the automobile industry, the Japanese firms lagged behind others.

Again, as this case shows, the generally held view about the harmonious

coordination of politicians, bureaucrats and corporations is not always the case. During the rush to catch the Chinese market, the Japanese defined their short term goal as selling steel and large plants to China and in return getting energy with the long term goal of capturing the Chinese market. But in implementing these goals, the bureaucracy was not able to provide the private sector with concrete guidance beyond pressing ahead with its perceived national interest; the *zaikai* was over optimistic about China's potential; the large firms were eager to sell plants; and politicians, while trying to enhance their own political fortune in domestic politics, encouraged these trends by handing to Beijing a sizeable amount of ODA. When the Chinese side began cancelling plant contracts necessitated by the domestic readjustment process, the Japanese side displayed panic behaviour, blaming the Chinese side for all the problems, and eventually exaggerating the extent of the damage caused by the whole episode of plant cancellation.

IV. Conclusion

In retrospect, both Japan and China were under structural pressure from the international system in the late 1970s and early 1980s. China recognized that unless it opened the door to the outside world and integrated itself into the world market, it would continue to lag behind economically; the Beijing leadership was also concerned with the aggressive Soviet behaviour at the time, particularly in Afghanistan and in Southeast Asia. In pursuing a closer relationship with Tokyo both areas of Chinese concern were being addressed. By clearly inserting the "anti-hegemony" clause into the peace treaty of 1978,

Beijing was in fact forcing the Japanese to “choose sides” in the Sino-Soviet confrontation. By persuading the Japanese government to aid China’s modernization program through ODA and attracting large commercial commitment from Japan’s private sector, the PRC benefited a great deal. The subsequent cancellation of plant imports received bitter criticism from the Japanese side but the Chinese managed to get more financial aid from Japan for re-negotiating the plant contracts.

For Japan, a deteriorating relationship with the Soviet Union drove Tokyo closer to Beijing strategically. Japan’s vulnerability was also exposed by the two oil crises in the 1970s, increasing the pressure for an alternative energy supply. The recession, a result of the energy crises, forced the Japanese economy to go through a restructuring process. Japan’s domestic politics experienced major changes in this period. The most notable was the declining support for the LDP after the Lockheed scandal which brought down the Tanaka cabinet. Tanaka’s successors, Miki, Fukuda, Ohira and Suzuki, all had to fight to keep their own positions and maintain the LDP’s grip on power. The Japanese government, recognizing the value of closer ties with Beijing, made two major policy choices in the late 1970s: signing the peace treaty and providing ODA to China’s four modernization program. Both were designed to serve Japan’s short-term and long-term interests but at the operational level, Japan’s domestic politics pushed LDP politicians to fully exploit the prevailing China fever in Japan as means of boosting their own popularity, leading to an over-optimistic assessment of the Chinese market potential, an under-estimation of the difficulties China had to overcome in meeting contractual

commitments, and short-term losses for the Japanese investors on the Mainland.

The major events, the peace treaty, Japan's ODA program, and Japan's large scale business advance into the Chinese market, coincided with Japan's long term strategic goals of integrating China into a Japan-centred regional group that could best serve Japan's economic and strategic interests. Tokyo, facing both strategic and economic challenges in the late 1970s, looked to the PRC for solutions in both areas. At the policy level, our cases demonstrate a less effective degree of coordination (although cooperation and coordination did occur) between politicians, bureaucrats and private corporations. The driving force behind Japan's China policy in this period appeared to be primarily political and short-term domestic concerns. Rational economic calculations were overtaken by an eagerness to capture the Chinese market and the private sector's desire to sell large plants to China. The basic direction of Japan's China diplomacy was to forge close ties in every aspect of the bilateral relationship. But as we will see, this overall pattern of interaction was about to change in the 1980s when Nakasone Yasuhiro became the prime minister.

Chapter 3

Political Frictions: Misperceptions or Calculated Risks?

In the final analysis, it would be detrimental to Japan if the handful of militarist-minded Japanese were given free rein. Therefore the perverse acts of the few Japanese should never be ignored. We must tighten our vigilance, deal with them seriously, expose their preposterous ideas and halt their activities... So far as the relations of the two countries are concerned, this issue is more essential, more practical and more significant than the imbalance of trade.¹

- He Fang

If Japan and China appeared to be in a honeymoon state in the late 1970s and early 1980s, the relationship quickly changed into one of bitter quarrels over whether the other party had been faithful in past relations, lasting for the remainder of the 1980s. To identify the nature of the political frictions in this period is a matter of complexity. Most analysts seem to agree that Tokyo and Beijing continued to misperceive each other, with a special emphasis on China being emotional and very often, irrational in dealing with Japan.²

1. He Fang, Director of the Institute for Japanese Studies at the Chinese Academy of Social Sciences, and a major contributor to China's official press on Sino-Japanese relations. Quoted from "Correctly Treating History for Development of Sino-Japanese Relations," *Chinese People's Institute of Foreign Affairs Journal*, No. 3, March 1987, pp. 12-13.

2 Chalmers Johnson, 1972; Whiting, 1989; Lee, 1984; and Tanaka, 1991.

This chapter will, through two case studies that focus on the Japanese side, demonstrate that the root of the problem between Japan and China over the so-called “debt of history” was not a matter of image, or misperceptions, as many have suggested.³ Rather, historical issues were employed by both sides to achieve foreign policy goals. In this chapter I argue that Japan’s rising international status and the LDP’s relative strong position in domestic politics encouraged the Japanese government to be more assertive in the area of foreign policy, especially in its attempt to organize a “flying geese” formation in East Asia, with Japan as the “leading goose” and other countries both depending on, and following Japan. Nakasone’s ambitious agenda of making Japan a major political power became part of Japan’s quest for a much more prominent political profile in Asia and the world. China was a crucial factor if Japan was to materialize any of these major foreign policy objectives.

I. Japan in the 1980s

Japan’s foreign policy in general and China policy in particular can be put in the following broader international and domestic context in the 1980s: 1) The rapid expansion of Japan’s economic and financial prowess in the world; 2) Tokyo’s efforts in seeking a

³ Not only seasoned Western observers like Chalmers Johnson and Allen Whiting tend to emphasize this problem of misperceived images, but Japanese analysts also like to discuss the problem at this level of analysis. See C. Johnson, 1972; Whiting, 1989; and Nitchû Keizai Kyokai’s special issue devoted to the textbook controversy, “Nihon no ajia zô · Ajia no nihon zô” (Japan’s image of Asia and Asia’s image of Japan), *Nicchû keizai kyôkai kaipô*, November 1982.

much bigger political and strategic role as a member of the West; 3) The LDP's relative stable majority in the Diet and the rise of neo-conservatism in Japan, as represented by Nakasone Yasuhiro; 4) The strengthening of the revisionist view of history in Japan as Tokyo attempted to assert its leadership role in East Asia beyond that of a "leading goose" in the economic arena.

In comparison with the 1970s, Japan had many reasons to be more optimistic and confident in the 1980s. After the difficult and turbulent decade of oil crises and economic slowdown, Japan had finally readjusted itself to the new world economic structure by adopting and implementing what is known as the "comprehensive security" (*sôgô anzen hoshô*) strategy.

The lessons of the oil shock had taught Japan to take a multifold approach in securing its energy supply. First, Japan re-organized its energy supply structure, purchasing more from Southeast Asia and China. Second, Japan diversified its energy sources by using more coal and nuclear energy, especially the latter. Third, both public and private sectors in Japan made great efforts to become energy efficient, making Japan one of the most energy efficient economies in the world. Finally, Japan began the process of transforming its economy from heavy industrial sectors that consume large amounts of energy to electronics and other high tech industries that demand less energy inputs. The benefits of these measures soon became apparent. Japan used to depend on the Middle East for over 80 percent of its oil supply, but by the mid-1980s that rate had been cut to half.

Japan became the second largest economy in the world in the early 1980s. It continued to outperform other advanced industrialized countries, not only in terms of growth rates, but also in terms of productivity and dynamics in many key areas. Japan's auto industry became a major threat to its U.S. counterpart, and its consumer electronics industry was about to dominate the world market. Japan's foreign trade surplus with the rest of the world, especially the United States, grew by tens of billions of dollars, and stayed there for most of the decade. Even after the 1985 Plaza accord, the sharply appreciated yen against the U.S. dollar did not change the basic pattern of Japan's trade with other countries. At the same time, Japan's direct foreign investment abroad soared. The Japanese came to occupy most of the top spots on lists of the most powerful corporations and banks in the world. Its financial power was displayed in its becoming the largest creditor and the largest ODA donor by the end of the 1980s. The Japanese financial institutions have been serving the largest portion of the U.S. national debt.

The world was amazed by the self-sustaining Japanese miracle. Academics began to seriously probe into the causes of Japan's success. In 1982, Chalmers Johnson's *MITI and the Japanese Miracle* not only praised Japan's achievements but also coined the Japanese model of development as the "developmental state," different from both the U.S. style market economy and the Soviet style command economy. A wave of studies on Japanese economy, industrial policy, management, corporations, culture, and national characters swept the academic world. Subsequently, most major Japanese bookstores added a new section to their large collection of publications: *nihonron* or *nihonjinron*

(Japanese studies or the study of the Japanese).⁴

At the regional level, Japan began to fill the gap left by the American withdrawal from Southeast Asia in the mid-1970s. The many years of Japanese trade, investment and foreign aid programs had paid off, resulting in the emergence of a Japan-led regional structure that many Japanese like to refer to as the “flying geese” formation.⁵ For many countries in the region Japanese investment accounted for at least one third of their total foreign investment. Japan was the largest aid donor and trade partner for these states as well.⁶ China was the latest but probably the most important addition to this Japan-centred regional division of labour. With the growth rate in the region twice as fast as the rest of the globe, the engine of the world economy was rapidly shifting to the Pacific Rim. By any account, Japan’s economic hegemony was firmly established in East Asia by the 1980s. Many began to speculate on the Japan’s potential to become a global hegemon in place of the United States over the next decade or two. So the newly strengthened status

⁴ *Nihonron* or *nihonjinron* had appeared much earlier in the Japanese vocabulary, but has gained special significance since the 1980s when the Japanese were fascinated by how foreigners viewed Japan and the Japanese. For a famous *nihonron* book back in the 1920s, see *Ribenlun* by Dai Jitao who served as Sun Yat-sen’s personal secretary and interpreter, and one of the most important figures in KMT history.

⁵ See Saburo Okita, “Japan, China and the United States: Economic Relations and Prospects,” *Foreign Affairs*, Vol.57, No.5, Summer 1979; Ozawa Ichiro, *Blueprint for a New Japan: The Rethinking of a Nation*, Tokyo: Kodansha International, 1994, Chapter 5.

⁶ In fact, Japan has maintained its ODA distribution structure around the world in the following way for many years: Asia-70 percent, and 10 percent for Latin America, Africa and the Middle East respectively.

in the international community required the Japanese leadership to redefine Japan's relations with the United States and its role in world affairs.

While Japan's expansion in East Asia was partially at the expense of the United States and the two continued to compete with each other in commercial and financial areas, Japan was facing a regional challenge of its own, the dynamic growth of the tiger economies of South Korea, Taiwan, Hong Kong and Singapore. This coupled with the fast pace of reform in mainland China meant that all of East Asia was entering a new phase of political economy that required Japan to formulate corresponding policies at the regional level. How did Japan position itself?

The strides Japan made in the above mentioned areas were accompanied by a revival of LDP dominance in domestic politics. Although the LDP was significantly weakened after the Lockheed scandal and the downfall of Tanaka Kakuei, the latter nevertheless continued to have a strong hold on the so-called *Tanaka gundan*, the largest faction within the LDP. Tanaka was in fact still the king maker behind the scene. After several unstable and weak prime ministers, the LDP regained its firm control of the Diet in the 1980 election, in part due to public sympathy for Ohira's sudden death. Ironically, Ohira was not as popular with the Japanese electorate when he was alive. After a brief period under Suzuki Zenkô from 1980-82, Nakasone Yasuhiro took over the prime ministership backed by the strong support of Tanaka. Nakasone was able to serve two and half terms, a total of five years on the job, resulting in a relative stable period for Japan's domestic politics. The discussion of Japanese foreign policy and Japan's China

policy in the 1980s is therefore closely linked to the so-called Nakasone era. It is also important to note that Nakasone's firm control over the domestic political arena made it possible for a more assertive Japanese foreign policy agenda.⁷

In Japan's relations with the United States and the Western world in general, Tokyo was eager to change Japan's image as an economic giant and political pygmy. The Japanese leadership began to clearly emphasize that Japan was a member of the West and an equal partner of the United States. Measured by the traditional criteria of rising international power, Japan was making economic expansions on a global scale: more exports, more investment and takeovers abroad; politically, Japan was singing the song of internationalization, promoting cultural exchanges and international understanding of Japan; strategically, Japan was ready to contribute more to the U.S.-Japanese alliance, with Nakasone managing to increase Japan's military expenditure to over 1 percent of the GNP, breaking the psychological ceiling. Nakasone proclaimed that Japan was the "unsinkable carrier" for the United States in East Asia, ready to defend up to 1,000 miles of sea lines crucial to Japan's national security. Considering the postwar restraints on Japan's military forces, these moves were significant. With the exception of the military,

⁷ Nevertheless, to neglect the Suzuki administration's role would be a mistake. In fact, the conservative agenda began with Suzuki in 1980. He not only put the official visit to the Yasukuni shrine on the cabinet table but also directed the Ministry of Foreign Affairs to be more explicit in its new draft plan for the nation's national security policy for the decade of the 1980s. The draft plan emphasized the vital importance of: 1) bolstering the nation's defense capability, 2) securing national safety through smooth and effective implementation of the Japan-U.S. Security Treaty, and 3) helping prevent military clashes in every corner of the world and actively participating in the peace-keeping forces of the United Nations. See *Nihon Keizai Shimbun*, August 5, 1980.

Japan's global activities in the 1980s seemed to resemble what Samuel Huntington calls the "first phase" of hegemony: creating a global presence and asserting influence primarily through expanding resources.⁸

In East Asia, Japan went a step further. Its economic presence was far more dominant in this region than in other parts of the world. The Japanese agenda was to firmly establish Tokyo as the leader of the region not only in economic and financial fields but also in political and cultural areas. In other words, Japan, based on its economic influence, attempted to exercise what Joseph Nye defines as "soft power" in the region: the ability to attract followers through means other than the traditionally defined "hard power." Japan approached its neighbouring countries, China being the most important, with two basic positions: first, to present itself as a member of the West with all its contemporary achievements - implying that Japan was both the model for other countries and the natural leader or the "leading goose," and second, to present a revisionist view of history in a significant way - hoping others would accept Japan's past aggressions as at least well-intended in its fight against Western imperialism in Asia. But Japan there was a great deal of friction between Japan and China on historical issues. It is therefore interesting to examine in detail a number of contentious issues between Japan and China over historical issues in the 1980s to make sense of the dynamics of the bilateral relationship.

⁸ See Samuel Huntington, "The Erosion of American National Interests," *Foreign Affairs*, Vol. 76, No. 5, September/October 1997.

II. Case Study Three - The "Textbook Dispute"

In any discussion of Japan's political relations with its neighbouring countries, the historical factor is always present. Japan's invasion of China, Korea and other Asian countries in the first half of the twentieth century is often referred to as the "debt of history," the "legacies of the past" or the "historical heritage".⁹ Thus the Japanese attitudes toward the war and the reflections they make on war-related issues continue to be a sensitive issue in Japan's relations with its neighbouring countries in the late twentieth century. As we will see, the political friction between Japan and China in this period was always somehow linked to the past, with the two governments explaining the past in different ways from different viewpoints.

The first major political problem between Japan and China in the 1980s was the so-called textbook dispute. In 1982, the year marking the ten year anniversary of the normalization of diplomatic relations between the two countries, a number of news reports in Japan's leading newspapers on Japan's textbook changes triggered a diplomatic storm across Asia. According to the reports, the Ministry of Education, which is in charge of textbook approval, provided guidelines to textbook writers nationwide regarding Japan's war time history. These guidelines included replacing the word "aggression" to describe Japan's military activities before and during World War II to "advance into"

⁹ Inoguchi, *Japan's International Relations*, Chapter 7; Newby, p.49; Whiting, 1989, Chapter 3.

China and other countries.¹⁰ These reports drew substantial attention from both the Japanese public and other Asian nations in the ensuing months. Since then, it has become an on-going issue of diplomatic concerns, academic discussions and news reports, known as the “textbook problem” or the “textbook dispute.”¹¹

The government has long controlled on what is taught in schools. When the compulsory education system was established in 1872, the textbooks were left in the hands of private publishers. But when the Meiji regime later moved to crack down on the Freedom and People’s Rights Movement, it began to take steps towards controlling the nation’s textbooks. Unacceptable textbooks were singled out, and a set of rules for teaching was introduced through the country’s school system. Government approved textbooks became the only teaching materials in the classroom, reflecting the Meiji elite’s view that the most effective method of arousing nationalism was to control elementary education. By the turn of the century, the Imperial Rescript on Education was promulgated, aimed at making Japan’s education system more like the Imperial Army in spirit and discipline.¹² In prewar textbooks, Japanese occupation of other Asian countries was portrayed as liberating activities for creating a “Greater East Asian Co-prosperity

10. The Japanese word for aggression is *shinryaku* and the word for advance into (or enter, or forward advance) is *shinshutsu*. For a good explanation and distinction between the two terms in Japanese, see Furukawa, pp.453-54.

11 *Mainichi shinbun*, November 20, 1995. See also, Whiting, Chapter 3, Newby, Taylor (1985), Tanaka, Furukawa and Wu.

12 See Yamazumi Masami, “Textbook Revision: The Swing to the Right,” *Japan Quarterly*, October-December 1981.

Sphere.” With the army coming to power in the 1930s, textbooks became more and more militant in propagating Japan’s overseas expansion.¹³

After World War II, the reform of the education system was a part of the democratic reforms carried out under occupation authorities. Although the government no longer has the power to finalize the content of textbooks, it nevertheless has the power to approve the final versions of textbooks to make sure there are no factual errors. From the early postwar period, there has been tension between textbook writers who are mostly critical of Japan’s past and the Ministry of Education which is perceived as more conservative in its outlook, especially under the continuous leadership of the LDP which was in power for most of the postwar period. While different textbooks had different usages of words describing the historical events in Japan’s foreign relations, there was no unified approach from the Ministry of Education to control textbook writers. The past situation was that while there were books using the word “aggression” others used the phrase “forward advance.” In the textbook approval process, the government adopted a so-called “case by case” approach.¹⁴ Therefore, the news reports about the government’s control over, or changes made to, new textbooks regarding Japan’s past were not entirely accurate. By the time the textbook issue became a diplomatic storm, some were claiming that these initial reports were false. In fact, the contents of these reports were true, that

¹³ For more on this aspect, see Shakai-ka Kyôkashô Shitbitsusha, ed. *Kyôkashô mondai to ha Nonka?* (What is the Textbook Problem?). Tokyo: Miraisha, 1984.

¹⁴ Furukawa 1988, p.453.

is, the Education Ministry had been trying to make modifications through the textbook review process to eliminate the usage of words such as aggression. It has been the case that over the years, especially since the 1960s, the Ministry of Education has provided guidelines to writers and publishers modifying the usage of aggression in describing Japan's invasion of China and other countries. This was also acknowledged by the Ministry itself.¹⁵

As early as 1980, when the Ministry of Education reviewed a textbook called *Gendai shakai: seiji* (Contemporary Society: Politics), it gave clear and concrete guidelines on replacing the word aggression: "The expression 'shinryaku' (aggression/invasion) gives the impression of being bad, and it presents a value judgement. 'Shinkô (attack),' 'shinshutsu,' (advance) or 'shinnyû' (enter) should be used."¹⁶ So the above reports may have just come out too late, or earlier reports may have failed to draw attention, if there had been at all.

The Chinese government was the first in making a formal protest to the Japanese government, pointing out some major problems in the history textbooks used in Japanese primary, secondary and high schools, which, from the Chinese viewpoint, distorted historical facts. The Chinese side specifically listed the changes of words from "invasion of Northern China" to "advance into Northern China" and the description of the Nanjing

¹⁵ Furukawa, p.453.

¹⁶ See Shakai-ka kyôkashô shitbitsusha, ed. *Kyôkashô Mondai to ha Nonka?* pp.289-92.

massacre as Japanese soldiers being angered by the fierce resistance of the Chinese defenders. Beijing demanded that the mistakes be corrected in order to maintain healthy relations between the two countries.¹⁷ The Chinese Education Ministry also asked the Japanese side that a scheduled visit by the Japanese Minister of Education Ogawa Heiji, who was invited by his Chinese counterpart, be postponed until the textbook issue was settled.¹⁸ At the same time, the Chinese leadership waged a nationwide mass campaign to “reveal the truth” about Japan’s acts of aggression directed at China from the late nineteenth century to the end of World War II. This campaign had a number of targets. The first was to make known the facts of history, reaffirming that the anti-Japanese war was a just war against aggression and imperialism. The second was to “stimulate patriotism” and educate the younger generation so they would not forget history. The third was to demonstrate to the world that China would not sacrifice its national dignity for short-term commercial purposes. Finally, Beijing wanted to alert the world to the danger of Japan’s past militarism being revived if these textbook revisions were not taken seriously.¹⁹

The initial response from the Japanese government was not very positive. In answering questions from the opposition in the Upper House, the Bureau Chief of

¹⁷ See Kyodo News Service, *Japan Economic Newswire*, July 27, 1982; *Renmin Ribao*, Commentary, July 24, 1982; *Beijing Review*, August 2, 1982.

¹⁸ *Japan Economic Newswire*, August 2, 1992.

¹⁹ See Xiong Dayun, “Lun zhongcenggen kanhong jiqi zhengzhi” (On Nakasone Yasuhiro and his Politics), *Ribenwenti*, No.1-2, 1989.

Primary Education in the Ministry of Education explained why some changes were made in reviewing textbooks. He claimed that since these were historical events that belonged to the category of military advance or invasion rather than aggression, some appropriate revisions were required. These changes were not imposed on the writers but done by the writers themselves after receiving advice on revisions from the Ministry. According to this Bureau Chief of Primary Education, it would be harmful to education if factual mistakes in the textbooks were not corrected.²⁰ However, the attitude reflected in this response changed substantially when Japan made its official response to the Chinese and South Korean governments. Expressing its understanding, the Ministry of Education explained the situation in the following manner.

First, although there had been no instances in which there had been a word change from “aggression” to “advance” regarding China in the previous year, there had been instances of such changes regarding Southeast Asia. Second, it is important for history lessons to be learned based on observations and analyses of objective historical facts. In Japanese textbooks, the invasion of Western powers into of China were phased as advances while there were descriptions about Japan’s 1894-95 war with China were recorded aggressions. There was a need to have a more unified and objective group of terms to describe these historical events. Third, most Japanese textbooks documented in detail how the Kanto army plotted the Manchurian Incident, thus the complaints from the Chinese side was not very clear on the detailed context. Fourth, since reports about

²⁰ Furukawa, p.457.

the death numbers in the Nanjing Incident (the Nanjing Massacre was not used) varied, ranging from ten thousand to several hundred thousand, textbooks avoided entirely the issue of fatalities. Due to the fierce fighting that occurred in the capture of Nanjing, there were difficulties distinguishing armed and unarmed people. The event should be understood with such a background in mind.²¹

It was obvious that the Japanese response was careful and conservative in nature. Even so, conservative LDP politicians were angered by what they saw as Japan's bending to foreign pressure in managing its domestic affairs. The most noticeable were speeches made by several cabinet members regarding the textbook issue. They argued that the Chinese and South Korean governments' protests constituted interference in Japan's domestic affairs. They also accused left wing textbook writers in Japan as conspiring with foreign forces to twist history and cause domestic confusion. They stated that Japan should not be singled out as an aggressor while some books used invasion or advance to describe the occupation of Chinese territories by Britain and other Western powers in the nineteenth century. They went as far as to claim that there were people who were trying to "sell out Japan."²²

The striking significance of these speeches were that none of these cabinet-level ministers were in charge of the textbook revision and they made no prior investigation of the issue before speaking out in public. The words such as "traitors" and "non-citizens,"

²¹ Furukawa, pp.457-58.

²² See Furukawa, pp.459-60.

used by these top LDP politicians, were also often employed by the military government in prewar Japan when it was trying to quiet opposition on its expansionist policies in Asia.

These hostile speeches came at a sensitive time when Japan's relations with its neighbouring countries needed to be improved and enhanced, leaving no doubt that they contributed to the hardening position of at least the Chinese government on the textbook issue. On August 2, The *Liberation Army Daily*, the official newspaper of the People's Liberation Army, published a commentary on the textbook issue, reviewing the experience of the Anti-Japanese War and linking the revision of history textbooks with the re-emergence of militarism in Japan. Three days later, the Chinese Foreign Minister Wu Xueqian called in the Japanese Ambassador, repeating China's position on the issue. Wu emphasized that the recognition of Japan's aggression against China was a major aspect in the process of normalization of relations between the two countries. The Chinese government took the textbook issue seriously because the right approach to history was crucial to the healthy development of bilateral relations. He expressed regrets over the speeches given by Japan's cabinet members and stressed that it was a misunderstanding to think China's concerns on the issue was an "interference in domestic affairs." Wu urged the Japanese government to act in correcting the mistakes in the textbooks.²³

Allen Whiting documented China's reactions in detail, suggesting that the Chinese

²³ *Beijing Review*, August 9 and August 23, 1982.

government had an agenda of its own for domestic and foreign policy purposes. He also indicated that Beijing's response to the textbook issue was typical political manipulation of China's young generation as a part of the systemic indoctrination for stimulating patriotic and nationalistic feelings among Chinese people.²⁴ While Whiting's analyses are on the effects of the issue in Sino-Japanese relations and whether the repeated Chinese protests constituted an interference in Japan's domestic affairs, many Japanese, at the time, asked, and reflected on, a fundamental question: "Why has the Japanese government been trying to provide guidelines in revising the wording of textbooks regarding the past war responsibilities to its neighbouring countries?"²⁵ With critical responses coming from both international and domestic fronts, the textbook issue clearly became a re-examination of history, particularly on the nature of Japan's occupation of Taiwan, Korea, China and other countries in the first half of this century. Realizing the potential for problems in Japan's relations with its Asian neighbouring countries, the Japanese government, although with reservations, responded to the criticism with some concrete measures.

On August 24, 1982, one month after China's official protest and one month before an official visit to the PRC, Prime Minister Suzuki Zenko held a televised press conference, acknowledging Japan's responsibility for its past aggressions against the neighbouring countries and pledging to take "concrete actions without delay" to correct

²⁴ Whiting, Chapter 3.

²⁵ See Shakai-ka kyôkashô shitbitsusha, ed. *Kyôkashô Mondai to ha Nonka?* and Furukawa, p.454.

the textbook errors.²⁶

Two days later, the Japanese government gave its official view on the textbook issue. In an interview, the then Cabinet Secretary Miyazawa Kiichi made the following points. First, he gave his reassurances that Japan was committed to its official position as stated in the Japan-South Korean Communique and Japan-China Joint Statement respectively. That meant Japan had expressed its regret over the pain inflicted upon Korean and Chinese people; Japan would reflect on its past and make sure that such a historical tragedy would never occur again. Second, the Japanese government took the criticism from China and South Korea over the textbook issue seriously while acknowledging its responsibility. Third, in the coming textbook examination process, these criticisms would be considered in improving the standards of textbook examination procedures. Fourth, Japan would strive to improve its relations with its neighbours and contribute to world peace.²⁷ This step made it possible for the Chinese side to treat the coming visit by Suzuki separately from the textbook dispute. By the middle of September, after intense diplomatic activities, Japanese Foreign Minister Sakurauchi Yoshio claimed that the textbook dispute was tentatively settled based on the promise that the Japanese government would take “necessary measures” to amend passages that

²⁶ *The Xinhua General Overseas News Service*, “Japanese Prime Minister promises early solution to textbook affair,” August 24, 1982.

²⁷ *Jiji Press*, “Suzuki confident of reelection despite textbook dispute,” September 9, 1982; *UPI*, August 27, 1982.

critics said distort Japan's conduct before and during World War II.²⁸

Although these measures temporarily calmed domestic and international protests, the textbook issue is an ongoing struggle between the left and the right in Japan, and as a controversy for the region it re-surfaced in 1986 when certain approved textbooks again replaced aggression with other words. But this time, it was a textbook prepared by the National Council to Protect Japan, a right wing group, that printed with the Ministry of Education's approval. Then with strong protests from South Korea, China and other East Asian countries, the Japanese government made similar statements as it had four years earlier, and stopped the distribution of the book for further review.²⁹

The focus over the textbook dispute tended to be on the Japanese Ministry of Education's conservative stand and the diplomatic storm over it. It would be too simplistic to look only at the behaviour of the bureaucrats in the Ministry of Education for these obvious controversial actions regarding the revision of textbooks. The repeated appearance of the problem must be examined in a broader context of Japanese politics and Japan's position in East Asian and the world political economy. By looking at how the Japanese government decided to back down on the textbook issue, a number of observations can be drawn from the above case.

First, the Japanese institutions involved in the textbook dispute had a clash in

²⁸ *Renmin Ribao*, September 10, 1982; *The New York Times*, "A Tentative Settlement Over Japan's Textbooks," September 10, 1982.

²⁹ See *Asahi Shimbun*, July 4, 1986; *Japan Economic Newswire*, July 30, 1986; *The New York Times*, July 10, 1986.

their interests and views. While the Ministry of Education (Monbusho) was ready to resist changing the revised textbooks based on the argument that if done the textbook review procedure would be violated, the Ministry of Foreign Affairs (Gaimusho) approached the case as a matter of Japan remaining true to its treaty obligations with both China and South Korea. Gaimusho argued that if the Japanese government did not make it clear that it would correct the problems in the textbook review process, it would simply fail to live up to its joint communiques with China and Korea, signed at the time of establishing diplomatic relations.³⁰ It took over a month for Tokyo to come up with a clear apology and a promise for concrete action in part due to the situation that the heads of the two ministries had to meet several times to work out a solution.

Second, powerful politicians were behind bureaucratic arm twisting. The so-called “textbook review problem” began as early as 1953 when the Democratic Party (before it joined the Liberal Party to form the LDP in 1955) attacked the left leaning tendencies of Japan’s textbook writers. Three decades later, those who specialized in the education field within the LDP formed a strong group called *bunkyo zoku* (culture and education tribe).³¹ They had long advocated that school textbooks should be guided by a “social mission” of

³⁰ Foreign Minister Sakurachi Yoshio told a Upper House committee meeting that “we can reach a conclusion (to the controversy) on the basis of the Sino-Japanese Joint communique and what we acknowledged in reopening diplomatic relations with South Korea.” *Japan Economic Newswire*, August 11, 1982.

³¹ For an excellent study of the rise of specialized zoku diet members in the Japanese legislature, see Inoguchi Takashi and Iwai Tomonobu, *“Zoku giin” no kenkyū*, (A Study of Diet Tribes) Tokyo: Nihon Keizai Shinbunsha, 1987.

instilling “moral fibre” and pride in Japan.³² In coalition with ultra conservative members of the LDP who had been trying to revise the war verdict and Japan’s constitution, the members of the *bunkyo zoku* insisted that any breaking down by the government would mean accepting the interference of foreign countries into Japan’s domestic affairs, an argument that made the issue a sovereignty matter. On the other hand, a substantial number of LDP members favoured a friendlier relationship with China and other Asian countries and perceived any damage done to the ties with these countries as hurting Japan’s national interests. This divide posed a dilemma to Suzuki. No matter which group he chose to side with, he would have to bear criticism from the other side.

Third, the pressure did not just come from within the bureaucracy, the LDP, opposition politicians and abroad. The Japanese public was involved in a heated debate over how Japan as a nation should face its past. One Japanese soldier, Koshi Sadao, who served in the notorious Unit 731 of the Japanese Imperial Army broke a 37-year silence, and confessed how he and his unit used trucks to run over 40 prisoners who were trying to escape during an experiment with bubonic plague.³³ Public opinion gradually shifted in favour of a policy adjustment by the government to settle the problem.

Fourth, the timing of the Japanese government’s final decision to compromise is worth exploring. At the early stage of the dispute, Prime Minister Suzuki did not indicate that it was even necessary for him to be involved in this matter. Later, however, he began

³² See *The New York Times*, February 11, 1984.

³³ *UPI*, “Japanese Soldier Confesses to Atrocities,” August 13, 1982.

to show some flexibility, saying that he was ready to take up the issue if his final “say” was required. Then, Suzuki sent diplomats and top LDP members to China and South Korea in an effort to settle the dispute. As Suzuki’s scheduled visit to Beijing approached, he finally presented the formal position of the government in late August, reversing the Ministry of Education’s original resistance in making any changes.³⁴ By early September, Suzuki became quite eager to make concrete promises in correcting the problem. Not only did he want to smooth the way for his official visit to China but failure in finding a face-saving solution would definitely complicate Suzuki’s bid for the LDP presidential re-election in December 1982. Interestingly enough, this situation was very similar to what Fukuda and Ohira once faced in their respective terms. Another often overlooked, yet crucial factor was the Suzuki administration’s shrinking domestic support. A major public opinion survey conducted between September 4-5, 1982 showed that Suzuki and his cabinet had slipped to the lowest level of public support since he became Prime Minister, with the support rate at 32.6 percent and non-support rate at 50.3 percent. One of the reasons cited for the declining support was Suzuki’s lack of leadership in the textbook dispute.³⁵

It is obvious that except for some temporary policy adjustments that had to be made due to the above circumstances, no fundamental change took place. As one report revealed in 1984: “(h)istory textbooks that touched on unit 731 have failed to pass the

³⁴ See *Asahi Shimbun*, August 9, 1982; *Japan Economic Newswire*, August 18, 1982;

³⁵ See *Japan Economic Newswire*, September 13, 1982.

education ministry screening board in the past three years. In each case, the screening board demanded deletion of passages on the atrocity.”³⁶ Unfortunately, the pattern of Japanese policy behaviour and responses, as analyzed above, were virtually non-existent in Allen Whiting’s work which is so far the only comprehensive and scholarly treatment of the subject in English publications.³⁷ When the textbook problem returned to the headlines in 1986, the LDP government under the leadership of Nakasone Yasuhiro was moving steadily toward the right. Prime Minister Nakasone, himself a conservative nationalist, not only appointed right wingers to his cabinet but also took major steps in re-shaping Japan’s attitude towards its past. One of Nakasone’s controversial actions in this direction was his visit to the Yasukuni Shrine in his official capacity to worship the war dead, a first for a Prime Minister in postwar Japan.

III. Case Study Four - Nakasone’s Visit to the Yasukuni Shrine

The Yasukuni Shrine, located in central Tokyo, was founded in 1869 under the order of the Meiji Emperor, and is a sacred place for the Japanese to mourn those who died during past wars. It has statues showing past conquests made by the Japanese military, including many glorifying the Japanese victories in taking over certain cities in Korea, China and other countries. To a visitor from the victimized countries, these

³⁶ *Mainichi Shimbun*, August 15, 1984; *Japan Economic Newswire*, August 15, 1984.

³⁷ Whiting, *China Eyes Japan*, pp.46-51.

statues are no doubt a reminder of bitter past sufferings.³⁸ Many Japanese view the Shrine simply as a place to remember the dead, but to the ultra-right nationalists, it represents Japan's victorious past. Since it is the burial ground not only for ordinary soldiers but also for the convicted war criminals, including the seven A-class war criminals who were executed according to the sentences of the Far East International Tribunal after World War II, the visit by Japanese officials to the Shrine has become increasingly controversial. The Japanese constitution clearly prohibits any activities that violate the principle of separating state affairs and religious rituals.

However, conservative nationalists have waged a movement since the 1950s requesting the Japanese government to use the Yasukuni Shrine as an official memorial place. As early as 1952, in the first postwar Yasukuni memorial of the war dead, a resolution was passed requesting that the annual fees for ceremonies be paid by government expenditure. In 1969, the Yasukuni Shrine Act as a piece of legislation was submitted to the Diet by some LDP members, whose names included Nakasone, marking the formal entry of this issue onto Japan's political scene. Since then, the legislation has been put forward to the Diet many times. The political implications of this movement is very obvious: Japan would be rejecting the verdict of the war crime sentences made by the Far East International Tribunal. For many years, conservative Diet members and cabinet-level politicians, most of them from the LDP, have visited the Yasukuni Shrine regularly as private citizens.

³⁸ For this case study, the author went to the shrine for a field trip.

Nakasone's conservative orientation was well known. Before he became Prime Minister, Nakasone also paid regular visits to the Yasukuni Shrine. He had been involved in party politics for several decades. As a leader of one of the major factions of the LDP, Nakasone had a solid base inside the party and ensured strong support from Tanaka, the "Shadow Shogun" who was running the LDP from behind the scenes until he suffered a stroke in 1985. By the time he won the LDP presidency, Nakasone proclaimed that he would change Japan's image from only an economic power to a strong political power in his term.

Internationally, Nakasone tried to present a different personality as Japan's Prime Minister. To him, Japan would not be able to survive if diplomacy was ignored. While previous Japanese Prime Ministers appeared to be shy and reserved, Nakasone behaved confidently in international scenes. He dared to speak his limited English or French whenever possible. He consciously positioned himself in the centre of the G-7 Summit leaders in public and for the official group picture. While his predecessor Suzuki was ambiguous about his statement that Japan and the United States were military allies, Nakasone had no hesitation in making clear Japan's commitment to the U.S. leadership, and went further to boldly state that the Japanese Archipelago was an unsinkable aircraft carrier in the Western strategic alliance against the Eastern bloc.

Domestically, Nakasone declared that he would conduct a "general settlement of outstanding accounts of postwar politics" (*sengo seiji sōkessan*), seeking a politically strong Japan. For this purpose, he advocated three domestic reforms: administrative

reform, fiscal reform and educational reform. Nakasone made it clear that “I am personally in favour of revision of the present Constitution. There should be no taboo in national politics.”³⁹ Among Nakasone's conservative agendas were his efforts in breaking "some taboos" such as increasing Japan's defense budget over the one percent ceiling, and making an official visit to the Yasukuni shrine.

Nakasone's drive for an official visit to the shrine was more than a reflection of his own personality and his ambitious political agenda. The conservative forces had pushed for an official visit to the shrine by a Prime Minister for a long time. Back in 1975, the then Prime Minister Miki paid a visit to the Yasukuni Shrine in his “personal capacity.” This was done by other Prime Ministers before him, but the difference was the date of the visit. Miki's predecessors had paid their visits at the spring or autumn memorial services but Miki's visit in 1975 was on August 15, the day known to the world as the day when Japan surrendered to the allied forces in 1945. In Japan, this day is called the “End of the War Memorial Day.” This visit opened the door for Fukuda, the successor to Miki, who left the nature of his Yasukuni visit undefined, that is, it was neither personal nor in his official capacity as the Prime Minister, hence it could be interpreted either way. This blurred the line between personal and official visits.

In 1980, when Suzuki Zenko assumed prime ministership, he openly included the discussion of officially visiting the Yasukuni Shrine by the Prime Minister on August 15 in his cabinet agenda, thus being criticized by the opposition as “downright

³⁹ *Nihon Keizai Shimbun*, November 29, 1983.

reactionary.”⁴⁰ However, Suzuki himself and his aids refused to identify his capacity when he went to the August 15 ceremony in the shrine in 1982.⁴¹

Thus, by the time Nakasone was the Prime Minister, the way was well paved for visiting the Yasukuni not only on August 15, but also in the Prime Minister’s official capacity. Nakasone’s connection with the shrine had a long history. When he was transport minister in Satō Eisaku’s cabinet, Nakasone advocated state protection of the Yasukuni Shrine, arousing criticism at the time. Whenever he visited the shrine, Nakasone told people that his younger brother, killed during World War II, was at eternal rest there. While Nakasone himself was quite eager to make an official homage as Prime Minister, the opposition to such a move was also strong. The *Yomiuri Shimbun*, Japan’s largest newspaper, said in an editorial, “We do not support such a visit by the Prime Minister because it would demonstrate a political approval of the war.”⁴² The Cabinet Legislation Bureau also expressed “some legal doubt” about the constitutionality of the visit by Nakasone and other cabinet ministers.⁴³ After all, there was a clear government announcement in 1980 that “official visits to the Yasukuni Shrine by prime ministers and

⁴⁰ *Nihon Keizai Shimbun*, August 5, 1980.

⁴¹ *Japan Economic Newswire*, November 30, 1982.

⁴² *Yomiuri Shimbun*, August 13, 1983.

⁴³ *Japan Economic Newswire*, January 5, 1984.

cabinet members may constitute a violation of the Constitution.”⁴⁴

To counter the resistance and to find legitimate grounds, Nakasone did the following. First, unsatisfied with the Cabinet Legislation Bureau’s disagreement, Nakasone appointed an LDP subcommittee as an advisory board to study this matter. He made his own preference clear by stating that:

Every country has a national cemetery like the Arlington Cemetery in the United States, where people can go and express their gratitude towards those who fell for the country. It is a natural thing. Otherwise, who would devote their lives to the country?⁴⁵

By April, 1984, the advisory board, not surprisingly, reached a different conclusion than the Cabinet Legislation Bureau, claiming the visit to be constitutional, and recommending an official visit to the Yasukuni Shrine.

Second, Nakasone gradually and deliberately worked his way up to an official visit. In his first year as Prime Minister, Nakasone made three visits to the Yasukuni: spring memorial day, August 15, and autumn memorial day. But every time, he left his visit undefined, as his predecessors did. Whenever asked by reporters regarding his capacity, Nakasone subtly replied: “Nakasone Yasuhiro who is Prime Minister worshipped at the shrine to pay homage to the souls of the war dead;”⁴⁶ or “cabinet

⁴⁴ *Nihon Keizai Shimbun*, August 20, 1985.

⁴⁵ Nakasone's speech at the LDP internal policy seminar, see Wu, ed., p.112.

⁴⁶ *Japan Economic Newswire*, April 21, 1983.

prime minister Nakasone Yasuhiro consoled the spirits of the brave departed.”⁴⁷ In 1984, Nakasone added one more time: a New Year homage on January 5.

When Nakasone went to the Yasukuni shrine in his capacity as Prime Minister on August 15, 1985, it marked the first time a Japanese Prime Minister had ever done so since the end of World War II. After Nakasone, a total of 18 cabinet members visited the Yasukuni in their official capacity. Nakasone told reporters at the shrine that “my visit in no way means a revival of militarism or of state Shintoism.”⁴⁸ His official spokesman explained that the visit was:

in response to the strong desire of many, including families of the war dead ... to show respect to those who laid down their lives in the defense of their country and their fellow-countrymen, and to renew the resolution for the peace of Japan and the world.⁴⁹

Inside Japan, the official visit naturally became a focal point of debate between the right and the left. Almost all of Japan’s major newspapers criticized Nakasone’s visit. *Asahi Shimbun* doubted “that the Yasukuni Shrine can be put in the same category as the Arlington National Cemetery of the United States, the Soviet Tomb of the Unknown Soldiers or the Chinese Memorial Cenotaph for Heroes who died for the people.”⁵⁰ *Tokyo Shimbun* noted the visit “indicates the danger of whitewashing the aggressive war

⁴⁷ *The Xinhua General Overseas News Service*, October 18, 1983.

⁴⁸ *Reuters*, August 1, 1985.

⁴⁹ *UPI*, August 15, 1985.

⁵⁰ *Asahi Shimbun* Editorial, August 15, 1985.

and renouncing the peace constitution.”⁵¹ *The Japan Times* called it “ill-considered” in an editorial.⁵² The issue complicated Japanese politics on three related aspects: constitutionality, religion and history. The first problem is whether Nakasone’s visit to the Shrine as Prime Minister was constitutional. The Yasukuni Shrine is a spiritual Shinto place yet according to the Japanese constitution there is suppose to be a separation of religious and state activities. There was a strong feeling, especially from the left, that the visit made the Japanese constitution an empty shell. The second problem is whether the visit signalled the first step toward the revitalization of state Shintoism, as practiced in prewar Japan. Finally, the debate was on whether the visit was, as a part of Nakasone’s “total settlement of postwar politics”, designed in moving Japan toward the direction of rejecting its war responsibilities.

Some view this move as a failure on the part of Nakasone and the appointed advisory board in predicting international protests.⁵³ In fact, the argument could be made that the visit to the shrine was a deliberate trial balloon that Nakasone sent out to test international reactions. Prior to the visit, Nakasone had made an attempt to get some feedback from the Chinese side by privately reassuring the Chinese top leaders that he

⁵¹ *Tokyo Shimbun*, August 15, 1985.

⁵² *The Japan Times*, August 17, 1985.

⁵³ Newby, p.54.

would work hard for improving Japan-China relations.⁵⁴ Interestingly, Beijing was well aware of Nakasone's intentions in this regard. Wang Zhen, a veteran anti-Japanese war general who headed a Chinese delegation to Tokyo to attend the 10th anniversary of the normalization of diplomatic relations between China and Japan, presented Nakasone, who was then acting Prime Minister, with a porcelain plate inscribed with the words "past experience, if not forgotten, is a guide for the future" (qianshi buwang houshi zhishi).⁵⁵ When asked about Nakasone's potential visit to the Yasukuni Shrine, the Chinese side clearly expressed deep concern and rejection.⁵⁶ It is quite clear that Nakasone took a chance in hoping that China and other countries, longing for better economic and trade relations with Japan, would have a mild reaction to the Yasukuni shrine visit.

However, the mood in China was quite different. Throughout 1985, the Chinese government planned and conducted a series of events commemorating the fortieth anniversary of the end of the Anti-Japanese War. With the textbook issue still fresh in people's minds, Nakasone's official visit to Yasuhiro drew immediate attention from the media and other Asian countries. To China, the two Koreas and many other Asian countries, the visit signified the Japanese government's justification of past aggressions and its official rejection of the war crime verdict given to the Japanese militarists by the Far East International Tribunal. It was seen as another step, along the same line as the

⁵⁴ Furukawa, pp.469-70.

⁵⁵ *The Xinhua General Overseas News Service*, September 28, 1982.

⁵⁶ Whiting, p.54; Furukawa, pp.469-470.

textbook issue, that the Japanese government had taken in carrying out a larger agenda of rewriting history.

The Chinese protest came quickly. *The People's Daily* characterized the Nakasone visit as an act that "hurt the feelings of both Chinese and Japanese peoples who were victims of Japanese militarism."⁵⁷ The *New China News Agency* warned of a "dangerous tendency of beautifying aggressive wars."⁵⁸ Chinese leaders questioned why the war criminals were glorified as "national heroes" by a small number of people in Japan, and they openly demanded that Nakasone not visit the Yasukuni shrine in his official capacity as Prime Minister in the future. These criticisms coincided with many public and academic activities that were held in China for remembering the fortieth anniversary of victory, and the Chinese victory in the Anti-Japanese War.⁵⁹

The issue became more complicated when students from Peking University and other campuses staged an emotional anti-Japanese demonstration in Tiananmen Square on September 18, the date when the Japanese army began its invasion of Northeast China in 1931.⁶⁰

The Japanese response to this new round of tension was very similar to the

⁵⁷ *Renmin Ribao* (The People's Daily), August 11, 1985.

⁵⁸ *The New China News Agency*, commentary, August 16, 1985.

⁵⁹ While Nakasone paid his homage to the Yasukuni on August 15, China conducted the Nanjing Massacre Memorial Hall opening ceremony.

⁶⁰ For more details on this particular event, see Whiting, 1989, Chapter 4.

textbook controversy. On August 21, Japanese Chief Cabinet Secretary Fujinami Takao insisted that the visit was constitutional.⁶¹ In return, China sharpened its criticism the next day. In an official Xinhua News Agency commentary, Beijing expressed its “deepest disappointment and regret” over Nakasone’s visit, and then charged that

In taking the decision, the Japanese government has pandered to and actually emboldened those in Japan who have always wanted to deny the aggressive nature of the war and reverse the verdict on Japanese militarism long condemned to the dustbin of history.⁶²

By the end of the month, Deng Xiaoping criticized Nakasone’s visit without mentioning his name directly. Facing what *The New York Times* called “unusually sharp criticism” both inside and outside Japan, the Nakasone government repeatedly made assurances that the visit was not intended to revise history in any way.⁶³ Chief Cabinet Secretary Fujinami responded to Deng’s remarks by a much softer stand:

Regarding the official visit of cabinet members to the Yasukuni shrine, the Japanese government has been striving to have other countries understand its true motive. However, if Mr Deng Xiaoping made the remarks as reported, it is believed that the government should continue its effort to obtain the Chinese government's understanding.⁶⁴

In his meeting with the Chinese leader Hu Yaobang in Beijing on September 13, 1985, Ito

⁶¹ *Japan Economic Newswire*, August 21, 1985.

⁶² *The Xinhua News Agency*, August 22, 1985.

⁶³ *The New York Times*, August 25, 1985.

⁶⁴ Quoted from *BBC Summary of World Broadcasts*, September 4, 1985, FE/8047/A3/7.

Masaki, head of the Japan-China Friendship Diet Members Association delegation, conveyed the messages that Japan would continue to make reflections and learn lessons from the past damages inflicted on the Chinese people, and that the principle behind the Sino-Japanese friendship would not change.⁶⁵ A week later, in response to the Chinese Foreign Ministry spokesperson's demand that the Japanese government take a cautious stand on the visit, Japanese Chief Cabinet Secretary Fujinami Takao met with reporters, stressing that the visit was to express the desire for peace and the "objects of mourning" were not those who committed war crimes.

On October 10, the Japanese Foreign Minister Abe Shintarô met with his Chinese counterpart Wu Xueqian in Beijing. The Chinese side was more critical in its attitude toward the Yasukuni problem than expected by the Japanese visitors.⁶⁶ Wu frankly requested that Japan "keep its promise that it would never become a military power."⁶⁷ With a mission to explain the Japanese position regarding the recent events, Abe reiterated the official Japanese policy on Japan-China relations in the following four points: (1) Japan was committed to Japan-China Communique and Japan-China Friendship Treaty; (2) In deeply reflecting upon the enormous damage Japan caused China, Japan would never return to the path of war; (3) Japan was more determined than ever before that it would never again take the road of militarism, and (4) Japan would learn lessons

⁶⁵ *Shiryô nitchû keizai*, October 1985, p.7.

⁶⁶ *Asahi Shimbun*, October 11, 1985; *Nihon Keizai Shimbun*, October 11, 1985.

⁶⁷ *Nihon Keizai Shimbun*, October 19, 1985.

from the past and seek friendly relations with China. Abe asked for understanding from the Chinese side on the issue of the Yasukuni.⁶⁸ These conciliatory statements were echoed by other visits and exchanges between the two sides.

When Nakasone called off his planned visit to the shrine in the autumn memorial season (October 17-19), the Chinese side toned down its criticism and were friendlier towards Japanese visitors.⁶⁹ The issue did not even come up when Nakasone met with Chinese Premier Zhao Ziyang in New York on October 24.⁷⁰ By the time of December 9, Vice Premier Li Peng did not criticize Japan directly in his address to a gathering in Beijing commemorating another anniversary of the anti-Japanese war.⁷¹ On January 29, 1986, the Chinese Communist Party General Secretary Hu Yaobang indicated for the first time that the Yasukuni issue had been resolved with acceptable results.⁷²

⁶⁸ *Wen Wei Po*, 14 October 1985; *Jiji Press*, October 11, 1985; *Shiryô nitchû keizai*, October 1985, p. 8; *BBC Summary of World Broadcasts*, October 12, 1985, FE/8080/A3/1.

⁶⁹ Nakasone's Cabinet Secretary Fujinami explained that "there simply wasn't time," because Nakasone had to be on the Diet floor and was preparing for his trip to New York. *Central News Agency*, October 19, 1985. Although neither Nakasone nor his cabinet ministers went to the shrine, a group of 143 LDP Diet members made the visit. Under domestic and international pressure, Nakasone also did not pay homage to the Yasukuni Shrine on August 15, 1986.

⁷⁰ *Mainichi Shimbun*, October 25, 1985.

⁷¹ *Mainichi Shimbun*, December 9, 1985.

⁷² *Shiryô Nitchû keizai*, January 1986, p.3.

IV. History as Politics and Politics as History

The two cases seem to confirm that Sino-Japanese political relations in the 1980s were primarily dealing with the “debt of history.” Both sides conducted foreign policies toward each other with cautious and calculated moves. Tokyo and Beijing managed to retain the bilateral relations within a framework of constant dialogue between disputes. In communicating with each other through multiple channels, from official to private, Japan and China engaged in a game of testing each other’s will around historical issues of war, aggression, perceptions of the past and the present, economic relations and ultimately, the nature of the bilateral relationship.

There is enough evidence that Japan’s conservative LDP leaders, Prime Ministers Suzuki and Nakasone among others, pursued an agenda based on making Japan a major political power. Driven by nationalistic wings of the party, they displayed a high degree of political ambition by proclaiming Japan’s close ties with the United States, encouraging the Ministry of Education’s guidance in re-interpreting Japan’s invasion of its neighbouring countries in the first half of the century, and by visiting the Yasukuni Shrine in their official capacity. But beyond these general observations, how do we make sense of the political frictions covered in this chapter?

1. History in Service of Politics

In both cases of the textbook dispute and Nakasone’s visit to the Yasukuni Shrine, the Japanese government gradually worked its way up to the events that triggered the

controversies, and then reacted to domestic and international criticisms by following a very similar pattern.

On the textbook problem, the Japanese state apparatus, reflecting the views of conservative politicians and bureaucrats, had pushed for the revision of textbook wordings for decades. The out burst of protest, first from inside Japan and then from other countries, was very much a reaction to the increasing pressure from Monbusho to make more “corrections” about how to portray Japan’s past aggressions to its neighbours. In the Yasukuni Shrine controversy, the efforts by conservative prime ministers showed striking systemic and calculated moves. They were careful, and moved one step at a time, up until Nakasone’s visit in his official capacity to the Yasukuni Shrine. The simple fact is if there had been no protests, a revisionist view of history would have been imposed on both the Japanese people and Japan’s neighbours.

When it comes to dealing with criticisms, the first step for the Japanese government was damage control. Top political leaders and Foreign Ministry officials expressed their understanding of the issues involved, making clear that it was not a departure from Japan’s official position regarding the past. The second step was to explain the situation to China and other Asian countries through diplomatic and private means, reassuring them that Japan was not trying to deny the unfortunate past and had no intention of rewriting history. At the same time, playing the role of a “bad cop,” the conservative force angrily accused China and other countries of interfering in Japan’s domestic affairs. The third step was to make policy adjustments reluctantly if criticisms

did not subside when the first two steps failed to have significant effects. In the case of the textbook dispute, the government finally promised to review the guidelines and on the issue of the Yasukuni visit, Nakasone did not make an official homage in the following year. But these measures were taken reluctantly, implemented temporarily, and were designed for avoiding crises. Neither of the controversies really solved the problem of how Japan deals with its past.

So a follow-up step was to make personnel changes when major political figures were involved. For example, while Nakasone did not attend the Yasukuni ceremony on August 15, 1986, 16 of his 20 cabinet members did.⁷³ On that occasion, Education Minister Fujio Masayuki openly rejected the verdict of the Far East War Crimes Tribunal, claiming that the wartime prime minister Tōjō Hideki was not a war criminal. He also stated that Japan's annexation of Korea in 1910 was agreed upon by the Korean government, and that the Nanjing Massacre was just a war activity and not a slaughtering of innocent civilians. When this embarrassing event was widely reported and Fujio's remarks were criticized by other Asian countries, Nakasone first distanced himself from Fujio's views and then under pressure fired him. It could be argued that Japanese prime ministers must make a balanced selection among different LDP factions when choosing cabinet members, and Fujio was from a rival faction of Nakasone's, hence Fujio's views had little to do with Nakasone's own policies. Some may even think that it was a good opportunity for Nakasone to get rid of one of his rival appointments in this event.

⁷³ *Shiryō nitchū keizai*, August 1986, p.3.

Nevertheless, it is also a fact that the Japanese government under the control of the LDP leaned toward a conservative agenda in dealing with historical issues. Nakasone's own actions and rhetoric were not that far from the views explicitly expressed by Fujio but as prime minister, he had to consider possible consequences if Fujio was not removed from office.

This pattern of personnel changes at the cabinet level would occur again and again in Japanese politics in the years to come. From time to time, a top cabinet member would make some remarks identical to that of Fujio's. Then domestic and international criticisms would mount to a potential level of damaging the government. In response, the person who made the remarks would then have to resign or be fired from his position. This bandage solution would only be followed later on by another round of similar events. This kind of "accident" occurs so often that it has become an institutionalized phenomenon in Japan's foreign policy arena.⁷⁴

The root of the problem lies in how the Japanese leaders in power view the past and neighbouring Asian countries. As Asai Motofumi, former China Section Chief in the Ministry of Foreign Affairs and a critic of Japanese foreign policy, points out, the main reason for the recurrence of frictions between Japan and its neighbouring countries regarding history is Japan's superior feeling toward the rest of Asia. Since the Meiji Restoration, Japan has developed an arrogant attitude in dealing with Korea, China and

⁷⁴ For a historical account of ministers and agency heads who either had to resign or were fired after making remarks glorifying Japan's past aggressions against its neighbouring countries, see "Background Chronology of Japanese Politicians' Denial of Japanese Aggression History," *Xinhua News Agency*, August 16, 1995.

other countries.⁷⁵

However, these events had more implications than the superior feeling of right wing conservative members in Japan. This arrogant attitude was supplemented by another dimension: Japan as a successful development model and a member of the West, something Nakasone proudly advocated whenever he had a chance on the international stage. Throughout modern history, the Japanese elite has been divided on how Japan should orient itself in the international society. One group is known as pan-Asianists while the other group pushed Japan to “leave Asia, joining Europe” (*datsu-a nyû-ô*). Although they differ in views, both see Japan as superior to its neighbours. It is not that easy to make a clear-cut case in assessing Nakasone’s approach. In the 1980s, with Japan’s economy rated as the most competitive of its time, and its growing economic and financial influence all over the world, Japan chose to display a posture identifying itself first with the Western world to other East Asian countries.

It is understandable. After all, Japan had finally caught up with the West, and seemed to do even better than the West in many areas. It is well publicized that Nakasone, while talking about being a member of the West and forging closer ties with the United States, also made remarks that Japan did not have the social problems that the United States had because of its homogeneity. So to Western countries, Japan showed its new confidence by implying that it not only had caught up with the West, it was doing

⁷⁵ Asai, 1989, pp.162-166; Also Asai’s conversation with the author on the issue, summer 1994.

even better than the West. Yet in dealing with the East, Japan presented itself as a successful member of the Western industrialized states. From this position, Nakasone and his conservative group went further, that was to test the water among the neighbouring countries with their revisionist agenda on historical issues as a major step in making Japan a *seiji taikoku* (political superpower).

2. No Separation between Economy and Politics

To make sense of these contentious political issues, we must look at the overall state of Sino-Japanese relations in the 1980s, especially the state of economic ties. History as a factor was undeniable in affecting Japanese-Chinese interactions in this decade but the extent to which history played a role in foreign policy making in Beijing and Tokyo should also be measured with caution. While politically the Nakasone administration was more assertive and sometimes arrogant in dealing with China, it also modified its economic policies towards China with both continuity and change.

Cooling off from the China fever in the late 1970s, and drawing mostly negative lessons from the plant cancellation episode, both the Japanese government and the private sector were more realistic in their expectations for this vast Chinese market. While many firms and banks still had long term strategies and were willing to take short term losses, Japan's overall economic policy in China turned to a pattern of heavily focusing on trade with very limited direct investment and technology transfer. China was no longer perceived as the vast resource base and market that would solve most of Japan's

problems.

Facing the repeated requests of Chinese leaders for Japan to increase its investment and technology transfer, the Japanese government promised to make efforts in improving the situation. As known, such responses were more like showing understanding and sympathy than any concrete action. But on most occasions, the Japanese leaders simply told Beijing to make its own market more attractive and accommodating to Japanese enterprises. In other words, the Japanese government demanded that China must make its market profitable for Japanese firms to invest, or they would not go there. Furthermore, Japan was directing China to further reform its inefficient and inferior economic system. This attitude fitted very well with Japan's overall posture at the time: Japan was the "leading goose" and the Japanese way should be the way to follow. In an interview with Japanese public TV NHK, Nakasone responded to the reporter's question on Japan's relations with China:

When it comes to economic affairs, China, being communist or socialist, does not know much about the capitalist economy. Chinese officials have little understanding of the functions and role of small and medium-scale business. So far these officials, under communism, have seen only large-scale plants of big enterprises. But, recently they have begun to understand gradually the importance of small and medium-scale businesses. Japanese firms are entering China, but they are not there under our government orders, unlike firms under communism. No firms will operate in China unless there is an attractive environment. We are telling the Chinese to create an attractive environment. They go by rules or instructions from above. They are accustomed to the communist or socialist style. Recently, well aware of this, China has made progress in various aspects, for instance, by changing the law, doing something about patent rights, or letting foreign firms remit profits to the home country. So

I think things will improve gradually, and it will take quite some time.⁷⁶

This was quite a different tone from the Ohira era when the Japanese government, expecting high economic benefits overnight, pushed various industrial sectors to become actively involved in China's modernization programs.

However, Nakasone did continue Japan's large ODA program to China, first implemented by Ohira. In contrast to the overall cautious and slow-moving flow of Japanese investment and technology transfer, Japan's ODA to the People's Republic continued to expand. As discussed in the last chapter, Ohira committed a 330.9 billion yen loan in Japan's first ODA package (1979-84) when he visited Beijing in 1979. By the time Nakasone visited China in 1984, Japan was providing 470 billion yen loan for the second ODA package (1984-89). When Nakasone's successor Takeshita Noboru went to Beijing in 1988, Tokyo was ready to provide a loan of 810 billion yen to China for the third ODA package (1990-95). In the current first stage of the fourth ODA program, China will receive 580 billion yen in a short three year period (1996-98).⁷⁷ From Japan's ODA to China, we can see a clear trend of consistency. China and Indonesia, another major recipient of Japanese ODA, have alternatively occupied the first spot in receiving yen loans in the past two decades.

⁷⁶ See *BBC Summary of World Broadcasts*, August 31, 1985, FE/8044/C1/1.

⁷⁷ The fourth yen loan is divided into two stages: three years and two years. The total amount of the yen loan for the second stage (1998-2000) is now being negotiated. A detailed analysis of Japan's ODA to China will be done in the next chapter.

This consistency and continuity of ODA flow from Japan to China may appear to be less relevant than the political controversies discussed earlier in the chapter. But if we look at the data on China's trade with Japan in this period, there is a striking coincidence between deteriorating trade statistics and worsening political relations. According to Japanese trade figures, Japan had a trade surplus with China throughout the 1970s. From 1981-1983, China had a small surplus. In the period 1984-1987, China recorded its largest trade deficit with Japan in history: over \$1.2 billion in 1984, approximately \$6 billion in 1985, more than \$4 billion in 1986 and \$850 million in 1987 before moving to a balance in 1988.⁷⁸ The matter is further complicated by the fact that China and Japan compile trade data differently. Japan calculates its imports according to the origin of the goods. So when Japan imports goods from Hong Kong, these goods are recorded as imports from China as long as they are the country of original manufacturing. But China sees its trade with Hong Kong as international trade and does not consider the re-exporting of any goods from Hong Kong to Japan as its own exports to Japan. Hence, this different method of trade data calculation made the Chinese trade deficit with Japan during this time period appear worse if one quotes Chinese figures.⁷⁹

When examining the ups and downs of the Sino-Japanese political relationship in the 1980s in this context, we can see certain connections between Sino-Japanese economic

⁷⁸ China Section, Ministry of Foreign Affairs, Japan, *Nitchū keizai kankei* (Japan-China Economic Relations), August 1994, p.2.

⁷⁹ Ibid. p.5, Table 3.

and political relations.

1) Political tensions coincided with worsening trade relations. When China responded to the textbook disputes and Nakasone's visit to the Yasukuni Shrine with strong rhetoric, it was also at the same time that China had large trade deficits with Japan. For example, in the first half of 1985 alone, China's trade deficit with Japan grew by over 130 percent in comparison to the same period in the previous year.⁸⁰

2) The political frictions and economic matters were mixed together. The media reports in both countries are clear evidence. In fact, the occasions when Chinese leaders made their critical remarks about the Japanese government's handling of historical issues, were often the times when issues like trade imbalances were also raised. When Deng Xiaoping criticized Nakasone's Yasukuni Shrine and showed his concern about the "movement of militarist elements in Japan," he also complained that "although Japanese companies are participating in China's economic development projects, the situation is not ideal. Japanese companies are timid and often guided by self-interest."⁸¹

3) Political relations tended to be smooth when overall economic relations were better. In the late 1970s, when the trade imbalance was not as severe and Japan had just began to commit large ODA loans to China, the overall relationship was characterized as a new era of Sino-Japanese relations. In the late 1980s and the first half of the 1990s, when

⁸⁰ *Japan Economic Newswire*, September 11, 1985.

⁸¹ *Jiji Press*, August 29, 1985. Vice Premier Yao Yilin expressed similar concerns at the time, especially about the growing bilateral trade imbalances in favour of the Japanese side. See *Japan Economic Newswire*, August 29, 1985.

bilateral trade started to shift in China's favour, Beijing down-played some problems in political relations, including Japan's initial sanctions against China after the 1989 Tiananmen crackdown on students. In comparison with 1985, the 1995 commemoration of the 50th anniversary of the Chinese victory in the Anti-Japanese War was a low-keyed event on the Chinese side.

3. Emotional is Also Rational

Since the 1972 normalization, the 1980s were no doubt the most emotional and stormy in Sino-Japanese political relations. This led Allen Whiting, a leading American scholar on the subject, to conclude that China's foreign policy was far from pragmatic as many suggested. Whiting's investigation in China showed that the Chinese government was not consistent in its Japan policy making, and emotional factors regarding history did become dominant in foreign policy formation. The resulting irrational policies were seen as rooted in China's political system and its propaganda-driven politics. As a result, China's national interests were often hurt and not well served. In contrast, Japan appeared to be a much more stable player in the bilateral relationship. Japanese actions are often explained as the logical outcome of domestic and factional politics.⁸²

Whiting's focus was on the Chinese side. If we bring the Japanese side into the picture, however, it is less evident which country acted in a more "rational" way than the

⁸² Whiting, 1989. While many contend that after 1978, China's foreign policy became more and more pragmatic, which was consistent with its domestic policies, some tend to make similar observations like Whiting in regard to Japan-China relations. See Chae-Jin Lee, 1984, Chapter 5.

other. A closely related question is what type of behaviour can be defined as rational in diplomatic manoeuvres between modern nation-states? Was Tokyo more rational in making its China policy than Beijing in formulating its Japan policy? From time to time, did the Chinese leadership somehow become more emotional when dealing with Japan, hence less rational?

Obviously, in Whiting's work and many others in the field of international relations, there are assumed definitions for the words such as "rational" and "national interest", the meaning of which is treated as universal and beyond the need for a more precise discussion. In the cases of Sino-Japanese relations in the 1980s, one can make an argument, as shown in some of the previous discussions, that terms like "rational" and "national interest" are very much related to the specific contexts in which they are used. One particular foreign policy behaviour might be seen as irrational by some but viewed as "normal" by others. It should not be overlooked that the Chinese perception of national interest may go beyond the narrowly defined, yet widely accepted, economic/material interests in the West. It is clear that in the Chinese view of national interests psychological factors such as national pride and prestige are placed on a much higher level. In this sense, the Chinese emotional response over historical issues which seemed to be in conflict with short term economic interests served the Chinese perception of national interest well. After all, history is seen as politics. To the Chinese leadership in Beijing, any signs of weakness in confronting the past when dealing with Japan may eventually come back to haunt the present political balance and the future of regional

politics.

In this context, emotional could be also rational. They are not diametrically opposing factors in defining China's national interests. Actually, the Chinese government not only managed to combine these two elements in dealing with Japan, it also manipulated political issues to serve China's economic interests, e.g. trade imbalances in bilateral economic relations.

V. Conclusion

Japan's China policy in the 1980s was in many ways a reflection of Japan's overall foreign policy paradox. The Suzuki/Nakasone administrations adapted a modified strategy in defining Japan's relations with its neighbouring countries. Rather than reaching out with full arms to China and other Asian countries as Ohira did, the Japanese government in most of the 1980s followed a political agenda designed to pressure other countries to accommodate the new Japanese nationalism and its desire to transform Japan into a political giant equal to the United States in status.

It should be noted that there was no fundamental difference between Ohira and the successive administrations in implementing Japan's long term goal of organizing a regional "flying geese" formation with Japan as the head goose. The difference was how Nakasone tried to accomplish such a goal. Our case studies have demonstrated that the so-called "debt of history" was very much a contemporary political issue, that the conservative LDP leadership made controversial decisions such as the visit to Yasukuni Shrine through

carefully calculated steps over the years with consistency and a gradual approach, that neither the textbook dispute nor the Yasukuni Shrine homage were isolated “incidents,” and that these events were less a reflection of a particular prime minister’s personal style in politics but a more structural and systemic phenomenon reflecting the strength of the Japanese state and its international position in world politics in the 1980s. But the outcome of Japan’s political frictions with China was paradoxical to Japan’s foreign policy.

First, Nakasone’s overall political goal for Japan was a factor in itself undermining Japan’s relations with China. As Kenneth Pyle points out, Nakasone’s neoconservatism and right wing revisionist view of history were mostly aimed at boosting the Japanese people’s confidence in viewing Japan as a new economic and political power.⁸³ But the practice in the 1980s showed that China, South Korea and other Asian countries reacted strongly to the revisionist view of history in Japan, despite their ever growing economic relations with Japan. A major component of Japan’s comprehensive national security strategy was to develop closer ties with its neighbours for both strategic and economic concerns. Nakasone’s policy of playing Japan off as a member of the West while testing the will of China on historical issues created a tension between Japan’s political ambition to become a global hegemonic power and its need to maintain good relations with its neighbouring countries as the basis of that political goal. Nakasone’s conservative stand was so unacceptable that Japan’s efforts to develop friendly ties with Beijing, such as the

⁸³ Pyle, *The Japanese Question*, Chapter 6.

setting up of the Japan-China 21st Century Friendship Committee and Nakasone's personal closeness with Chinese Communist Party General Secretary Hu Yaobang, were all overshadowed by the textbook and Yasukuni controversies.

Second, Japan's domestic constraints hindered Nakasone's "grand design" at the policy level. The Japanese public was more pacifist and cautious in dealing with the past. Most people preferred not to deal with the past. So a hawkish approach in interpreting Japan's history only received critical responses from the public. Within the LDP, the China policy was no longer as divisive as it had been back in the 1950s through the early 1970s. But a significant number of LDP members, together with most opposition parties, were very articulate in advocating that Japan continues to pursue strong and friendly relations with China. The tension between different political forces were also reflected in the powerful bureaucratic ministries. Monbusho had to back down and change its position on the textbook review issue after repeated requests from the Ministry of Foreign Affairs. In the case of Nakasone's visit to the Yasukuni Shrine, the Cabinet Legislative Bureau insisted to the very end that Nakasone's visit in his official capacity was a violation of the Japanese Constitution.⁸⁴ This domestic resistance together with pressure from China and other Asian countries forced the Japanese government to make policy adjustments and concession in resolving these crises.

Finally, Japan's China policy in the 1980s generated "unintended" consequences.

⁸⁴ Nakasone has remained very bitter about this. He criticized the Bureau's stand on the revision of Japan's constitution in a very recent article. See Nakasone Yasuhiro, "Rethinking the Constitution (1): Make It a Japanese Document," *Japan Quarterly*, July-September 1997.

Rather than boosting Japan's political status in Asia, Sino-Japanese political frictions alerted China and other countries in the region to Japan's hegemonic intentions. The PRC, with its own drive for power growing ever stronger as its economic growth intensified, increased its scrutiny of Japan as a potential threat. Judging from a utilitarian point of view, Nakasone's China policy was often counter productive.

By the late 1980s, with the changing domestic and international environment, the Japanese leadership seemed to have realized the necessity for a strategic policy adjustment not only in its China policy but in its overall foreign policy orientation. The shocking events of 1989 in China and other parts of the world provided such an opportunity.

Chapter 4

Tokyo's Balance Game: Member of the West but a Voice for China?

At the moment, Japan is somewhere between being a mercantile nation and a true world leader. Our choice is whether to continue the way we are - a strong silver medalist - or go for the gold. Do we have the guts to make it? ... No matter what Japan decides, the future is fraught with peril. But for me, the choice is clear. Failure in the quest for glory is far more noble than failure in the pursuit of profit.¹

- Amaya Naohiro

Japan has to become more international-minded, more outward-going in its outlook and less self-centered, more open and hospitable to foreigners, especially to fellow Asians, who rank low in Japanese esteem. A society that is courteous but not warm and friendly is not so readily accepted, admired and emulated.²

- Lee Kuan Yew

Ever since Japan obtained its economic superpower status in the early 1980s, and Nakasone proclaimed his intentions of making Japan an "international state" (*kokusai kokka*) and a "political giant" (*seiji taikoku*), the Japanese leadership has been searching for the best means of transforming Japan into a political world power. In contrast to Ohira's emphasis on cultivating closer ties with China and other Asian countries, the Suzuki/Nakasone cabinets presented Japan as a member of the Western industrialized

¹*Tokyo Shimbun*, June 24, 1987, quoted from Pyle, p.118.

² Quoted from *Chicago Tribune*, June 17, 1991.

states and a development model for its neighbours. In its relations with China, Japan attempted, with both carrot and stick, to coerce China politically into a relationship centred on Tokyo's priorities. The strategy was met with fierce resistance from Beijing, and proved to be a failure at the policy level. By 1987, when Takeshita Noboru replaced Nakasone as the Prime Minister, both the international environment and Japan's domestic politics were about to go through stormy changes that would force Japan to reorient its foreign policy and reconsider its China diplomacy.

This chapter argues that in the late 1980s and the early 1990s Tokyo was under pressure from the United States and other industrialized countries to make more concessions in its economic and financial practices. The end of Cold War, and the Gulf Crisis that followed generated both international and domestic pressure for the Japanese government to make significant foreign policy adjustments. The 1989 Tiananmen incident in China not only pushed Japan to re-organize its China policy but also provided an opportunity for Japan to present itself as the major broker between the East and the West in the world of power politics. And by presenting itself as the voice of Asia among the members of the G-7 summit, Japan was trying to utilize China and Asia as the support base in resisting the American pressure for reforming its internal and international economic policies.

I. Neither East Nor West: Japan's "Identity Crisis"³

Nakasone's bold statements, new international image, "presidential" style leadership, and ambition to make Japan a world leader received mixed responses, ranging from praise to criticism to speculations by the end of his term (1982-87). As we have documented in the last chapter, Japanese goals in economic, political and strategic areas raised serious questions about Japan's intentions in Asia, affecting Sino-Japanese relations, and producing strong sentiments in the region to resist a dependent relationship with Tokyo. By pronouncing itself to be a member of the West as well as displaying a certain degree of arrogance on the "debt of history," Japan alienated itself from its neighbours.

How was Japan received by the Western world? Kenneth Pyle, a leading American scholar on Japan's foreign policy, gave high marks to Nakasone's agenda, calling it "a grand design," "a new vision," and "a new liberal nationalism:"

As an alternative to the Yoshida strategy, which consciously chose a dependency relationship with the United States, Nakasone formulated a vision of an active Japan capable of world leadership, engaged in international political-strategic issues, participating in its own defense, possessing its own goals and values and objectives, and reshaping its institutions for the role of global leader.⁴

³. Here the term "East" is not used in its traditional sense of the East versus the West during the Cold War era. It simply means Japan's position as an East Asian country in its geographical and cultural sense.

⁴. Pyle, *The Japanese Question*, pp.103-4. For more discussion on Nakasone's impact, see Inoguchi, *Japan's International Relations*, Chapter 3.

By the late 1980s and early 1990s, however, Japan seemed to have gone too far or have been too “active” in pursuing these goals: Japan continued to accumulate a huge trade surplus with the United States, reaching well over \$40 billion annually, despite the rapid appreciation of the yen after the 1985 Plaza accord; Japan now invested more in the world than the United States; Japanese banks were financing U.S. debts, and its corporations were “buying off” the United States from Rockefeller Centre in New York to Columbia Pictures in Hollywood; Japan was the world’s largest creditor and aid donor at the same time. To many, the scenario of “Japan as number one” had never been so real, so close and so threatening.

More frequent than ever, questions such as these were being posed: How had Japan got this far? What will the Japanese do next? Who really won the Cold War? Will Japan become the new superpower replacing the United States? What, as Pyle’s book was trying to tackle, is Japan’s national purpose? Could the United States bounce back in meeting the Japanese challenge? How to deal with Japan? In a sense, Japan’s economic success took on a life of its own. Its success began to prompt negative responses rather than just praise from around the world. Japan was not strong enough to be a hegemon yet it was the object of intense resentment among its Western allies, which led to both a reevaluation of Japan’s foreign policy and a new set of policies in dealing with Japan. This reassessment and change in policies led to worldwide structural pressure being placed on Japan to make domestic and foreign economic policy adjustments

First, the mood had changed substantially in assessing the “Japanese miracle.” In

the early 1980s Japan was praised for its economic success and management skills, and other Western countries were called upon to learn from the Japanese experience, but in the late 1980s a more critical attitude prevailed. Chalmers Johnson classified Japan as a “developmental state,” different from both the American style market economy and Soviet style command economy. This theoretical modelling of Japan eventually became the basis for those who claimed that Japan was operating in different ways from other countries. They accused Japan of not following the same rules of the game and getting ahead of other countries through the use of unfair measures and tactics, such as government assistance to the private sector, closed markets, non-tariff barriers, etc. The critics concluded that Japan was not really a fully qualified member of the West. Japan was, as they labelled it, a “revisionist state” within the capitalist camp.⁵ The debate became so heated that four leading advocates of the revisionist school were called the “Gang of Four.”⁶ Their works were criticized in Japan as “Japan bashing.” Many began

5. Although the term “revisionist” has its origin in the late nineteenth century when the Second International theorists reinterpreted Marxism, its contemporary usage comes from the 1960s when the Chinese Communist Party criticized the Soviet leadership as being revisionist, that is, the later revised the Marxist-Leninist doctrine and led the USSR to a road that was not really socialist any more. The implication of using such a term on Japan is quite clear: Japan was not really a pure capitalist country like the United States but followed a different path. The Japanese translation of the this word is *ijitsu*, meaning “alien in nature.”

6. They are James Fallows, Chalmers Johnson, Clyde Prestowitz and Karel van Wolferen. For their defence of the revisionist position, see “Beyond Japan-Bashing: The ‘Gang of Four’ Defends the Revisionist Line,” *U.S. News & World Report*, May 7, 1990. For their works, see James Fallows, *More Like Us: Making America Great Again*, Boston: Houghton Mifflin Company, 1989; Clyde Prestowitz, V. Jr., *Trading Places: How We Allowed Japan to Take the Lead?* New York: Basic Books, Inc., 1988; Karel van

to worry about a potential “collision course” between Japan and the United States.⁷

Hence, the “Japanese miracle” had now become the “Japan problem.”⁸

Another widely publicized book at the time was Kenneth Pyle’s *The Japanese Question*.⁹ The title was more than simply an echo of the discourse on the “Japanese problem”. The author paralleled the “Japan question” to the “German question” in postwar Europe, raising what was the central concern for many people: What was Japan’s national purpose in the decades after World War II? More importantly, the book was the first systemic study of Japan’s postwar diplomacy with a focus on this particular subject. Contrary to generally accepted views that Japan did not have or did not pursue a foreign policy but fully focused on domestic economic development, Pyle argues that Japan’s postwar diplomacy was brilliantly set up by Yoshida Shigeru, Japan’s first postwar conservative Prime Minister, and that the course was followed by all the subsequent prime ministers up to the 1980s. In a sense, Japan’s postwar foreign policy was also a “miracle” by design, by planning and by disciplined implementation. Japan not only had an economic policy that was successful, as Johnson summarized, it

Wolferen, *The Enigma of Japanese Power: People and Politics in a Stateless Nation*, London: MacMillan, 1989.

7. Omori Minoru & George Packard, *Nichibei shôtotsu no michi (Collision Course)*, Tokyo: Kôdansha, 1990.

8. See Karel von Wolferen, “The Japan problem,” *Foreign Affairs*, Vol.65, No.2, Winter 1986/87, and “The Japan Problem Revisited,” *Foreign Affairs*, Vol.69, No.4, Fall, 1990.

9. The book was published in 1992.

also had a coherent foreign policy agenda, that is, Japan would take advantage of the U.S. led postwar international system, leaving national defense to the Americans while focusing all its resources on “catching up” with the West. However, Pyle pointed out that the Yoshida doctrine also produced negative results, leaving Japan unprepared for the post Cold War reality.¹⁰ His conclusion was that Japan must now take more responsibility in the Western alliance system, contribute more, support the U.S. leadership in the post Cold War era, and completely abandon the Yoshida doctrine.

All of a sudden but not surprisingly, a large volume of works on the Japanese challenge began to appear in the headlines and to fill up the *nihonron* section of Japan’s bookstores.¹¹ These discussions on Japan were closely linked to the future of U.S. hegemony. While Robert Gilpin, Paul Kennedy and others wrote about the U.S. decline as a structural and historical process, Joseph Nye, Henry Nau and others argued that the United States was still in a strong position and “bound to lead.”¹² Opinions were also

¹⁰. Pyle, *The Japanese Question*, pp.126-7.

¹¹. See Daniel Burstein, *Yen: Japan’s New Financial Empire and Its Threat to America*, New York: Simon and Schuster, 1988; William Nester, *Japan’s Growing Power over East Asia and the World Economy: Ends and Means*, London: MacMillan Press, 1990, and *The Foundation of Japanese Power: Continuities, Changes, Challenges*, New York: M.E. Sharpe, Inc., 1990; Edward Lincoln, *Japan’s Unequal Trade*, Washington: Brookings Institution, 1990; William Holstein, *The Japanese Power Game: What It Means for America*, New York: Plume, 1991.

¹². See Robert Gilpin, *The Political Economy of International Relations*, Princeton: Princeton University Press, 1987; Paul Kennedy, *The Rise and Fall of Great Powers*, New York, 1987; Joseph Nye, *Bound to Lead*, New York, 1990; Henry Nau, *The Myth of America’s Decline*, New York: Oxford University Press, 1990.

divided on how the United States should respond to the Japanese challenge. Influential academics like Gilpin, Pyle and Nye, although in different ways, all favoured an arrangement in which Japan could support the U.S. leadership in world affairs. But overall public opinion was not favourable towards Tokyo. In a 1989 opinion poll published by *Business Week*, only 22 percent of Americans thought the threat to the United States came from the Soviet Union while 68 percent perceived Japan's economic threat as the most dangerous.¹³ The predominant mood seemed to be best captured by James Fallows: Containing Japan, a phrase that used to be the central pillar of American strategy in dealing with the Soviet threat during the Cold War. Rather than being accepted as a full member of the West, Japan was defined by many as the new threat to the United States and the world.

Second, the United States was more assertive in pressuring Japan to make structural changes for improving the deteriorating economic frictions between the two countries. The above mentioned debate on Japan, taking place primarily in the United States, naturally led to a much tougher stand by Washington in dealing with Tokyo. This was accompanied by the fact that the U.S.-Japanese relationship seemed to be heading towards a relationship based on competitiveness and rivalry in the initial stage of the post Cold War period. Although the American government was uncertain of how to handle the

13. *Business Week*, August 7, 1989. Americans also showed very little trust in its closest ally. In a *Yomiuri*/Gallup poll conducted in 1994, only 10 percent of Americans listed Japan as five of the countries they trusted the most, down from 23 percent from a decade earlier. See Kurt W. Tong, "Revolutionizing America's Japan Policy," *Foreign Policy*, Winter 1996/97, pp.108-9.

“Japan problem” in the long term, it took several short term steps. The most significant was the so-called Structural Impediment Initiative (SII) negotiation between Washington and Tokyo. Once it was evident the yen’s drastic appreciation did not make much difference in the bilateral trade, the United States insisted that the primary cause for the continuous trade imbalances in favour of Japan was Japan’s domestic structure, hence the need for the Japanese government to make structural changes. Washington pressed Tokyo to: further open its market, increase domestic consumption, deregulate its financial sector, and allow more American firms to come to Japan. The Americans this time did not want to accept a vague response as an answer. They demanded concrete measures and sector by sector targets with clear-set deadlines for implementation. The U.S. position was tough and obvious: Japan must make the necessary adjustments to reduce the trade surplus with the United States.

In the security area, economic frictions contributed to the growing tension despite the U.S. government’s long stated position that the two were separate issues and that they should not affect each other. Washington asked Japan to share more of the cost in maintaining U.S. troops in Japan. When the Gulf War broke out, the “free rider” critics were quick to put Japan on the hot spot.¹⁴ Tokyo was told that it must pay a substantial amount of war cost, and its slow response was viewed as not living up to its responsibilities as a member of the West. *The Washington Post* captured the mood at the time:

¹⁴. For Japan’s response to the Gulf War, see Inoguchi, *Japan’s Foreign Policy in an Era of Global Change*, Chapter 5.

Unable to contribute more directly, Japan provided money -- lots of it -- on U.S. demand to pay for the U.S. war in the gulf and help poorer front-line states. The United States tapped Tokyo for \$13 billion, more than \$100 for every Japanese and more than the nation's yearly foreign aid budget for all countries. Japanese were hurt, but hardly surprised, when the act of providing yen instead of risking lives did not win much respect abroad.¹⁵

The Japanese government was quite bitter about the lack of understanding from the United States and the rest of the world. In fact, an advertisement expressing thanks by the Kuwait government in *The New York Times* after the Gulf War did not even include Japan, despite its large financial contribution.¹⁶

Third, Japan's difficulties as a member of the West and the structural pressure (or foreign pressure, *gaiatsu*, as the Japanese call it) sparked a major debate at home about the Japanese role in world affairs, and opinions were divided. One school argued that while Japan should be a supporter, not a challenger to U.S. hegemony, it should go beyond the current Japan-U.S. relations which were characterized by a Japanese leading political scientist, Inoguchi Takashi, as "bilateral parochialism."¹⁷ Another school of thought, as articulated by Amaya Naohiro, former vice minister of MITI and a major figure in formulating Japan's industrial policies in the past several decades, acknowledged that Japan lacks both an ideology of universal appeal and military power, two major

¹⁵. Don Oberdorfer, "Japan: Searching for its International Role" *The Washington Post*, June 17, 1991, Monday, Final Edition.

¹⁶. Nakasone Yasuhiro, "Rethinking the Constitution (1) - Make It a Japanese Document," *Japan Quarterly*, July-September 1997, p.5.

¹⁷. Inoguchi, *Japan's Foreign Policy in an Era of Global Change*, pp.91-2.

components of a hegemon, to be qualified to challenge the United States. Hence, it may have to settle for the number two spot.¹⁸ The consensus in the mainstream was that a fast declining United States was not necessarily in Japan's best interests, and that decline, if inevitable like it appeared, should be well managed. But the most noticeable voice came from Ishihara Shintarô, a conservative Diet member, former LDP cabinet member and a well known writer. In a book with a provocative title, "*No*" to *ieru Nippon* (The Japan that Can Say "No"), Ishihara and the Chairman of Sony Corporation Morita Akio told the Americans in blunt language that Japan in many ways was better than, and superior to the United States, that Japan would not bend under American pressure, that the United States should start paying for the use of its military bases in Japan, and that Japan could seriously cripple the U.S. defense capabilities by stopping the supply of certain high technologies and selling them to the Soviets instead. The book was a run-away best seller in Japan, but it caused a firestorm on Capitol Hill in Washington and shocked the U.S. foreign policy community.¹⁹

Finally, many elements in the changing world economic structure contributed to Japan's foreign policy reorientation towards Asia by the late 1980s and early 1990s. The then growing regional trading arrangements, from the formation of the European Union

18. Amaya Naohiro, *Nippon wa dokoe ikunoka* (Whither Japan?), Tokyo: PHP, 1989.

19. Ishihara Shintarô and Morita Akio, "*No*" to *ieru nippon* (The Japan that Can Say "No"), Tokyo: Kôbunsha, 1989. See also, Ishihara Shintarô, Watanabe Shôichi and Ogawa Kazuhisa, *Soredemo "No" to ieru nippon* (Still the Japan that Can Say "No"), Tokyo: Kôbunsha, 1990.

(EU) to the North American Free Trade Agreement (NAFTA), were perceived by the Japanese as the global trend of new protectionism partially targeted at Japan. The concern over protectionism and regional trading blocks compelled Japan to look to its own backyard for the potential base of a trading zone. The strategy was that in case the world headed in that direction, Japan and the Asian block would be able to “outdo” other blocks. At the same time, the rapid appreciation of the yen after the 1985 Plaza accord led to a major shift in the investment directions of Japanese firms. Japanese economic structural adjustment resulted in changing trade flows between Japan, the United States and Asia. For the first time in 1991, Japanese exports to other parts of Asia outpaced exports to the United States. According to a Nomura Research Institute survey, the United States accounted for 28.5 percent of all Japanese exports in 1992, down from 38.9 percent in 1986 while Japan’s exports to Asia rose from 22.7 percent to 33 percent in the same period.²⁰

This left Japan in a dilemma of belonging to neither the East nor the West. How did Japan respond to this so-called identity crisis? The next two case studies investigate Japan’s China policy both before and after the 1989 Tiananmen crisis. Section II examines how Japan’s ODA to the People’s Republic had evolved up to 1989, and Section III looks at how Japan lobbied on behalf of the Chinese government after the Tiananmen Incident. In the next chapter, we will return to this subject again to survey the changing context of Tokyo’s ODA as reflected in the processing of the fourth yen loans in the

²⁰. *The Nikkei Weekly*, January 17, 1994.

1990s.

II. Case Study Five - The Nature of Japan's ODA to the PRC

As discussed earlier, the flow of aid from Japan to China has rapidly grown since Japan first offered official development assistance (ODA) to Beijing in 1979. Since then, Japan has been China's largest foreign donor, and China has been either the largest or second largest recipient (after Indonesia) of Japan's foreign ODA. The following Table presents an overview of the major Japanese ODA packages to China so far.

Table 3

Japan's Yen Loans To China

Period	Amount (Ybn)	No. of projects	Interest (%)	Term of repayment*
1979-1984	330	6	3.0	30
1984-1989	540	23	2.5-3.5	30
1990-1995	810**	42	2.5-2.6	30
1996-1998	580	40	2.3	30
1998-2000	Under discussion			

* Includes a 10-year grace period

** Put on hold for 15 months after the 1989 Tiananmen incident

Source: *China Economic Review*, November 1995.

In this section, we will first look at Japan's foreign aid policy in general, and its aid strategy to China and ODA decision making process in particular. Then, we will examine Japan's ODA objectives in China through a comparative analysis of the first three yen loan packages up to the Tiananmen Incident.

1. Rationale of Japan's Foreign Aid Policy

The impetus behind Tokyo's foreign aid policy has changed as Japan has matured into an economic superpower. In the mid-1950s, Japan's aid policy began as part of a reparations agreement under the euphemism of "economic cooperation" (*keizai kyōryoku*) with the Asian countries it had occupied in World War II. During the 1960s, Tokyo's main objective was economic, that is it sought to promote its exports and help its industries in foreign investment.²¹ Today, Japanese aid is still seen as an avenue used by Tokyo in the promotion of its own economic interests. In Japan's ODA 1990 Annual Report, issued by the Ministry of Foreign Affairs, the government refutes this economic image.²²

However, Japanese aid policy cannot be characterized in such simplistic terms. From the mid-1970s, international pressure on Japan to assume greater international responsibility commensurate with its economic position and an increased awareness of its

21. It is worth noting that even today, Japan continues to call its ODA as *keizai kyōryoku*.

22. *Japan's ODA 1990 Annual Report*, p.19-20.

dependence on other countries for raw materials forced Japan to take a more active foreign aid policy. As discussed earlier, the 1973 OPEC oil embargo deeply affected the Japanese psyche as the economic growth rate plummeted from 9 percent that year to zero the following year. This crisis highlighted the weakness of Japan's economic base as well as demonstrated the need for Japan to take a more active stand in world affairs. This event led to a globalization of Japanese aid as government officials realized the political and diplomatic importance of aid. Prior to the oil crisis Asia had received nearly 100 percent of Japanese aid, but afterwards Asia's share accounted for approximately two-thirds of Japanese aid with the Middle East, Africa and Latin America enjoying the rest.

In January 1974, Prime Minister Tanaka's ASEAN tour triggered anti-Japanese riots in Jakarta and Bangkok, reflecting negative sentiments dating from the Pacific War. These events shocked the Japanese and revealed the political fragility of the region. Again, government officials smoothed the situation over by increasing aid with improved terms and conditions. The receptivity of countries in Asia and other parts of the world brought home to the Japanese that aid could be employed as a political-diplomatic tool, thus marking the transition of aid policy to another phase beyond purely commercial objectives.

The politicization of Japan's aid policy continued through the 1980s and into the 1990s. Aid had become a vital pillar of Japanese foreign policy, inextricably linked to the

new concept of comprehensive national security.²³ This concept recognizes that Japan's long-term security is concerned with both military and non-military threats and therefore military and non-military responses are required. Foreign aid serves as an effective deterrent to non-military threats, thus contributing to a peaceful and stable international environment. In May 1981, Prime Minister Suzuki pledged to provide aid to "areas which are important to the maintenance of world peace and stability."²⁴ China was among the countries included in these areas and until today, Japanese officials and scholars continue to stress the importance of China for the region's stability.

During the past three decades, Tokyo's aid policy has evolved into only a more sophisticated version with commercial and other interests mixed together. To mask their true interests Tokyo uses euphemisms such as comprehensive national security which in simpler terms means ensuring international stability in order to maintain access to raw materials and export markets. While most nations claim to adhere to altruistic values in disbursing aid, including Japan, there are few governments whose policies reflect these values.

The interdependence of the international system is another dimension being articulated by the Japanese government in its aid philosophy which is based on

23. For the linkage between Japan's ODA and the national comprehensive security, see Dennis Yasutomo, *The Manner of Giving* and Akaha, "Japan's Comprehensive Security Policy," *Asian Survey*, January. 1991.

24. Ministry of Foreign Affairs, *Diplomatic Bluebook 1982*, Tokyo: Foreign Press Centre, pp. 73-74.

“humanitarian considerations and the recognition of interdependence.” Inoguchi phrases this sense of interdependence well when he writes that Japan’s economic size has created a tightly woven web between Japan and the world economy.²⁵ The emphasis on interdependence as expressed in commercial interests and national security can also apply to Sino-Japanese relations. Yet, this analysis of Japan’s aid policy does not go far enough in explaining why China has received special concessions in receiving Japanese aid. Concerns about national security and commercial interests must be looked at in further detail as they apply specifically to China.

2. Japan’s Aid Strategy Toward China

Japan’s use of aid to China to further its national interests traces back as early as during the First World War when Tokyo extended the Nishihara loans to China. It was an effort to induce China to declare war against Germany whose sphere of influence in China’s Shandong Province was Japan’s primary target. After the Second World War, Japan provided ODA to Taiwan until 1972 when Tokyo established a diplomatic relationship with the PRC.²⁶

The rehabilitation of Deng Xiaoping in 1977 marked a turning point in Sino-Japanese relations. As the PRC embarked on a new domestic and foreign economic policy based on the “Four Modernizations,” Beijing revised its position of self-reliance as

25. Inoguchi, *Japan’s International Relations*, Chapter 5.

26. Neither mainland nor Taiwan requested war reparations from Japan.

it tried to attract foreign capital and technology. For multilateral assistance, China joined the World Bank and applied to become a member of the Asian Development Bank. For bilateral aid China turned to Japan.

The basis of Japan's aid policy toward China was initially centred around three primary concerns. The most notable was national security.²⁷ The stability of Northeast Asia has been Japan's highest priority and the sheer size of the PRC guarantees special attention from Tokyo. There is a strong consensus in Japan that for the region to remain stable, China must also be stable and for this to happen the leaders in Beijing must follow a moderate policy which encourages development and allows the Chinese people to raise their standard of living. Japanese aid plays a vital role in ensuring that certain Chinese development goals are met, hence helping to stabilize the leadership as well as keep the open door policy in place. Ohira, the Japanese Prime Minister who established the aid relationship, commented that Japan would do: "anything possible to encourage stability and progress toward an open society in China, which is seen as the best way to insure Japan's national interests."²⁸

The second important concern was the commercial opportunities Japan could receive from assisting China to modernize. The Japanese economy was in a position to benefit a great deal from aiding China considering the potential economic complementarity

27. It is interesting to note that Japanese government officials in justifying aid to the Japanese public cite humanitarian aid and interdependence, and only sometimes cite national security. In contrast, national security is played up for foreign audiences.

28. Quoted from Yasutomo, *The Manner of Giving*, p.97.

and given that China would become more dependent on Japan for finance and capital. Tokyo tends to emphasize that China is rich in raw materials and Japan is resource poor, or that Japan has a market for Chinese agricultural products while China's "billion-person market" holds a huge potential for Japanese investors and their products. However, private investors were hesitant about investing in the PRC for a long time after the plant cancellation of the early 1980s, as examined in Chapter 2. But there were other reasons that prevented the flow of Japanese direct investment into China. One of them was China's poor infrastructure.²⁹ Aid funds which are usually allocated to large-scale, long-term, high cost projects, that is infrastructural development, contribute not only to China's modernization process, but are often seen to also facilitate Japanese private investment and the transportation of raw materials to Japan. Since Japanese business and industry benefit from Japanese aid projects, especially those funded by loan aid, Japan is viewed as promoting its own commercial interests. The loan aid which accounts for the majority of Japanese ODA to China is usually allocated for infrastructure.

The final concern which shaped Japan's decision to aid China involves the "burden of history." The Chinese renounced war reparations, leading many scholars and politicians to view ODA as a substitute for reparations.³⁰ There is also the realization that war reparations were very important in Japan successfully penetrating the markets

29. Other factors were China's overall investment environment, as complained by Nakasone and Japan's private sector, the slow return of profits, etc.

30. For more discussion, see Whiting, *China Eyes Japan*, pp.123-7 and Inoguchi, *Gendai kokusai seiji to nihon*, Chapter 12.

of South East Asia after the war. The older Japanese generation have genuine feelings of guilt about the war and this has led to a sense of obligation in assisting China. So the Japanese public was very supportive of Japan's aid to China in the late 1970s when China fever was high. These feelings of remorse have worked to the Chinese advantage. Beijing often remind their Japanese counterparts of recent history.

National security, economic interest and historical factors were the central elements which shaped Japanese aid policy to China in the initial stage and throughout the 1980s.

Although there was a general consensus within the Japanese government and public, there were still pockets of domestic dissent as well as international concerns which the government had to persuade and reassure about its loan package to China. Pro-Taiwan members of the LDP protested the special attention being given to the PRC. The ability of these members to affect the decision-making process over Sino-Japanese relations had been constantly weakening since 1972. The normalization of relations in 1972, the conclusion of the Long-Term Trade Agreement and the signing of the Treaty of Peace and Friendship (TPF), both in 1978, were signals that the pro-Beijing members were gaining control. Also time constraints and the lack of information resulted in the Four Ministry Committee being strongly influenced by pro-Mainland Cabinet members, thus severely limiting the input of pro-Taiwan members. It is only in the past few years, accompanying the changes in Japan's political landscape, that the pro-Taiwan voice has become stronger again. This, as will be discussed later, has alarmed Beijing.

The other three voices of concern came from the international arena. First, the U.S and Europe were disturbed that by granting China such a substantial loan, Japan would soon monopolize the Chinese market, thus undermining the economic interests of the Western industrialized countries.³¹ The United States is especially at a disadvantage as it is explicitly prohibited from extending aid to China by the Foreign Assistance Act which prohibits such exchanges with members of the international communist movement, including the PRC. Secondly, the former Soviet Union interpreted the establishment of the Sino-Japanese aid relationship as a further indication that Japan was siding with the Chinese in the Sino-Soviet dispute. The loan package came after the TPF in which the Chinese had insisted on a anti-hegemony clause aimed at the former Soviet Union. The warming of Sino-Japanese relations was viewed with increasing alarm in Moscow. Finally, Asian countries, in particular ASEAN members, regarded Japanese aid to China as threatening their own portion of Japanese ODA, in addition to enabling the PRC to modernize its industries and penetrate ASEAN's domestic markets.³²

To allay these fears, Prime Minister Ohira while in Beijing set out three principles for aid to China. First, to respond to the apprehensions of America and Europe, Japan promised to cooperate with the West in assisting China's modernization program and

³¹. Orr, p.74.

³². Yasumoto, *The Manner of Giving*, p. 97.

gave assurances that its loans would be untied.³³ Secondly, in an attempt to distance itself from the Sino-Soviet split Japan promised not to extend military assistance to China. Finally, Ohira pledged to give priority to ASEAN members in Japan's aid budgets. The Ohira Cabinet also designed the loans in a multi-year arrangement so that the annual loan total for China, in the first two years, would not exceed the amount granted to Indonesia, the number one bilateral aid recipient at the time.³⁴

The last principle shows that Japan has no intentions of sacrificing good relations with ASEAN in favour of a closer relationship with the PRC. The "leading goose" indeed had no intention of disturbing the formation by an unequal distribution of its ODA. The difference in Japan's aid approach between China and ASEAN was the lingering problem of a historical burden about the war, but otherwise the motivating factors of security and commercial interests remained. Tokyo considers political stability and economic development in both China and ASEAN as critical elements in determining the region's stability and Japan's security. Japan usually assigns between 30 percent and 35 percent of its bilateral ODA to ASEAN.

33. Although 80.5 percent of ODA loans are provided on an untied basis, foreign companies and countries have a difficult time competing for contracts generated by Japanese ODA. This experience leads to criticism that Japan's aid is a government tool for export promotion. For the fiscal year 1989 Japanese companies won 38 percent of all contracts for ODA loans and won 25 percent of the contracts for untied ODA loans. For more information see Koichi, "Problems in the Aid Program," *Japan Echo*, and *Japan's ODA 1990 Annual Report*.

34. China did not become Japan's top recipient until 1983. See Ministry of Foreign Affairs, *Japan's Official Development Assistance 1984 Annual Report*, p.8.

3. The Japanese Aid Decision-Making Process

The “specialness” of the Sino-Japanese relationship is obvious in the Japanese loan aid decision-making process. Although the Chinese must go through the standard aid procedures, there are subtle differences which reveal the significance of the bilateral relations. To apply for Japanese ODA the following three steps are involved:

- (1) the recipient’s request;
- (2) the decision of the Japanese aid bureaucracy;
- (3) the implementation of aid.

While most donors in the Development Assistance Committee (DAC) have centralized aid agencies or aid ministries, Japan, as Alan Rix noted, “has no defined political structure for aid but relies on a dispersed administrative pattern to delineate political relationships.”³⁵ The four main ministries which usually make decisions on loan aid policies are the Ministry of Foreign Affairs (MOFA), the Ministry of Finance (MOF), the Ministry of International Trade and Industry (MITI) and the Economic Planning Commission (EPA). Each of these ministries approach aid as it relates to their respective policy mandates. This group, known as the Four Ministry Committee, is officially chaired by MOFA which views aid from a general foreign policy standpoint as it relates to national interest. MITI approaches aid from a commercial interest

³⁵. Alan Rix cited in Robert Orr, *The Emergence of Japan's Foreign Aid Power*, p.20.

perspective and the MOF takes a “financially stringent position” on aid proposals.³⁶ The weakest of these four actors is the EPA which does not have a specific agenda with regard to aid. In this respect, China is similar to other recipient countries in that the Four Ministry Committee is the dominant actor in aid decision-making procedures.

For aid to other countries besides the PRC Japanese consulting companies are the main source of external influence on the Committee’s aid decision-making process. These consulting companies search for suitable projects in developing countries, especially Southeast Asia, and then try and persuade the recipient governments to include their selections as part of the request for Japanese loan aid funding. By exerting influence on the content of the loan aid requests, the consulting companies are thus limiting the decision-making powers of the Four Ministry Committee. Moreover, this intervention in the selection process also improve their odds of winning the contracts, if their projects are chosen for loan aid.³⁷ The participation of private enterprises in the selection of aid projects give a “momentum otherwise missing from the Japanese aid process.”³⁸

In China, Japanese consultants do not recommend the aid projects, rather the Chinese select the projects themselves which they then submit to the Overseas Economic

³⁶. Robert Orr, *The Emergence of Japan’s Foreign Aid Power*, p.20.

³⁷. See Alan Rix, *Japan’s Economic Aid: Policy-Making and Politics*, pp.205-9.

³⁸. For more information about the vital role consultants play in the aid process and the development of aid projects see Rix, *Japan’s Economic Aid: Policy-making and Politics*, pp.215-17.

Cooperation Fund (OECF), a Japanese implementing arm for yen loans. The OECF with its office in Beijing monitors world aid to China, supervises the implementation of Japanese yen loans, but most importantly, carries out feasibility studies of proposed Chinese projects. In this way the OECF performs a similar function to the Japanese consultants, that is it acts as a middleman and limits the range of choices available to the four Ministries, thereby affecting policy outcomes.

The OECF by rendering services that Japanese consultants usually perform in recipient countries is denying Japanese business the opportunity to influence aid decisions. Business can still influence the decision-making process through three channels: senior politicians from the ruling party, thus mostly the Liberal Democratic Party (LDP); MITI; and the *amakudari* system. However, since all four ministries have the power to veto aid decisions the task of Japanese businesses to convince the ministries to support one particular project is quadrupled.³⁹

Another difference between China and the other aid recipients is the attention China's aid proposals receive from high level bureaucrats or Cabinet Ministers. While aid decisions for China are discussed among the Ministers, Vice-Ministers and Bureau Directors, other recipients' aid proposals are handled by Division Chiefs. This extra

³⁹. Although the ability of the Japanese private companies to influence the selection of aid projects is lower in the Chinese case, Japanese business played a significant role in promoting the initial establishment of a Sino-Japanese relationship. The Japanese business sector was instrumental in laying the groundwork through communicating directly with Chinese officials. The Japanese government could not initiate the aid process due to its policy that the recipient country must make an aid request first.

political attention paid by the Japanese is evidence of the political importance placed on loan aid to China.

This is the system which is in practice today, but when the First Yen Loans were arranged in 1979 the usual Japanese bureaucratic decision-making process was side-stepped. Although new aid recipients normally take one to two years to process, Tokyo approved the provision of aid to China in only four months. The decision-making process was speeded up so that an agreement on the Yen Loans would coincide with the official visit of Prime Minister Ohira to China. Projects for funding were selected without a feasibility study and the role of the Four Ministry Committee was minimized. The decision to suspend regular bureaucratic procedures was a political judgement based on the importance of Sino-Japanese relations.

Yet the Japanese aid bureaucracy is very sensitive about appearing to favour China. This concern is grounded in its desire to remain on good terms with all the recipient countries, especially the Association of Southeast Asian Nations (ASEAN). Such a careful approach demonstrates that although China is a very valued neighbour Japan is not willing to seriously jeopardize other relationships for the benefit of China. In keeping with this policy the proposals for the Second and Third Yen Loans underwent the regular bureaucratic decision-making procedure.

The flexibility of the aid bureaucracy during the First Yen Loans was only

possible because of a large existing political consensus on aid to China.⁴⁰ With the exception of senior Cabinet members who are directly involved in the aid decision-making process most other Japanese politicians limit their actions to a general position of supporting the principle of aid to China. Aid issues related to China were not a source of factional debate within the LDP nor a controversial issue within Japanese domestic politics before the mid-1990s. The Japanese government's policy on aid in general is popular among the electorate.

4. Achieving Japan's Aid Objectives: The First and the Second Yen Loans

After a great deal of consideration the Chinese government, under Deng Xiaoping's leadership, finally decided to revise its policy of self-reliance. In 1979, Beijing formally requested its first package of Yen Loans. This request from China is significant for two reasons. First, it was an unprecedented move on China's part to accept economic assistance from a member of the Development Assistance Committee (DAC).⁴¹ Secondly, this loan package marked Japan's first multi-year commitment to extend ODA. Usually Japan's aid budget is determined annually with loan aid commitments being made

40. Prior to the normalization of relations in 1972, the LDP was split over the two China question. The pro-Taiwan faction supported the isolation of mainland China and the maintenance of relations with Taiwan while others supported the resumption of relations with the PRC. When aid relations began between Japan and China in 1979 the political debate among the factions was for the most part resolved in favour of Beijing.

41. Before 1979, the only loan aid China had received was in the 1950s and it had come from socialist countries. At the time, China was very unhappy with the terms and conditions of the aid, especially that from the former Soviet Union.

on a yearly basis. Japanese bureaucrats prefer this annual request system as it provides maximum control over aid. However, China was accorded special treatment from the very first yen loans.

In September 1979, the Chinese Vice Premier Gu Mu travelled to Tokyo to apply for \$5.5 billion in loan aid for the construction of eight projects considered essential for the improvement of China's economic infrastructure. The Chinese government wanted to build three hydroelectric power plants and two ports as well as expand three railways. The Ohira Cabinet refused this initial amount and the Chinese leadership responded by lowering the figure to \$2 billion. The Japanese government finally chose six of the eight projects and agreed to \$1.5 billion (¥330.9 billion) of untied loans to be disbursed over five to six years, at three percent per annum. The loans were to be paid back over twenty to thirty years with a ten year grace period. The total amount of the loans, however, was not made public in order to avoid upsetting Japan's other aid recipients, particularly ASEAN. In Beijing Prime Minister Ohira only disclosed the figure set for fiscal 1979 - \$200 million.

Most scholars agree that the six projects chosen best served Japan's long-term economic interest.⁴² In 1979, there was a second oil shock and as part of the Japanese government's remedy to diversify its energy supplies Japan optimized its choices even in the disbursement of aid to China. The two projects which were dropped were two hydroelectric power plants, neither of which would have directly benefited Japan. Yet a

⁴². See Lee, *China and Japan*, Chapter 4; Yasutomo, *The Manner of Giving*, Chapter 5.

third power plant was kept on the list because it was to supply electricity to Wuhan Steelworks in Hubei, thus freeing coal for Japan that otherwise would have been used in the steelworks.⁴³ All the projects selected were to facilitate the export of coal and oil to Japan. The outcome of the decision-making process in Tokyo demonstrates that when possible the government chooses projects on the basis of what will benefit Japan the most.

The request for the Second Yen Loans came immediately after the First Yen Loans finished in 1983. The Chinese government asked for \$6 billion to finance thirteen projects over a five year period. The Chinese government's priority for development in the early 1980s was coal transportation, hydroelectric power and telecommunications.

In considering the proposal, the Nakasone government made it very clear that aid was an opportune way to encourage the open door policy which would lead to a stable and prosperous China. This situation was desirable and mutually beneficial to Tokyo and Beijing. What Ohira and Suzuki preferred to keep quiet, Nakasone made explicit, that is aid can contribute to the maintenance of regional stability.⁴⁴

The parameters of assistance were established in the First Yen Loans. The guidelines set by the three principles Ohira laid out were followed. Of the thirteen projects Japan chose seven, providing \$2.08 billion (¥470 billion) to be disbursed over a seven year period. The loans are to be repaid over thirty years at an interest rate of 2.5

⁴³. Newby, pp.40-1.

⁴⁴. Yasutomo, *The Manner of Giving*, p.98.

percent with a ten year grace period.⁴⁵ Prime Minister Nakasone announced the amount and terms of the loans on his tour of Beijing in late March 1984.

In determining the amounts and the projects for the Second Yen Loans the OECF was very involved while the political leadership in Japan played a less prominent role. One of the influencing elements in the selection of projects for the First Yen Loans was the second oil shock. In 1983, the international environment had changed and with it Japan's criteria for project development in China. With a world glut of coal and the subsequent fall in price Tokyo had swung away from preferring coal extraction related projects to transportation projects, in particular those unrelated to coal.⁴⁶

Japan's official explanation for rejecting projects related to coal was that these projects had the ability to produce a profit which meant that they were not suitable for yen loans.⁴⁷ Japanese officials argued that yen loan funds were only for low profit, high

45. Through negotiations the interest rate for the Second Yen Loan has fluctuated from 3% to 3.5% to finally 2.5%. For more information see Watanabe, *Chinese Economy in Confusion*.

46. The seven projects chosen were: Hengyang-Guangzhou railway Expansion; Zhengzhou-Baoji railway electrification project; Qinhuangdao port expansion project; Lianyung port expansion project; Qingdao port expansion project; Tianjin, Shanghai and Guangzhou telecommunications network; and Tianshengqiao hydroelectric power project. *Japan's ODA 1990 Annual Report*, p. 160.

47. China is the third largest coal supplier in the world and it meets seventy percent of its energy needs with coal, but due to inefficient transportation the government has trouble meeting domestic demands. For more information see Minami, *The Economic Development of China: A Comparison with the Japanese Experience*, Chapter 3.

cost, large scale infrastructural development projects.⁴⁸ Yet, these criteria fit the coal related projects proposed by Beijing in the Second Yen Loans -- they were large scale, high cost, long term, low profit projects. It is obvious that these coal projects were rejected because they were not seen to be in Japan's interests.

Although Japan's ODA to China in the first decade primarily served Japan's national interests as defined in terms of comprehensive national security, its goals were moderate and its leverage on China was not significant. In fact, Beijing took Japan's ODA very much for granted, believing in part that China was entitled to it, and in part that Tokyo was also advancing its own interests by aiding China. Powerful Japanese Prime Ministers like Ohira, Nakasone and Takeshita all utilized ODA to improve relations with Beijing while strengthening their own power base at home. Yet, throughout the 1980s, even at the very height of political frictions between the two countries, Japan never threatened China with suspension of Japanese aid. Instead, the Japanese leadership pledged large amounts of ODA in a clear attempt to soften Chinese criticism. Headlines of Chinese criticisms, targeting Japan's attitude toward history often appeared with news items such as the transfer of another Japanese aid package to Beijing. In Japan, critics claimed that Tokyo's aid policy to the PRC was based on the wrong set of principles. They charged that the Japanese government was forced by Beijing to aid China under the terms of war debt and guilt. Rather than showing appreciation and being thankful, China

48. Philip Story, *Japanese Official Assistance in Chinese Development: The Politics of Japanese Aid Decision-Making*, Dissertation, Griffith University, Australia, 1988, p.243.

took Japanese aid as a form of compensation. As long as Japan was bound by this burden, Sino-Japanese relations would not be on a normal and equal basis.⁴⁹ This kind of criticism illustrates that Tokyo was not using its aid power over China in an aggressive manner in the first decade of its ODA relationship with China.

This situation, however, changed substantially after the Tiananmen incident of 1989. In the 1990s, Japan began to utilize its ODA for much broader foreign policy goals, and eventually moved to a position of taking full advantage of its aid power as a leverage in managing its relations with China.

III. Case Study Six - Japan's Post-Tiananmen Diplomacy

Japan's response to the 1989 Tiananmen crackdown in Beijing was in sharp contrast to Tokyo's once seemingly reactive diplomacy. In a major foreign policy initiative executed on the world stage, Japan's response served its national interest and also marked a major reorientation in its foreign policy in the post Cold War era. Japan's post-Tiananmen China policy also provides insight on Japan's perception of development and human rights as well as the voice of Asia Tokyo feels it could and is suited to play among the advanced industrial countries. From the very beginning of the 1989 Tiananmen crisis to the Japanese Emperor's historic visit to China in 1992, Japan's China diplomacy reflected not only Japan's policy adjustments toward China but Japan's

49. See Nakajima Mineo, *Chugoku ni jubaku sareru Nippon* (The Japan that is Bound by China), Tokyo: Bungei shunju, 1987.

“re-Asianization” process as a whole.

1. From Regrettable to Unacceptable to Flexible

In the spring of 1989, students in Beijing and many other Chinese cities held large scale demonstrations, protests and hunger strikes demanding further political reforms and initiatives to curb widespread corruption, eventually culminating in the June 4th bloody crackdown in Beijing. The event shocked the world. It also presented to Japanese foreign policy makers the true meaning of a crisis in its classical Chinese sense: having both risks and opportunities.⁵⁰

Japan’s initial response to the Tiananmen crackdown, in contrast to the moral outrage expressed by other industrialized states, was cautious and non-judgemental. While the Japanese government expressed “deep regret” on the turmoil in China and Prime Minister Uno Sosuke, who had just assumed the office the day before the Beijing crackdown, considered the bloodshed in Tiananmen a “matter of grave significance,” Tokyo made it immediately clear that it did not want to impose sanctions.⁵¹ In the words of the then Prime Minister, “to impose sanctions against China is very impolite to a neighbouring country” and as Uno told Japanese legislators “It is necessary (for Japan)

50. For works on the earlier stages of Japan’s post Tiananmen China policy, see K. V. Kesavan, “Japan and the Tiananmen Squire Incident: Aspects of the Bilateral Relationship,” *Asian Survey*, Vol. 30, No. 7, July 1990; Allen Whiting and Xin Jianfei, “Sino-Japanese Relations: Pragmatism and Passion,” *World Policy Journal*, Winter 1990-91.

51. *Jiji Press, Ticker Service*, June 6, 1989.

to say what it should say. But (it) should refrain from being too outspoken and expressing feelings too candidly.”⁵² This mild Japanese government reaction was further softened by rhetoric on “Japan’s high regard for its neighbour and assurances that Japan does not mean to intervene in China’s internal affairs.”⁵³ The latter part of this statement is directly in accordance with Beijing’s argument that the bloodshed in Tiananmen by the Chinese military is a domestic matter and therefore does not concern other countries. The Director of the Defense Agency, Yamasaki Gener, in a joint press interview on June 6th declined to comment on the China situation when questioned, saying that it was an internal matter for China.⁵⁴ The Japanese government’s reticence in condemning the acts of June 4th also belie Tokyo’s attitude toward human rights and their position in the debate of whether this issue is a domestic or international matter, and how it fits into the priorities of a nation trying to industrialize.

This “sensitive” and over-cautious Japanese stance to the Chinese military crackdown was out of step with all other Western nations and was consequently criticized by many international actors and some domestic Japanese actors. In reply to the demand made by the then Chairwoman of Japan Socialist Party, Doi Takako, that Japan clearly express its support for human rights in China, Uno argued that the nature of Sino-Japanese relations is different from the relationship China has with North America

⁵² *FBIS*, June 8, 1989, p.2.

⁵³ *Kyodo in English*, June 7, 1989.

⁵⁴ *FBIS*, 8 June 1989, p.7.

and Europe.⁵⁵ The spokesperson for the Foreign Ministry, Watanabe Taizo, also explained Tokyo's muted reaction by Japan's "special relationship" with China. Geographic proximity, economic interdependence and a history "in which we have had many ups and downs" have forged a relationship with special considerations, thus requiring special handling.⁵⁶

Once again the Japanese invasion and occupation of its neighbour during the 1930s and 1940s figured into Japan's choice of policy. It is worth noting that Uno was extremely sensitive, saying that "reckless remarks by Japanese politicians under present circumstances could cause Chinese to think of that unhappy past."⁵⁷ Yet, within official circles, Japan's criticism of the Chinese government's actions, albeit cautious and understated, were viewed as yet another test in the bilateral relations following the other political frictions of the 1980s. Unlike the Chinese leadership who often freely criticized Japanese policy, Japanese leadership had been inhibited, in directly commenting on Chinese internal events. A Foreign Ministry official, speaking on the condition of anonymity, said that as a true friend of China, Japan should be more articulate in voicing its opinion on future events relating to the two countries. With both international and domestic criticism of the Chinese government mounting, Japan on the Wednesday following the massacre, summoned the Chinese Ambassador, Yang Zhenya, to the Foreign

⁵⁵ *Japan Economic Newswire*, June 6, 1989; *Kyodo in English*, June 7, 1989.

⁵⁶ *Reuters*, June 6, 1989.

⁵⁷ *FBIS*, June 8, 1989, p.1.

Ministry and delivered a firm protest. More cynical observers of Japan would hasten to add that this moderately critical approach was brought about as much by the influence of the new generation of Liberal Democratic (LDP) leaders as international pressure and domestic concern over Japan's overseas image as a mercantilist state. Moreover, in contrast, to the package of punitive actions swiftly imposed by the United States, the day after the crackdown, Japan's response appeared weak and incommensurate with Japan's international economic power.

In developing a post-Tiananmen policy, Tokyo was trying to find a balance between its "special relationship" with China, as repeatedly stated by the Japanese government officials after the crisis, and international expectations that Japan should also pursue a similar line of punitive measures to that of other Western powers. In the very first days after June 4th this balance was approximated through soft rhetoric and an obvious lack of willingness to impose any sanctions against China.

Japan's reticence to act can be partly explained by its concern over past transgressions against China, but a more important and over-riding factor in the Japanese decision-making process was the potential for the turmoil in China to adversely affect Sino-Japanese relations, particularly economic affairs. This concern was manifested through statements made by Uno that sanctions and strongly worded condemnations over China's use of military force on the pro-democracy movement may result in the isolation of China from the international community. Japan's greatest fear was that if China did become isolated or felt cut off, then the hard-liners in Beijing would gain control and

redirect China away from the open-door policy and economic reform. Ultimately, this could negatively affect the stability of the region and Japan's future economic well-being. If such a worse case scenario did occur, Tokyo could do little if anything to influence this potential giant power with the region's future, including Japan's, beyond the reaches of Tokyo's policy input.

Worried about isolating China, the Japanese government was continuously raising this concern in government statements regarding the situation in post-Tiananmen China. Such statements served a three-fold purpose. First, as a legitimate consideration of the government they helped explain Tokyo's mild policy stance to those in the domestic and international arena, and secondly such statements made Beijing aware of Japan's short and long-term intentions. Since Tokyo did not want to isolate Beijing the Japanese government would not alter its China policy in any major way and would argue for more lenient approaches when in consultation with other foreign powers. Thirdly, the policy stance taken by Japan provided it with a natural position of mediation between East Asia and the West. This situation allowed it to exercise and demonstrate to others its ability at understanding and mediating the differences between the two worlds in which it considers itself to be a part of.

In the weeks that followed the crackdown, more information about disciplinary action taken by the Chinese government against the students and other citizens became available. News of arrests and executions did not affect the official line agreed upon by ministry bureaucrats. While an official statement was released by the Foreign Ministry

on June 23rd expressing dismay at these developments, it also indicated that a substantial change in policy was not anticipated “even if further executions are carried out.”⁵⁸ The “delicately” phrased statement issued after two days of executions, totally 27, urged China to ease its crackdown on the pro-democracy movement, to heed global criticism and to realize that China’s favourable image abroad resulting from a decade of reform and open-door policies was at risk.⁵⁹

Japan’s dual efforts at supporting Western condemnation of China’s crackdown while at the same time not wanting to alienate China was exemplified in a press conference Japan’s Foreign Minister, Mitsuzuka Hiroshi, held also on June 23rd. In the press conference Mitsuzuka reconfirmed that Japan would not impose any direct or indirect economic sanctions against China and he also added that Japan would not follow the United States in suspending high-level contacts with the PRC. Yet, Mitsuzuka also admitted that there were not any high-level contacts planned and therefore the government could not suspend exchanges that were not scheduled. The Foreign Minister also called on Japanese business to exercise self-restraint.⁶⁰ Before this news conference the Foreign Ministry reconfirmed a Japanese government directive urging Japanese residents to leave China and to avoid travelling there. This strategy of abstaining from or encouraging behaviour that did not increase foreign criticism with regard to Japan’s post-

⁵⁸. *Kyodo in English*, June 23, 1989.

⁵⁹ Ibid.

⁶⁰ *Japan Economic Newswire*, June 20, 1989.

Tiananmen policy, that is, by remaining somewhat within the acceptable parameter of Western positions, allowed the Japanese to stand on the Western side of the issue, yet extend the olive branch to China. The metaphorical branch is represented by Tokyo's attempts to maintain cordial relations with the Beijing government and to provide advice. These subtle manoeuvres were aimed at preventing China's isolation.

Throughout June, international criticism of China's suppression of the student movement continued to mount. The Foreign Ministry, noting the international atmosphere, repeated a request that business exercise prudence in their China dealings, sending a copy to the Japan Chamber of Commerce and Industry, the Federation of Economic Organizations and the Japan Association of Corporate Executives. The ministry also announced that visits to China by ministry officials handling economic assistance programs had been suspended.⁶¹ Three days later a senior Finance Ministry official acknowledged that Japan's economic aid to China had been halted.

Leading up to this decision, the Japanese government considered such factors as domestic Chinese developments and the international situation. A spokesperson for the Foreign Ministry summed up Tokyo's three-prong policy on aid to the PRC as "physical tranquility" in the recipient country, "preparedness" of the Chinese to receive aid, and the "judgement we have to make even after these two conditions are met."⁶² From the start

⁶¹ By June 21, 1989, Japan's ODA to China was in de facto suspended. See *Shiryô nitchû keizai*, June 1989, p.3.

⁶² *FBIS*, June 27, 1989, pp.3-4.

other countries had viewed Japan's strong economic ties with China, especially the fact that Japan was China's largest donor of official development assistance (ODA) as warranting a stronger response to the crackdown than the Japanese government felt necessary.⁶³ Although the suspension of economic assistance coincided with the Foreign Minister's meetings with the U.S. Secretary of State, James Baker, and the U.S. President George Bush in Washington, Mitsuzuka claimed that pressure was not exerted on Japan to adopt a tougher China policy. According to a Japanese Foreign Ministry spokesperson, Tokyo in order to keep Beijing guessing about its future economic assistance to China was intentionally vague.⁶⁴

However, the above explanation did not fit Tokyo's earlier emphatic statements about not imposing any sanctions directly or indirectly against China. Suspension of aid was an economic sanction. China's persistence in dealing harshly with student activists after the initial June 4th crackdown continued to attract international attention to China's human rights situation. Increasing global criticism forced the Japanese government to react. Two additional factors figured into the Japanese China policy-making process.

First, the government in Tokyo was battling a public relations image abroad which portrayed Japan as an economic giant always placing profits ahead of human worth and morals. As noted earlier, this image problem was associated with Japan's trading

⁶³. At the time, Japan accounted for 68 percent of China's bilateral aid and 56 percent of its total foreign aid. See *Japan Economic Newswire*, June 6, 1989; *FBIS*, June 8, 1989, p.5.

⁶⁴. *FBIS*, June 8, 1989, p.3.

practices vis-a-vis the West, but the Tiananmen crackdown and the response of the Japanese government and business provided an opportunity to show to the West that Japan and its people had moved beyond measuring everything in terms of Yen. Yet the mild reaction from Tokyo and the return of some Japanese business people to China just two weeks after the Tiananmen event further propagated the profit-mongering image of the Japanese. The Chairman of Japan's powerful Keidānren, Saito Eishiro, opposed any decrease in economic relations with China as a result of the military crackdown and stated that "it is simply nonsense to say whether an early return of Japanese business officials to Beijing is right or wrong," confirming the suspicions of Japanese critics.⁶⁵ As a result, the Japanese government was left with almost no option but to suspend Japanese ODA to China, given Beijing's hardline approach with the pro-democracy movement, the image Japan had prior to June 4th, and increasing Western criticism against the Beijing government as well as against the China policy of the Japanese government and business community. The repercussions had Tokyo not made this decision could have affected Japan's foreign relations for years afterwards.

The second factor in this policy equation was that Japan's intention in making itself a mediator between China and other industrialized countries would have been jeopardized if Tokyo had not aligned itself closer in terms of concrete policies to the West. The Japanese government, by implementing punitive action against Beijing, was showing active solidarity, not just rhetorical support, with the West, particularly the

⁶⁵. *FBIS*, June 8, 1989, p.5.

United States. These sanctions created a credible platform from which Tokyo was able to later push for the lifting of sanctions.

Yet, in order to be an effective mediator Tokyo could not alienate the Chinese government. This delicate balance was achieved by repeatedly emphasizing that Japan's fundamental long-term policy of "helping China modernize and open its society remains unchanged."⁶⁶ Also when it became official that Tokyo was postponing a regular minister-level meeting with China that was to be held later in 1989, the official, speaking on the condition of anonymity, did not mention the June 4th crackdown nor the violation of human rights, instead he vaguely said that it was Japan's judgement that China "does not appear to be in a situation permitting the meeting."⁶⁷ Such vagueness and statements of long-term commitment to China's modernization permitted Tokyo to minimize diplomatically the impact of its suspended economic assistance.

Furthermore, by playing the role of mediator the Japanese government was ensuring, to the extent of its ability and the situation permitted, that the two cornerstone countries of its foreign relations, the United States and China did not irretrievably break up, leaving Tokyo caught in the impossible middle. Hence, the suspension of economic assistance to China was a decision based on the strategic calculation of Japan's long-term foreign policy objectives and not an expression of outrage at the Chinese government's repressive behaviour. If the Japanese government had based this policy decision on

⁶⁶ *FBIS*, June 27, 1989, p.4.

⁶⁷ *Ibid.*, p.4.

humanitarian grounds it would not have waited until two weeks after the crackdown to announce the suspension.

Just after this decision was made on Japan's economic assistance to China, a telling comment about the Japanese reasoning on this issue, was made by the International Trade and Industry Minister, Kajiyama Seiroku. After a meeting with local business leaders in Osaka, Kajiyama said that Japan should not follow the West in reacting to the Tiananmen crackdown, but instead "maintain bilateral relations in such a way as not to trouble the Chinese people, not isolating China."⁶⁸ The discrepancy between the government's China policy and individual ministers enabled the Japanese government to unofficially assure Beijing about its intentions, thereby minimizing the full impact such sanctions and government statements could have on the Chinese leadership.

2. Japan at the 1989 G-7 Summit

Since June 4th Tokyo had also made it clear to the West not to expect the same "get tough" China policy from the Japanese government. Even after the announcement of economic sanctions against China, Prime Minister Uno, on several occasions, emphasized that while Japan would participate in discussions on China from a humanitarian point of view at the G-7 meeting, the G-7 members would have to keep in mind that Japan is a

⁶⁸ *FBIS*, June 27, 1989, p.5.

member of Asia and China's neighbour.⁶⁹ This precautionary comment was part of Tokyo's pre-summit preparation effort for lowering Western expectations of Japanese input and policy support on the Tiananmen issue.

Other efforts included trying to defuse the mounting wave of international criticism aimed at Beijing by making positive observations about the newly emerging Chinese leadership. For instance, on July 6th, the Japanese Ambassador to China, Nakajima Toshijiro, in an NHK interview pointed out that although the new Chinese leaders have promised to continue their prosecution of pro-democracy activists "penalties, especially capital penalties, are not carried out."⁷⁰ Ambassador Nakajima accounted for this change by speculating that the "Chinese authorities are, informally, displaying consideration for public opinion in the international community."⁷¹ He explained this perception by the importance the new leadership in China attaches to cooperation with Japan and other Western countries for its modernization."⁷² Such efforts went towards building the base of the Japanese Prime Minister's argument for the G-7 meeting: first, that international criticism and sanctions imposed thus far had been

69. See the following reports on Uno's meetings with Japan's Trade Union leaders (*Jiji Press*, July 4, July 10, 1989); with French Ambassador (*FBIS*, July 7, 1989, p.14); with summit leaders before the G-7 summit (*Jiji Press*, July 15, 1989).

70. *FBIS*, 7 July 1989, p.14.

71. *Ibid.*, p.14.

72. *Ibid.*, p.14.

effective, that is further action was not necessary; second Western nations should reconsider some of the punitive actions in recognition of the Chinese situation taking an apparent “turn for the better;” and finally as well as most importantly China must not become internationally isolated as an isolated China would be a fortress that could not be penetrated nor influenced by other nations’ foreign policies.⁷³

The G-7 members, including Japan, in a joint declaration “condemned” the “violent repression” of the pro-democracy movement in China “in defiance of human rights.”⁷⁴ However, no joint sanctions were approved and the Chinese authorities were urged by the summit participants to create conditions that would prevent their isolation. This cooling of what appeared before the summit to be rising international fervour to punish China’s inhumane action can be in part attributed to Japanese efforts. While showing a united front, the G-7 members also took a more reconciliatory approach by not pursuing further sanctions and by motioning to the Chinese leaders that they did not want to isolate the PRC. This compromise of sorts suited the Japanese government’s China policy of not isolating its neighbour.

As the only Asian participant at the G-7 meetings Tokyo promoted its regional

⁷³. *Japan Economic Newswire*, July 6, July 7, 1989; *Jiji Press*, July 18, 1989.

⁷⁴. In fact, Japan did not officially use the word “condemn” until June 11, 1989, more than one month after the crackdown at Tiananmen and just before the G-7 summit in Paris. “We will keep expressing our regret and condemn China for the killing and some of the actions they have committed themselves,” Foreign Ministry spokesman Taizo Watanabe said. And he also acknowledged that this was the first time the word “condemn” was used. See *The Reuter Library Report*, July 11, 1989; *FBIS*, 17 July 1989, p.2; *Japan Economic Newswire*, July 11, 1989.

leadership image by briefing Asian leaders on discussions held at the summit. After the July 14-16 Paris meeting the Japanese government took the opportunity, in meetings with the media, to highlight again that Japan was the only Asian participant at the summit as well as China's neighbour, and that China was high on the agenda.⁷⁵ By grouping these facts together, the Japanese government tried to suggest that by de facto Tokyo was representing the interests and views of Asia at these high level talks. Therefore, in the case of China and the Tiananmen crackdown, Tokyo had made the necessary input in guarding the well-being of Asia in general and China in particular. Again the Japanese policy-makers tried to strike that balance between being part of the Western group in official declarations, but afterwards emphasizing their Asian background and the much needed Asian perspective Japanese officials were able to provide to Western powers.

The dual international roles Japan was performing were clearly articulated in Prime Minister Uno's, policy speech to a joint plenary session of both houses of the Diet on 5 June 1989. In the policy speech, Uno said that he had "inherited" this foreign policy orientation and would continue to develop it.

.... it is undeniable that our country's consistent basic foreign policy; that is, performing our international duties from our dual roles as an important member of the group of advanced democratic countries founded on relations with the United States and as a member of the Asia and Pacific region, has been correct. On my part, I will inherit and develop this foreign policy line.⁷⁶

⁷⁵. *FBIS*, July 17, 1989, p.3.

⁷⁶. *FBIS*, June 8, 1989, p.8.

Obviously, this was quite different from Nakasone's loudly trumpeted tone of being a "member of the West" back in the middle of the 1980s. The success of this strategy, at least as far as China was concerned, was seen by the Chinese government's reaction to the defeat suffered by the LDP in the July 23rd House of Councillors election, in which the LDP lost its majority to opposition parties, particularly the JSP as it gained public support. Chinese sources said that Beijing did not welcome the surge of support for the JSP as it suspended exchanges with the CCP after the military actions of June 4th. The sources also said that China wanted the LDP to remain strong for two reasons. First, the LDP government took a cautious stance toward imposing Japanese sanctions against China following the June 4th crackdown and the LDP government acted as a voice of restraint when rhetoric was running high among other Western countries. Second, Chinese officials preferred the LDP government because the LDP had actively promoted relations between these two Asian powers since the ruling party voted to normalize diplomatic relations in 1972 in spite of bilateral friction.⁷⁷ As part of Beijing's concern over the LDP's loss of majority in the Upper House was its short-term interest in securing a third loan package pledged by Uno's predecessor, Takeshita. In all, the Chinese government's response to the changing Japanese political scene, less than two months after the Tiananmen Incident, at a time when Beijing was probably under the most intense international pressure and scrutiny, indicated the extent to which the LDP government had been successful in bridging the chasm the issue of human rights created between China

77. Ibid., July 24, 1989, p.23.

and the West. Although Japan did halt its ODA to China, it was a decision that came late in comparison to other countries, thus giving the impression that it was an action of last resort, in large part prompted by international factors and not LDP sentiment nor policy goals. Moreover, to bolster this implicit, yet vital impression was Tokyo's frequently voiced government concerns over isolating China and not wanting to interfere in its neighbour's domestic matters. This combination of an essentially reactive policy with very strategic timing considerations appeared to work. The leaders in Beijing viewed their LDP counterparts as an important element in China's efforts to break the post Tiananmen isolation. The Chinese government realized that LDP policies and goals were determined largely by practical considerations of regional growth and stability with China at the centre of this strategy. Such a utilitarian philosophy very much complimented the Chinese leaders' own goals and philosophy of industrialization. Beijing also knew that between the practical economic considerations of the LDP and the long-standing trump card of Japanese war guilt, it had a very strong hand when dealing with Tokyo. In 1989, the possibility of other Japanese power configurations involving other parties was seen as a scenario that had the potential to introduce unknown and unwanted elements into Japan-China relations.

In turn, the LDP government probably knew how it was perceived in Chinese eyes and formulated policies as in the case of the Tiananmen crackdown according to Western values, albeit at a slower pace, consequently showing its reluctance. In this way, Tokyo was able to reconcile the difference in policy goals that the dual roles Japan was

trying to play in foreign and regional politics demanded in this situation. With this strategy, Japan straddled the Asian-West fence, maintaining a foothold in each.

3. Japan Bringing China Back Into the Fray

On August 1, 1989, Japan's foreign minister and his Chinese counterpart met. It was the first high-level official foreign meeting the Chinese government had since the June 4th Incident. In hindsight, this was a first in what were to be many first initiatives taken by Japan in voicing concern for China and in bringing China's foreign relations to the pre-Tiananmen level. Japan's Foreign Minister Hiroshi Mitsuzuka specifically asked Chinese Foreign Minister Qian Qichen to bring the Chinese situation back to normal in order for Japan to resume economic cooperation.⁷⁸

This meeting revealed two features about Japan's post-Tiananmen policy. First, the simple fact that the meeting took place two weeks after Japan had re-affirmed with the other G-7 summit leaders to continue the suspension of bilateral ministerial and high-level contacts with the PRC indicated Tokyo's commitment to China, Japan's determination in pursuing its own China policy and Tokyo's method of obtaining its foreign policy goals. In contrast with the recent G-7 mood and declaration regarding China, the initiative taken by Tokyo highlighted even more the importance placed by Japanese leaders on their China policy. To risk a negative reaction from the Western countries and to give fuel to those who characterized Japan's foreign policy as

⁷⁸. Ibid., August 9, 1989.

mercantilist showed the extent of Japan's China policy adjustments. As for the method, Japan did not take a confrontational approach at the G-7 summit, by trying to separate its China policy from others' but chose instead to remain part of the group in denouncing China's human rights violations. Not only did such an approach avoid friction with the G-7 leaders, but when the Japanese and Chinese Foreign Ministers met, Japan could use this united Western image to persuade the Chinese to respond to international criticism on a more conciliatory note and to imply that in some vague de facto way the other leaders had given their implicit approval to the August 1st meeting.

Thus Tokyo strengthened the image it wanted to impress upon Beijing, that is, that Japan was part of the West and was actually speaking on behalf of the other Western nations. By positioning itself in such a way, Tokyo could articulate the Western argument in softer and more acceptable terms to the Chinese and then turn around and relay the Chinese point of view in a similar manner to Western leaders. In this way, Japan tried to bring the Chinese and Western sides to common grounds for discussion. Also these sorts of initiatives where a risk factor was present helped consolidate China's confidence in the LDP government.

The second feature the August 1st meeting revealed is that Japan used the resumption of economic cooperation as part of a "carrot and stick" approach in dealing with China and the June 4th violation of human rights. At this bilateral ministerial meeting, not only the presence of the Foreign Minister himself but the immediate mention of resuming economic aid, conveyed to the Chinese that Tokyo was eager to return to

normal bilateral relations and that the Japanese leadership did not foresee these international sanctions continuing in the long-term.

If Japan's initial formation of a post Tiananmen China policy seemed both cautious and reactive, its pre-1990 G-7 summit diplomacy can be characterized as both proactive and effective. In fact, the domestic pressure for the Japanese government to resume yen loans to China was mounting almost right after the yen loan suspension was announced. As early as August 1989, the Japanese government indicated that the resumption of ODA to the PRC would be soon. Japanese banks also stated that they were ready to resume lending and other commercial activities in China.⁷⁹ After his meeting with Deng Xiaoping in Beijing, former foreign minister Ito Masayoshi paid a visit to Prime Minister Kaifu Toshiki on September 20, 1989, urging him to lift the travel restraint to Beijing and resume the third yen loans.⁸⁰ Kaifu, the new Prime Minister presented a much needed clean image in Japan after his LDP predecessors had to step down due to scandals. Although he was a leader of a small faction within the LDP and was perceived to be weak by many, Kaifu was supported by the powerful Takeshita faction. Kaifu's personal style of being soft, caring and approachable actually won him international praise. Soon after assuming the prime minister's position, Kaifu was quick to establish a good working relationship with the Asian neighbours and the American President George Bush. This was crucial for Japan in carrying out its China policy

⁷⁹. *Kyodo in English*, August 17, August 22, 1989.

⁸⁰. *Japan Economic Newswire*, September 20, 1989.

initiative leading up to the Houston summit of the G-7 states in 1990.

Japan's ability to persuade the United States and other Western allies to allow Japan to resume ODA to China at the 1991 G-7 summit was widely reported. There were also a lot of opinions on Japan's motives for doing so, ranging from its economic interests in China to promoting Japan's regional leadership image to Tokyo being under Chinese pressure. What should be noted is how the Japanese government, following a similar pattern of its post-Tiananmen China policy, achieved its foreign policy goal with calculated and measured moves.

First, Japan constantly emphasized the "special relationship" with China. Right after June 4th, Japanese leaders referred to the "unhappy past" as one component of that special relationship, indicating that Japan because of the atrocities it had committed during its invasion of China, was not really in a position to condemn the Chinese government. Then the focus shifted to the fact that the two countries were close neighbours with no other Western countries having the same type of relations with China as Japan. Thus the United States should not expect Japan to follow whatever the White House wanted on the China issue. Then, Tokyo gradually incorporated this special relationship into a broader framework in which Japan portrayed itself as the only voice for China and Asia among Western industrialized states. "Say what you will, Japan is part of Asia," Kaifu stated at a joint news conference at the end of the Houston summit referring to Japan's decision to resume ODA to the PRC.⁸¹

⁸¹. *U.P.I.* July 16, 1990.

Second, facing repeated requests from Beijing, Tokyo's first step was to talk about resuming its ODA, rather than making any concrete moves, as a test balloon to see reactions from both China and the West.⁸² The Japanese government also carried out various levels of contacts with the Chinese side, further building up the momentum but still refusing to make any firm commitment of the yen loan resumption. As Quansheng Zhao pointed out, Tokyo utilized all sorts of informal contacts for the purpose of smoothing bilateral relationship.⁸³ Japanese policy makers were quite aware that Beijing was trying very hard to utilize Japan and its resumption of yen loans as the first step in breaking the international sanctions imposed by the Western powers. Their concern was not so much how Japan would be manipulated by China as how Japan could take advantage of the situation in deciding the time of yen loan resumption and in doing so maximize Japan's international broker image. So whenever Japanese officials met their Chinese counterparts, there were always reassuring messages from the Japanese side, displaying to the West and the international community how much China needed Japan and how important Japan was in taking care of China's interests. That role, as Tokyo showed to the world, could not be replaced by any third party.

Third, the Japanese leaders repeatedly called for mutual understanding between China and the West. They never directly challenged Beijing to change its human rights

⁸². See *Japan Economic Newswire*, January 2, 1990; January 6-7; January 23, 1990; *Reuters*, January 7, 1990; *South China Morning Post*, January 9, 1990;

⁸³. See Quansheng Zhao, *Japanese Policymaking: The Politics Behind Politics*, Chapter 8.

records. Instead, they wanted the Chinese leadership to make the necessary moves in order “to show some sign of change so that Western countries could lift sanctions.”⁸⁴ Japan especially focused on the improvement of Sino-American relations. On the one hand, Tokyo lobbied hard to tell the Americans that engagement with China was very important, including the use of aid. “There is no other way,” as Inoguchi Kuniko, a political scientist at Sophia University put it. “You have to use carrots and sticks with China. You can’t use sticks alone.”⁸⁵ Tokyo even lobbied the U.S. government to extend the most-favoured-nation trading status for China.⁸⁶ On the other hand, the Japanese, both privately and publicly, told the Chinese leadership through all channels that if Beijing did not improve its relations with Washington, it would be very difficult for Tokyo to resume yen loans. When the Chinese government struck a deal with Washington to let dissident scientist Fang Lizhi and his wife, who had both sought asylum in the U.S. Embassy in Beijing after the 1989 crackdown, leave for the United States, Japan immediately cited it as a sign of improvement in China’s human rights performance.

Fourth, Tokyo insisted, whenever possible, on the importance of not isolating China for the region’s stability as its major foreign policy concern. Ogata Sadako, a specialist on Sino-Japanese-American relations, former Japanese Minister to the United Nations and currently U.N. High Commissioner for Refugees, told this author repeatedly

84. *Japan Economic Newswire*, January 2, 1990,

85. *U.P.I.*, July 16, 1990.

86. *Japan Economic Newswire*, May 19, 1990.

that Japan's primary China policy goal was to maintain a stable China.⁸⁷ Ogata's concern over human rights in China is well known. But other Japanese were more cynical about the West's attitude towards China after the Tiananmen crackdown. The Economist quoted former Japanese National Defense Agency chief Kato Koichi as saying that:

[T]he West used to think of China as a wild animal. Then, after Deng Xiaoping came to power in 1978, it began to think of China as domesticated. The Tiananmen Square business reminded the West that a wild beast is never really housebroken.

Many Japanese shared the view that China was too big a country to be more than lightly nudged on its internal politics by the protest of outsiders. The outsiders could try only to advance their own national interests.⁸⁸ Another fear deep in the Japanese psyche was that if China was in turmoil, as Deng Xiaoping reportedly warned, Japan would not be able to handle the tens of thousands of potential refugees on its shore.

The above well coordinated efforts paid off when Kaifu launched his pre-summit shuttle diplomacy for resuming yen loans to China. Just before the Houston summit in 1990, Bush expressed his understanding of Japan's relations with China. Other Western leaders also went along, not objecting to Japan's China initiative. The result was both a personal triumph of an otherwise unimpressive Kaifu and a major diplomatic victory for Japan on the stage of world politics. For Japan which had carried the name of political

87. Ogata Sadako served as the author's Ph.D. research advisor in Tokyo up to her appointment to the current position.

88. *The Economist*, September 9, 1989.

pygmy for so long, this move was very significant.⁸⁹ In April 1991, Japanese Foreign Minister Nakayama Taro became the first foreign minister from the G-7 countries to visit Beijing. Four months later, Kaifu further enhanced Japan's image as the voice for China by being the first head of government among the major industrialized states to travel to China. Japan's profile as a major broker in world politics had been raised very high. The issues that increased tensions between the United States and China were transformed into dialogues between Tokyo and Beijing: Kaifu was told that China was willing to sign the Nuclear Non-Proliferation Treaty, that China would consult Japan on the U.N. arms registry initiative in which Japan had taken the lead, and that China was ready to engage in human rights discussions.⁹⁰

IV. The Emperor Goes to Beijing

Public opinion around world was critical of the Japanese approach. The Americans, and French and the Germans were quite concerned about Japan's commercial motives in its push to lift sanctions. A typical example is Sheryl WuDunn's special report to *The New York Times* on the eve of Kaifu's visit to China: "For the most part,

⁸⁹. The following comments by former U.S. Assistant Secretary of State for Economic Affairs Robert Rormats on Japan just before the 1990 Houston summit demonstrates how Tokyo's political role was perceived by the United States and other Western countries: "The summits are particularly useful now to bring Japan into the Western political club as well as economic club." See *Japan Economic Newswire*, July 1, 1990.

⁹⁰. See reports on *The Washington Post*, August 11, 1991; *Jiji Press Ticker Service*, August 12, 1991;

the closer ties are a result of greater commercial and investment ties, and of Japan's lack of interest in punishing China for human rights abuses."⁹¹ Tokyo knew the numbers very well. Japan's short term economic stake in China was not as big as it appeared to be. In 1989, Japan had around \$2 billion invested in China, which was only 1 percent of its total overseas direct investment of \$186 billion. In 1988, \$300 million of Japanese direct investment flowed into China, which was 0.6 percent of Japan's worldwide total of \$47 billion. Trade between Japan and China in the same year amounted to \$20 billion, only 4 percent of Japan's worldwide total of \$466 billion.⁹² But Japan meant a lot to China: the second largest trading partner after Hong Kong, the provider of three-quarters of its foreign aid, and a major source of high technology and finance.

In fact, despite their strong vocal protest and sanction measures, none of the Western countries hurt the Chinese economy as much as Japan's actions. The Chinese leadership, after repeated pleas for the resumption of yen loans, became very impatient. At one meeting, Premier Li Peng angrily told the Japanese that some countries talked loudly, others just did not act, implying that Japan, although mild in its official criticisms of Beijing, did not take any quick action in restoring normal relations with China. Obviously, Tokyo was doing more than just protecting its economic stake (which was nevertheless an important factor) in China.

So if Japan's international diplomacy of resuming ODA to China was not just

⁹¹. *The New York Times*, August 10, 1991.

⁹². *The Economist*, September 9, 1989.

short term economic concerns, but rather a part of its long term strategic and foreign policy adjustments, what were those goals that Japanese foreign policy makers tried to accomplish? For the answer, we must put things into the structural context discussed in the first section of this chapter. In Japan's search for "re-Asianization" the Tiananmen incident provided a foreign policy challenge but also an opportunity for Tokyo. Through the resumption of yen loans to China, Japan managed to please Beijing, redefine its own role in the region, and present itself as the voice of Asia among the G-7 countries, thus raising Tokyo's political status and strengthening its bargaining position in dealing with the United States and other Western countries over economic frictions. Indeed, Japan's media headlines in those days were often focused on a combination of the following issues: tough negotiations with the United States over the SII, and Japan's efforts to promote understanding between Beijing and Washington, and to restore normal relations between China and the West.

While there was no doubt that Beijing played the Japan card in breaking the sanctions imposed by Western countries, Tokyo played the China card in strengthening its own position on the world stage.⁹³ Japan's "re-entry" into Asia and its efforts in becoming the voice of Asia required more than managing Sino-Japanese relations. Tokyo needed Beijing in order to attain many of its other goals in Japanese diplomacy. When Japan's Foreign Minister Nakayama went to China in April 1990, it appeared to be a

93. China's efforts in utilizing Japan to break the Western sanctions were extensive. Just one week before the Houston summit, China's Education Minister and CCP Politburo member Li Tieying went to Tokyo, lobbying Kaifu directly for lifting sanctions.

“full restoration” of the bilateral relationship. However, Nakayama had at least the following in his mind, and all of them required Beijing’s cooperation and support. First, Japan was closely watching the situation on the Korean peninsular and was trying to improve relations with the North. China’s position was crucial if there was to be any possibility of the so-called “four plus two” talks involving the two Koreas, Japan, China, the USSR and the United States. Japan was particularly worried about the potential of North Korea’s nuclear program. The only assurance, as the Japanese believed, was from the Beijing leadership.

Second, Japan was actively pursuing a more active role in U.N. peace keeping operations, partly due to the lessons learned from the Gulf War when Japan was severely criticized by the United States for not contributing enough or soon enough. Tokyo’s focus at the time was in Cambodia where the task was to bring the three fighting factions together for a U.N. supervised peace process. Prince Norodom Sihanouk’s close ties with Beijing and the latter’s on-going military support of the Pol Pot group made China an indispensable player for any meaningful progress in Tokyo’s brokerage plan.

Third, Japan was still concerned about its relations with the Soviet Union, which was apparent in its reluctance to provide financial support as pledged by the United States and the European countries. Even as the Cold War style Soviet threat was fading, Japanese priorities in its Soviet policy remained the return of the four northern islands occupied by the USSR at the end of World War II. Nakayama wanted to insure Beijing’s continuous support in its territorial dispute with their giant northern neighbour.

Forth, Tokyo began to pay more attention to China's surging arms exports, especially to what the United States called unstable or terrorist countries. This came from the U.S. pressure. As will be discussed in the next chapter, China's military buildup and its nuclear tests would come to occupy an important place in Japan's China policy in the later half of the 1990s.⁹⁴

Fifth, Tokyo was seeking China's support for Japan's call to eliminate the U.N. Charter articles that categorize Japan along with Germany and five other countries as enemies of the allied forces in the Second World War. This goal, together with Japan's so-called "U.N. centred diplomacy" and its self-promoted image as the voice for the poorer states at the Western summit, was a part of Japan's overall foreign policy in the post Cold War era. As one of the five permanent U.N. Security Council members, China's role would be critical in determining whether Japan succeeds or fails in its future goal of becoming a permanent member of the U.N. Security Council.⁹⁵

Therefore, both the immediate and long term gain for Japan was worth the efforts Tokyo put into its post Tiananmen diplomacy. That is why when the Chinese

94. In 1991, Kaifu's initiative for an international register of the arms trade adopted by the United Nations was seen as Japan "biggest diplomatic coup." The proposal would require all nations which either buy or sell conventional weapons to report those transactions to the United Nations. See *Economist*, August 17, 1991; *South China Morning Post*, August 13, 1991. At about the same time, Japan also revised its foreign aid policy to take into consideration how much a country spent on arms.

95. Prime Minister Miyazawa Kiichi officially voiced Japan's claim to a permanent seat on the U.N. Security Council when he was in New York, attending the so-called "U.N. Summit" of 15 Security Council members in January 1992. See *Japan Economic Newswire*, February 1, 1992.

government officially invited the Japanese Emperor to visit China in 1992 to commemorate the twentieth anniversary of normalization between the two countries, Tokyo responded very positively. The motives behind Beijing's invitation were clear. After Japan resumed the yen loans in 1990, the bilateral relations went back to normal very quickly. Other countries soon followed the Japanese steps by coming back to China.⁹⁶ When Chinese Premier Li Peng extended his invitation to the Japanese Emperor to visit China in his meeting with Miyazawa at the United Nations in early 1992, he had just finished a tour of Europe. Although this was quite a breakthrough for Li Peng, who was labelled the "butcher of Beijing," the ensuing protests also reflected how far the Chinese leaders had to go to put Tiananmen behind them. It was not surprising that only a few days later, when Li met with Japan's former Prime Minister Takeshita, he again invited the Emperor to China.

On the Japanese side, however, the Chinese invitation, and when and even whether the Emperor should go to Beijing stirred up a major political debate. The initial response from the bureaucracy and top politicians was positive and encouraging. They took this as a good opportunity to deflect Chinese criticism of Japan's wartime role. As a Japanese diplomat put it: "The invitation shows that China wants to enter a new chapter in relations. They don't want to be a prisoner of the past."⁹⁷ Although Japanese officials

⁹⁶. Britain's Prime Minister John Major went to Beijing on September 1, 1991, only two weeks after Kaifu's breakthrough trip to China.

⁹⁷. *The Christian Science Monitor*, August 7, 1991.

were caught off guard by China's strong request, the issue for the Ministry of Foreign Affairs was not so much whether the Emperor should go to China as when he should make the trip. Emperor Akihito, in his first overseas trip since his accession to the throne in January 1989, toured a number of Southeast Asian countries in the fall of 1991. South Korea had extended an official invitation to the Emperor before China. So from a procedural point view, it seemed a matter of coordination and balance in terms of protocol and priorities. But the issue was soon taken up by the Japanese media due to the sharp criticism and resistance expressed by the extreme right wing nationalists. They argued that China would force the Emperor to apologize for the past, that Japanese pride would be hurt, and that Japan would be humiliated, etc. The majority of Japanese did not share these sentiments. Nevertheless, different opinions on whether the Japanese government should accept the invitation did turn into a heated debate.

The controversy involved a number of sensitive issues. The first was the Emperor's role in the Japanese state. Those who supported the trip advocated that this was a great opportunity for the Emperor to promote Japan's relations with China.⁹⁸ The opposition, on the other hand, cited Article 4 and 7 of the Constitution which prohibit the Emperor from participating in government policy making. The second issue in contention was the Emperor's personal intention and his overseas image. The critics accused those who praised the visit as manipulating public opinion and imposing their preference as that of the Emperor's, without knowing how the Emperor really felt about

⁹⁸. See Etô Shinkichi, "Nichu yôkô no tameni kakkô no koto," (A Very Good Thing for Sino-Japanese Friendship), *Sankei Shimbun*, January 27, 1992.

the visit. They were also worried that the Emperor might be confronted with anti-Japanese demonstrations if he travelled to either South Korea or mainland China.⁹⁹ The third debated issue was the timing of the visit. The proponents believed that the timing of the visit could not be better than when China and Japan were commemorating the twentieth anniversary of the normalization of bilateral relations. Japan could well use the chance to express its remorse again regarding the past aggressions against China, pushing the bilateral ties to a new stage. Etô Shinkichi, President of the Ajia University and an influential political scientist, described the perfect timing of the Emperor's trip to China with the phrase *sotsutaku tôki*, meaning to crack the egg from the outside right at the time when the chick is about to hatch.¹⁰⁰ But the opponents viewed this as politically motivated, a further violation of the Constitution. They also challenged whether the timing was good given that the whole world still had the Tiananmen crackdown fresh in its mind. The forth focal point was whether an imperial visit to China would serve Japan's national interests. While the supporters felt it was good for Japan as well as for the world community, the opposition argued that Japan had been coerced by the Chinese government, and that Japan's China policy was *kutsujoku gaikô* (subordinating diplomacy or humiliating diplomacy).

Putting these views in a broader context, the essence of the debate was really about the general direction of Japan's foreign policy in the early 1990s. Emperor

⁹⁹. *Central News Agency*, February 13, 1992.

¹⁰⁰. *Shokun*, April 4, 1992, p.28.

Hirohito's association with the past prevented him from being active in postwar Japanese foreign policy. His death in 1989 coincided with Japan's new emphasis on Asian diplomacy. The new Emperor Akihito's gentler and softer image, in comparison with his father, was very much the image that the Japanese government wanted to project to its neighbouring countries. That is why, after much debate, Tokyo decided to accept Beijing's invitation and for the first time in history, a Japanese emperor visited China. The decision was indeed a natural extension of what was Japan's China policy after 1989. After all, Tokyo's voice for China in the international community benefitted Japan in many ways beyond short term economic interests.

Imperial diplomacy was now a new dimension of Japan's foreign policy. For a country that had depended so much on ODA as a tool to promote its national interests, the Emperor "is the most efficient and inexpensive diplomatic arm we have," as one Japanese diplomat put it.¹⁰¹

V. Conclusion

The characteristics of Japan's post-Tiananmen China policy as discussed in this chapter must be considered in the following context, namely post Nakasone Japanese politics, the post bubble Japanese economic adjustment, the post Tiananmen challenge to Sino-Japanese relations, and the post Cold War international development.

After a LDP resurgence in the 1980s, which was accompanied by Nakasone's

¹⁰¹. *The Christian Science Monitor*, August 7, 1991.

strong leadership, Japanese politics entered a period of turbulent change which would lead to the first, although a temporary downfall of the LDP after decades in power.

Nakasone's LDP successors, affected by the seemingly endless scandals, were very cautious and less assertive in conducting domestic and foreign policy. This meant that Japan's bureaucratic institutions, filled with seasoned experts, had a more important role in the foreign policy making process. Takeshita, Uno and Kaifu quietly moved away from Nakasone's high profile style on the international stage, yet given Japan's internal political turmoil, their foreign policy performance was fairly consistent. While Nakasone's agenda often put the Chinese leadership on alert, his successors presented a less imposing image to Beijing.

As mentioned earlier, Japan's bubble economy finally came to an end in the early 1990s. The appreciation of the yen led to a structural adjustment by Japan's large corporations. Trade frictions with the United States and other countries, and rising protectionism forced Japan to open its door further, making room for more domestic changes and concessions. Asia had always been Japan's backyard but now it had become more important to Tokyo than before when Japan had traded more with, and invested more in other industrialized countries. If Japan had to go through a "re-Asianization" process, its relations with China had to be smooth and not stormy.

Tokyo handled Tiananmen well, given its turbulent changes in domestic politics at the time. As our case study demonstrated, Japan chose to achieve its regional and global foreign policy goals by providing a voice for China among the industrialized states. Japan

took advantage of China's crisis yet managed to show that it was not exploiting Beijing's weak position in the international community. Tokyo played the ODA card very well by satisfying both China and Japan's Western allies.

However, the significance of Japan's post Tiananmen China policy went beyond the bilateral context. In an emerging post Cold War international system, the Japanese government responded to its revisionist critics by trying to present an alternative image of world leadership, one that was different from the Cold War image of the United States, one that emphasized Asia's growing importance, and one that had a balanced approach to issues like democracy, development and human rights. The Tiananmen crisis served such a purpose.

In comparison with the Nakasone era, Japan took a low posture in dealing with China and other neighbouring countries. Tokyo's rhetoric of being the voice of Asia, its soft attitude toward China, its much promoted U.N.-centred diplomacy, its suggested "unprovocative" defense plan, and its newly found royal diplomacy, all suggest that Japan was not just moving closer to Asia out of necessity but also as a conscious choice. During this process, Japan's China policy went through subtle yet important adjustments. Before the 1990s, Japan needed China to counterbalance the Soviet Union; but Tokyo utilized China, by presenting Beijing's concerns after 1989, to counter the U.S. pressure in pursuing an independent foreign policy position in the post Cold War world. In the time of Nakasone, Japan emphasized being "a member of the West," and was much less sensitive about the feelings of its neighbours regarding Japan's past; yet

the popular theme in Japan's diplomatic circle in the early 1990s was Japan as a member of Asia and representing Asia's interests at the Western summit. At least at the top level, the language of apology for Japan's past war deeds became much clearer than before.

Since Tokyo's post-Tiananmen China diplomacy was centred on the policy leverage of resuming ODA to the PRC, our first case study in this chapter on Japan's economic aid to Beijing is complementary to our understanding of Japan's policy adjustments. Our analysis of Japan's ODA rationale, aid strategy, decision making process, and earlier yen loan operations toward the PRC exhibits how Tokyo employed ODA as both economic and political tools in achieving its China policy goals.

Although the nature of Japanese ODA policy toward the PRC does not change dramatically over time, the objectives of ODA as a foreign policy leverage has been modified in the changing international context. In the early 1990s, instead of pressuring China into a dependent relationship with Japan that acknowledged Tokyo's leadership role, as was the case during Nakasone's administration, the Japanese government attempted to exploit the Sino-Japanese "special relationship" to strengthen its own position in the world political economy. The premise for such a strategy was partially based on the assumption that the PRC remained economically weak and politically vulnerable, and that it was willing to let Japan act as the voice of Asia on the world stage. The development in the closing years of the millennium, however, proved otherwise. As will be shown in the next chapter, the surprising surge of China and the scenario that the PRC, and not Japan, would be the real challenger to U.S. hegemony required Tokyo to

make some difficult choices in its China policy.

Chapter 5

Coping With China: Engagement as Containment?

If China becomes economically strong, it will be also militarily strong. Japan has a policy of not becoming a military superpower, so I also want China not to be one.¹

- Miyazawa Kiichi

China's economic boom will enhance its military capability. It is important to neither underestimate nor overestimate that expansion, but clearly Japan would not want to face China alone.²

- Joseph Nye

I. From the "Japan Problem" to the "China Problem"

The law of uneven development, a central element of Lenin's analysis of the capitalist world order nearly a hundred years ago, is now widely adapted to indicate how latecomers may leap forward with accelerated speed in economic growth.³ When both Japan and Germany recovered from the war and were able to develop their economies at a miraculous speed in the postwar period, the world began to debate the potential of a Japanese or German challenge to the international order. The so-called "Japan problem"

1. *Japan Economic Newswire*, February 24, 1994.

2. *The Daily Yomiuri*, November 30, 1997.

3. Gilpin, *The Political Economy of International Relations*.

was visited many times as Japan's economic and financial power seemed unstoppable.⁴

But future historians may well notice the following set of complex developments in the closing decade of the millennium. First, the relative decline of the United States was offset by the collapse of the Soviet bloc. Second, the voice of "containing Japan" was less vocal after Japan entered its worst recession in the postwar era. Third, China's continuing high economic performance and its unyielding position toward Washington made Beijing, not Tokyo, the focus of "who is the challenger" debate in the United States, thus the "China problem."⁵

The most profound change in the postwar international order was the demise of the Soviet Union and the East European bloc in the early 1990s. The United States then became the sole superpower, as demonstrated by the Gulf War. On the other hand, this change also produced a vacuum in U.S. strategic arrangements in terms of how to define a common enemy with which Washington could maintain alliance relationships with other countries. For decades, the United States had devoted its national priorities to the political and military demands of the Cold War. Now it had to make adjustments. In

4. See Karel van Wolferen, "The Japan Problem," *Foreign Affairs*, Vol. 65, No.2, Winter 1986/87; "The Japan Problem Revisited," *Foreign Affairs*, Vol. 69, No.4, Fall, 1990; Clyde Prestowitz, "Write 100 Times: Japan is Different," *Business Month*, June, 1988; James Fallows, Chalmers Johnson, Clyde Prestowitz and Karel van Wolferen, "Beyond Japan-Bashing: The 'Gang of Four' Defends the Revisionist Line," in *U.S. News & World Report*, May 7, 1990.

5. The debate on the "China problem" went through a number of stages. See Richard Solomon, "Thinking Through the China Problem," *Foreign Affairs*, Vol. 56, No. 2, January 1978; Michel Oksenberg, "The China Problem," *Foreign Affairs*, Vol. 70, No.3, Summer 1991.

Europe, the NATO's goal had to be redefined while in Asia, the nature of the U.S.-Japanese security treaty was in question. With the collapse of the USSR, the threat to Japan from the North was receding, and Tokyo found itself unclear about its future strategic relations with the United States.

At the same time, Japan's miracle seemed to have evaporated with the burst of its bubble economy. Beginning with a stock market meltdown in 1990, the whole Japanese economy went into recession in the early 1990s with no sign of recovery at the present time. Once deemed invincible, Japanese banks went bankrupt; insurance and security firms closed; real estate values fell; large corporations cut back; and the whole financial system was in a mess. The prediction, mainly based on past experiences of Japan bouncing back in the 1970s and 1980s, was that the Japanese economy would be back on track again in the later half of the 1990s. This has so far proven wrong.⁶ Accompanying the economic crisis was some realignment of Japanese politics. For the first time in decades, the LDP lost its majority in the lower house election in 1993. After being the opposition, and then in a coalition government with other parties, the LDP came back to control the Diet with only a one seat majority (due to a defection of an opposition Diet member to the LDP camp). Again, in the upper house election on July 12, 1998, the LDP lost badly, leading to Prime Minister Hashimoto's humiliating resignation. The turbulence in the Japanese economy and politics have in fact silenced many of Japan's furious critics. The "Japan problem" as hotly contended in the mid and late 1980s gave way to

⁶. See Daniel Burstein, *Turning the Table*, p. 13.

books like *The Sun Also Sets*, *Turning the Tables*, *Japan: The Coming Collapse*, etc.⁷

A significant factor in the fading away of the “Japan problem” was the sudden surge of concern over the so-called “China problem.” Some argue that the end of the Cold War made China strategically less important to Americans simply because as an anti-Soviet card, it was no longer in need. This view, however, overlooks the fact that today’s China is no longer the China that Nixon and Kissinger visited in the early 1970s. The PRC is now a fast growing economic and military giant in its own right. The World Bank and the International Monetary Fund projected that the Chinese economy will be as large, if not larger, than either the U.S. or the Japanese economy in the next twenty years or so.⁸ Rather than being a card itself, other cards seem to be needed in dealing with the PRC. Such a line of thought has been obvious in the American discussion about a potential “China threat.”

In his well publicized *Foreign Affairs* article, “The Clash of Civilizations,” Samuel Huntington listed a China-centred confucian civilization, together with the Islamic world,

7. Bill Emmot, *The Sun Also Sets: Why Japan will not be Number One*, London: Simon & Schuster, 1989; Brian Reading, *Japan: The Coming Collapse*, London: Orion Books, 1992; Daniel Burstein, *Turning the Table: A Machiavellian Strategy for Dealing with Japan*, New York: Simon and Schuster, 1993.

8. The World Bank used purchasing power parity (PPP) method to calculate China’s GDP and came up with a 1994 GDP of just under US\$3 trillion, putting China ahead of Japan and only second to that of the United States. Although this figure was later modified, it nevertheless presents China as one of the major economic powers. See The World Bank, *1996 World Development Report*.

as a new potential threat to the Western civilization.⁹ Labelled as “Mr. X’s article of the post Cold War era,” the emerging Chinese power was put in a new context of world politics. In 1996, the alleged fund contribution to the Democratic Party by some Chinese Americans with connections to Beijing stirred up a wave of controversy in American politics, with the investigation continuing today. In a more recent analysis, Huntington expanded his “clash” thesis by arguing that the United States is now more than just an actor in world politics. It has become an “arena,” in which Americans of different ethnic backgrounds compete for influence over government foreign policy making. Without using the “clash of civilizations” term, Huntington suggests that a growing multi-ethnic American society has become a fighting ground in a worldwide clash of civilizations.¹⁰

The China threat debate reached its height in 1997 when Richard Bernstein and Ross Munro published *The Coming Conflict with China*, a bestseller that portrays China as the rising Asian hegemon, a rival to the United States in the Pacific, and a threat to regional security.¹¹ Theoretically, this book applies Huntington’s clash of civilizations thesis to Sino-American relations. It views China as a mercantilist state, a label that used to be assigned to Japan in the heyday of the Japan problem debate. The authors argue

9. *Foreign Affairs*, Vol. 72, No. 3, Summer 1993. See also Samuel Huntington, “The West: Unique, Not Universal,” *Foreign Affairs*, Vol. 75, No. 6, November/December 1996.

10. See Samuel Huntington, “The Erosion of American National Interests,” *Foreign Affairs*, Vol. 76, No. 5, September/October, 1997.

11. Richard Bernstein and Ross Munro, *The Coming Conflict with China*, New York: Knopf, 1997; See also Richard Bernstein and Ross H. Munro, “The Coming Conflict with America,” *Foreign Affairs*, Vol. 76, No. 2, March/April 1997.

that the United States must prevent China from becoming a regional hegemonic power. Echoing Charles Krauthammer's famous essay in the *TIME* magazine "Why We Must Contain China,"¹² Bernstein and Munro also call for containing China. For that purpose, they advocate a strategic partnership with Japan and a strong Japan that is able to fill up the vacuum in Asia left by the collapse of the Soviet Union and the withdrawal of the United States. With a new equal alliance relationship between the United States and Japan, the China threat theorists believe that a balance of power in Asia can be maintained.¹³

For those who disagree with the containment policy, the issue is more about how to deal with China as a rising power. Some believe that China may not be as strong as it appears due to its development difficulties and various national and international limitations. Thus, tying China to an international interdependence framework seems to be the best way to deal with Beijing.¹⁴ Others contend that China's potential is greatly exaggerated. China's navy and air power, they argue, are still at a very primitive stage of

12. *TIME*, July 31, 1995, p.72.

13. For more on the China threat, see Barber Conable and David Lampton, "China: The Coming Power," *Foreign Affairs*, Vol. 71, No. 5, Winter 1992/93; Barbara Opall, "China Sinks U.S. in Simulated War," *Defense News*, January 30-February 5, 1995; Thomas Christensen, "Chinese Realpolitik," *Foreign Affairs*, Vol. 75, No. 5, September/October 1996; David Shambaugh, "Containment or Engagement of China: Calculating Beijing's Responses," *International Security*, Fall, 1996.

14. See Richard Hornik, "Bursting China's Bubble" and Gerald Segal, "China's Changing Shape," *Foreign Affairs*, Vol. 73, No. 3, May/June 1994; Samuel S. Kim, "China as a Great Power," *Current History*, September 1997.

modernization, and are inferior to those of Japan, Singapore and Malaysia, all of which are equipped with advanced U.S. or British aircraft. Yet navy and air power are the most important in China's regional ambitions regarding the East China Sea and the South China Sea. They also point to the benign nature of a future Chinese hegemony, arguing that China may not be a threat like that of the former USSR in the Cold War days.¹⁵

The current American foreign policy toward China is clearly in favour of the engagement school of thought. Major Republican and Democratic voices alike seem to see the danger of a Cold War style containment policy in dealing with China. Henry Kissinger warns:

[T]here is no objective basis in Asia for military containment on the model of the Cold War. The Soviet Union's European neighbours felt threatened and were eager for visible American military support. By contrast, none of China's neighbours are prepared to ground their policy or join an alliance based on the assumption of Chinese aggression... A confrontational American policy that is perceived as unprovoked will drive the countries of Asia away from the United States and toward both nationalism and neutralism... Before turning to confrontation, a cooperative relationship must be given a chance.¹⁶

To redefine the U.S. alliance system in Asia, the U.S. Department of Defense, under the supervision of Assistant Secretary of Defense Joseph Nye, drafted *United States Security Strategy for the East Asia Pacific Region* in 1995. It set the tone of post Cold War U.S.

¹⁵. Robert Ross, "Beijing as a Conservative Power," *Foreign Affairs*, Vol. 76, No. 2, March/April 1997. See also Andrew Nathan and Robert Ross, *The Great Wall and the Empty Fortress: China's Search for Security*, New York: W.W. Norton & Company, 1997.

¹⁶. *Newsweek*, January 27, 1997.

strategy in Asia Pacific as “engagement and enlargement,” continuing the U.S. military commitment to the region at the current level of 100,000 troops, and further building U.S. led regional institutions.¹⁷

Certainly, the United States is not the only power that is in search of a new China policy orientation. The shift from the “Japan problem” to the “China problem” and other systemic changes presented Japanese foreign policy makers with new challenges in dealing with both the United States and China. In the middle of the 1990s, Tokyo witnessed China’s unprecedented economic boom; Beijing’s consecutive increase in military spending that was higher than its GNP which led the world with a double digit growth rate; continuing nuclear testing by the Chinese military; and China’s intensifying military pressure on Taiwan in forms of live ammunition war games and missile launches. The new honeymoon in Sino-Japanese relations marked by Jiang Zemin’s visit to Japan and Emperor Akihiko’s visit to China in 1992 seemed short lived. Tokyo was now increasingly worried about a more assertive China.

A similar debate on the China threat, as occurred in the United States and the rest of the world, was going on among Japan’s China watchers. The focus of the debate in Japan, however, was more about China’s potential threat to Japan than the global implication of a rising China that characterized the discourse in the United States. Of particular concern was China’s growing nuclear force and Beijing’s plan to rapidly modernize its navy. Hiramatsu Shigeo, a leading specialist on Chinese military affairs in

17. See Joseph S. Nye, Jr., “The Case of Deep Engagement,” *Foreign Affairs*, Vol. 74, No. 4, July/August 1995.

Japan, argues that China has a far more refined nuclear force, and its efforts to upgrade its guidance systems for its ballistic missiles and re-entry systems pose a major problem for Japan's defense.¹⁸ Saeki Kiichi, former chairman of the Nomura Research Institute, a well-known Japanese thinktank, expressed his concern:

For the United States, only in another 20 years or more might China pose a serious military threat, although, as the dominant military power in the region, the US will certainly be sensitive to new military threats from China or elsewhere. Japan, however, given its limited defence capabilities, will feel the military threat much sooner.¹⁹

But most observers agree with the basic assessment that the current Chinese conventional military forces do not present a direct threat to Japan's national security. Since China's navy and air forces are very outdated, Japanese observers believe that Japan will not be in any danger for the near future. Kayahara Ikuo, director of the Asian regional division of the Defense Research Institute, dismisses the China threat theory as a "conceptual or perceived threat" (*kannen teki na kyôiron*), far from objective reality. He contends that China's military personnel is in fact smaller than India's if measured in proportion to the population, that China's military technology is about twenty years behind the international standard, and that China cannot project force to accomplish the task of

18. Hiramatsu Shigeo, "Chûgoku no gunjiryoku wa zôdai shite iru" (Chinese Military Forces are Expanding), *Shokun*, August 1994.

19. Kiichi Saeki, "The Rise of China: Threats, Uncertainties and Opportunities," *Asia-Pacific Review*, Vol. 2, No. 1, Spring 1995, quoted from Michael Green and Benjamin Self, "Japan's Changing China Policy: From Commercial Liberalism to Reluctant Realism," *Survival*, Vol. 38, No. 2, Summer 1996, p.45.

taking Taiwan by military means.²⁰ Kayahara also shows that although China's military expenditure was going up by double digits in the middle of the 1990s, its share of government expenditure actually dropped from 16 percent to about 9 percent from the early 1980s.²¹

Shikata Toshiyuki, professor of Teikyo University and a former Lieutenant-General in Japan's Ground Self-Defense Force, points out that Japan's Self-Defense Forces are powerful and sophisticated enough to defeat the Chinese military in a direct clash.²² Therefore, a China threat to Japan, if there is one, would then be in terms of either current Chinese nuclear capabilities or a future conventional Chinese military buildup. It is in these two areas that Japan displayed an unprecedented level of concern. Tokyo began, as our two case studies will demonstrate, to utilize its ODA as a leverage in limiting China's military expansion. At the same time, Japan redefined its new national defense objectives and updated its security arrangements with the United States, all initiatives targeting a potential showdown with China.

II. Case Study Seven - Expanding ODA Objectives: The Third and Fourth Yen Loans

At the time of the Tiananmen Incident in June 1989, the Japanese were still

20. See Kayahara Ikuo, "Chûgoku gunjiryoku" (Chinese Military Power), *Chûô kôron*, February 1995.

21. Ibid.

22. *The Japan Times Weekly*, January 15-21, 1996.

reviewing the projects the Chinese submitted for the Third Yen Loans. However, Prime Minister Takeshita had tentatively agreed to provide ¥810 billion in soft loans for forty-two projects. This loan package was intended to finance fertilizer plants, agricultural and urban development, and other infrastructure projects, but was suspended as part of the international economic sanctions imposed on China after June 4, 1989.

As examined in the last chapter, Japanese officials in responding to the Tiananmen Incident had to find middle ground in which Japan's reaction would satisfy international demands for sanctions, yet not isolate China. In the 1990 Houston G-7 summit, Japan scored a major diplomatic victory by lobbying other Western countries to agree on its resumption of yen loans to China. Obviously, the political significance reached beyond the context of Tokyo's aid program to Beijing. In more than ten years of Japanese aid to China, this was the clearest demonstration that the Japanese government actively utilized its ODA program to pursue and achieve a political goal. Beijing's vulnerable position in world politics following the Tiananmen crackdown on student-led demonstrations and its eagerness to end the sanctions imposed by Western countries provided Tokyo with a difficult but great opportunity to demonstrate how it could represent the "Asian voice" among Western industrialized countries.

Japan's loan aid to China dramatically expanded in the years leading up to the Tiananmen Incident. To contrast figures, the Third Yen Loan (¥810 billion) is more than double the First Yen Loan (¥330.9 billion). The rise is especially impressive if the appreciation of the yen is considered and the resulting increase in purchasing power. On

a yearly basis, in 1979, Japan's loan aid to China amounted to \$200 million and in 1990 it had increased more than three-fold to \$723.02 million. Since 1982, China has ranked as the first or second largest recipient of Japanese ODA. The growth in loan aid indicated not only China's importance to Japan but also Tokyo's awareness of the strategic implications of ODA.

It is worth pointing out that the Japanese leaders began talking about the resumption of loans to China only a few months after the Tiananmen event, and although Tokyo could have resumed the yen loans in the summer of 1990 after the Houston G-7 summit, it did not do so until the fall of 1991. During this long process, Japan managed to persuade the Chinese leadership to soften its domestic policies and its harsh stand towards the United States. This process represented a significant departure from Japan's traditional use of ODA. It could well be an unintended consequence that Tokyo found its ODA program to the PRC a much more powerful leverage that, if properly utilized, would lead to larger political and diplomatic gains beyond economic benefits. In this sense, the Third Yen Loan package marked a turning point in Japan's ODA objectives in China. The fact that this shift was brought about more by the tragic event of 1989 in Beijing than a sophisticated policy design by the Japanese bureaucrats in Nagancho does not diminish the important impact it would have on Japan's future ODA to China.

Analysts tend to underestimate Japan's China policy performance in their study of Tokyo's post-Tiananmen responses. Some confine their review of the whole process of resuming Japan's aid to China within the traditional bilateral context, namely Japan's

economic, political, strategic and cultural considerations in dealing with China.²³ Others conclude that Japan's policy was heavily influenced by the United States, and that the Japanese were confused in how and when to lift sanctions against China.²⁴ It is true that Japan had to execute a delicate balancing act between the West and China, but we should not underestimate how well Japan performed, especially if we pay more attention to the outcome rather than the process which appeared to be less clear and sometimes confusing. Japan's resolve in expanding its ODA objectives is more obvious if we compare Japan's fourth yen loan package to China in the mid and late 1990s.

As a broader ODA policy development, the Japanese government adopted an official development assistance charter in 1992. The new guidelines call on the government to examine recipient countries' track record on human rights and democratization, arms trade, and the development of weapons of mass destruction, including nuclear weapons. So how did Japan's fourth yen loans to China reflect these new principles?

1) Japan's ODA emphasis shifted to environment related projects in China. In the first yen loan packages, both sides concentrated on large scale projects in resource development, transportation, and other infrastructural programs. In different stages, Japan selected its preferred aid projects based on China's requests, and they served

23. See for example, Wolf Mendl, *Japan's Asia Policy: Regional Security and Global Interests*, London: Routledge, 1995, pp.83-88.

24. See Quansheng Zhao, "Japan's Aid Diplomacy with China," in Bruce Koppel and Robert M. Orr, Jr., eds., *Japan's Foreign Aid: Power and Policy in a New Era*, pp.181-2.

Japan's economic interests well. But by the early 1990s Japan began to pay close attention to China's environmental pollution and its potential impact on Japan. This is due to a number of reasons. One was the growing worldwide attention on environmental protection. Another more important factor was that China's rapid industrialization since the 1970s raised serious questions about China's status as a major polluter in the world. There was also a booming new Japanese industrial sector, specializing in environmental protection related technologies.²⁵ Therefore, Japan began to press China in conducting more environment friendly projects, although this was not the priority of the Chinese government. As early as 1991, the Japanese government explicitly laid out this new ODA direction in China:

China's development policies have tended in the past to over stress production to the detriment of pollution prevention and other forms of environmental protection; in the economic cooperation requests that China has presented to Japan thus far, no financial cooperation has ever been requested to build pollution control facilities. For China's development to be sustainable, attention must be paid to environmental protection, and because Japan has experience and technology available in this area, China should make use of both forms of Japan's economic cooperation, technological and financial, for environmental protection.²⁶

Realizing the bilateral aid format involved China first listing the desired projects, the

25. For a good examination on environment protection as new business opportunities in the Western industrialized countries, see Larry Pratt and Wendy Montgomery, "Green Imperialism," *Socialist Register 1997*, London: Merlin Press.

26. The Japan International Cooperation Agency, *Country Study for Development Assistance to the People's Republic of China: Basic Strategy for Development Assistance*, Tokyo, December 1991, p.23.

Report went further to recommend that “because the Chinese may hesitate to apply for financial cooperation in this area, it is worth considering the offer of cooperation on Japan’s own initiative.”²⁷

Behind these active policy considerations was Japan’s deep concern over the impact of China’s environmental pollution beyond its borders. Estimates showed that China’s energy consumption may reach over 10 percent of the world’s total by the turn of the century. If environmental problems such as acid rain are not dealt with early on, they will directly affect Japan. Against this background, Tokyo insisted on including environment related projects in its fourth multi-year yen loan package to Beijing. Following its traditional pattern of submitting projects to the Japanese side, China proposed 69 projects mostly in priority sectors such as telecommunications, transport and energy as well as projects for the poor western part of the country. But Tokyo only accepted 31 of them. Instead, the Japanese government demanded that environmental projects must be included in the projects that are supported by the fourth yen loans. The two sides went through a long bargaining process, with their positions and priorities far apart.²⁸ Finally, China had to give in to Japanese demands. For instance, the fourth yen loans contain 36 environment related project designed to help finance China’s inland

27. Ibid., p.28.

28. See *Reuters Financial Service*, August 28, 1994.

environmental protection projects.²⁹ Some 20 billion yen will be used in the northwestern Chinese city of Lanzhou and southern Liuzhou for the tackling acid rain which comes from burning coal and for water pollution caused by inadequate sewage and water supply systems.³⁰

What should be priorities for China's long term benefits is a complicated question but there is no doubt that Beijing and Tokyo did have different views on this issue in their fourth yen loans negotiations. The Japanese made their concerns clear and demanded action from the Chinese leadership to use yen loans to work on environment related projects. China, as borrower, had little choice but to accept these terms. Beneath the wonderful diplomatic language of common interests, the negotiation and the contents of the fourth yen loans reflected Japan's expanding objectives in utilizing ODA to serve its long term national interests.

2) Japan's use of ODA as a leverage in dealing with Beijing is the most striking in terms of Japan's expanding ODA objectives: China's nuclear and military buildup. The environment can certainly be classified as a dimension of Japan's economic and commercial interests but Japan had not previously tied its ODA to China's military buildup. With China's booming economic growth, Beijing has spent more and more on military modernization. Tokyo was alarmed by this development and linked the issue of

²⁹. *East Asian Executive Reports*, Vol.18, No. 2, February, 1996; Kyodo News, Asian Economic News, December 26, 1994.

³⁰. *Jiji Press*, August 10, 1994.

China's military buildup directly with its ODA program. When Chinese Vice-Premier Zhu Rongji went to Japan in 1994 pleading for quicker progress in the negotiations for the fourth yen loans, he was confronted by the Japanese leaders on the issue. While Zhu repeated Beijing's position of never seeking hegemony, both present and past Japanese prime ministers warned China not to become a military superpower.³¹ Interestingly, China used to point out repeatedly that the growing Japanese economic power would logically lead to Japan's military superpower status. Now, the Japanese leadership has applied the same logic to China, as Miyazawa told Zhu: "If China becomes economically strong, it will be also militarily strong."³² Tokyo made it clear to China that it was no longer interested in supporting the Chinese economy with its low interest yen loans while Beijing continued to diversify its own cash for military hardware.³³ This was a departure from the 1980s when Japan had pledged to always use yen loans to support China's "Four Modernizations," one of which is the modernization of China's national defense.

Japan's determination to use yen loans as a leverage in limiting China's military potential was further demonstrated by Tokyo's partial suspension of ODA in 1994 when China, ignoring Japan's repeatedly expressed concerns, resumed its testing of nuclear weapons. As early as January 1994 when the then Japanese Foreign Minister Hata Tsutomu visited Beijing, it was apparent that Japan had become much more assertive in

³¹. *Jiji Press*, February 24, 1994.

³². *Japan Economic Newswire*, February 24, 1994.

³³. See also, *Jiji Press*, February 24, 1994.

its talks with China. As a *Mainichi Shimbun* editorial noted:

Hata is believed to have been quite candid with regard to China's military efforts, its arms and weapons technology exports and its responsibility as a nuclear power. Also he is said to have tied his advice on these matters to future loans to China.³⁴

Japan's new approach was certainly tied to its concern over China's military expansion. But it also showed a more confident Japan under the new government of Prime Minister Hosokawa Morihiro who was the most frank in his use of language thus far by any Japanese prime ministers to refer to Japan's past occupation of its Asian neighbours as "aggression." In a sense, Japan tried to show the world that it was ready to put history behind it. This would also serve to preempt any Chinese rhetoric about Japan's past aggression against China in the bilateral ODA talks. In Hosokawa's first visit to China in March 1994, he demanded more transparency in China's military budget, and again warned that Beijing may lose Japanese aid unless it curtailed its rapid military buildup. Hosokawa not only wanted China to stop nuclear testing but also urged Beijing to assert influence on North Korea, thus putting a stop to a potential nuclear "domino effect," meaning North Korea's nuclear development may force South Korea and even Japan to go nuclear.³⁵

Against this background, the Japanese government delivered a strong protest to Chinese Ambassador Xu Dunxin in Japan, the same day China conducted an underground

³⁴. *Mainichi Shimbun*, January 12, 1994.

³⁵. *South China Morning Post*, March 20, 1994.

nuclear test on June 9, 1994. It is worth noting that, in a move to tie Japan's ODA to China's nuclear testing, Japanese Foreign Ministry's Economic Cooperation Bureau Director-General Hirabayashi Hiroshi met with Wu Dawei, a Minister at the Chinese Embassy, and reemphasized Japan's policy on economic cooperation with China. Hirabayashi reportedly told Wu that his government was worried that the Chinese move would have unfavourable effects on obtaining the Japanese people's understanding of and support for economic cooperation with China.³⁶

Four months later, when the Chinese military carried out another nuclear test on October 7, 1994, Japanese Foreign Minister Kono Yohei sharply responded by stating: "We have to check (the blast), taking into consideration ODA principles."³⁷ Although such concerns had been raised repeatedly at the working level by Japanese, this was the first time that the Japanese government, as voiced by Kono, formally linked Japan's ODA program to China's nuclear testing. Japan's threat of holding back yen loans did not materialize due to another event that stirred up controversy in the bilateral relationship. On October 2, only days before China's nuclear test, Japan permitted Taiwan's Deputy Prime Minister Hsu Li-teh to come to Japan to attend the opening ceremony of the Asian Games in Hiroshima on behalf of President Li Teng-hui. Beijing reacted angrily over the visit, pointing out that the visit was a violation of the 1972 China-Japan Communiqué, and that it meant the beginning of a political dialogue between Japan and Taiwan. Fearing

³⁶. *Jiji Press*, June 10, 1994.

³⁷. *Inter Press Service*, October 14, 1994.

further damage in the bilateral relationship, Prime Minister Murayama Tomiichi reassured Chinese President Jiang Zemin when they met at the APEC summit in Jakarta in November 1994, that Japan would not recognize two Chinas, and Taiwan was part of China. At the same time, Tokyo retracted its earlier warning of linking ODA loans to China on the issue of nuclear testing, thus relieving tension on the Taiwan issue.³⁸

This retreat proved to be tactical and temporary as China proceeded with a new round of nuclear tests. When the Chinese military conducted another underground test on May 15, 1995, Japan was immediately critical, calling the test “extremely regrettable.”³⁹ One week later, Japan suspended its grant aid to China in protest against the underground nuclear test. Japan’s ODA to the PRC is composed of three categories: yen loans, grant aid and technical cooperation. Grants, in comparison with yen loans, account for only a small portion of Japan’s overall aid to China. This move was significant in a number of ways. First, this was the first time (unlike the event of 1989 that led to Japan’s sanction against China) that Japan used ODA as a weapon in protest of China’s military modernization efforts. Tokyo made it clear that grants would only be resumed “when China announces it will stop its nuclear testing.”⁴⁰ Second, Tokyo’s announcement of the suspension of grant aid came quite suddenly. It caught Beijing off guard in the sense that it did not expect Japan to impose unilateral sanctions over the issue of nuclear testing,

³⁸. *Agency France Press*, November 05, 1994.

³⁹. *Jiji Press*, May 16, 1995.

⁴⁰. *China Economic Review*, November 1995.

even though Japan had repeatedly given warnings before. Third, the Japanese government chose the step carefully, despite the strong rhetoric. A Japanese diplomat acknowledged that the suspension was “primarily symbolic.”⁴¹

Yet, for nearly two years, Tokyo stood firm on this small scale sanction that the rest of the world did not seem to notice in terms of its significance. A total of 7 billion yen in grant aid was frozen. Although the Chinese lobbied hard through different channels to end the sanctions, the Japanese side repeated its statement that China must stop its nuclear testing program. When China continued its nuclear testing in the summer of 1996, the third since 1995, Tokyo put the complete fourth yen loan package on hold. Public opinion in Japan was also negative because China was the only nation that continued to carry out nuclear weapons tests. A *Yomiuri Shimbun* editorial demanded that “China must promptly give up its dishonourable position as the only country conducting nuclear tests and cooperate in bringing the CTBT into effect at an early date.”⁴² Some Japanese politicians even called for the total suspension of the fourth yen loan package which totals 560 billion yen.⁴³

The Japanese government had already begun to re-assess the situation when China finally stopped nuclear testing and signed the test ban treaty in September 1996. It seemed that Beijing followed its own course of action regarding the nuclear issue, i.e.,

⁴¹. Ibid.

⁴². *Yomiuri Shimbun*, June 9, 1996.

⁴³. *Jiji Press*, June 10, 1996.

conducting a number of tests at will in 1995 and 1996, then announcing its readiness to join the rest of the major nuclear powers in stopping its nuclear program. It is difficult to assess to what extent Japanese pressure through this symbolic action played a role. But it was clear that the Chinese leadership was very eager to get all the Japanese ODA back on track, especially it did not want the large yen loans program to be affected

Tokyo also brought other factors of the bilateral relationship into consideration in late 1996 and early 1997.⁴⁴ First, Sino-Japanese relations were strained over the dispute of Senkaku/Diaoyu, a group of uninhabited islands in the East China Sea at the time. A Japanese right wing group constructed a lighthouse on the islands, declaring Japanese sovereignty over the territory. This in turn prompted responses from citizen groups in Hong Kong and Taiwan (which also claims sovereignty over the islands) to sail to the disputed area to protest the move. The matter became worse when the leader of Hong Kong's protest team was drowned in his attempt to land on one of the islands. Although all governments in Beijing, Taipei and Hong Kong showed restraint over the incident, Tokyo felt pressured to ease the tension with some concrete measures. Releasing the grant aid seemed to fit into the situation well.

Another area of concern for the Japanese government was Prime Minister Hashimoto Ryutaro's visit to the Yasukuni Shrine. On his birthday in 1996, Hashimoto paid homage to the shrine in a low key manner. Beijing was critical but the reaction was not as strong as a decade ago when Nakasone made such a move. By now, the Chinese

⁴⁴. Even then, the resistance was strong, and the ruling LDP could not convince other coalition partners to resume the grant aid easily. See *Jiji Press*, November 14, 1996.

leadership seemed to be willing to tolerate Hashimoto's position in Japan's domestic politics. Hashimoto's visit was seen as a compromise with the conservative groups that had supported him for many years. At the same time, Hashimoto did not express any plan for any further visit, especially on the sensitive date of August 15, the day marking Japan's surrender at the end of the Second World War. While Hashimoto's right wing tendency on history related issues was well known, Hashimoto as Prime Minister was willing to show that, as the returned LDP leader to the position of prime minister, he would follow his predecessors in pursuing a closer relationship with Beijing.

Thirdly, Japan was quite aware of China's outrage over the renewed Japan-U.S. security arrangement in April 1996. Beijing perceived the new Japan-U.S. security tie as directed primarily at China. Japan's increasing role in supporting the U.S. deployment of forces in Japan was interpreted as part of the American containment policy against China. So Tokyo was eager to send some friendly signals to the Chinese leadership.

Finally, the death of Deng Xiaoping in February 1997 marked the beginning of a new era, and very soon after, Jiang Zemin consolidated his power base as the leader of the CCP and the head of the PRC. The year 1997 was also the twenty-fifth anniversary of the establishment of diplomatic ties between the two countries and a number of events were planned to celebrate the occasion, including the exchange of visits between Hashimoto and Chinese Premier Li Peng, and Japan's invitation to Jiang to visit Japan in 1998 to mark the twentieth anniversary of the signing of the peace treaty. Tokyo needed a way to express to the new leadership core in Beijing the importance Japan attached to

its relations with China.

Weighing all these factors, the Japanese government finally resumed the grant aid portion of its ODA to China in April 1997. It is worth noting that Japan's ODA principles include human rights records as well as the military expansion of the recipient countries, but in China's case, it was the military dimension, not Beijing's human rights practices, that prompted Japan's serious response. The case of grant aid suspension demonstrated that Tokyo was very concerned about China's military potential as China's military expenditure was growing at a double-digit rate. This concern was further illustrated by Japan's security arrangements with the United States in the spring of 1996.

III. Case Study Eight - Japan's China Policy and the 1996 Japan-U.S. Security Agreement

If we go beyond Sino-Japanese economic relations and extend our survey to Japan's security policies toward China and the East Asian region, Japan's concern over China's great power status and its effect on Japan's national interests become more apparent. In fact, the Japanese conceptualization of comprehensive national security does not separate economic, political and military matters. As we have just revealed, even the environment is now part of Japan's overall security consideration. However, the outcome of Japan's military concern was the new Japan-U.S. security arrangement reached by Clinton and Hashimoto in April 1996.

In what the U.S. Defense Secretary William Perry called "the most significant

summit since the end of the Cold War,”⁴⁵ both Hashimoto and Clinton agreed to strengthen U.S.-Japan security relations, including the expansion of Japan’s role in supporting U.S. military activities in case of a regional emergency. The question is why, with the end of the Cold War and the diminishing Soviet threat, Japan chose to expand its military cooperation with the United States?

1. The Japanese Concern Over China’s Expanding Military

As discussed earlier in this chapter, there are different views in Japan regarding to what extent China presents a real threat to Japan’s security. The first half of the 1990s witnessed the breakdown and the decline of the former Soviet Union, as well as China’s fast economic growth. Strategically, Japan was particularly bothered by three developments in China. First, China as a whole not only did not experience any political and economic chaos after 1989, as Japan feared, the Chinese economy actually entered into a new phase of rapid growth. This situation was quite unexpected since Japan had lobbied hard for the lifting of Western sanctions against China after Tiananmen partly due to the concern that an unstable China may affect Japan. This growth also coincided with, and occurred despite the beginning of Japan’s long recession. So when several estimates of China’s national strength, including those of the World Bank and the IMF, indicated that China was already the world’s third or second largest economy (behind or ahead of Japan, depending on the studies) measured by purchasing power parity (PPP), Japan had to

⁴⁵. *The Japan Times Weekly*, April 29-May 5, 1996.

confront the question of how to deal with China as the next great power. The shift from talking about Japan as the next hegemon to focusing on the China threat came rather quickly. Hence, there was a mood in Japan that something had to be done about this issue. Regardless of the details of whether China was a threat to Japan, the debate itself, as covered in the media (as a matter of fact, all over the world) projected an atmosphere of alert over China.

The second area that caused great Japanese concern was China's strategic and military behaviour in the East and Southeast Asian region. With the weakening of the USSR in the late 1980s, the Chinese navy took over several Spratly islands claimed by Vietnam, and in the process, clashed with the Vietnamese navy in 1988. Again with the withdrawal of the US military base from the Philippines in 1992, Beijing saw the opportunity to fill the power vacuum in the region. In early 1995, Manila was surprised by the discovery of a permanent structure, established by the Chinese navy, on Mischief Reef, an island very close to, and claimed by the Philippines.⁴⁶ In late 1995 and early 1996, the PLA launched large scale military exercises in the Taiwan Strait, fired missiles close to Taiwan, and made it explicitly clear that it wanted to influence the ongoing Taiwanese election. It must be noted that these military activities were accompanied by China's active testing of nuclear weapons in spite of warnings from Japan, the United States, and other Western countries, and the unfavourable public opinion of the anti-nuclear movement worldwide.

⁴⁶. It is about 240km from Pauline, a southern Philippine island.

At the same time Beijing was increasing its military expenditure and had an extensive shopping list for military hardware and know-how, including the possible purchase of an aircraft carrier from Russia. Although these moves were driven by China's complex calculation of political, strategic and economical interests in the region, a linkage was readily established between these assertive advances and the fast expanding Chinese military.

Tokyo was also alarmed by the strong sense of Chinese nationalism expressed and shared by the mainland, Taiwan and Hong Kong (the so-called Greater China) in the renewed Sino-Japanese territorial dispute over Senkaku/Diaoyu islands. Taking note of how China approached territorial disputes with its neighbours, the Japanese Diet pressured the government to make clear Japan's sovereignty over the Senkaku islands, known as Diaoyu in mainland China and Diaoyudai in Taiwan. While the group of islands, located northeast of Taiwan and west of Okinawa in the East China Sea, was under US control until 1972 and then handed over to Japan as part of Okinawa, both governments in Beijing and Taiwan claim sovereignty over them. The issue was put aside for future negotiations in the early 1970s when Tanaka journeyed to Beijing to establish diplomatic relations between the two countries. But China's increasing research and exploration activities around the area made Tokyo suspicious of Beijing's real intentions.⁴⁷

In response, the Japanese government submitted a bill to the Diet, calling for the

47. China's National People's Congress also passed legislations in 1992, claiming Chinese sovereignty over Daioyu, Spratly and Parcel islands.

ratification of the UN Convention on the Law of Sea (LOS). According to the LOS, Japan would establish a 200-mile exclusive economic zone which would make the Senkaku/Diaoyu islands a part of Japan's territorial water. This in turn triggered China's response in reaffirming its territorial rights over the islands.

2. The 1996 Reaffirmation of the Japan-U.S. Security Treaty

Against this background of new tensions in the region, the Japanese Defence Agency wrote the following in its preliminary draft of the new National Defense Program Outline (NDPO) in 1995: "Because there exists around Japan a big military power involving nuclear weapons, the U.S.-Japan defense pact is essential to maintain national security."⁴⁸ This statement, not so implicit in putting China as Japan's national security threat, stirred up so much controversy that it had to be taken out in the final draft under the insistence of the Social Democratic Party of Japan.⁴⁹ Nevertheless, this illustrates how Japan's defense establishment viewed the post-Cold War regional balance of power. China was perceived, although never publicly identified by the Japanese government, as a potential threat to Japan's national security. It was not an accident that Japan expressed strong protests over China's nuclear tests, used yen loans as a means to punish Beijing,

⁴⁸. See *The Japan Times Weekly*, January 15-21, 1996. The document was a part of the Japanese preparation for the U.S.-Japan Security Pact negotiations.

⁴⁹. Ironically, Prime Minister Murayama, himself a social democrat, used the original language on the issue of the China threat in a speech he delivered to Japan's Self-Defense Forces in October 1995. See Michael Green and Benjamin Self, "Japan's Changing China Policy: From Commercial Liberalism to Reluctant Realism," p.44.

and now was ready to establish closer ties with the United States militarily.⁵⁰

Beijing was certainly not naive about the new Japan-U.S. military arrangement. It warned that a strengthened U.S.-Japan security pact would be interpreted as targeting China. Just two weeks before Clinton's visit to Japan for the signing of the new security agreement, Chinese Vice Premier and Foreign Minister Qian Qichen travelled to Tokyo, and candidly told Hashimoto that Beijing hoped the upcoming U.S.-Japan summit would not bring any "new problems" to China and Sino-Japanese relations.⁵¹ But despite the diplomatic language employed in the U.S.-Japan security pact that China was not the target in the Clinton-Hashimoto summit, the new U.S.-Japan partnership did "trigger complex problems" with Beijing, as Qian had foreseen (For a full text of *Japan-U.S. Joint Declaration on Security Alliance for the 21st Century*, see Appendix III).

The first problem was the redefined role of Japan in the alliance. Traditionally, Japan could only use its Self Defense Forces for defending Japanese territory with the support of the United States. Over the years, Tokyo has modernized its military in the process of high economic growth, and gradually increased its share of financial support for U.S. troops stationed in Japan. But in the new defense arrangement of 1996, Japan

50. An interesting example of Japan's eagerness to enter a strengthened security relationship was given by Bernstein and Munro. In February 1996, Prime Minister Hashimoto Ryutaro flew "all day and well into the night" to Los Angeles to meet with President Clinton for only 60 minutes, sandwiched between Clinton's golf game and movie/dinner because Japan wanted American assurance that Clinton's visit to Japan in April would result in a new Japan-U.S. security pact that could deal with the China threat. See *The Coming Conflict with China*, pp.166-67.

51. *The Japan Times Weekly*, April 8-14, 1996.

had committed itself to supporting and cooperating with the United States in regional emergencies. This change marked for the first time in the postwar era that Japan was ready to send its military forces beyond its borders to support the United States. The implication was that if, for instance, there was a crisis between mainland China and Taiwan and the United States intervenes on Taiwan's behalf, Japan would be obliged to support the U.S. military operation in the area. This, to the Chinese, means that Japan is at war with China.

The second problem with the new alliance was the extent to which Japan's military would expand. Under the new security statement, Japan would enter consultations with the United States on providing logistic support to U.S. operations in potential regional conflicts, conducting joint military exercises, and participating in future UN peacekeeping operations. These activities may require substantial increases in Japan's military expenditure. With its already impressive military buildup, Beijing had reason to be concerned about an arms race with Japan, which would be a heavy burden for China's modernization program.

The third problem that caused anxiety was whether the new Japan-U.S. partnership was an excuse for Japan's conservative forces to make constitutional changes. Critics in Japan condemned the deal as unconstitutional because Japan, according to the peace clause in its constitution, cannot send troops abroad. Beijing's fear was that the new arrangement might become a starting point for the conservative or ambitious politicians like Nakasone and Ozawa to make amendments to Japan's constitution and

transform Japan into a “normal country.”

These concerns were confirmed by my interviews in both Beijing and Shanghai with some of China’s leading Japanese experts in the summer of 1996. I was surprised by the consensus among these well-informed academics and diplomats that the new U.S.-Japan security partnership was in fact aimed at containing China. In the 1970s and 1980s, Beijing preferred a U.S. military presence in Japan because it was both a strategic counterweight against the Soviet threat and a cap on the potential Japanese militarization. After the collapse of the USSR, Beijing only wanted the U.S. presence to perform the role of “managing” Japan and the affairs of the Korean peninsula. A number of researchers indicated to me that they were not against a continuous American military presence in Japan. Rather, they were extremely alarmed by Japan’s expanded role in the U.S.-Japan alliance. To them, the cap on Japan’s militarism was off, and there was no other explanation except that a new containment policy targeting China, although not explicit, was in place.

The first test Japan faced in the security area after the signing of the Japan-U.S. Common Agenda in April 1996 was its territorial disputes with China. In the summer of 1996, the Senkaku/Diaoyu dispute appeared in the international spotlight when, in response to the erection of a lighthouse by a Japanese right wing group (*Nihon Seinensha*) on one of the islands, volunteers from Hong Kong and Taiwan sailed to the islands to claim Chinese sovereignty. Ironically, this was the first time that both flags of the PRC and the ROC (Taiwan) were being carried together for a common cause. Although all

governments in Beijing, Tokyo, Taiwan and Hong Kong handled the matter carefully, the strong irredentist and nationalist feelings expressed by all sides were obvious.

Beijing chose not to make a big deal out of the matter. Although the official view was as clear as ever on China's claim of sovereignty, the government banned all protests and demonstrations on the mainland, a sharp contrast with the year of 1987 when students were encouraged to express anti-Japanese anger. Tokyo, on the other hand, dispatched its SDF coastal guard boats to the islands and forcefully resisted any attempts by volunteers from Hong Kong, Taiwan and other overseas Chinese to land on the islands. Japan made it clear that the islets were under effective Japanese control, and the Japanese media expressed solidarity with the government. Later, when Chinese President Jiang Zemin and Japanese Prime Minister Hashimoto Ryutaro met at the APEC summit, they agreed to put off the matter for future negotiation. The net result was that Tokyo got the upper hand simply because it had naval control of the disputed area.

One could explain Beijing's unusually soft attitude from an economic perspective, that is, China's trade with Japan was increasing at 25 percent per year in the first half of the 1990s, and Japan's direct investment in China had grown more than ten times during the same period. Beijing was also counting on the implementation of the fourth yen loan package.

China's behaviour could be viewed as a textbook case for interdependence. But it is also true that Japan was not Vietnam nor the Philippines; that the Chinese navy could not really challenge the Japanese navy even if Beijing wanted to settle the dispute with force.

The United States tried to remain neutral in the whole period of crisis but the fresh Japan-U.S. security pact clearly made Tokyo more confident than before. It was clear that Japan was determined that China was not going to get its way as it had with Hanoi and Manila regarding territorial disputes. This then becomes a classical case of the “security dilemma.”⁵² Both Japan and China were worried about the other’s intentions and prepared for the worst scenario.

It is worth noting that, other than the external factors we have so far explored, a number of important domestic developments weighed heavily on Japan’s new strategic choices in its China policy formation in the mid-1990s.

First, Tokyo’s China policy re-emerged as one of the contentious issues as a result of the realignment in Japanese domestic politics. The China issue used to be a dominant factor in Japan’s intra-party politics in the 1950s and 1960s. But after the normalization of bilateral relations in 1972, all major political forces in Japan reached a consensus on developing stable and friendly relations with China. Pro-Taiwan and pro-mainland groups within the LDP continued to use the government’s China policy as a tool in intra-factional power struggles as shown in Chapter 2 but the debate was very much limited to internal LDP politics. This situation changed with the downfall of the

52. Here the “security dilemma” is defined as “many of the means by which a state tries to increase its security decrease the security of others.” See Robert Jervis, “Cooperation under the Security Dilemma,” *World Politics*, Vol. 30, No.2, January 1978, p.169. See also John Hertz, “Idealist Internationalism and the Security Dilemma,” *World Politics*, Vol. 2, No. 2, January 1950; Charles Glaser, “The Security Dilemma Revisited,” *World Politics*, Vol.50, No.1, October 1997.

LDP in the 1993 lower house election. The new multi-party coalition headed by Hosokawa of Shinshintô (New Frontier Party) attempted a number of domestic and foreign policy reforms. Promoting Shinshintô's platform as the way to transform Japan into a "normal country," Hosokawa initiated a research group to re-write Japan's National Defense Program Outline.⁵³

In 1994, when the Social Democratic Party entered a unprecedented coalition with the LDP and the Sakigake group to take the prime minister's position, it gave up its long-held position of being opposed to the Japan-U.S. security treaty and acknowledged the legality of Japan's Self Defense Forces. These moves virtually eliminated any meaningful opposition to future Japan-U.S. military cooperation.⁵⁴ Consequently, when socialist Prime Minister Murayama Tomiichi wanted to pursue a closer relationship with Beijing, he found strong domestic resistance. Murayama had wanted to visit China in late 1994 but the opposition charged that Japan would then be giving Beijing the impression of "tributary diplomacy" as the visit would be too close to the former Prime Minister Hosokawa Morihiro's trip to China. Later on Murayama failed, before his China trip in 1995, to push through in the Diet a resolution to explicitly express Japan's apology for the war on the fiftieth anniversary of the end of World War II.

⁵³. For more on the idea of Japan as a "normal nation," see Ozawa Ichiro, *Blueprint for a New Japan, Book II*.

⁵⁴. Recently, Japan Communist Party also put its anti-Japan-U.S. security treaty stand on hold, paving the way for joining a potential coalition government after the next lower house election.

Second, a new generation of conservative politicians were more bullish toward China. The older generation of LDP elites from Tanaka to Ohira to Takeshita used to have strong connections with China's older generation of revolutionaries such as Mao, Zhou Enlai and Deng Xiaoping. With these so-called (pipelines) in both countries gone from the political scene, new political players rarely wanted to talk about things like "don't forget the well-diggers." The traditional party line that defined Japan's China policy had almost disappeared. The new generation of politicians often expressed similar opinions on China issues even though they belonged to different and rival parties. They tended to be critical of China's military expansion, advocating ways of restraining Beijing via ODA leverage and closer ties with the United States. The generation gap was also reflected in opinion polls. A poll on diplomatic issues conducted by the Japanese Prime Minister's Office in October 1993 showed that among the 51.1 percent surveyed who had a friendly attitude toward China, there was a clear correlation between age and the feelings toward China: the younger the age groups, the fewer the number and the older the surveyed age, the friendlier they were to China.⁵⁵

Third, and closely related to the above two changes, the so-called *bôei-zoku* (defense tribe) in the Diet and Japan's Defense Agency in the Japanese bureaucracy were strengthened. Interestingly, the role of the Japanese defense establishment in Japanese politics was not significant during the Cold War period due to various historical and

⁵⁵. Japanese Prime Minister's Office, *Seron Chyosa* (Public Opinion Polls), October 1993, p.29, Figure-17.

political reasons. But with the collapse of the Soviet Union and especially after the Gulf War, Japan became more active in international peace keeping and peace making activities. The stronger voice by the *bōei-zoku* and Defense Agency led to an active exchange between the United States and Japanese defense establishment. The 1996 reaffirmation of the bilateral security arrangements was a direct result.

At the same time, it is worth noting that Japan's commitment to furthering its cooperation with the United States was also based on serious financial considerations. When Japan's bubble economy burst in the early 1990s, Japan could no longer sustain its military spending. Throughout the 1980s, Tokyo had been able to maintain an average of about a 6 percent increase in annual defense expenditures. In addition, with the appreciation of the yen, Japan had become the third largest military spender in the world by the early 1990s. But from 1991, Japan's military budget began to drop. The increase for 1992 and 1993 was 3.8 percent and 1.95 percent respectively; and the figures for 1994 and 1995 were 0.9 percent and 0.86 percent respectively.⁵⁶ The continued financial and economic crises in Japan also forced Tokyo to cut \$8.6 billion from its military spending beginning in fiscal year 1998, the largest cut since 1945. However, this cutback did not include the costs associated with Japan's support of U.S. troops stationed in Japan.⁵⁷ This is a clear indication that Japan was willing to share the cost of supporting U.S. hegemony in the region.

⁵⁶. *The White Paper for the Defense of Japan*, 1995.

⁵⁷. *Jane's Defense Weekly*, June 11, 1997, p.26.

Fourthly, China's positive image was waning among the Japanese popular media and the public. As discussed in the earlier chapters, the China fever of the 1970s did not last very long in Japan but throughout the 1980s, China's image remained constant and very positive with the Japanese public. A consistent figure of more than 70 percent of the Japanese had a favourable feeling toward the PRC.⁵⁸ After the 1989 Tiananmen Incident, this number dropped significantly. Since October 1989, annual public opinion polls have shown a steady decline in those who have a friendly attitude towards China, 51.6 percent in 1989, 51.1 percent in 1993, and below 50 percent in recent polls.⁵⁹

It is obvious that China has come back to the centre in Japan's foreign policy debate. As long as the direction of these domestic developments does not change, they will continue to shape Japan's China policy in the near future.

IV. Conclusion

The period of Sino-Japanese relations examined in this chapter witnessed a rapid shift in the worldwide debate on who was the potential hegemonic power. In other words, due to China's double-digit growth during the first half of the 1990s, the American obsession with the "Japan problem" suddenly became the "China problem." Beijing took Tokyo's position almost overnight as the primary challenger to U.S. hegemony. Amongst

58. Japanese Prime Minister's Office, *Seron Chyosa* (Public Opinion Polls), October 1993, p.29, Figure-16.

59. See Ibid., pp.29-30, Figures 16-18; and also Mike Mochizuki, ed., *Toward a True Alliance*, p.126.

the warnings that China would be the largest economy in the world in the next two decades and that Beijing might militarily rival the United States, the new U.S.-Japan security treaty was interpreted by Beijing as a new containment policy jointly pursued by Washington and Tokyo.

The Japanese government, initially laboured hard on Beijing's behalf to persuade the West to lift sanctions imposed after the 1989 Tiananmen crackdown, re-examined its China policy and unilaterally imposed sanctions against Beijing's nuclear tests in the mid 1990s. While Japan continued to provide ODA to the PRC, it also employed the yen loans as sticks to limit China's military expansion.

Other than the structural changes in the regional balance of power, these significant policy changes were also caused by Japan's domestic changes. Political realignment, generational changes, the active role assumed by the defense establishment, and public opinion shifts all played an important part in shaping Japan's new China policy orientations.

How effective were these policies ranging from economic carrots and strategic sticks? Militarily, in spite of the "China threat" advocates crying wolf, China has a long way to go to achieve superiority over the Japanese in terms of power projection capabilities. That ultimately explains Beijing's soft yet calculated stand on the Senkaku/Diaoyu dispute with Japan. But the renewed Japan-U.S. security treaty put Beijing on serious alert, and since then the Chinese military has pursued closer ties with Russia and other former Soviet Republics bordering with China.

Economically, so far Beijing have benefited more from its growing economic interactions with Japan in the 1990s. Japanese investment, trade and ODA played a significant role in the Chinese economy's "soft landing" process in the early 1990s while the Japanese economy continued to suffer from the negative effects of the burst "bubble economy."

In the closing years of the twentieth century, while the rest of Asia and Japan are being hit hard by financial crises and economic recessions, the PRC appears to be holding on as the centre of the Asian economy, resisting pressure to devalue the yuan, backing up Hong Kong, and handing out billions of dollars in support to its neighbours. Now the question is, will China take the position of the leading goose in Asia, if a leading goose formation headed by Japan ever existed?

Chapter 6

Conclusions

Profound transformations have occurred in both Japanese and Chinese domestic politics, in their bilateral relations and in the international system in the past two decades.

In the beginning period of our inquiry, Japanese and Chinese leaders had just begun to search for a closer relationship; Japan's trade with China was insignificant for both countries' economies; and Japanese investment in China was almost nil. Today, the Sino-Japanese economic tie is one of the closest bilateral relationships in the world; Japan is one of China's top trading and investment partners; and Japan is the PRC's largest foreign aid donor as well as its largest foreign debt creditor. Although both Beijing and Tokyo were important power poles in world politics twenty years ago, Japan was emerging as an economic superpower while China was just beginning to reform its economy and open its door to the outside world. By the end of the 1990s, China is rapidly becoming an economic powerhouse while Japan is suffering from its worst recession in the postwar period. Our first case study is centred around the signing of the Sino-Japanese peace and friendship treaty which was aimed at a potential Soviet threat while our last case study is the reaffirmation of the new Japan-U.S. security pact that is viewed as establishing the framework for dealing with a potential Chinese threat. Right now, what worries Tokyo is not Moscow but Beijing, and Washington has more anxieties

about the PRC than either Russia or Japan.

The complex interplay between domestic politics and foreign policy, the shifting priorities of Sino-Japanese relations and the challenging dynamics of uneven growth in the world political economy have presented students of international relations with difficult yet exciting tasks. This thesis has attempted to enhance our understanding in all these areas of change by focusing on Japan's China policy.

I. China in Japan's Comprehensive National Security Framework

Power in international relations always means a set of indicators that include more than military capabilities. The economic base, natural resources, political leadership, and international position all play an important part in assessing a country's national strength. "Soft power" was added on to the above list later on. But in the realist tradition as well as for most of modern history, power is being primarily measured by a country's military capability and economic potential. So-called "high politics," the focus on security issues, has been and is still very much occupying a predominant place among foreign policy makers of the world's major powers. In the closing decades of the twentieth century, however, classical realist assumptions of international relations have been seriously challenged. Some argue that "low politics" - namely trade, economic development, environment, and areas other than national security - are becoming as important as, if not more important than military power in determining a country's status in the world community. Japan is a typical example. In the era of colonialism and

imperialism, Tokyo pursued the establishment of a “Greater East Asia Co-prosperity Sphere” through military conquest. But it failed to achieve such a goal by military means and was defeated during World War II. In the postwar period, the Yoshida Doctrine was, as articulated by Kenneth Pyle, designed to lead Japan to prosperity and international prestige by a different route:

- 1) Focusing on economic development;
- 2) Avoiding security obligations;
- 3) Practicing mercantilist trade policies;
- 4) Pursuing technological superiority.¹

By the 1970s, Japan was indeed successful in achieving these national purposes. It also realized that “ the most fundamental change in the international situation that took place in the 1970s is the termination of clear American supremacy in both military and economic spheres.”²

To deal with a changing international environment and to carefully play the balance of power game in East Asia, Tokyo began to formulate its “comprehensive national security” strategy which was explained by the research group set up by Ohira himself in the late 1970s:

Security means protecting the people’s life from various forms of threat.

Efforts required for security consist of three levels of efforts:

1. Pyle, *The Japanese Question*, Chapter 3.

2. *Report on Comprehensive National Security*, See Appendix II.

efforts to turn the overall international environment into a favourable one; self-reliant efforts to cope with threats; and as intermediary efforts, efforts to create a favourable international environment within a limited scope while protecting security in solidarity with countries sharing the same ideals and interests.³

The Japanese concluded that economic means played just as important a role as military ones and the focus on the economy was the way to national power and glory in the world. This logic works in both ways: it sounds good to talk about peaceful development and interdependence; at the same time, it is also a way to avoid costly and controversial moves in the security arena. Another factor behind Japan's comprehensive national security strategy was what was perceived by Tokyo as the decline of U.S. power and the expansionist posture of the USSR in the late 1970s. The Japanese leaders wanted to pursue other ways of securing Japan other than simply relying on the U.S. nuclear umbrella.⁴

The PRC has been a core consideration in Japan's comprehensive national security strategy. Even back in the 1950s, Yoshida made it clear that as neighbours, Japan must deal with mainland China. Since the 1972 normalization of the bilateral relationship, Tokyo has maintained a very sober view on China's critical position in Japan's own national security framework, despite changing administrations. The signing of the peace and friendship treaty was a significant step for Japan in nurturing closer ties with China.

³. Ibid.

⁴. For more discussion on the origin and content of Japan's comprehensive national security, see Bedeski, *The Fragile Entente*, Chapter 10.

Strategically, the treaty in 1978 and the formal establishment of diplomatic relations between the PRC and the United States the following year made both Tokyo and Beijing feel safer in their efforts to counter the Soviet threat. Politically, Japanese leaders wanted to make sure that their next door neighbour was stable and friendly toward Japan. Economically, Japan saw tremendous market potential and business opportunities in the mainland. As this study shows, Japan's overall strategic perception regarding its relations with China has been remarkably consistent over the past twenty years. One may label Ohira as pro-Beijing and more liberal while Nakasone as pro-U.S. and conservative, but both prime ministers carefully handled Sino-Japanese relations. There were very warm occasions in Ohira's dealings with Beijing and there were tense moments between the two countries when China angrily denounced Nakasone's visit to the Yasukuni Shrine but the fundamentals of the relationship were not shaken.

Tokyo's concern over China's importance in Japanese national interests was demonstrated most clearly by Japan's diplomatic efforts to lift Western sanction against the Beijing government after the 1989 Tiananmen crackdown. With the end of the LDP domination of power in Japanese politics in 1993, and China's exceptional economic growth and perceived superpower status, Tokyo was forced to re-think the fundamentals of its relations with the PRC. The use of ODA in protesting China's nuclear testing in 1995-96, the re-assessment of potential international threats by Japan's defense establishment, and the 1996 Japan-U.S. security treaty all demonstrated a high degree of alert and resolve by the Japanese government to contain China from becoming a global

power. Thus, Tokyo is currently at the crossroads in terms of where to place China in its post-Cold War comprehensive national security framework. It is reasonable to believe that Japan's China policy makers, in deciding whether to play the "China card" against the Soviet Union, or to benefit from the Chinese market, or to cultivate closer ties to fence off a potential Chinese threat, have had a fairly comprehensive perception of China's strategic position in Japan's foreign policy.

Therefore, two commonly held conclusions about Sino-Japanese relations, as cited earlier in the thesis, are on shaky ground. The first one is the so-called "misperception" theory, that is, Japan and China often have problems in their bilateral relationship because they do not understand each other very well and they often perceive things in different ways, which in turn causes friction. Another one is the so-called "manipulation" theory, that is, Beijing has managed to use war guilt as an effective tool to manipulate Tokyo in continuously receiving large amounts of ODA and other economic benefits, leaving Japan unable to establish an equal relationship with the PRC. The problem with such generalizations is that they tend to obscure the levels of analysis: do they refer to the policy implementation level, the policy making level or the level of strategic calculation? Of course both misperceptions and manipulation exist in Sino-Japanese relations (they exist in any bilateral relationship if broadly defined), but the key is whether any of these can represent the overall state of the relationship over a longer period of time.

This author is convinced, as documented by the case studies in this thesis, that Japan's strategic perception of China, or Japan's fundamental China policy rationale, has

been rather sound and consistent. In other words, misperception is not an accurate characterization of the bilateral relationship at the level of strategic thinking. While the “misperception” theory further mystifies the Sino-Japanese relationship, the “manipulation” theory underestimates Japanese strategic sophistication. This, however, does not mean we have a perfect case of “nation-states as rational actors” scenario, as articulated by the realist ideal-type modelling.

II. Evaluating Japan’s China Policy Performance

This thesis has argued that there has existed a gap between Japan’s comprehensive perception of China and its China policy performance. Larger strategic goals were set yet it was often the case that they were neither smoothly executed nor successfully implemented at the policy level. The case studies in this work provide an empirical measurement of how Japan managed to accomplish its China policy goals at the time. There is always the question of how to measure foreign policy performance.⁵ Under a broader analytical framework of political economy, I have the following rather utilitarian set of criteria in mind when assessing Japan’s China policy performance:

5. Some choose not to measure foreign policy performance. In an important work on American commercial strategy, David Lake claims that “I desire merely to explain the trade strategies of individual countries; whether the policies actually pursued are, by some definition, optimal is a question I leave to others.” Lake, *Power, Protection, and Free Trade: International Sources of U.S. Commercial Strategy, 1887-1939*, Ithaca: Cornell University Press, 1988, p.14. But in our case, an evaluation of Japan’s China policy performance is not only important, it is indispensable in assessing the overall development of Japan’s foreign policy in this period under study.

- 1) Proficiency: how efficient certain policies in a given period of time were carried out;
- 2) Coherence: to what extent Japan's China policy in a given period of time was in conflict with either policies from previous periods of time or Tokyo's other foreign policy goals;
- 3) Outcome: whether Japan's overall strategic goals were met in a given period of time;
- 4) Impact: to what extent Japan's policies toward China affected Beijing's foreign policy behaviour toward Japan.

If we use a scale of 1 to 5 (the higher the score, the better the policy performance) as a rough indicator and look primarily at the political, economic and strategic areas in all the periods under study, we find the following:

Table 4
An Assessment of Japan's China Policy 1978-98

	Political	Economic	Strategic	Overall
Period I (Late 70s to early 80s)	5	2	5	12
Period II (Mid-80s)	2	4	3	9
Period III (Late 80s to early 90s)	4	3	4	11
Period IV (Mid-90s)	3	4	1	8

In the first period, Japan scored well on the political and strategic front. Tokyo managed to: form an anti-Soviet “united front” with China and the United States, warm up its new honeymoon relations with the PRC, give generous ODA to Beijing, and make major strides in getting the private sector into the Chinese market. Riding on a very high level of domestic China fever, prime ministers from Fukuda to Ohira to Suzuki took important steps in establishing friendly ties with Beijing. The much talked about Sino-Japanese-American alliance was quite visible. Hence, politically and strategically, Japan’s China policy was successful. But Tokyo obviously overestimated China’s production capabilities in energy and resource development, blindly bought into Hua Guofeng’s bold “new great leap forward” program, and expected too much from the Chinese market for profit returns. Changes in China’s domestic politics and its economic adjustment program were to blame for much of the downturn in the bilateral economic relations but the powerful Japanese bureaucratic machines in charge of foreign trade and investment were also responsible for making unrealistic predictions about Chinese market potential. In this period, “administrative guidance” failed to perform its miracle.

Ironically, the Japanese business’ slowdown in investing in China following the plants cancellation in the early 1980s pushed the Chinese to further reform its economic and financial systems. Several Nakasone cabinets made it clear that if Beijing wanted more Japanese private investment, it must follow the capitalist rules of the game: improve its internal business environment so it would be more profitable for Japanese to invest in

China. While Japan pulled back its investment and technology transfer to the PRC, it made strong efforts to increase Japanese exports to China, resulting in a large trade surplus in favour of the Japanese side. The Japanese government successfully maintained this profitable position by continuously providing China with large amounts of ODA, not only to rescue and renew the earlier cancelled deals but also to fence off Beijing's complaint about the trade deficit. It is no wonder the anti-Japanese student demonstrators in Beijing charged that Japan was trying to economically colonize China, and was keeping China in a weak position by holding back investment and technology transfer.

While "trade more and invest less" worked well to Japan's advantage, Tokyo was in serious trouble in its political relations with China. One of the major foreign policy pillars of Nakasone was the promise to transform Japan into a political superpower. The conservative leadership was confronted with the issue of how to convince its Asian neighbours to accept Japanese political leadership in the region. In particular, how Beijing responded to Japan's political role was crucial. The textbook controversy, Nakasone paying homage to the Yasukuni Shrine and repeated denials of war atrocities committed by the Japanese army before and during World War II all clearly show that the intentions of the Japanese leadership in its efforts to achieve Japan's political power status were centred on building a new nationalism and creating a sense of national pride through restoring a part of Japan's past. As some people pointed out, Japan's internationalization process was actually accomplished through a process of national quintessentialization. Rather than reaching out to its neighbours for support and cooperation, the LDP

leadership was promoting, as Inoguchi Takashi summarized, a Japanese brand of imperial nationalism, nostalgic nationalism and future-oriented nationalism.⁶ The average Japanese may want to forget about Japan's past, but to the conservative politicians, history is always contemporary politics.

We may call this high pressure politics, the Japanese style. China simply could not and did not tolerate what it perceived as obvious attempts by the Japanese government to renew militarism. Beijing's angry and emotional responses to Japan on historical issues, as discussed in Chapter 3, were more than anger and emotion. The Chinese authorities' domestic mobilization of anti-Japanese nationalism was manipulative. Beijing's strong words about Japan were closely correlated to its trade deficit. The attitude toward history, national pride and prestige were all an integrated part of the Chinese calculation of its national interests. Politically, Tokyo was not successful in asserting a dominant role over China. Closely related was Japan's move in strengthening its military power. Here the performance was a mixed bag. While Japan maintained a common strategic goal with the PRC in dealing with the Soviet threat, Beijing was deeply concerned over Japan's decision under Nakasone to break the one percent ceiling of total GNP Japan's defense expenditure used to account for.

In the late 1980s and early 1990s, the tragic event of 1989 in Tiananmen provided

6. For more discussion on Japan's "internalization" efforts in the 1980s and various kinds of Japanese nationalism, see Inoguchi Takashi, *Nihon: Keizai taikoku no seiji une* (Japan: The Governing of a Great Economic Power), chapter 7. Inoguchi reveals that Japan's so-called internationalization process in the 1980s was in fact a process of Japanese quintessentialization.

a unique opportunity for Japan to speak on behalf of China in the G-7 summits.

Although the bilateral relationship was in all aspects at a downturn, Japan's China policy in political and strategic areas were in fact extremely successful. Drawing lessons from the 1980s, Tokyo made some major adjustments to its China policy. Rather than trying to bring China into a Japan-led regional framework by pressure, Tokyo approached the goal by being sympathetic to Beijing and solicited China's support in return. In the process of persuading the Western members to lift economic sanctions against China, Tokyo managed to utilize China's strength to enhance its own position among the world's major powers. By accommodating China politically and strategically, Japan was able to bring Sino-Japanese relations to a new high, as marked by the Emperor's visit to China and Jiang Zemin's visit to Japan. These developments which occurred at a time when Japan-U.S. trade frictions were at a high and Tokyo was looking to "re-Asianize," served Japan's overall foreign policy well. Interestingly, Japan's political and strategic wisdom did not translate into economic benefits right away. In the new Chinese economic boom of the early 1990s, Japanese business was too cautious. Their return to China was slower than others, leaving them to play "catch-up" in the area of direct investment in China.

In the final period of our inquiry, however, both Japanese investment in, and trade with China increased at a much faster pace, in part due to a new Chinese economic boom and its attractive market opportunities. The ever intimate economic tie between the two countries was not accompanied by a closer political and strategic relationship. Tokyo's two major foreign policy initiatives, namely to use ODA as a means of punishing China's

nuclear testing and strengthening its security cooperation with the US, reflected Japan's fear of China's emerging great power status. From a Japanese national security point of view, there was sufficient reason to worry about what to do with China, even if it was not an imminent threat, as hyped up at the time. These measures were designed to serve long term Japanese interests. But in the short run, they provoked the most serious charges against Japan from Beijing at the strategic level since the normalization of 1972. The Chinese criticized Japan for joining the United States in containing China, violating its pledge of a one China policy and taking steps towards remilitarization.

The key issue of contention is Taiwan. Two years after the Clinton-Hashimoto summit, the two sides have conducted many rounds of consultations on how to collaborate in case of a regional emergency. The Japanese government has been hemming and hawing on whether Taiwan and the surrounding areas belong to the "Far East," the geographical area Japan has committed itself to in general.⁷ First, Tokyo refused to give a precise definition of the Far East, saying it depended on the particular situation. Later, there was a sign of acknowledgement that Taiwan was a part of the Far East. Why the difficulties? Japan's foreign policy makers might have been confused about how far Japan should go in its cooperation with the United States on the security issue, while wanting to leave some room for flexibility; or they might have deliberately made Japan's military role confusing to the public in case of a regional emergency where Japan's logistic support to U.S. troops may be required in order to soften any domestic criticism; or they may not

7. See *The Daily Yomiuri*, August 22, 1997.

have wanted to offend the Chinese by including Taiwan or anger the United States by excluding it. But the immediate result was that the Chinese concluded that the treaty was targeted at the PRC. There was a strong consensus among Chinese foreign policy makers and Japan watchers that the treaty was a part of a U.S. containment policy toward China.⁸ This has so far had a chilling effect on the bilateral relationship.

As we have seen, Japan has difficulties in determining the kind of policies it should adopt in dealing with Beijing. When China was weak and in turmoil in the late nineteenth and early twentieth centuries, Japan sought to bully China and present itself as a teacher with China the reluctant student. Its tactics contradicted its aims, and so its strategy failed. In the late twentieth century, Tokyo has attempted different strategies, yet its performance has had mixed results. On Japan's China policy learning curve, there seems to be a long way to go for a balanced economic, political and strategic approach. One of the most important factors in affecting that balanced approach is Japanese domestic politics.

III. Domestic Politics and Japan's China Policy

This study has attempted to establish that the foreign policy rationale of a particular country may not necessarily translate into diplomatic success at the level of policy implementation. It is one thing to have a sensible foreign policy rationale and it is another to materialize that rationale in concrete interactions with the country involved.

⁸. Based on author's interviews in Beijing and Shanghai during the summer of 1996.

Many factors may complicate the process of policy implementation. Domestic politics is one of these major factors. Students of international relations widely believe the complex linkage between domestic politics and foreign policy. But in the study of Japan's foreign policy and Sino-Japanese relations, two weaknesses persist. One is the general stereotyped portrayal of the Japanese state as a monolithic entity, carrying out a foreign policy based on the precise calculation of its national interests and a triad alliance of politicians, the bureaucracy and the business community. Another is the commonly shared view by specialists of Sino-Japanese relations that Chinese domestic politics plays a very significant role in affecting the course and direction of Japan's relations with China. The influence of Japan's domestic politics is either down-played or overlooked. Neither of these views can be substantiated by a detailed examination of the link between Japan's domestic politics and its China policy.

As indicated in the first period of this study, a fierce LDP internal power struggles pushed politicians to capitalize on pursuing closer ties with Beijing in a general atmosphere of China fever in Japan. The signing of the peace treaty, the large scale economic involvement in China, the generous yen loans, and other friendly flirtations Tokyo sent in the direction of Beijing were very much an integrated part of a domestic political strategy in capturing the prime ministership by the LDP factional leaders of the time. Japan's China policy became an issue in the race between Fukuda and Ohira, as was the case between Satô and Tanaka in the early 1970s, for keeping or taking over the LDP leadership (hence the prime minister's position). In Ohira's decision to provide ODA to

China, the bureaucracy was pushed aside and regular procedures suspended in order to meet the deadline for Ohira's trip to China, which in itself was designed to boost Ohira's domestic popularity. The plants cancellation fiasco displayed a messy picture of coordination between the private sector and Japan's powerful bureaucracy which was supposed to provide "administrative guidance" to various industries in investing in and trading with China.

In the second period of this work, the middle of the 1980s, there were many controversies in the bilateral political relations. As Allen Whiting points out in his well-documented book *China Eyes Japan*, focused on China's Japan policy during this period, the Chinese authorities not only mobilized anti-Japanese emotions inside China but also tried to influence or interfere in Japanese politics. His conclusions are supported by others, and the consensus was that China was the uncertain and unstable party in this bilateral relationship. By contrast, Japanese politics were relatively stable at the time. Intra-factional fighting within the LDP gave way to Nakasone's five year reign as the Prime Minister; the Japanese economy was in good shape after overcoming the economic downturn negatively affected by the second oil crisis. But this environment does not mean that Japan's domestic politics played a lesser role in shaping Japan's China policy in comparison with the time when there were power struggles within the LDP. In fact, as we have witnessed, a relatively stable domestic situation enabled Nakasone to pursue a conservative agenda in domestic politics and a political superpower status in international politics. It was a time when Beijing's political will was seriously challenged by Tokyo

which was asserting itself, backed by tangible economic and financial power, forcefully onto Asia and the world.

Not in quite the same style as what the Beijing leadership did to encourage anti-Japanese sentiment, Nakasone and his supporters promoted Japanese nationalism (or internationalism, depending whose books one reads) by setting up goals for Japan to become a major political power (*seiji taikoku*). The textbook revisions, Nakasone's visit to the Yasukuni Shrine, the open denial of Japan's war atrocities in Asia were not isolated events. They constituted a part of the overall efforts by the Japanese leadership to redefine Japan's role in world politics. As pointed out in the earlier chapters, these moves inevitably caused conflicts with Japan's fundamental principles of maintaining a friendly relationship with China because Beijing did not and could not accept a dominant Japanese political role in the region as designed by Nakasone and his conservative supporters.

In the early 1990s, the Japanese political scene went through a period of major realignment. Again, new faces like prime ministers Kaifu Toshiki and Hosokawa Morihiro wanted to reshape Japan's image by using a more explicit language in apologizing for Japan's war time activities. This resulted in the emperor's historic visit to China in 1992. By the middle of the 1990s, however, Japan's changing political landscape again made its China policy a domestic concern. The rise of a new generation of politicians, the increased power base of the so-called "defense tribe" (*bôei-zoku*) in the Diet, the strengthening of the Defense Agency in the bureaucracy and a less favourable public opinion on China were vital domestic components in Japan's tougher China policy and Tokyo's renewed

security arrangement with the United States.

Sino-Japanese relations are one of the most multi-dimensional, multi-faceted and dynamic bilateral relationships in world politics. Serious frictions and disequilibrium could hardly be caused by one side alone. An underlying assumption of those who are convinced that China is the primary source of trouble in its relations with Japan is that the Chinese political system is tightly controlled by the CCP, and that there is no public opinion other than the government's views; whereas in Japan, pluralism in a democratic system is used to explain why actions of controversy take place. This investigation shows that the consensus of the triad does not always prevail with regard to Japan's China policy. Rather, a lack of policy coordination has often been the case. The lack of coordination between politicians, bureaucratic institutions and the private sector is often caused by domestic political considerations or changes.

In this sense, Japan's domestic politics share as much responsibility, if not more in some cases, as China's domestic politics in influencing the state of bilateral ties. However, Sino-Japanese relations in the past twenty years do not demonstrate a clear correlation between the kind of political system a country has and the outcome of that country's foreign policy behaviour. While the "iron triangle" model of Japanese foreign policy oversimplifies the Sino-Japanese relationship, the "China-as-the-unstable-party" perspective underestimates the impact of Japan's domestic forces on it. Nor does this study claim a fixed pattern of interaction between Japan's domestic politics and its China policy.

Historically speaking, under conservative Japanese prime ministers who remained in power for a relatively long period of time, the Sino-Japanese relationship tended to experience a downturn. This was the case with Yoshida (six years in power) and Satô (eight years) before the normalization. This was also the case when Nakasone was in power (five years). When there were frequent changes of prime ministers, the bilateral relationship, in most cases, tended to warm up or improve. In other words, strong and stable Japanese administrations were more confident in taking a tougher and more assertive approach toward the PRC while weaker prime ministers who were in office for only a short period took a more accommodating approach toward Beijing.

However, Japan's China diplomacy since 1995 seems to challenge such a pattern of correlation between Japan's domestic political situation and its China policy. It was under the shaky coalition government between the Social Democratic Party of Japan and the LDP when Tokyo moved to improve relations with Taiwan and implemented sanctions against China's nuclear testing. Later, when the LDP took over the office of the prime minister in the coalition government, Japan proceeded with the very provocative security arrangement with the United States. In this period, the bilateral relationship tended to worsen. How do we explain this breakaway from the pattern of the past four decades?

There are a number of fundamental changes which can be attributed to the new development. First, today's China is a potential hegemon, with growing economic, military and political power that can pose a real threat to Japan. This new systemic

feature in the world political economy has penetrated Japanese domestic politics with a tremendous effect and caused serious concern among all political forces.

Second, the new type of party politics has prevented prime ministers from implementing effective China policies. Traditionally, the LDP dominated government, regardless of whether the administrations were longer or shorter in length, could always rally the LDP factions together vis-a-vis other parties in making China policy decisions. Today, whenever a prime minister tries to make a policy choice from among the many options, coalition politics could easily derail it. Kaifu, Hosokawa and Murayama are the most sincere among Japan's prime ministers in apologizing to China for Japan's war responsibilities, yet as we discussed in the last chapter, dissent in the coalition government, unlike the intra-factional LDP politics, can stop major policy initiatives.

Third, there has been a serious and a series of erosion in Japan's political base for supporting a friendlier China policy. The Social Democratic Party, formerly the Socialist Party and the PRC's friend for decades, is now all but a few seats in the Diet. There are currently no particular political parties which advocate a strong tie with China. The recently renewed ties between the Japan Communist Party and the Chinese Communist Party was a low-key event. New generations of politicians do not have the kind of attachment to China that their predecessors in the Diet used to have. And there are clear indications that the Japanese public's friendly attitude has been declining.

The result of Japan's upper house election on July 12, 1998 further clouded Japan's political map. The resignation of Hashimoto Ryutaro as the LDP leader and

Prime Minister, the ninth prime minister to resign in the past ten years, and the weakening of the LDP may again affect the course of Japan's foreign policy. If the opposition parties rally around the emerging *Minshuto* (Democratic Party of Japan, or DPJ) to form an Italian style "Olive Tree" coalition to replace the LDP in the next lower house election, Japan's foreign policy toward both the United States and China may be affected.⁹ But we must remember that the Social Democratic Party (formerly the Socialist Party of Japan), upon coming to power, changed its long-held stance of opposing the Japan-U.S. alliance. Therefore, we must examine factors other than changes in domestic political landscape to fully explain Japan's foreign policy.

IV. Sino-Japanese Relations in the Changing International System

It is the basic proposition of this thesis that the nature of Sino-Japanese relations is primarily determined by structural forces of the changing international system. A particular event or a particular individual may have some influence on Japan's relations with China but they are secondary in significance in comparison to the larger historical tide and the dynamics of international political economy. Fukuda was not known for his pro-PRC views but he was pushed to conclude the peace treaty. Ohira was considered "pro-Beijing," but our case study shows that his motives for improving relations with China involved more than (and often other than) his "pro-Beijing" stance. Nakasone

⁹. Minshuto is at the central-left of Japan's political spectrum. It does not favour a very close tie between Japan and the United States. After the LDP's defeat and Hashimoto's resignation, U.S. Ambassador immediately expressed hope the U.S.-Japan "special relationship" would continue. See *Mainichi Shimbun*, July 13, 1998.

managed to establish a warm personal relationship with the CCP General Secretary Hu Yaobang, but the bilateral political relationship deteriorated during the same period of time.¹⁰ Tokyo lobbied hard for lifting the sanctions the Western countries imposed on Beijing after the Tiananmen crackdown but only a few years later suspended the grant loan of Japan's ODA to China in protest of Beijing's nuclear weapon tests. As this study has demonstrated, China policy makers in Tokyo have made continuous adjustments in a changing international environment.

From the late 1970s to the early 1990s, the first three periods of Japan's China policy studied here, Japan's foreign relations were constrained by the Cold War international system. In a bipolar system, Japan was an integrated part of the U.S. containment policy, first targeted at both the USSR and the PRC in the 1950s and the 1960s, and against the USSR in the 1970s and 1980s. Two major structural changes in the 1970s affected Japan's foreign policy. The first was the relative decline of the United States as a result of the Vietnam War.¹¹ Nixon's initiative to normalize relations with the PRC to counter the Soviet Union not only prompted the establishment of diplomatic relations between Japan and China, it also led to Japan's reconsideration of U.S. reliability in the security area. The second change was the rapid emergence of Japan as an

10. To put the matter in a broader context, charismatic leaders like Winston Churchill, Adolf Hitler and Mao Zedong, although not pure products of history, were nevertheless functioning in a specific historical and social environment.

11. Here the U.S. decline refers to the fact that there was a "withdrawal syndrome" affecting the U.S. foreign policy makers and its allies rather than an absolute decline of the U.S. military power in the region.

economic superpower. It created a complicated situation in Japan's relations with the United States and China. In all aspects, Japan was obliged to maintain close ties with Washington but Japan's continuing economic surge threatened the U.S. economic power base. The American attitude towards Tokyo changed from praising Japan as "number one" and being a "miracle" to debating about the "Japan problem" and the "Japan threat." What the Japanese call "Japan bashing" by the United States reached a high point in the late 1980s and early 1990s. Japan was portrayed by its critics as an economic animal, an irresponsible political actor, a free rider, a new mercantilist trader, and a conspirator in trying to takeover the position of hegemon from the United States.

The nature of Japan's position in the world political economy is that Japan has so far benefited a great deal from the postwar international system. In the security and economic areas, Tokyo prefers the status quo while politically it wants a stronger voice such as a more equal relationship with the United States in the alliance system and a seat as a permanent member of the UN Security Council. But the pressure, especially from Washington, is for Japan to share higher costs in maintaining the current international system. How much cost Japan should shoulder and to what extent Japan should support U.S. hegemony is at the root of the U.S.-Japan quarrel, as demonstrated by Japan-U.S. trade frictions, Japan's role in the Gulf War, and the recent U.S. criticism of Tokyo's management of Japan's economic recession.

If the Japan-U.S. alliance is what the Japanese leaders call the cornerstone of Japan's foreign policy, Japan's relations with China are often referred to as one of

Japan's two most important bilateral relations. Whereas trade frictions often created tension between Tokyo and Washington, the most contentious area between Tokyo and Beijing was the political relationship up to the early 1990s. If Japan wants to transform itself from an economic superpower to a political power and enjoy a similar political status to that of the United States, it must establish its political leadership position in Asia. In the 1970s and the 1980s, Beijing and Tokyo shared the same concern over the Soviet threat, making it possible to have a strategically arranged partnership for many years. China was also in need of Japanese assistance in modernizing its economy, and in many ways acknowledged the Japanese economic leadership (as the leading goose in the Asian economy). But the Chinese government has never acknowledged Japan's political leadership role in Asia. There was strong resistance when Japan tried to assert political power in the region. Indeed, the PRC badly needs Japan for investment, trade, technology and management know-how, and it even praised and encouraged Japan's efforts in strengthening its military in the late 1970s when they were seen as containing the Soviet threat. However, Beijing regards itself, not Tokyo, as the preeminent political and military power in Asia. Therefore, the ultimate cause of Sino-Japanese friction is not that they misperceive each other but rather a fundamental conflict of national goals of two emerging leading powers over who should lead Asia into the next century, and potentially who may contend with the United States in shaping the post Cold War international system.

Since the middle of the 1990s, a new international order, although still in its initial

form, has been gradually emerging. The following Figure presents some major players and their relations with each other.

Figure 1

Complex Strategic Triangles in the Post Cold War Era

As shown, there are a number of trilateral relations involved. Geographically, the two major triangle relations centred on the United States in the current international system are U.S.-NATO-Russian relations in Europe and Japan-U.S.-PRC relations in Asia. Another set of relations, also centred on the United States, are the U.S.-PRC-

Russian triangle and the U.S.-NATO-Japan triangle in a global context. The ideal situation for the United States is to manage this U.S. centred system and benefit from it with contributions from both Japan and NATO. The U.S.-Japan-NATO triangle is more stable than any other set of relations. It is also the foundation for the United States in dealing with China and Russia, a new post Cold War triangle that is still in formation. Whereas in Europe the United States teams up with NATO and calls for a constructive partnership with Russia, in Asia the United States allies itself with Japan and calls for a constructive partnership with China.¹² In this way, Washington can function as a hub of global leadership and maintain its hegemonic position.¹³

However, this whole structure is still very volatile. For now, NATO is clearly under U.S. control and none of the individual members is strong enough to contest American leadership. Russia continues to suffer economically with the situation deteriorating. All the transitional problems are pushing this post-communist giant onto a very unpredictable course. How post-Yeltsin changes in Russia affect the international structure remains to be seen. Currently, the Balkans (and potentially Eastern Europe) presents a potential point of conflict in the U.S.-NATO-Russian triangle in Europe.

By contrast, the Washington-Tokyo-Beijing triangle presents a different dynamic.

12. Beijing, however, likes to call it "strategic partnership."

13. Currently, in both Europe and Asia, the U.S.-centred alliance systems must deal with their respective "hot point," the Balkans and Taiwan. In Europe, the situation in the Balkans may present problems for the U.S.-NATO-Russia trilateral relations while in Asia, how to handle the Taiwan issue may have a serious impact on the state of the U.S.-Japan-China triangle.

Since the Soviet empire collapsed, Japan and China have been treated as potential superpower candidates in the past two decades. It is interesting to observe the dramatic rise and the sudden fall of the “Japan threat” debate. As documented in the last chapter, Japan was praised as number one and a model to follow; then Japan was perceived as a revisionist and a threat; the “Japan problem” was considered to be as serious as the Soviet threat; and the call to contain Japan was loud. Ironically, the burst of Japan’s bubble economy helped Tokyo to calm those “Coming War with Japan” critics. As one Japanese reporter noticed recently, “Japan bashing” is being replaced by “Japan nothing” in the United States media.¹⁴ But Japan’s misfortune may well be the best result the “Containing Japan” advocates could have hoped for. Even as Japan experiences the worst slump since the end of World War II, Washington continues to press Tokyo to contribute more in maintaining the current system, as reflected in the new Japan-U.S. security arrangement. The U.S. government has also repeatedly warned Japan not to try to devalue its currency out of the recession, something the United States did for getting out of its own in the 1980s. The systemic pressure on Japan has not been reduced because Japan is going through an economic crisis.

The fading away of the “Japan problem” is partially due to the dramatic surge of China as a global power. Ever since 1996 when the World Bank estimated that China was the third largest economic power in the world measured by the purchasing power parity (PPP), and predicted that China could soon become the world’s largest economy,

¹⁴. *Mainichi Shimbun*, July 13, 1998.

attention has turned to the PRC as a new threat. The “China problem” has become a hot topic. “China is in, Japan is out,” as the saying goes. The effect of the “China as the next superpower” talk on Tokyo-Beijing relations is a structural one. The Japanese defense establishment has implicitly identified China as Japan’s most immediate threat. Japan’s ODA objectives regarding China has taken a decisive turn: from “economic cooperation” as perceived by Tokyo to limiting China’s military potential and regulating China’s external behaviour.

When Hashimoto and Clinton signed the new Japan-U.S. security treaty in 1996, they had Beijing rather than Moscow in mind. This treaty brought the sensitive Taiwan issue back into the Japan-U.S.-PRC relationship. To U.S. and Japanese foreign policy makers, the question is how to “integrate China into the international community.” They demand the PRC to be responsible in nuclear proliferation and arms control (meaning: follow the standards and regimes set by the United States and its allies), to further reform its economic, financial and foreign trade systems (meaning: follow the rules set up by the West if you want to join the WTO). To Beijing, however, all these are designed to prevent China from becoming a great power, or to slow down that process. Therefore, in addition to the basic conflict in political relations, Japan and China now have a fundamentally confrontational strategic outlook toward each other. The recent development of Asia’s economic and financial crises has also indicated that Beijing is also in strong contention to assert an economic leadership role. Its firm stand on not devaluating the RMB, and its call for Japan to act responsibly have challenged the

perception that Japan is Asia's "leading goose." Japan's China policy is in fact at the crossroads.

The China-Japan-U.S. triangle reviewed here raises another important question which is quite central to the subject of this project: How and to what extent has the American factor affected Japan's relations with China? As pointed out earlier, there was a correlation between the length of Japanese administrations in power and the state of Sino-Japanese relations. If we bring in the American factor, we find another aspect of this correlation: the longer a Japanese prime minister stays in power, the closer the Japan-U.S. relationship and the rougher the PRC's relations with both Tokyo and Washington become. Prime Ministers Yoshida in the 1950s, Satô in the 1960s and Nakasone in the 1980s all had long administrations and they all had a strong and close tie with the United States. These were also periods when China's relations with both the United States and Japan were at a low point. On the other hand, when Japan-U.S. relations were not smooth and trade frictions became tense, as in most of the 1970s, the early and late 1980s and in the early 1990s, Japan tended to pursue closer relations with the PRC. These periods were also the times when Japan experienced frequent changes in administrations. These correlations may provide some tentative guidance for observing the relations between the three major powers.

While the engagement school in both Washington and Tokyo has the upper hand for now, and all three parties in the Asian triangle are talking about a partnership, the critical dilemma in Sino-Japanese relations persists: How can the two emerging global

powers accommodate each other while they have fundamentally conflicting interests? Will China accept the status quo, to be “integrated into the international community” maintained by the United States, Japan and the allies, or will it assert some of its own rules into the system when and if it is able to do so? If it is the latter, to what extent will the whole international system be thrown into what Robert Gilpin calls “disequilibrium?”

These are important questions for the students of international relations and Sino-Japanese relations in particular. We must remember that the complex power relations in world politics may not be what they appear to be on the surface. In analyzing Japan and China as potential hegemonies, we should keep at least two things in mind for now. First, China may not claim superpower status as near in the future as some suggest. Many jumped in to talk about China as an “awakened dragon” when the World Bank announced China’s per capita GDP at US\$2,500 on a PPP basis in 1996 (1994 figures), thus putting China’s economic strength close to that of the United States and Japan. There was the famous 1995 Rand study, predicting that China’s GDP will reach US\$11.3 trillion by the year 2010 (in 1994 ppp dollars) compared to \$10.7 trillion for the United States and \$4.5 trillion for Japan.¹⁵ But few noticed that the Bank very soon afterwards revised its figure to a significantly lower number of US\$1,800. According to the higher estimate, China would become the largest economy in the early next century, given the levels of growth at the time in the PRC, the United States and Japan. According to the lower estimate, the process may take more than twenty years. With the current U.S. growth rate and the

15. Cited from Samuel Kim, “China as a Great Power,” *Current History*, September 1997, p.247.

economic crisis in Asia, we may have to put that target even further into the future. China is also much poorer than most would think. According to China's official poverty line, US\$0.70 per day income, there are under 100 million poor. But if measured by the UN standards, US\$1.00 per day income, China's poor reach 300 million.¹⁶ China will continue to be occupied by its mounting internal problems.

Secondly, do not count Japan out too early as some have done. Measured by the US dollar exchange rate, Japan's economy is eight times that of China. If we take into consideration of all the different merits and weaknesses of the U.S. dollar and PPP basis and meet in the middle of the two standards, Japan's economic strength is still four times bigger than that of China. Japan's military capability is superior to China's in many critical areas. Yes, Japan is in its worst recession in 50 years but the fundamentals of the Japanese economy are still sound and competitive. The business cycle may well have hit the bottom. The United States has recovered very well. There is no reason not to believe that, after some turbulent adjustments both politically and economically, Japan may recover from the current mess and reassert itself as a contender for great power status with the United States and China.

Therefore, while it is premature to "count out Japan," Japanese policy has clearly failed in its cherished mission to play the role of an elder brother or patron in bringing China into the global order, a mission similar to the one Itô Hirofumi's generation tried to accomplish: to bring the backward China into "European civilization." China has clearly

¹⁶. See "How Poor is China," *The Economist*, October 12, 1996.

demonstrated its ability to use Japan to remain engaged with the global capitalist order, but Japan has by contrast bitterly failed to bring Beijing within Tokyo's orbit. Whatever else may happen in the future, China is clearly destined to become a global player in its own right and not as a junior partner of Japan.

History has shown that great powers rise and fall throughout the millenniums. Chinese history is full of cyclically emerging powerful dynasties. In the coming new century, Japan and China will be major players in a complex set of triangle relationships in an emerging new international order.

Appendix I**TREATY OF PEACE AND FRIENDSHIP BETWEEN
THE PEOPLE'S REPUBLIC OF CHINA AND JAPAN**

The People's Republic of China and Japan,

Recalling with satisfaction that, since the Government of Japan and the Government of the People's Republic of China issued a joint communique in Peking on 29th September 1972, the friendly relations between the two Governments and the peoples of the two countries have developed greatly on a new basis,

Confirming that the above-mentioned joint communique constitutes the basis of the relations of peace and friendship between the two countries and that the principles enunciated in the joint communique should be strictly observed,

Confirming that the principles of the Charter of the United Nations should be fully respected,

Hoping to contribute to peace and stability in Asia and in the world,

For the purpose of solidifying and developing the relations of peace and friendship between the two countries,

Have resolved to conclude a Treaty of Peace and Friendship and for that purpose have appointed as their Plenipotentiaries:

The People's Republic of China: Huang Hua,
Minister for Foreign Affairs

Japan: Sunao Sonoda,
Minister for Foreign Affairs

Who, having communicated to each other their full powers, found to be in good and due form, have agreed as follows:

Article I

1. The contracting Parties shall develop relations of perpetual peace and friendship between the two countries on the basis of the principles of mutual respect for sovereignty and territorial integrity,

2. The Contracting Parties confirm that, in conformity with the foregoing principles and the principles of the Charter of the United Nations, they shall in their mutual relations settle all disputes by peaceful means and shall refrain from the use or threat of force.

Article II

The contracting parties declare that neither of them should seek hegemony in the Asia-Pacific region or in any other region and that each is opposed to efforts by any other country or group of countries to establish such hegemony.

Article III

The Contracting Parties shall, in good-neighbourly and friendly spirit and in conformity with the principles of equality and mutual benefit and noninterference in each other's internal affairs, endeavour to further develop economic and cultural relations between the two countries and to promote exchanges between the peoples of the two countries.

Article IV

The present Treaty shall not affect the position of either contracting party regarding its relations with third countries.

Article V

1. The present Treaty shall be ratified and shall enter into force on the date of the exchange of instruments of ratification which shall take place at Tokyo. The present Treaty shall remain in force for ten years and thereafter shall continue to be in force until terminated in accordance with the provisions of paragraph 2.

2. Either Contracting Party may, by giving one year's written notice to the other contracting party, terminate the present Treaty at the end of the initial ten year period or at any time thereafter.

In witness whereof the respective Plenipotentiaries have signed the present Treaty and have affixed thereto their seals.

Done in duplicate in the Chinese and Japanese languages, both texts being equally authentic, at Peking, this twelfth day of August 1978.

For the People's
Republic of China:
Huang Hua
(Signed)

For Japan
Sunao Sonoda
(Signed)

Source: *Beijing Review*, August 18, 1978, pp. 7-8.

Appendix II

SUMMARY OF THE REPORT ON COMPREHENSIVE NATIONAL SECURITY

I. COMPREHENSIVE NATURE OF NATIONAL SECURITY POLICY

Security means protecting the people's life from various forms of threat.

Efforts required for security consist of three levels of efforts: efforts to turn the overall international environment into a favorable one; self-reliant efforts to cope with threats; and as intermediary efforts, efforts to create a favorable international environment within a limited scope while protecting security in solidarity with countries sharing the same ideals and interests.

This is true for both security in the narrow sense and economic security.

Since these three levels of efforts are mutually complementary and at the same time contradictory, it is important that balance be maintained among them.

The security question is of a comprehensive nature not only in the sense explained above but also in the sense that the fields of security interest and the means at our disposal are diverse.

II. CONDITIONS AND TASKS

a. In considering the question of Japan's security, the most fundamental change in the international situation that took place in the 1970s is the termination of clear American supremacy in both military and economic spheres.

Militarily, the military balance between the United States and the Soviet Union has changed globally and regionally as the United States has held back on strengthening its military arsenals since the mid-1960s while the Soviet Union has continued to build up its military force. As a result, U.S. military power is no longer able to provide its allies and friends with nearly full security.

As a consequence, it has become necessary for the allies and friends to strengthen their self-reliant efforts, especially in the area of conventional forces, and the credibility of the U.S. nuclear umbrella cannot be maintained in the absence of cooperation with the United States.

Economically, U.S. economic strength has declined both in absolute terms and in relative terms against the economic development achieved by Europe and Japan. As a result, it has become impossible to primarily rely upon the United States as in the past for the maintenance of the international currency system and free-trade system.

b. Another major change in the international situation has been the emergence of

new powers of the South. Were the demands of the South to shift from reform to rejection of the existing system, this would constitute a major threat to the international political and economic systems.

The stable development of North-South relations is of special importance to Japan; Japan must play a major role for the developing countries' economic development and the formation of orderly North-South relations as part of its comprehensive efforts for national security.

c. The era of the "Pax Americana" upheld almost single-handedly by the United States is over, and it has given way to a new era of "peace maintained by shared responsibilities," in which all countries cooperate in the maintenance and management of the international system. It has become impossible for Japan to pursue solely its own economic interests within this system.

d. Today, Japan is enjoying unprecedented freedom and economic wealth achieved by the strenuous efforts of its people. In order to protect the political and economic systems from threat of external aggression, it is necessary for Japan to strengthen its self-reliant efforts as well as to contribute to the maintenance and strengthening of the international system.

III. ANALYSIS OF SOME SPECIFIC ISSUES

1. Relations Between Japan and the United States

a. The fundamental reason why the maintenance of close cooperative relations between Japan and the United States assumes the highest priority for Japan's comprehensive national security is that Japan shares with the United States the aspirations for the free and open international order.

b. As the relations between Japan and the United States in military, economic, cultural, and other spheres are heavily out of balance, the two countries will probably face major trials in the 1980s.

c. Given these conditions, it is necessary for Japan to build more comprehensive Japan-U.S. alliance relations as a whole and more concrete cooperation in the military field including strengthening its own defense efforts. It is particularly important that Japan strongly support the United States when Japan feels on its own judgment that America needs to be supported.

d. With Japan now accounting for 10% of the world's total GNP, it is vital that Japan accept commensurate international responsibilities and endeavor to protect the free political, economic, and social systems.

2. Strengthening Defense Capability

a. Japan's defense policy has been based on the stance that Japan, under the

Japan-U.S. security arrangements, relies upon the United States for nuclear deterrence and for the repelling of large-scale aggression, and resists small-scale and limited aggression with conventional forces by itself and prevents the easy establishment of a fait accompli. This stance to possess Japan's defense capability as a "denial force" is basically correct.

b. The problem is that the present Self-Defense Forces do not even possess the minimum necessary denial force.

As seen in the lack of a system for integrated command and control of the three services, the SDF has many defects in the software needed for its effective operation in the face of an emergency. In the field of combat capability, there has been neglect in making efforts to devise effective, pure self-defense, to secure survivability, and to consolidate logistic support. The lack of efforts in these areas poses problems.

Moreover, partly because the overall defense budget itself is too small, personnel and provision expenditures have come to account for much of Japan's defense spending, creating absolute weakness of arms and equipment both in quantity and in quality.

c. Equipment purchases now account for only 20% of Japan's total defense expenditure. As a result, even if this is raised to 30% in order to procure the necessary equipment, the overall increase of defense expenditure will be small. The defense expenditure will still be between 1.0% and 1.1% of GNP. The Self-Defense Forces may be able to possess substantial denial force and become meaningful by improving software aspects, studying new arms systems for purely defensive purposes, and curtailing unnecessary expenditures, while at the same time increasing defense expenditure by about 20% from the present level.

3. Relations with China and the Soviet Union

a. The reaction of the Soviet Union against the conspicuous development of Japan-China relations of late has been one that gives rise to adverse effects, and there has been a resultant deterioration in Japanese-Soviet relations. It is most undesirable for Japan's security that this be left unattended, since the Soviet Union is the only country for the time being that could pose a threat to Japan.

b. Building friendly relations with the Soviet Union is a difficult question for many countries. It is mainly due to the Soviet Union's unique philosophy of power. Expanding contact with the Soviet Union has become even more difficult since the Soviet intervention in Afghanistan. However, it will become possible and necessary to expand contacts with the Soviet Union in a few years.

c. The crux of having relations with the Soviet Union is to avoid making the Soviet Union regard Japan as either a weak or a threatening country. In other words, the question is how to harmonize the two needs, namely, to have relations with the Soviet Union in a self-confident and at the same time unhostile manner.

4. Energy Security

a. With the end of the era based upon the assumption of abundant and cheap oil, and as full-scale use of renewable energy resources will not be expected until the twenty-first century, there is a very real possibility of an energy crisis over the medium or long term.

In preparation for this, it is first necessary to work to secure global energy supply. Basically, this means promoting energy conservation, development and use of alternative energies, and the development of new energy technologies through international cooperation. In terms of practical efforts, it is important to promote cooperation among the industrialized countries and dialogue between the oil-producing and oil consuming countries in order to facilitate smooth transaction of oil, to cooperate for the oil-producing countries' industrialization, and to seek to encourage the recycling of petrodollars.

Moreover, it is necessary to make efforts to promote closer economic relations with the major oil-producing, coal-producing, and uranium-producing countries that are important to Japan and to make Japanese efforts to explore for and develop oil in the continental shelf surrounding Japan and to promote the development and use of nuclear energy and coal.

b. A short-term energy crisis is assumed to arise from such political causes as war or conflict, such physical causes as oil field accidents or tanker collisions, or such economic causes as a breakdown in negotiations for oil procurement.

In addition to international efforts, such as ensuring the effectiveness of the IEA's emergency allocation system and ensuring the safety of marine routes, Japan's own efforts, such as further enhancing its stockpiles of oil, coal, and uranium and preparing arrangements to accurately anticipate crises and to manage supply and demand appropriately in case of emergencies, are also important in dealing with this short-term situation.

5. Food Security

a. Among the conceivable threats to Japan's food security are such short-, medium-, and long-term causes as disruption of sea lanes, poor harvests in major supplying countries, deterioration of diplomatic relations with major exporting countries, and global disequilibrium in the balance between the world population and its food production.

The possibility of such crises appears remote at present and it seems that any crisis that might occur will be of limited scope and duration. However if it should occur, the impact of a food shortage would be indeed great.

b. The argument to raise Japan's self-sufficiency in food production and the argument to abide by the principle of free trade in agricultural products both seem unrealistic. If combined with an appropriate agricultural policy the principle of free trade

can be promoted without further deterioration in Japanese agriculture.

c. This means that both international cooperation and self-reliant efforts are needed also for food security.

Among the efforts for international cooperation, it is important that we contribute to the increase of global production of foodstuffs, especially with agricultural cooperation to the developing countries in the medium- and long-term perspectives. As a short-term policy, it is necessary to establish international buffer stocks.

Concerning self-reliant efforts, in addition to maintaining a high level of potential productivity that will enable the swift increase of production in time of emergency, it is also important to study the expansion of stockpiles at all levels from consumers to the state level and the establishment of emergency distribution systems.

6. Countermeasures for Large-Scale Earthquakes—Crisis Management Systems

a. Countermeasures for large-scale earthquakes should include, first, an improved ability to predict earthquakes, and, second, the compilation both of micro-zoning maps showing the main causes of earthquake-related damage and of damage scenarios conceiving various types of disasters.

b. Based upon the above, the countermeasures must be developed in a comprehensive manner. Disaster-control considerations should be reflected in urban and regional planning, transport and traffic policies, communications policies, and all other relevant policy measures.

c. In improving the emergency management capabilities of the national and local governments for a time of emergency, it is especially important to ensure appropriate command, control, and communication mechanisms through such measures as the establishment of command and control centers with sufficient survivability and the improvement of multichannel radio communications networks.

At the same time, each household, school, and company must acquire "survival know-how" by improving independent disaster-control capabilities including the stockpiling of food, water, and medicine.

CONCLUSIONS

It is our hope that this report will serve as a catalyst for widespread and active national debate on comprehensive national security and that this will lead to productive results.

At the same time, we hope that all the ministries and agencies of the Government will bear comprehensive security considerations in mind in implementing various policy measures.

We should also like to propose the establishment of a "Comprehensive National Security Council" as a body for promoting comprehensive and integrated security policy.

We strongly hope that the proposals put forward in this report will realized at an early date.

Submitted to Acting Prime Minister Ito Masayoshi by "The Comprehensive National Security Task Force," July 1980.

Source: Printed from Robert Barnett, *Beyond War: Japan's Concept of Comprehensive National Security*, Washington: Pergamon-Brassey's, 1984, pp.1-6.

Appendix III

JAPAN-U.S. JOINT DECLARATION ON SECURITY — ALLIANCE FOR THE 21ST CENTURY

1. Today, the Prime Minister and the President celebrated one of the most successful bilateral relationships in history. The leaders took pride in the profound and positive contribution this relationship has made to world peace and regional stability and prosperity. The strong Alliance between Japan and the United States helped ensure peace and security in the Asia-Pacific region during the Cold War. Our Alliance continues to underlie the dynamic economic growth in this region. The two leaders agreed that the future security and prosperity of both Japan and the United States are tied inextricably to the future of the Asia-Pacific region.

The benefits of peace and prosperity that spring from the Alliance are due not only to the commitments of the two governments, but also to the contributions of the Japanese and American people who have shared the burden of securing freedom and democracy. The Prime Minister and the President expressed their profound gratitude to those who sustain the Alliance, especially those Japanese communities that host U.S. Forces, and those Americans who, far from home, devote themselves to the defense of peace and freedom.

2. For more than a year, the two governments conducted an intensive review of the evolving political and security environment of the Asia-Pacific region and of various aspects of the Japan-U.S. security relationship. On the basis of this review, the Prime Minister and the President reaffirmed their commitment to the profound common values that guide our national policies: the maintenance of freedom, the pursuit of democracy and respect for human rights. They agreed that the foundations for our cooperation remain firm, and that this partnership will remain vital in the twenty-first century.

The regional outlook

3. Since the end of the Cold War, the possibility of global armed conflict has receded. The last few years have seen expanded political and security dialogue among countries of the region. Respect for democratic principles is growing. Prosperity is more widespread than at any other time in history, and we are witnessing the emergence of an Asia-Pacific community. The Asia-Pacific region has become the most dynamic area of the globe.

At the same time, instability and uncertainty persist in the region. Tensions continue on the Korean Peninsula. There are still heavy concentrations of military forces, including nuclear arsenals. Unresolved territorial disputes, potential regional conflicts, and the proliferation of weapons of mass destruction and their means of delivery all constitute sources of instability.

The Japan-U.S. Alliance and the Treaty of Mutual Cooperation and Security

4. The Prime Minister and the President underscored the importance of promoting stability in this region and dealing with the security challenges facing both countries.

In this regard, the Prime Minister and the President reiterated the significant value of the Alliance between Japan and the United States. They reaffirmed that the Japan-U.S. security relationship, based on the Treaty of Mutual Cooperation and Security between Japan and the United States of America, remains the cornerstone for achieving common security objectives and for maintaining a stable and prosperous environment for the Asia-Pacific region as we enter the 21st century.

(a) The Prime Minister confirmed Japan's fundamental defense policy as articulated in its new "National Defense Program Outline" adopted in November 1995, which underscored that the Japanese defense capabilities should play appropriate roles in the security environment after the Cold War. The Prime Minister and the President agreed that the most effective framework for the defense of Japan is close defense cooperation between the two

countries. This cooperation is based on a combination of appropriate defense capabilities for the Self-Defense Forces of Japan and the Japan-U.S. security arrangements. The leaders again confirmed that U.S. deterrence under the Treaty of Mutual Cooperation and Security remains the guarantee for Japan's security.

(b) The Prime Minister and the President agreed that continued U.S. military presence is also essential for preserving peace and stability in the Asia-Pacific region. The leaders shared the common recognition that the Japan-U.S. security relationship forms an essential pillar which supports the positive regional engagement of the U.S.

The President emphasized the U.S. commitment to the defense of Japan as well as to peace and stability in the Asia-Pacific region. He noted that there has been some adjustment of U.S. forces in the Asia-Pacific region since the end of the Cold War. On the basis of a thorough assessment, the United States reaffirmed that meeting its commitments in the prevailing security environment requires the maintenance of its current force structure of about 100,000 forward deployed military personnel in the region, including about the current level in Japan.

(c) The Prime Minister welcomed the U.S. determination to remain a stable and steadfast presence in the region. He reconfirmed that Japan would continue appropriate contributions for the maintenance of U.S. forces in Japan, such as through the provision of facilities and areas in accordance with the Treaty of Mutual Cooperation and Security and Host Nation Support. The President expressed U.S. appreciation for Japan's contributions and welcomed the conclusion of the new Special Measures Agreement, which provides financial support for U.S. forces stationed in Japan.

Bilateral cooperation under the Japan-U.S. security relationship

5. The Prime Minister and the President, with the objective of enhancing the credibility of this vital security relationship, agreed to undertake efforts to advance cooperation in the following areas.

(a) Recognizing that close bilateral defense cooperation is a central element of the Japan-U.S. alliance, both governments agreed that continued close consultation is essential. Both governments will further enhance the exchange of information and views on the international situation, in particular the Asia-Pacific region. At the same time, in response to the changes which may arise in the international security environment, both governments will continue to consult closely on defense policies and military postures, including the U.S. force structure in Japan, which will best meet their requirements.

(b) The Prime Minister and the President agreed to initiate a review of the 1978 Guidelines for Japan-U.S. Defense Cooperation to build upon the close working relationship already established between Japan and the United States.

The two leaders agreed on the necessity to promote bilateral policy coordination, including studies on bilateral cooperation in dealing with situations that may emerge in the areas surrounding Japan and which will have an important influence on the peace and security of Japan.

(c) The Prime Minister and the President welcomed the April 15, 1996, signature of the Agreement Between the Government of Japan and the Government of the United States of America Concerning Reciprocal Provision of Logistic Support, Supplies and Services Between the Self-Defense Forces of Japan and the Armed Forces of the United States of America, and expressed their hope that this Agreement will further promote the bilateral cooperative relationship.

(d) Noting the importance of interoperability in all facets of cooperation between the Self-Defense Forces of Japan and the U.S. forces, the two governments will enhance mutual exchange in the areas of technology and equipment, including bilateral cooperative research and development of equipment such as the support fighter (F-2).

(e) The two governments recognized that the proliferation of weapons of mass destruction and their means of delivery has

important implications for their common security. They will work together to prevent proliferation and will continue to cooperate in the ongoing study on ballistic missile defense.

6. The Prime Minister and the President recognized that the broad support and understanding of the Japanese people are indispensable for the smooth stationing of U.S. forces in Japan, which is the core element of the Japan-U.S. security arrangements. The two leaders agreed that both governments will make every effort to deal with various issues related to the presence and status of U.S. forces. They also agreed to make further efforts to enhance mutual understanding between U.S. forces and local Japanese communities.

In particular, with respect to Okinawa, where U.S. facilities and areas are highly concentrated, the Prime Minister and the President reconfirmed their determination to carry out steps to consolidate, realign, and reduce U.S. facilities and areas consistent with the objectives of the Treaty of Mutual Cooperation and Security. In this respect, the two leaders took satisfaction in the significant progress which has been made so far through the "Special Action Committee on Okinawa" (SACO) and welcomed the far reaching measures outlined in the SACO Interim Report of April 15, 1996. They expressed their firm commitment to achieve a successful conclusion of the SACO process by November 1996.

Regional cooperation

7. The Prime Minister and the President agreed that the two governments will jointly and individually strive to achieve a more peaceful and stable security environment in the Asia-Pacific region. In this regard, the two leaders recognized that the engagement of the United States in the region, supported by the Japan-U.S. security relationship, constitutes the foundation for such efforts.

The two leaders stressed the importance of peaceful resolution of problems in the region. They emphasized that it is extremely important for the stability and prosperity of the region that China play a positive and constructive role, and, in this context,

stressed the interest of both countries in furthering cooperation with China. Russia's ongoing process of reform contributes to regional and global stability, and merits continued encouragement and cooperation. The leaders also stated that full normalization of Japan-Russia relations based on the Tokyo Declaration is important to peace and stability in the Asia-Pacific region. They noted also that stability on the Korean Peninsula is vitally important to Japan and the United States and reaffirmed that both countries will continue to make every effort in this regard, in close cooperation with the Republic of Korea.

The Prime Minister and the President reaffirmed that the two governments will continue working jointly and with other countries in the region to further develop multilateral regional security dialogues and cooperation mechanisms such as the ASEAN regional Forum, and eventually, security dialogues regarding Northeast Asia.

Global cooperation

8. The Prime Minister and the President recognized that the Treaty of Mutual Cooperation and Security is the core of the Japan-U.S. Alliance, and underlies the mutual confidence that constitutes the foundation for bilateral cooperation on global issues.

The Prime Minister and the President agreed that the two governments will strengthen their cooperation in support of the United Nations and other international organizations through activities such as peacekeeping and humanitarian relief operations.

Both governments will coordinate their policies and cooperate on issues such as arms control and disarmament, including acceleration of the Comprehensive Test Ban Treaty (CTBT) negotiations and the prevention of the proliferation of weapons of mass destruction and their means of delivery. The two leaders agreed that cooperation in the United Nations and APEC, and on issues such as the North Korean nuclear problem, the Middle East peace process, and the peace implementation process in the former Yugoslavia, helps to build the kind of world that promotes our

shared interests and values.

Conclusion

9. In concluding, the Prime Minister and the President agreed that the three legs of the Japan-U.S. relationship -- security, political and economic -- are based on shared values and interests and rest on the mutual confidence embodied in the Treaty of Mutual Cooperation and Security. The Prime Minister and the President reaffirmed their strong determination, on the eve of the twenty-first century, to build on the successful history of security cooperation and to work hand-in-hand to secure peace and prosperity for future generations.

April 17, 1996, Tokyo

Prime Minister of Japan

President of the United States

Source: Printed from Mike M. Mochizuki, ed., *Toward a True Alliance: Restructuring U.S.-Japan Security Relations*, Washington D.C.: Brookings Institutions Press, 1997, pp.203-08.

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BBC Summary of World Broadcasts

Beijing Review

Business Week

Central News Agency

The Daily Yomiuri

Defense News

The Economist

Far Easter Economic Review

FBIS

Jane's Defense Weekly

The Japan Times

The Japan Times Weekly

Jiji Press

Kyodo News Service, *Japan Economic Newswire*

Mainichi Shimbun

Nihon Keizai Shimbun

The New China News Agency

The New York Times

Renmin Ribao (People's Daily)

Reuters

Shiryô nitchû keizai

The South China Morning Post

Tokyo Shimbun

United Press International, UPI

U.S. News & World Report

Wen Wei Po

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IMAGE EVALUATION TEST TARGET (QA-3)

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