



Japan-China Relations: A New Dynamics

*Dr Jojin V. John**

During the second half of 2017, Japan-China relationship has witnessed an upswing. The improvement in relations featured an increase in top-level leadership meetings and high-level political and business exchanges. The political will to improve bilateral relations was high when Prime Minister Shinzo Abe and President Xi Jinping jointly characterised their latest meeting at Danang on November 11, 2017 as a “fresh start”. The statement is a testimony to the priority attributed to improving bilateral relations in a context where Prime Minister Abe and President Xi secured their respective political bases to rule for another five years. A key feature of the new dynamics in Japan-China relations is Tokyo’s changed attitude towards China’s Belt and Road Initiative (BRI) from ‘indifference’ to ‘endorsement’. Analyzing the latest Japan-China Summit and Japan’s changing approach to BRI, the article explains the new dynamics of Japan-China relation.

Japan-China Summit

On November 11, 2017, Prime Minister Abe and President Xi met on the sidelines of Asia Pacific Economic Cooperation (APEC) Summit in Danang, Vietnam. The meeting was the fifth summit between the two leaders. Like in Danang, all the previous meetings were organized on the sidelines of international diplomatic events. Despite being in power for the last five years, both leaders are yet to make a state visit.

After the summit, Prime Minister Abe said “President Xi said this meeting marks a fresh start of relations between Japan and China. I totally feel the same way.” Both leaders agreed that the “stable

development of China-Japan relations” is in the interest of both countries. They also agreed to put the bilateral relationship on better terms on the occasion of celebrating the 45th anniversary of the normalisation of diplomatic relations between Japan and China in 2017 and the 40th anniversary of the conclusion of the Treaty of Peace and Friendship in 2018. The two leaders shared the view that developing the economic relationship is one of the “most important foundations” in advancing bilateral relations. In this direction, both leaders have agreed to promote further cooperation in areas including finance, food trade, the environment and energy conservation, tourism, and the declining birthrate and ageing population.²

Two days after the summit with President Xi, Prime Minister Abe also met Chinese Premier Li Keqiang at the ASEAN regional summit in Manila. After the meeting, Premier Li said “while of course, we cannot deny the existence of some sensitive factors...I think both sides must work hard together to make the momentum of improvement in China-Japan relations into something solid.” On a positive note, Prime Minister Abe responded by saying, “I want us to strongly move forward the development of a strategic, mutually beneficial relationship.”³ Meeting between Prime Minister Abe and Premier Li was focused more on the economic dimension of bilateral relations. Both leaders agreed on strengthening coordination between Japan and China towards an early conclusion of a Regional Comprehensive Economic Partnership (RCEP) and the Japan-China-ROK Free Trade Agreement (FTA).⁴

The Japanese foreign ministry stated that at the summit, Prime Minister Abe and President Xi agreed to accelerate the talk for early implementation of a communication mechanism between the Chinese military and Japanese self-defence force to avoid unexpected situations. Following the cue from the summit, on December 6, 2017, Tokyo and Beijing “largely agreed on how to implement a maritime and aerial communication mechanism”.⁵ The mechanism once implemented will work as a hotline between defence officials of the two countries. The first agreement to create a hotline was signed in 2007. However, the discussion was stalled until 2015. On December 6, they agreed to “leave the geographical scope of the crisis management hotline undefined”.⁶ Until recently though, Tokyo and Beijing agreed on the structure of the mechanism, discussions have not been able to bridge the division on the geographic area covered.⁷ Tokyo’s position was that the waters and airspace around the Senkaku Islands (Diaoyu Island), which it administers, should not be subject to the mechanism, but Beijing opposed.⁸

According to the Japanese foreign ministry, in both meetings, Japan and China exchanged views on developments in the Korean peninsula and the two sides affirmed that the denuclearisation of the Korean Peninsula is a “shared goal”. At the summit with President Xi, Prime Minister Abe expressed the view that the “international community should maximise pressure on North Korea, and he requested further measures from China.”⁹ However, Chinese statements were silent on North Korea. Though Japan and China share the goal of denuclearisation of the Korean Peninsula, they differ in their approach. Japan has been vigorously pursuing a policy of “maximum pressure” closely aligned with the

United States. On the other hand, China has been advocating a peaceful settlement of the nuclear issue through political and diplomatic means.

While the summit articulated a positive trend in Japan-China relations, uneasy aspects were also reflected at the meeting. According to Chinese foreign ministry, President Xi stressed that “mutual trust” is the key to improve bilateral relations and expects Japan to “take more practical actions and adopt more specific policies to reflect the strategic consensus”. Beijing asked Tokyo to focus on pragmatic steps by “actively promote regional economic integration, and push cooperation within the framework of the “Belt and Road”.”¹⁰ The statement also reported that President Xi reminded Prime Minister Abe that Japan needs to properly handle difficult issues such as those related to history and Taiwan. Prime Minister Abe made the point that “there will be no genuine improvement in Japan-China relations without stability in the East China Sea”.¹¹

In a speech delivered at the third Japan-China CEOs Summit on December 4, 2017, Prime Minister Abe stated that “Japan and China maintain an inseparable relationship”.¹² Prime Minister Abe compared his summit with President Xi and Premier Li to that of Prime Minister Kakuei Tanaka’s summit meetings with Chairman Mao Zedong and Premier Zhou Enlai 45 years ago which led to the normalization of Japan-China relations. He also stated that his meeting with President Xi “truly marked a new start for Japan-China relations”, indicating the beginning of a new era in bilateral relations.

Media Response

The Japanese media, in general, viewed the meetings of Prime Minister Abe with President Xi and Premier Li as an indication of improving Japan and China relations and as successful in imparting further momentum to the bilateral relationship on a positive trajectory. Japanese media outlets across the political spectrum highlighted the necessity of improving Japan-China relations for regional stability. In this direction, they urged resumption of top-level political exchanges, which were suspended for the last five years. Leading Japanese newspaper *Mainichi Shimbun* in its editorial called the Abe-Xi Summit in Danang as “drastic change” from past bilateral summits.¹³ It observed that at the summit both leaders “enlivened the mood of friendship”, noting President Xi’s smile while shaking hands with Prime Minister Abe.

The left-leaning *Asahi Shimbun* reiterated President Xi’s comment, “fresh start” as its description of the summit.¹⁴ The newspaper urged both leaders to grab this window of opportunity created by their enhanced domestic power bases to overcome the long-held bitterness by materialising reciprocal state visits. The editorial urged Japan not to promote a “free and open Indo-Pacific” strategy as a rival to the “Belt and Road Initiative” and suggested that both countries to initiate a dialogue to find common ground for collaboration in both proposals. It reminded Japan that alliance with the US

and trilateral cooperation with the US and South Korea are vital for security but fall short of ensuring stability in the region.

In its editorial, the conservative-leaning Japanese newspaper *Yomiuri* urged Japan and China to collaborate in overcoming their differences for stability in Asia.¹⁵ The newspaper argued that it's important for Japan to be "properly involved" in China's Belt and Road Initiative in promoting openness, transparency and efficiency of these project. The newspaper stated that it's important not to overlook Chinese intrusion into the Japanese maritime domain and appreciated the prime minister's strong message to China at the summit on the East China Sea.

China's *Global Times* referred to Prime Minister Abe's statement following the meeting with Primer Li as a "rare constructive statement about China-Japan relations".¹⁶The newspaper stated that Prime Minister Abe has been "quite positive recently" in his outlook toward improving Japan-China ties. However, that was not without casting doubts over Tokyo's follow up. It cited the "up-swing" in US-China relations as the main reason for Abe's approach to improving relations with China. It also said that Abe is failing to rally other countries to contain China. It noted that even though there are positive gestures, both countries have differences on some issues. It urged Prime Minister Abe to seize the opportunity for improving relations with China.

Japan's Renewed Approach to China

Japan-China relations was at its lowest point during the first half of 2010s since both countries established diplomatic ties in 1972 following the dispute over Senkaku Island. Tokyo and Beijing abandoned the highest-level leadership meeting during this period. Prime Minister Abe and President Xi had their first Summit in 2014 on the sidelines of APEC meeting. Since then summit meeting and foreign ministerial meetings have been held every year. The frequency of high-profile meetings has increased in the second half of 2017.

A breakthrough in Japan-China relations was the Japanese participation in the first Belt and Road Forum in Beijing on May 14-15, 2017. The Japanese delegation was headed by Toshihiro Nikai, Secretary-General of the ruling Liberal Democratic Party (LDP). Apart from attending the forum, Mr. Nikai also had a meeting with President Xi. During the meeting, he handed over a personal letter from Prime Minister Abe.

Prime Minister Abe's enthusiasm in improving Tokyo's relations with Beijing was further reflected when he said, "Japan is ready to extend cooperation with the Belt and Road Initiative (BRI)", in a speech on 5 June 2017.¹⁷ He stated that the "One Belt, One Road Initiative holds the potential to connect East and West as well as the diverse regions found in between". However, Prime Minister Abe

laid three criteria for Japanese cooperation. First, "it is critical for infrastructure to be open to use by all, and to be developed through procurement that is transparent and fair." Secondly, the projects must be "economically viable". And lastly, projects "should be financed by debt that can be repaid" without damaging "the soundness of debtor nation's finances". He also said that he "would expect 'One Belt One Road' initiative will fully incorporate such a common frame of thinking, and come into harmony with the free and fair Trans-Pacific economic zone".

On the sidelines of Hamburg G20 Summit on July 8, 2017, Prime Minister Abe had his fourth Summit with President Xi, where both leaders affirmed the significance of building a "stable relationship" between the two countries. They also recognized the need to "possess a sense of responsibility and mission" and shared the view that even though there are various political challenges between the two countries, it should not hamper other dimensions of bilateral relations. They insisted that "economy should be dealt purely as economic issue and people-to-people exchanges should be enhanced as it is".¹⁸ During the meeting, Abe described "One Belt One Road Initiative" as a "vision with potential" and repeated his willingness to cooperate.¹⁹

In a gesture, Prime Minister Abe attended a function marking the 68th anniversary of the founding of the People's Republic of China and the 45th anniversary of the normalisation of the diplomatic relationship between China and Japan on September 28, 2017 in the Chinese Embassy in Tokyo. Prime Minister Abe was the first Japanese leader to attend such a ceremony in the last 15 years.²⁰ On the occasion of celebrating the 45th anniversary of normalisation, Prime Minister Abe and Premier Li also exchanged congratulatory messages, a gesture that has not happened between leaders at the highest level in a decade.²¹

In an attempt to take the bilateral relation to a different level Prime Minister Abe in a speech on December 4, 2017 promoted the idea of joint business projects in third country by Japanese and Chinese private companies. Prime Minister Abe said that he has "a shared understanding" on this matter with President Xi and Premier Li. He added that under a "Free and Open Indo-Pacific Strategy, Japan can cooperate significantly with China which has put forward the One Belt, One Road initiative."²²

In this direction, Japanese government signalled its intention to support private sector partnership within BRI financially. The Japanese proposal is to provide financial backing, such as loans through government-backed financial institutions. The Japanese government has identified the "green" sector, industrial modernisation and logistics as areas for partnership. In the "green sector", focus is on the production of alternative energy sources including solar and wind, and clean coal power technology. Up-gradation of industrial parks and power grids are the focus for industrial modernisation projects. On logistics, joint projects in the transportation corridor between China and Europe has identified as a promising area of cooperation.²³

Japanese government's changing approach to BRI is indicative of the growing interest of Japanese companies in exploiting the business opportunities in BRI projects. In July 2017, Japanese business lobby, the Japanese Chamber of Commerce and Industry in China had set up a liaison office in Beijing with the aim of sharing information among member companies.²⁴ In August 2017 Japanese logistics company, Nippon Express teamed up with Kazakhstan's national railway company Temir Zholy to transport cargo from China's east coast, through Central Asia and on to Europe.²⁵

Japanese business has also shown a renewed interest in doing business recently after several years of shifting away from China. Japanese FDI to China in 2011 was \$12.6 billion and \$13.4 billion in 2012. In 2013 it reduced to \$9.1 billion and \$8.6 billion in 2016.²⁶ A major factor contributing to the "China risk" was political. Other factors, including high production costs due to increase in labor cost and slowing down of the Chinese economy, diminished the attractiveness of China as the "world's factory".²⁷

The renewed business interest is also motivated to cash in on a new trend in the Chinese market which is the rising demand for high quality products with the increase in purchasing power of Chinese consumers with rising income. A survey conducted by Japan External Trade Organization found that 40% of Japanese companies with operations in China plan to expand their operations there in the next one to two years, up 2 percentage points from a similar survey in 2015 and the first increase in three years.²⁸ In 2016, there were about 32,313 Japanese firms operating in China. The visit of a 250 member delegation of Japanese businessmen to Beijing in November 2017 is also indicative of the improving relationship between the two countries. The delegation was the first of its kind in the last two years and the largest ever.

Conclusion

As pointed out by Prime Minister Abe on December 4, 2017, the reality of Japan-China relationship is "inseparable". It is a relationship that features a high level of economic interdependence. However, it is marred by high-level of trust deficit and conflict over territory and interpretation of history. It is also characterized by competition in Asian leadership and diplomatic influence. It is a fact that the "Rise of China" will continue to produce security and diplomatic challenges to Japan though that will not make Tokyo shy away from benefitting through economic opportunities. The Japanese approach is to manage "China's Rise" and to mitigate the negative consequences of it by a hedging strategy involving internal and external balancing, engaging with China and building partnerships with other countries. Given the high level of sentiments associated, Japan-China relations are also subject to domestic political manipulation. Taking all these factors into account along with their geographical and cultural proximity, the narrative of Japan-China relations will be multidimensional, featuring episodic warm, cold and conflict phases.

The recent trend suggests that the Japan-China relation is entering a phase of bonhomie. Following the victory in the November election, the new Abe administration identified revitalisation of the Japanese economy as its number one priority. Considering his consolidated position in Japanese domestic politics, Prime Minister Abe is less constrained to invest more political capital in pushing cooperation with China. Business opportunity in BRI would be a logical step on the part of Abe especially in a context where the Trans-Pacific Partnership (TPP) Agreement could not materialise. A significant part of Abe's economic strategy (called Abenomics) emphasises boosting access to foreign markets to breathe life into the stagnating Japanese economy.

A significant problem that hindered Japan-China relation was the lack of trust between Japanese and Chinese leaders. The emergence of a new leadership in China could help lessen this gap. The elevation of Wang Yang, Vice Premier for external trade, as the fourth-ranking member of the Communist Party of China's Political Bureau Standing Committee, and the promotion of State Councilor Yang Jiechi as a member of the Politburo, are viewed positively in Japan.²⁹ Vice Premier Wang, a committed economic reformer, is known to have strong connections with Japan. Councilor Yang in his capacity as Beijing's top diplomat was the main person dealing with Japan-China relations in the absence of top leadership meetings in the post-2012 scenario. Yang also has strong connections with Japan. On the promotion of Yang, the first top diplomatic official in Beijing to the Politburo in the last fifteen years, a Japanese Foreign Ministry person said: "Yang has made his utmost efforts to improve relations between Japan and China."³⁰

* Dr Jojin V. John, Research Fellow, ICWA, Indian Council of World Affairs, New Delhi.

Disclaimer: The views expressed are that of the Researcher and not of the Council.

Endnotes

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