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## S U M M A R Y

The rapid deterioration in Sino-Japanese relations in recent years has raised geopolitical tensions in East Asia and could embroil China and Japan in a dangerous strategic conflict that could be threatening to U.S. interests. China's rise, Japan's growing assertiveness in foreign policy, and new security threats and uncertainties in Asia are driving the two countries increasingly further apart. Political pandering to nationalist sentiments in each country has also contributed to the mismanagement of bilateral ties. But Japan and China are not destined to repeat the past. Their leaders must ease the tensions, restore stability, and pursue a new agenda of cooperation as equals. For its part, the United States must play a more positive and active role. ■

## Simmering Fire in Asia: Averting Sino-Japanese Strategic Conflict

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Chauvinistic textbooks, provocative visits to war shrines, submarine incursions, dueling claims to natural gas deposits—these are some of the developments that have shaken Sino-Japanese relations in recent months. With growing intensity, Japan and China perceive each other as hostile, even threatening, thus increasing the potential for a major geostrategic eruption in East Asia. Historical animosities, crass political calculation, competing economic interests, and uncertainty about the larger strategic environment magnify mutual distrust. As China's power grows and Japan continues to reacquire many of the diplomatic and military features of a “normal” nation, the Sino-Japanese relationship could deteriorate much further in the years ahead. Pent-up suspicion, hatred, and fear could push Japan and China into a serious confrontation over political and economic influence in Asia, which would threaten regional stability and undermine U.S. interests.

For the moment, the vibrant Sino-Japanese commercial relationship has remained unharmed despite the political hostility. Economic interests arguably serve as brakes to the deterioration of the relationship, but history shows that close and interdependent economic ties do not guarantee modera-

tion and mutual restraint in the face of deepening suspicion, acrimony, and distrust. It could be only a matter of time before the booming trade and investment between Japan and China fall victim to the escalating diplomatic and security tensions. Beijing and Tokyo must undertake more concerted actions to forestall a disastrous collapse of ties.

Although the United States has so far carefully stayed out of the fray, Washington's policy toward Japan and China is one of the principal factors influencing the strategic calculus of Chinese and Japanese leaders. Indeed, U.S. behavior has contributed to Sino-Japanese tensions in some respects. At this delicate—and historic—moment, the United States must act more decisively to reverse the destructive geopolitical dynamics between China and Japan. Strong, evenhanded U.S. support for a cooling-off period, followed by several concrete initiatives designed to address some of the key sources of the dispute, can significantly reduce the chances of a full-blown strategic conflict emerging in the near future.

### **The Shadow of History and Geopolitics**

It is easy for casual observers to blame the recent escalation in Sino-Japanese tensions on



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a series of unconnected missteps taken by each country, especially by China, since the late 1990s. (Some of the most recent incidents are described in the box on page 5.) In truth, the intensifying Sino-Japanese discord is driven both by larger historical factors and by East Asia's changing strategic balance. World War II and the Cold War left the Sino-Japanese rivalry unresolved. Japan's surrender in 1945 did not bring about regional reconciliation or integration in East Asia, or a common and thorough acceptance within Japan of the ravages perpetrated by the imperial regime. Although most Japanese citizens supported the U.S.-created peace constitution and vowed never again to engage in warfare, the values, perceptions, and leaders of the period of imperial expansion were not categorically repudiated, as their fascist counterparts had been in Europe. This was partly the result of U.S. decisions to retain the emperor and permit politicians and bureaucrats associated with the imperial wartime regime to regain positions and organize political parties in the "new" postwar Japan. More broadly, postwar Japanese society did not entirely jettison its distorted self-image of Japan as a struggling Asian nation beset by Western imperialists and eventually forced into a defensive war. Many Japanese also prefer to see themselves as victims of the war and not as aggressors, largely as a result of the nuclear bombing of Hiroshima and Nagasaki. Moreover, the Communist victory in China in 1949 created lasting geopolitical divisions between the two Asian powers that made reconciliation even more difficult. In order to strengthen their own nationalist credentials, the leaders of the Chinese Communist Party (CCP) deliberately sought to sustain and strengthen a public image of Japan as a potentially aggressive, militaristic nation.

During the Cold War, the U.S.-Soviet strategic conflict in East Asia not only overshadowed but effectively sublimated the unresolved Sino-Japanese dispute. Shielded by its security treaty with the United States and constrained by its pacifist constitution, Japan was preoccupied with economic

rebirth, while China remained isolated internationally and engulfed internally in political radicalism. Although China and Japan restored diplomatic relations in 1972, genuine reconciliation remained elusive. This is not to say that Chinese and Japanese leaders made no efforts to reconcile. Indeed, for nearly two decades following diplomatic normalization, the so-called peace and friendship paradigm dominated ties between Beijing and Tokyo, with leaders in both countries repeatedly reaffirming their commitment to maintaining good relations with each other. To shore up bilateral relations, Japan began to provide substantial economic aid to China, which, for its own reasons, viewed such aid as a substitute for war compensation. Until recent years, the majority of Japan's citizens repeatedly indicated in opinion polls that they did not regard China as a serious threat.

But beyond the official rhetoric about friendship and Japanese economic aid and strategic complacency toward China, it was hard to detect mutual trust and respect at either the national or individual citizen level. China kept warning about a possible revival of Japanese militarism and attempted to play on Japanese war guilt to obtain concessions, while many Japanese elites, though profoundly skeptical of China's ability to achieve real economic modernization, were equally uneasy about a potentially strong China. Indeed, neither country appeared ready to embrace the other as an equal partner in sharing regional security and economic responsibilities.

## Factors in the Renewal of Sino-Japanese Antagonism

### Diverging Fortunes

The end of the Cold War completely transformed the strategic landscape of East Asia. Ironically, while the 1990s saw the deepening of cultural and economic exchanges between China and Japan, in retrospect the expansion of such ties had no effect on the underlying sources of mutual suspicion and antipathy. In the fluid strategic context following the end of the Cold War, two developments

converged in East Asia and, after a decade, contributed in several ways to a rekindling of Sino-Japanese animosities.

First, the relative balance of power between China and Japan underwent a dramatic shift in the 1990s. The Chinese economy began its rapid takeoff, while the Japanese economy descended into a decade of stagnation. As Table 1 on page 6 shows, the fortunes of the two countries diverged so quickly that after a single decade the difference was enough to shift the regional balance of power and affect Sino-Japanese relations. Even though Japan remained well ahead of China in absolute economic and technological capabilities, China was narrowing the gap at an impressive pace. This trend led to an adjustment of geostrategic calculations. The strategic value of Japan, which Beijing had admired as a model of economic modernization in the 1980s, declined dramatically. At the same time, fearful of containment by the United States, Chinese leaders began to focus on steadying their volatile relations with Washington. Unfortunately, this obsession with Sino-American relations led Beijing to become insensitive to Japan's concerns about China's rise. From a strategic perspective, Beijing should have addressed such concerns and sought to improve relations with Tokyo, in order to loosen—if not weaken—the U.S.-Japanese alliance. Instead, Beijing's neglect and mismanagement of its Japan policy, most visible in the ever more frequent eruptions of previously contained disputes over history and territorial issues, began to make Japanese elites and the Japanese public alike feel increasingly suspicious of Chinese intentions and resentful toward Beijing's heavy-handed approach toward Tokyo.

Occasionally showing awareness of the drift in its Japan policy, Beijing would offer overtures to the Japanese, as when Premier Zhu Rongji traveled to Tokyo in 2000 on a mission of "smile diplomacy." By and large, however, such gestures were often belated and insufficient to counter the corrosive effects produced by a misguided Japan policy. Beijing underestimated Tokyo's strategic value

to China, tended to sacrifice long-term benefits from good ties with Japan to domestic political considerations, and habitually dismissed Japanese sentiments. Especially worth noting is the so-called patriotic education campaign launched by the CCP in the 1990s as part of its efforts to bolster its political legitimacy; this campaign focused heavily on the traumatic and bloody struggle against the Japanese invasion in World War II. It is debatable whether the Chinese government had a specific agenda of demonizing Japan through the patriotic education campaign, but it is undeniable that the campaign fanned anti-Japanese nationalist sentiments among the Chinese public, especially China's younger generation.

In retrospect, the 1990s were a lost decade for China in redefining its relations with Japan. Had China proactively reached out to a Japan mired in economic stagnation, political self-doubt, and strategic uncertainties about its future relationship with the United States, Beijing could have greatly strengthened its ties with Tokyo and reshaped East Asia's geopolitical landscape.

#### **Japan's New Political Landscape**

A second factor that has contributed to troubled Sino-Japanese relations is the transformation of Japan's domestic political landscape. Since the mid-1990s, the political strength of the pacifist movement has declined dramatically. The new electoral system and campaign finance reforms have weakened the power of party factions and given the prime minister more influence, especially in parliamentary election campaigns. The prime minister's authority in national security decision making has also been significantly enhanced by various administrative reforms introduced in 2001. Moreover, domestic public opinion shifted to the right in the 1990s, enabling leading national security hawks, such as Shintaro Ishihara (the governor of Tokyo Prefecture) and Shinzo Abe (chief cabinet secretary and a likely successor to incumbent prime minister Junichiro Koizumi), to provoke and take advantage of a rising populist nationalism,



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thereby becoming influential voices on foreign policy issues. Public opinion polls indicate a decline in pacifist sentiment and an increase in support for a more robust national security policy. Most polls show that a small plurality remains opposed to the revision of Article IX of the postwar constitution (which renounces war and armed forces). However, increasing numbers of Japanese lawmakers favor revision of the pacifist constitution. In the 1990s, the perception of external military threat among the Japanese public grew more acute, particularly after North Korea tested long-range missiles in 1998.

These changes in Japanese politics and public opinion directly affected Japan's policy toward China. The late 1990s saw the ascendance of the Mori faction within the Liberal Democratic Party (LDP), the power base of Prime Minister Koizumi. With some excep-

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tions, this faction favors a robust security policy and is more skeptical toward China than other segments of the LDP. At the same time, the influence of pro-China politicians and foreign ministry bureaucrats waned. Powerful LDP politicians who had engineered normalization with China and sustained political support for warmer Sino-Japanese relations passed from the scene.

The emerging, younger generation of political elites in Japan, especially members of the Diet, are more willing to confront China. Senior Japanese politicians have grown more defiant toward China, especially on that most sensitive issue, history. Prime Minister Koizumi's visits to the Yasukuni Shrine (which memorializes Japan's war dead and enshrines senior Japanese war criminals), made despite Beijing's warnings,

may typify such defiance. In the last twenty years, only three sitting prime ministers visited the shrine, once each. But during Koizumi's four years in office, he has made five visits. The defiant stance adopted by Koizumi and other Japanese political elites on the issue of the Yasukuni Shrine is all the more noteworthy because, as polls consistently show, Japanese public opinion remains evenly divided on whether Koizumi should visit the shrine. Koizumi persists with such visits—despite their hugely adverse impact on relations with China and South Korea—largely because he believes he is simply honoring Japan's war dead, not specifically the war criminals, and perhaps because he believes that China and South Korea will eventually accept the visits, as they apparently have done at times in the past. Such persistence also derives from Koizumi's personal emphasis on consistency and steadfastness, qualities apparently admired by much of the Japanese public.

The specific incidents that sparked the rapid deterioration of Sino-Japanese relations were, for the most part, unconnected, but cumulatively, they appear to have generated a vicious cycle that is driving China and Japan further apart.

### **A Two-Part Prescription for Better Relations**

With domestic political dynamics forcing the leaders in Tokyo and Beijing to take tough positions on the most sensitive bilateral issues—history, territorial disputes, and Taiwan—the diplomatic space for compromise and accommodation is severely constricted. Should the trend of escalating tensions persist, the vital interests of both countries will be severely damaged.

Yet even though the Sino-Japanese relationship is in trouble, two critical factors mitigate the risks of a genuine cold war. First, neither Beijing nor Tokyo is intentionally pursuing a policy of confrontation. Except for a minority of nationalist elites in each country, the political establishments in Japan and China want to stop the downward spiral because their top policy agenda is domestic economic reform, not regional expansion.

### Major Incidents in Sino-Japanese Relations, 2004–2005

- Both Japan and China claim rights to the natural gas deposits in the East China Sea, but have failed to resolve their dispute. Tensions escalated following exploratory operations by China in May 2004. Japan responded by allowing private Japanese companies to explore in contested areas in May 2005.
- At the Asia Cup soccer games in China in August 2004, Chinese fans booed the Japanese national team and threatened violence during the final game between China and Japan, causing a backlash against China among the Japanese public.
- In November 2004, a Chinese nuclear attack submarine accidentally intruded into Japanese territorial waters. China apologized after Tokyo protested to Beijing. Japan had previously protested against the intrusion by Chinese maritime research vessels into Japanese exclusive economic zones.
- In December 2004, Japan's National Defense Program Guidelines identified North Korea and China as threats.
- In 2005, Japan intensified its bid for a permanent seat on the United Nations Security Council. In China, ordinary citizens launched an Internet petition campaign against the Japanese bid, gathering more than 44 million signatures. The Chinese government also actively lobbied against Japan's efforts.
- In February 2005, the defense chiefs and foreign ministers of the United States and Japan issued a joint security declaration in Washington identifying the peaceful resolution of the Taiwan issue, for the first time, as a shared strategic objective. Beijing views this development as a breach by Japan of its One-China commitments and an indication of Japanese willingness to join the United States in a potential conflict over Taiwan.
- The Japanese Ministry of Education approved controversial new history textbooks for middle schools in April 2005. The new editions are viewed by China as attempts to whitewash Japan's wartime atrocities. Tens of thousands of Chinese took part in anti-Japanese demonstrations in several major cities, including Beijing and Shanghai, damaging Japanese diplomatic facilities and businesses. Many in Japan view the demonstrations as encouraged and orchestrated by the Chinese government.
- On May 23, 2005, Chinese vice premier Wu Yi suddenly canceled a scheduled meeting with Prime Minister Koizumi because Koizumi had publicly insisted, on May 20, on his right to visit the Yasukuni Shrine. The cancellation enraged many Japanese citizens and was viewed as a deliberate attempt to humiliate Koizumi.
- Prime Minister Koizumi visited Yasukuni Shrine on October 17, 2005, prompting Chinese protests and cancellation of a visit by the Japanese foreign minister to Beijing scheduled for late October.
- Prime Minister Koizumi reshuffled his cabinet on October 31, 2005, appointing Shinzo Abe as chief cabinet secretary and Taro Aso as foreign minister. Both Abe and Aso, foreign policy hawks, are strong contenders to succeed Koizumi. Their appointments, coinciding with Koizumi's remarks on the need to revise the constitution and a new U.S.-Japanese agreement on realignment of American military bases in Japan, caused deep worry in Beijing.

Second, both countries have an interest in maintaining their mutually beneficial commercial ties. Most Japanese and Chinese leaders understand the prohibitive costs should these ties collapse along with their political relations. The Chinese and Japanese governments should capitalize on these two factors to seek accommodation and gradually rebuild mutual trust. These objectives could be achieved through a two-step process: a cooling-off period followed by implementation of a new agenda for bilateral cooperation.

#### A Cooling-Off Period

Given the heightened tensions between Tokyo and Beijing, a cooling-off period, during which both sides refrain from provocative actions, is critical to restoring stability. China must show maximum good faith in seeking a mutually agreeable resolution to the disputes over the natural gas fields in the East China Sea. Deploying naval forces in the area, as it did in September 2005, is counterproductive. The latest three-part proposal by Japan for joint development of the fields represents new flexibility by Tokyo and should be taken seriously by Beijing. For his part, Prime Minister

Koizumi must acquire a deeper appreciation of the strategic stakes involved in relations with China and repair the damage caused by his ill-advised visits to the Yasukuni Shrine. With his landslide victory in the September 2005 parliamentary elections, he has enough political capital to take risks in improving ties with Beijing. China must also exercise restraint in protesting if such visits recur, because these protests could only backfire, as they have in the past.

#### A New Bilateralism

If China and Japan manage to stabilize their ties after a cooling-off period, they will then need to join with other Asian countries in tackling three long-term problems that deeply affect Sino-Japanese relations:

- **History.** Japan, China, and South Korea should establish a tripartite commission to examine the history textbooks used in all three countries and propose a set of standards to address the most contentious issues involving their content. China must significantly curtail the amount of cultural programming (especially film and television) devoted to the Japanese invasion of China because such programming, long a staple of anti-Japanese

**Table 1. Comparison of Development Levels between China and Japan**

	1990s		2000s		% change	
	CHINA	JAPAN	CHINA	JAPAN	CHINA	JAPAN
POPULATION (millions) (1990–2003)	1,135	124	1,288	128	13	3
TOTAL TRADE (billions current US\$) (1990–2003)	124	605	934	947	653	57
GROSS DOMESTIC PRODUCT (GDP) <i>per capita</i> (constant 2000 US\$) (1990–2003)	364	33,252	1,067	38,222	193	15
PATENT APPLICATIONS (thousands) (1996–2002)	53	401	181	487	242	21
RESEARCH & DEVELOPMENT EXPENDITURE (% of GDP) (1996–2002)	0.60	2.78	1.22	3.12	103	12
PERSONAL COMPUTERS (per 1,000 people) (1990–2002)	0.4	59.9	27.6	382.2	6,800	538
MOBILE PHONES (per 1,000 people) (1990–2003)	0.02	7.02	215	679	1,074,900	9,572
TELEVISIONS (per 1,000 people) (1990–2002)	156	611	350	785	124	28

Source: The World Bank, 2005 *World Development Indicators*.

propaganda, is backward looking and needlessly fuels public hostility toward Japan. For Tokyo's part, it should categorically repudiate the highly distorted version of history that is presented in the museum section of the Yasukuni Shrine.

- **Energy.** Japan and China are engaged in a costly competition for energy resources. As major energy importers, Japan and China share similar interests in secure and cheap supplies of hydrocarbons and in efficient technologies. Along with other Asian nations and the United States, Beijing and Tokyo should form a regional energy consortium to avoid costly competition and use their collective bargaining power to mutual advantage. As the world's most efficient energy user, Japan has a lot to offer to China as well.

- **Security.** Beijing must take Tokyo's concerns about China's military modernization seriously. At the same time, Tokyo needs to reassure Beijing of its commitment to a "One China policy" and both Tokyo and Washington should avoid unnecessarily damaging relations with China in the future by publicly associating Taiwan with the strategic objectives of both countries, as occurred in the February 2005 joint declaration (see box on page 5). China and Japan, with the support of the United States, need to initiate a Northeast Asia security dialogue as part of a larger exploration of a possible regional security framework.

### **Wanted: U.S. Leadership and Mediation**

The stakes for the United States in the renewed Sino-Japanese rivalry in East Asia are huge. It is not in Washington's interest for Asia's two most powerful and influential states to be locked in an emotionally charged, deteriorating relationship that could disrupt regional growth and stability and even increase the chances that a new cold war would develop in the region. A deepening Sino-Japanese rivalry would severely limit U.S. flexibility and might eventually drag the United States into a confrontation, or even a conflict, with China, especially if Tokyo became even more closely tied to Washington. More broadly, an intensified rivalry could divide Asia by driving a wedge between the United

States and Japan on one side, and China and much of the rest of Asia on the other.

Yet to some extent, the United States' relatively unsophisticated effort to encourage Japan to take a more activist regional and global security role, combined with its poorly handled response to China's growing regional presence and military capabilities, has contributed to the worsening Sino-Japanese dispute. Washington must give far more thought to how its effort to

## The United States should declare its opposition to worsening Sino-Japanese relations and influence both Tokyo and Beijing to establish a cooling-off period.

position Japan as a full-blown security partner in Asia influences China's (and other countries') security concerns. It must also pay closer attention to how the Pentagon's sometimes alarmist message regarding China's growing military capabilities affects Japanese politics and policy making. If the United States does not take pains to moderate the dispute between Beijing and Tokyo, many in Asia will conclude that Washington welcomes Sino-Japanese tension as a way to draw Tokyo into a U.S. strategy of containing China. Such a stance by the United States would be widely seen as dangerous, and for good reason.

The United States should declare its unambiguous opposition to worsening Sino-Japanese relations and exert its considerable influence with both Tokyo and Beijing to establish a cooling-off period, revise how Japan, South Korea, and China have depicted each other in their respective historical narratives, form a regional energy consortium, and establish a Northeast Asian security dialogue. Before undertaking such an intervention, however, Washington should first consult privately with both sides, especially with Tokyo. It is particularly important for the United States not to blindsides a close ally on such a sensitive issue. These steps, difficult but not

impracticable, would not lead to a Sino-Japanese honeymoon, but they would go a long way toward defusing the tensions that have brought the two East Asian giants to the brink of prolonged confrontation. ■

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