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TRANSCRIPT

Event

"China's Power: Up for Debate 2026
Debate II: De-escalation Between China and Japan Back to the Levels Seen Prior to November 2025 is Impossible Within the Next Five Years"

DATE

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FEATURING

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Bonny Lin: OK, folks, we're going to get started very shortly.

Great. I'm very grateful that we have two leading experts on Japan to join us for this second debate. The topic that we will be debating for this one is relations between China and Japan.

Sorry, I think the first part of the – is covered over there. One second.

OK. Thank you. There we go.

"De-escalation Between China and Japan Back to Levels Seen Prior to November 2025 is Impossible Within the Next Five Years."

And debating for that proposition is Sheila Smith to my left. She is the John E. Merow Senior Fellow for Asia Pacific Studies at the Council on Foreign Relations, and she's currently also a visiting professor at Georgetown University. Sheila joined CFR from the East-West Center in 2007, where she directed a multinational research team and a cross-national study of the domestic politics of the U.S. military presence in Japan, South Korea, and the Philippines.

Arguing against Sheila is Professor Yasuhiro Matsuda, who was here with us yesterday. He is professor of international politics at the Institute for Advanced Studies on Asia at the University of Tokyo. He spent 16 years at the National Institute for Defense Studies with the Japanese Ministry of Defense. And as I mentioned yesterday, we're really grateful that Professor Matsuda came all the way from Tokyo to join our conference.

So before we begin this debate, again, we're going to ask the audience to vote if you agree with whether it's possible to de-escalate or not de-escalate in the next five years.

(Pause.)

I didn't give any context for this, but I'm assuming most folks know that China-Japan relations has really hit quite a low since late last year in response to I think China's overreaction to Japanese Prime Minister Takaichi's statement regarding Taiwan.

But I think – I didn't want to mention this because I feel like I want to leave a lot more of the discussion to our two speakers here, but I think most folks probably understand that context in your voting.

OK. So I think, similar to Brian, Sheila, you will have a more difficult role. We're seeing 45 (percent) or 44 percent of the audience agree with the

proposition that it will be hard to or nearly impossible to return to prior levels in the next five years, and 56 (percent) disagree with this.

So with that, Sheila, let me turn the floor to you, and I'm sure you'll cover this, but maybe a little bit more explanation of what's happening, what's driving this.

Sheila Smith: OK, absolutely. I'll do my best.

I want to thank you for having me. It's always a pleasure to be – am I on? I'm not on. Am I on now?

Dr. Lin: Now you're on.

Dr. Smith: I'm on. Thank you.

It's always a pleasure to be at CSIS, and I love the project that you do here on China, so I'm here to learn as much as everybody else in the room.

I have a little bit of work to do, apparently, according to your viewpoints. So let me – let me do my best.

So when I was given the position of pro and I looked at the statement that Bonny presented to us, there were three things that stood out to me.

First is, what do we mean by de-escalation, obviously, and then the other is levels prior to 2025 – November 2025 – what do we mean by that – and also this prospect of the next five years. So I'm going to basically give you some thoughts on those three, focusing in on those three parts of the statement.

So Japan – I wrote a book in 2015, "Intimate Rivals," that looked at the Sino-Japanese relationship, largely, from the perspective of Japanese politics and looking outwards, and looking at the way the rise in Chinese influence was shaping the political debate in Japan about this rising China.

And so for me at that point in time, it was very clear that the structure of the relationship was changing. Obviously, the power structure was changing, right? The economic – the idea that economic integration or economic interdependence was the ballast for the political tensions in the relationships, which we all know have been there for a long time. This is not a new thing in the Sino-Japanese relationship that these tensions arose.

And so I have this idea already that coming into the 21st century, we're witnessing a significant shift structurally in the – in the Sino-Japanese relations. So for me, this idea of de-escalation since November is an

important piece, and I'll get down into the nitty-gritty of last November and the prime minister's statement in a second.

But the resumption post-crisis of a normalized Sino-Japanese relationship is a pattern in the relationship, and that's a pattern that's been with us now for several decades. Crises – political crises, then recovery, negotiation, and the process of that takes time, and it has in the past taken time.

So my first piece is leaders first have to decide – and this is particularly true in the era of Xi Jinping in China. There is a summitry piece of the puzzle. There's a work by diplomats to get to a leaders summit. There is then the acknowledgement that the Sino-Japanese relationship is valuable to both sides, and then there's a greenlight for problem solving in a variety of different ways, right?

So the leader-led process of recovery to this is really important, one of the important pieces of the puzzle. Without Xi Jinping's endorsement, without Takaichi-san's endorsement, the mutually beneficial relationship based on common strategic interests, which is the framework that was negotiated back in the early 2000s – that is the common reference point for the Sino-Japanese relationship diplomatically – getting back to that is going to need the imprimatur of leader approval.

So the worst crisis we have to date, the model that I'm going to share with you, is the 2010 to 2012 crisis over the Senkaku or, Diaoyu if you're on the Chinese side of the dispute – the territorial dispute over the islands. That is the worst crisis that we've seen between the two countries of late, and I think, I would say, in the post-war period.

Abe was elected prime minister in late 2012 based on the tensions with China. It was a Chinese propeller aircraft – surveillance aircraft – that flew over the Senkaku Islands, and just at the moment when the leadership election of the LDP was taking place. And I'm not saying that's what voted Abe into power, but it is not insignificant that the pressure from China influenced the way in which the LDP chose its leader.

Abe was – you know, so Abe came into power late 2012, right? He visited Yasukuni Shrine in December 2013 because there had been no movement in Sino-Japanese relations. In fact, Beijing was resistant to dealing with Abe at the time.

Many people saw Abe's visit to Yasukuni not just simply about his own ideology but also as if China's not going to engage in a constructive dialogue, then I'm going to go to Yasukuni. So there's an interpretation here, and I'm going to alert you to the interpretation, but I think it's a valid one.

And then finally, you get the very uncomfortable, you know, handshake with Xi Jinping and Abe at the APEC meeting in 2014, and then, ultimately, you get the summitry that I referenced earlier that has Abe going to Beijing in October of 2018.

That timeframe matters for the five-year proposal that the – my position holds, right? So it took from basically 2010 to 2018 to reset the relationship and that's the language that Xi Jinping and Abe used during his – Abe's visit to Beijing and it, again, endorsed this idea of a mutually beneficial relationship based on common strategic interest.

It also, in that statement, included a reference that says neither country or both countries agree to never pose a threat to the other, and I think that language is really important in understanding where we are today, especially based on the comments about Taiwan last November.

So that's my first point is de-escalation takes time. It has to be led by the – at the top of the governments of both countries, and it is going back to this common framework that has been carefully negotiated several decades ago.

Now, the levels prior to November 2025, I just want to point out that, you know, October 2025 was not a high point in Sino-Japanese relations, right? There was a recovery, slow – a slow boiling, simmering dispute going on about aquatic products and the potential pollution of the waters around Japan. It was strained but not at crisis mode, but it wasn't a high point in the relationship.

So I'm not sure we should aim for the pre-November 2025 level of Sino-Japanese relations, but it's important to understand that it wasn't a huge dip. But it was an important shift after Takaichi-san made her comments in the Diet.

There's a new dimension, right, to the Sino-Japanese relations that weren't there in the Senkaku crisis and I think it's worth pointing out, and that is that there's been a series of incidents within China that have affected Japanese nationals. This has also had a considerable impact on public opinion in Japan, which is also quite skeptical about China or the Chinese government and its intentions.

There have been arrests of Japanese accused of espionage and other offenses. There's also been physical attacks, crimes against Japanese nationals on Chinese soil including one death.

The other thing that's changed since the Abe-Xi period are military exercising, and there you've got a frequency of exercising and a qualitative uptick in the – in the Chinese capabilities that are brought to bear in the

exercising that's not just East China Sea. It's not just in and around the southwestern islands, but now also includes the Western Pacific.

So what I expect you're going to hear by the end of this year is that Pacific defense will be part of Japan's new concept of its own need for defense capabilities. Largely, this is based on Chinese activities and the uptick in those activities, and don't forget that both maritime and air exercises in and around Japan now every now and then include the Russians, right?

So you have a very different threat environment, largely led in the perception of the Ministry of Defense or the Japanese government by Chinese capabilities, but not – it's not inconsequential that Russia has joined in.

So let me just address the last five years part, the timeframe that Bonny has set out for us to discuss, and then I'll turn it over to Matsuda-sensei.

I think the incentives for a very heavy diplomatic lift, which is I think what this would take – it would take the similar kind of Xi-Takaichi effort to get to the place where I think we were hoping the Sino-Japanese relationship will end up – the incentives are lower than they were when Abe Shinzo was prime minister, and I have several reasons for that.

The heart of this crisis and the statement made by the Japanese prime minister in the Diet last November – and I'm not going to parse her language or anything like that, but what I want to make clear that we all understand is her comments in the Diet had less directly to do with China and far more to do with the operation of the U.S.-Japan alliance.

Now, the premise of the question that Okada Katsuya posed to her was if Beijing initiated the use of force would the Japanese government see this as a survival of Japan scenario. And, again, this is Japanese law, right? And that basically would allow Japan to operate – Japan's military to operate alongside other national militaries, first and foremost, obviously, the United States.

So her comments in the Diet were basically about such a scenario, first, but secondly, the implementation was about the U.S.-Japan alliance and that's really important to understand. What she said is Japanese policy, although there is a political interpretation, right, of the sequencing of events in any contingency, but it's largely premised on existing policy.

President Xi's position on Taiwan we all know, this audience knows, is a very clear position. It has been defined as a core interest by the Chinese since the normalization of our relationship with China, but certainly since the normalization of the Japanese relationship with China.

So you have two countries, two leaders, here who are in a position where compromise – political compromise – is unlikely, given the nature of the issue that is under debate. A lot of people like to say, well, Prime Minister Takaichi is stubborn. She's not going to push back. But I think that's a misunderstanding of the situation.

I think the policy that she outlined is Japanese defense policy and it's based on the presumption that the Japanese would be asked to fight alongside the U.S. military should there be a contingency across the straits. So I think the incentives are low for compromise on the issue specifically. I think the disincentives for compromise may be higher than the Abe-Xi era.

The global geopolitical shift we don't need to talk about; I'm sure you guys have talked about it at length this morning. But in particular, the China-Russia relationship and the way in which the international order is being challenged is a serious risk for Japan, right?

So we're in a very different moment than I think we were a decade or so ago. But the opportunities for serious challenge here are not only going to affect Japan's defenses but they're going to affect a whole host of interests in the region. So compromise on the part of any Japanese prime minister, whether it's Takaichi or her successor, I think would be very hard here.

Politically – and I think a lot of people miss this when they look at Japanese politics – I expected when I looked at public opinion polling after her statement to see a pretty broad anti position vis-a-vis the Takaichi statement, mostly because I thought the Japanese public would be very hesitant to have that policy stated out loud.

But if you looked at the polling, conservative or progressive polling, there was about 45 percent approved of her statement, right? In other words, in Japanese, they say "atarimae" – they said it's to be expected. This is recognition by some of the Japanese public that this is already policy and she didn't say anything that was extraordinary. So that's an interesting thing to look at.

But I think for both sides, I think the U.S. also – the U.S. role is incredibly important here, and as Beijing looks to Washington to gauge Washington's reaction, I noticed that President Trump didn't say anything, nor did his national security advisor, nor did the deputy secretary of state.

But I expected a high-level statement saying the United States would hope that the two countries would work amicably together to try to pull down the tension. There was nothing except there was a statement by the ambassador – our ambassador, the American ambassador in Tokyo.

Nor has there been an effort either by – well, especially by President Xi and President Trump to put this center stage of their bilateral summitry as well.

Now, Prime Minister Takaichi in her meetings with President Trump has certainly raised the issue of Chinese behavior and the Japanese – the Sino-Japanese relationship and the chilling of that relationship in her meetings with President Trump prior to his meeting – both of his summits with President Xi.

But that is not the way the alliance normally operates. So there is uncertainty here about what role the Americans might be playing either behind the scenes, but definitely they are not playing the role we would expect of them to play in a crisis of this magnitude between Beijing and Tokyo.

Let me stop there.

Dr. Lin: Great. Thank you very much, Sheila, for excellent opening remarks and defining, I guess, three different elements of the proposition.

Professor Matsuda, over to you for your views.

Yasuhiro Matsuda: Thank you. Thank you again for having me here.

You know, in keeping with the tradition of the CSIS China Power Project, I'm going to argue against this proposition today. But this is a very tough task. Sheila knows everything. (Laughter.) So let me try, try very hard.

I stand firmly against this proposition. I believe it is entirely possible that within the next five years tensions between China and Japan can de-escalate to the levels we saw prior to November 2025. Let me explain my reasoning from four different perspectives.

First, the deterioration of Japan-China relations was not inevitable. The root cause of the current downturn wasn't actually Prime Minister Takaichi's remarks. In fact, it escalated entirely by accident.

The real trigger was a post by X by Xue Jian, the Chinese consul-general in Osaka. When the Asahi Shimbun first reported on Prime Minister Takaichi's remarks, the initial response from the Chinese Ministry of Foreign Affairs spokesperson was simply Japan should not go any further – (speaks in Chinese).

(Continues in English.) But the situation completely changed when Xue Jian made a post suggesting that Prime Minister Takaichi should be beheaded.

Naturally, the LDP began demanding his deportation, and Japan's MOFA lodged a formal protest with China's MOFA.

This is a completely standard reactions. Just imagine what would happen if a foreign diplomat in China posted on WeChat suggesting the beheading of Xi Jinping. For the Chinese MOFA, however, leaving things as they were meant, they would be stuck strictly on the defensive against Japanese criticism.

The Chinese government likely held extensive internal deliberations. Six days after their initial response, the Ministry of Foreign Affairs of China suddenly began demanding that Prime Minister Takaichi recall – "zhàohuí" - her statement. They crafted a narrative painting Takaichi as the villain and decided to go on the offensive.

Later on, their language was escalated to demanding a retraction, "chèhuí." It's getting worse and worse, stronger and stronger.

So to put it simply, the worsening of the relations wasn't some inevitable shift driven by structural factors. It was an accidental – unfortunate accidental chain of events triggered by Xue Jian's post.

Second, China is also feeling the pain from these strained relations. As many of you have probably noticed, no matter how many sanctions China rolls out, Japan hasn't retaliated with its own sanctions designed to hurt China. That's because if Japan were to arbitrarily weaponize its economy it would lose the trust of the international community.

For Tokyo, maintaining international credibility serves its national interests far better than getting dragged into a messy tit for tat retaliatory war with Beijing.

Conversely, by weaponizing its economy, China has lost the trust of many countries. But that's not all, because Beijing drastically restricted tourists heading to Japan. China's big three airline groups posted massive deficits in the first quarter of this year. The Japan route was a massive cash cow for them – cash cow for them, but they abruptly shut it down. China is clearly suffering from this diplomatic freeze as well.

The Chinese travel industry actually tried to lift the ban on group tours to Japan back in July this year. But right after it hit the news, the plan quietly vanished. Beijing is likely prioritizing saving face even though it is in a very tight spot economically. However, if this situation drags on, Japanese companies will only accelerate their decoupling and withdrawal from China.

Back in 2012, when relations took a hit, as Sheila explained a little while ago, the Chinese economy was on an upward trajectory. But today it is rapidly

slowing down. The bottom line here is that the current status quo is deeply painful for China, too.

Third, the push to improve ties won't just come from Japan. China will make efforts, too. If we look back at 2012, bilateral relations hit rock bottom over the diplomatic row on Senkaku Islands. But the two nations managed to navigate past the controversy over the Yasukuni Shrine visit in December 2013, resumed summit talks at the 2014 Beijing APEC, and, over time, achieved a stabilization of relations by around 2017.

This November, Xi Jinping is hosting the APEC summit meeting in Shenzhen. While we might not see a massive breakthrough in Japan-China relations, just holding a bilateral summit there would be – there will be a meaningful first step toward improvement.

Even leadership – even leading up to this, when former Foreign Minister Takeshi Iwaya visited China with business leaders – Japanese business leaders – in September 2026, we saw a shift in Foreign Minister Wang Yi's tone. He instead urged Prime Minister Takaichi to correct – "jiūzhèng" – her remarks.

What this tells us is that China is already sending some signals that it wants to mend relations even while Prime Minister Takaichi remains in office. She won the vast majority in the lower house election this year. She's a very strong, you know, position.

Fourth, any upcoming change in Japanese leadership will serve as a prime opportunity to reset relations. The chances of the Takaichi cabinet surviving for six full years are exceptionally slim. I'm sorry to say this. (Laughter.) I can't meet her anymore, right?

Both or only three Japanese prime ministers have managed to stay in power for more than six years, Shigeru Yoshida, Eisaku Satō, and Shinzo Abe. To survive the next five years, Prime Minister Takaichi has to run a series of elections.

First up to the – first up is the LDP presidential election in September 2027. That's next year. If her approval rating stayed high, she'll be fine there. But then comes the upper house election in July 2028. Because the LDP won by a landslide in the corresponding election six years prior, they are defending a huge number of seats. Gaining ground is almost impossible, meaning it's highly uncertain whether they can retain a majority in the upper house.

If they lose the majority, it guarantees a fundamentally gridlocked and difficult administrative environment for the rest of the five-year window. Even if – even if she scraps – scrapes through the upper house elections,

there is a mandatory lower house election before February 2030, another LDP leadership race in September 2030, and yet another upper house election in July 2031. Losing just one of these five crucial elections would force her resignation.

In any case, if Prime Minister Takaichi steps down within the next five years and a new leader replaces her, China will almost certainly seize that window of opportunity to accelerate a diplomatic thaw. Even if Japan's core security policies remain completely unchanged, Beijing will undoubtedly make a move to improve ties.

So, to conclude, given a five-year timeframe, de-escalating Sino-Japanese tensions back to pre-November 2025 levels is not just a possibility, it is highly achievable.

Thank you. (Applause.)

Dr. Lin: So two – two very, very strong initial arguments.

But maybe before we turn to Sheila, let me ask for two quick clarification questions for Professor Matsuda, just to make sure that the audience is understanding all the key points that you made.

The first point you made was – the clarification question I have is you mentioned it took six days after some of the initial incidents happened for the Chinese Ministry of Foreign Affairs to come up with a response. I imagine you mentioned six days as an indicator it took a long period of time, but I wanted to make sure that I was reflecting what you were saying.

Dr. Matsuda: Yes, that's online available. If you take a look at the, you know, the foreign minister spokesperson's, you know, statement, in the first day and six days later, you know, there's a big change. In the meantime, there was, you know, the – Xue Jian's posting and Japanese strong reactions, you know. So it's quite clear, crystal clear.

But I believe that the historian, you know, would say this diplomatic row was caused by Takaichi's statement.

Dr. Smith: Yeah, that's –

Dr. Matsuda: That's correct, yeah.

But the actual, you know, process was not that way, you know. In the first reaction, you know, that was, oh, don't go far away, you know, because there was a kind of trend caused by Trump's shift. You know, Trump was immersed.

Then, oh, we have to amend the relations or improve the relations with other nations so that – for example, China, you know, resumed – just resumed the seafood imports from Japan, but they quickly closed the door within a couple of days.

But, you know, that was kind of a trend to ameliorate the relations with Japan. So initial reaction was OK, OK, just forget it. But Xue Jian made it very, very messy.

Dr. Lin: And then the second clarification question is, you mentioned the upcoming APEC meeting in Shenzhen, and then you mentioned some – this is where I didn't hear you clear – are you – did you mention that there is already a bilateral meeting between Prime Minister Takaichi and XI, or did you mention in the sense that you hoped there will be a bilateral meeting?

Dr. Matsuda: It's not a done deal, you know.

Dr. Lin: OK.

Dr. Matsuda: But, you know, this is a typical Chinese, you know, diplomatic approach. You know, they don't tell you beforehand.

You know, they will make a decision in the last minute. And it totally up to, you know, Xi Jinping's, you know, decision and how Wang Yi and other staff will make a suggestion about that, yeah.

Dr. Lin: Perfect. Thank you.

Sheila, over to you.

Dr. Smith: All right then. Do I – tell me how much time I have. I just want to make sure I'm following the rules. (Laughs.)

Dr. Lin: You have as much time as you need.

Dr. Smith: Oh, I do? OK, good.

So let me try to address Matsuda-sensei's four points as best as I can, because I have a slightly different interpretation of the dynamics afoot here.

So just because I mentioned the structural changes doesn't mean I think it's an inevitability that the Sino-Japanese relationship will get bad. I think the changing structure of the relationship contextualized, right, by both the economic and military capabilities of both, I think it changes the dynamic in the relationship.

So for me, I feel like these crises are a little bit easier – (laughs) – to come than they were before where I think the Sino-Japanese relationship two decades ago neither side wanted, right, any kind of crisis to emerge and did a lot diplomatically to avoid it.

One point you made, and it's not part of your argument but I just wanted to expand a little bit on it, was the economic ties, and you mentioned the exodus of foreign direct and Japanese foreign direct investment in China, and I think that's an important point.

We've watched it go down to sort of historically low numbers, especially if you're looking at a decade or so, 2010 or so. So the investment now is about 10,000 companies are now invested in China – Japanese companies – way down historically from the – when we came into the 21st century.

Four thousand one hundred companies, give or take a few, have left China – have left the China market. Not necessarily stimulated by the Takaichi comment, but it's an important piece of the economic argument here.

Now, there's a really nice report – am I allowed to advertise a different think tank?

Dr. Lin: Absolutely.

Dr. Smith: So the Lowy Institute – and forgive me, because I can't remember the title of it, but the Lowy Institute has put out a really good analysis of the shifting trend or the exodus of Japanese foreign direct investment, and it's a complicated set of variables.

Part of it is political tensions, but part of it is also the Trump tariffs and the impact on manufacturing that that has caused. And as Matsuda-sensei pointed out, Japanese – I'm sorry, Chinese economic momentum has slowed. But it is the reality that you have less foreign direct investment, right, in China by Japan, and the trend line has moved fairly quickly. So this political problem doesn't help things.

So my point was simply that the economic ballast to the relationship is getting a little bit less inclined towards Japanese leverage and perhaps maybe not more inclined towards Chinese leverage, but it's not the same.

And even though Foreign Minister Iwaya went with his mission, it doesn't mean, right, it's a signal of an intent for engagement. Doesn't mean necessarily the economic payoff for China is going to be as significant.

And especially if you look at the Abe-Xi reset, you had a fairly significant economic component to that reset. So a question mark in my mind, actually.

You know, the other structural factor obviously – and you referenced it as well so I'll just repeat it – the uncertainty about U.S. priorities is as much a factor of calculus, I suspect, in Beijing as it is in Tokyo. I think the Japanese government has managed the alliance extraordinarily well, and Takaichi-san has done her part in that since she became prime minister.

So I think there's been an awful lot of diplomatic effort in the alliance to reduce the uncertainty of the American engagement with China.

That being said, it is more uncertain than it has ever been in the past, right? So I think those structural factors matter, but they don't – they're not – and they produce inevitability or they don't say that, you know, any kind of de-escalation or normalization is not possible. But it is a different structural environment and we ought to recognize that.

I'm not going to repeat my points about what the issue is actually about, Taiwan versus defense, but I do think there's – the payoff for improving ties for each may not be as obvious as Matsuda-sensei points out.

I don't know that Takaichi-san will have a difficult political reality in Japan if she makes a compromise with Xi Jinping, but she is all about strengthening Japanese defense. Has been since she was the head of the Policy Research Council. She is largely responsible for writing in the 2 percent of GDP commitment that then was announced under the Kishida cabinet in December of 2022.

She has raised questions about, you know, perhaps allowing some kind of nuclear accommodation in the U.S.-Japan alliance. So she's very forward leaning on the defense side and on Japan's defense requirements.

I would find it very difficult for her to retract or correct or modify – (laughs) – her commitment to the U.S.-Japan alliance and to the possibility that Japan might be asked to participate should there be a use of force by Beijing. So that's just a – that's just maybe we have a difference of opinion there.

Personalities and decision making, and it says a lot – Matsuda-sensei pointed out some of the things that I think are really, really important in the Sino-Japanese relationship. But I feel like my conversations – and I'd love to hear your conversations and maybe, Bonny, yours as well – with Chinese academics and people who were communicating, right, about this issue last November, is that Xi Jinping himself is angry.

If that's true – and I can't say it's true, but I think that is the common – that is the conventional wisdom – it's very hard for any decision maker, even Foreign Minister Wang Yi, to take a position that would be different, right, or that would challenge the president's point of view on this, right?

So, you know, your MOFA diplomats in the Chinese Ministry of Foreign Affairs are not going to be the key decision makers here. They will be implementing whatever Xi Jinping decides he's going to allow them to implement, but they are not going to be as effective in softening, right, the Chinese position as the political leadership in China is. And, again, I'm going to defer to both of you here on that.

Similarly, I think whether Takaichi is prime minister or not, I'm going to go out on a little bit of a limb because I don't think this is all about Prime Minister Takaichi. I think anybody who becomes prime minister after her, whether it's sooner or later, is going to be hard pressed to compromise, right, on the statement.

Now, that can be diffused. It could be, well, she misspoke. She shouldn't have mentioned Taiwan. It could be a style question.

But in the basic understanding of how a survival scenario – Japan's survival scenario – is considered by any Japanese government, whether it's Koizumi who becomes the next prime minister or Motegi-san or Hayashi-san, they may be more moderate in how they talk about China and Taiwan, but that basic premise of alliance management is not going to change.

So, again, maybe the shift in leadership of Takaichi, right, is going to change the Sino-Japanese dynamic, but it is not going to change the basic underlying policy position. That would be my point of view.

I also feel that we're going to learn a lot by December 2026 when the current strategic review that's being done in Japan is announced. She's going to have to decide how much more she's going to spend on defense and where she's going to get that money. It will be Takaichi's review, right, the national security strategy and the 10-year defense plan accompanied by a five-year procurement plan.

That is going to be announced in December. She's accelerated the pace of that so it's coming out a year before it was expected, and I think she's going to come out strong both for burden-sharing dynamics in the U.S.-Japan alliance, right, but also because Japan's defense needs are considerable, right?

So I think that that's another piece of the puzzle here. I don't know that she's going to sacrifice those positions, especially if Xi Jinping is not so interested in a bilateral summit.

One other point about the people and the decision makers in the Sino-Japanese relationship, and I think this is one of the pieces that I worry about. I'm not sure it supports or doesn't support my position on this but I'm going to put it out there anyway.

You know, last month we lost one of the key interlocutors in the Sino-Japanese relationship when Foreign Minister – I'm sorry, former Prime Minister, yes – no, no, no. Fukuda –

Dr. Matsuda: Fukuda.

Dr. Smith: – Fukuda Yasuo passed away.

At any moment of tension, Fukuda-san, his father, of course, was part of the negotiations of the normalization of the Sino-Japanese relationship, but Fukuda Yasuo believed strongly in a constructive Sino-Japanese relationship.

He was trusted in Beijing as an honest broker, right, even when Abe was in power. Fukuda-san could show up in Beijing and could have meetings and could have that background, that pipe, to the leadership in China.

Kōno Yōhei is now gone, right? We're losing a generation of political interlocutors with Beijing on the Japanese side, just as we are – we have a fairly weak and wobbly bureaucratic decision making on Japan inside the Chinese government.

So these bridges are significant in resolving this level of tension and we don't – I think on both sides of that relationship we're seeing weakness. Not structural weakness, but the weakness of expertise and the weakness in trust.

So I think it's an important thing. It's something important to think about. I don't know which side of the argument it goes on, but I'm just going to put it out there.

Let me conclude with a thought about what's going to happen at APEC.

To be sure, Xi Jinping doesn't – we don't acknowledge, especially for the Sino-Japanese relationship, the leaders meetings don't get announced until the very, very last minute, and we don't know if it's going to be in the hallway passing or it's actually going to be in a room sitting, a handshake with a

pained expression. That photo op in 2014 is floating in everybody's mind right now.

But here's what I think, and I'm going to go out on a little bit of a limb here. I don't think there's going to be a bilateral summit and I'm going to say this is why.

Part of it is if it's true that President Xi was angered by Takaichi's statement, I don't think he's going to want to stand and shake the hands of Takaichi Sanae as prime minister of Japan, and I don't want to personalize this because I don't – I don't think that's the issue. But I think it will be hard to accomplish that, one.

Second, it's very clear now that Xi has something else in mind. So the Xi-Putin-Trump summit that is in the works is a whole different measure of strategic accomplishment for China.

Now, I don't know that that's going to happen either, so I don't want to sit here and tell you that that's actually going to happen. But it is emblematic of the kind of shift that we're seeing in the global order.

If it's true that Putin and Xi and Trump are going to have a major power summit, the Sino-Japanese relationship is not going to be on the agenda, I think, for the Chinese government.

So, again, I'm going way out there, Bonny. You can correct me if you think I'm mistaken.

But I think that's the – that's the piece of the puzzle that's very hard to predict. But I'm going to put it out there in December when – or November when the summit happens. You guys can all email me and say I was wrong or you can think I was – if I'm right, we can all be really, really worried because I think there's other reasons to be worried about that outcome.

The last thing I'll say here is I'm going to make an advocacy that has nothing to do with the pro and con position. I would dearly love our government to be much more engaged in the conversation both with Xi and with Takaichi, and publicly engaged – that means a public statement – of the interests of the United States in not having a chill, a sustained chill, in the Sino-Japanese relationship.

I think we are missing an opportunity here to affect the outcome of what happens at APEC, but I also think it's in our long-term interest to not be disengaged – shrugging, I think, is the previous panel's reference there – because the cost of this deep chill could be very, very high.

Thank you.

Dr. Lin: Thank you, Sheila.

Before I turn to Professor Matsuda, I did want to have – I have one clarification question, because you mentioned you don't think that the tensions currently – well, driving what we're seeing, it's not necessarily about Taiwan, it's not necessarily tied to Prime Minister Takaichi, and then you mentioned it's more tied to Japan's defense spending, the U.S.-Japan alliance.

Is that – is that a good summary of – sort of what does that –

Dr. Smith: So I wouldn't say it has nothing to do with Taiwan. It has everything to do with Taiwan.

Dr. Lin: Right. Right. But it's not driven just by Taiwan.

Dr. Smith: But it was not driven by the desire to affect policymaking in Beijing. It was all about what Japan would have to think about should there be a Chinese use of force against Taiwan. I think it was a blockade that was the specific example that Foreign – former Foreign Minister Okada brought up in his question.

So there was a scenario painted, absolutely, about Taiwan, but I think in the answer that she gave was much more about implementation of the survival situation that is the new 2015 security laws. It's included and it allows for collective self-defense. It allows for the self-defense forces to operate alongside other national militaries in a situation that affects the survival of Japan.

So that's what she was interpreting in the answer to that question. So it's about alliance implementation and, by extension, then Japan's defenses and a contingency. So it wasn't directed at Beijing, but certainly had a lot to – a lot to do –

Dr. Lin: Right. I guess I'm asking for this clarification question because I think what you diagnose as the driver, from Beijing's perspective, as the problem that they're trying to solve also links to why you think this can be solved.

You think it's because of Beijing's problems with the tightening of U.S.-Japan relations, Japan's increased spending on defense. That's different than if you think it's really just about Prime Minister Takaichi's statement on Taiwan.

Dr. Smith: I think it's very much about Taiwan, lightning around Taiwan.

Dr. Lin: OK. Got it. OK.

Dr. Smith: So there's that. One thing – I'll just make a little comment, Bonny, because I think this is something that's been interesting for me and I hope we get to discuss it more.

The Chinese government has not said much, actually, about the 2022 National Defense Plan. I mean, there's been a little bit of chitter chatter, but it's very soft chitter chatter. It's not a re-militarization of Japan. It's not – it hasn't been, you know, escalated to that level of rhetoric.

And Japan is acquiring counterstrike, it's doubling its defense budget, and yet it has been a very quiet – you know, I'm sure the PLA is watching very carefully, and there is some chitter chatter inside the government, but there has not been – the Chinese government has not used the opportunity to say, oh, Japan's re-militarizing.

Only now are we hearing that rhetoric in reference to the Takaichi comment.

Dr. Lin: OK. Perfect. Thank you.

Professor Matsuda?

Dr. Matsuda: Well, it's really tough to make an argument with Sheila, but there are some points I have to, you know, argue.

For example, Prime Minister Takaichi or her successor actually doesn't have to retract or change the discourse over the Taiwan contingency. Basically, when the bilateral relations got stuck, they tried to find a way to make their own interpretations.

So try to look back at what happened in the summer of 2014. There was a four consensus, right – four principle consensus. From a Japanese perspective, it is just getting back to the status quo. From a Chinese perspective, Japan finally admitted that there is a – you know, a territorial dispute. And both sides interpreted the same document in a completely different way because most of the audience never see the original text. (Laughs.)

So that – so that, you know – so go to the original text. That's my instruction as a professor. You know, go to the original text. It is, you know, going back to the status quo – the original status quo.

But China makes a huge amount of, you know, propaganda that Japan admitted that, you know, this is a territorial dispute. I think that that document was a kind of diplomatic art. You know, I think that same thing

can be done or if – why was this possible? Because China wanted – China wanted to ameliorate the relations.

So if China wants to ameliorate the relations, anything can be picked up. For example, if the prime minister of Japan is asked the same question as what was asked last year and said that, oh, our government cannot answer such a hypothetical question, and saying that we firmly, you know, defend the position of the 1972 joint statement with Japan, period, China would buy it if China wants to ameliorate the relations.

But if China doesn't want to ameliorate the relations and are still very heated and mad, then if Takaichi kneels down and ask – you know, ask for forgiveness, China wouldn't buy it.

So we have to wait until, or create a situation that China wants to ameliorate the relations, and that signal's already sent, you know, because of the – you know, China's economic downturn. So this is the first point.

And the second point, yes, it looks like Xi Jinping himself is mad about Takaichi, and it's a big problem. But it means that if Xi Jinping – once Xi Jinping makes a decision, OK, we're going to see him – see her, then the situation could be, you know, changed drastically.

I think that there is still a possibility. You know, Xi Jinping has run the country for more than – more than 10 years. What happened in 2014 was to ameliorate the relations with, you know, the Philippines and Japan, right, and invited them – the leaders – to Beijing and shook hands with them, right?

So, you know, APEC meeting in China is a big issue, you know. Xi Jinping has to behave as a host, you know, behave like a – like a world leader so that all the attention should be concentrated on his body. That's the Chinese way.

So that I agree with you that the trilateral meeting is not likely to occur because all the attention will be concentrated on Putin and Trump and not necessarily on Xi Jinping. Because, for example, in 2014 at Beijing APEC summit there was another, you know, topic, that's whether Ma Ying-jeou – President Ma Ying-jeou – could attend the Beijing APEC summit meeting or not.

You know, that was Taiwan's try, very good try, but, you know, nobody, including me, you know, anticipated that it could happen because if it happens, all the attention should be concentrated on the – posited on Ma Ying-jeou, not Xi Jinping.

So Xi Jinping has to be the major – you know, the only, you know, actor to – you know, to attract attention. So that, you know, the meeting with those, you

know, small countries, I'm sorry to say this, like Japan or the Philippines, you know, it's not a – it's not a big deal, you know. Then that just downgrade the reports – the level of reports. Don't, you know, put the article in the left lower side of the People's Daily or something like that.

So it's not that difficult for China to make bilateral – you know, the summit compared to the trilateral summit, yeah.

Thank you.

Dr. Lin: Perfect. Thank you. I have two questions for our panelists, and then I will open the floor to questions and comments from the audience.

The first question actually relates to, Sheila, what you mentioned in terms of your final urging for a U.S. statement to help emphasize that having this chill in China-Japan relations is not good for both countries.

So if you do get some type of statement – public statement – from the Trump administration, how do you anticipate that things would move forward? Like, from this statement, would you see the Chinese extend an olive branch? Would Prime Minister Takaichi back down?

Like, how would it – how would it actually move forward if we do get something like that?

Dr. Smith: So I guess part of my answer is I was disappointed that it hadn't happened, right, prior – after the November – once the tension started going. So I'm not sure timing-wise if a U.S. statement now would be as beneficial as it might have been, let's say, in December of last year or even January.

I thought – to be fair, I thought when Prime Minister Takaichi came to Washington on March 19th to visit with President Trump prior to his visit to China, I thought he – the fact that the president said something in that open meeting with the press and everybody covering it about China's behavior in the Indo-Pacific and he would take the message that the Japanese prime minister gave him to Beijing, right, I thought that was a win for the Japanese government. I thought that they had done what she had come to do.

The briefings and the debriefings after the second summit when she came, right, also important. So, in a way, it sort of happened but it happened late. I don't know that I would say today a public statement by President Trump, particularly as we approach the midterm elections – there's too much noise, right?

But I do feel that if there is signals – I mean, Matsuda-sensei is very convinced that the signals are good from Beijing about a bilat summit, but if

there's a moment when the president or his secretary of state or somebody of similar status – deputy secretary of state – that they hope for a constructive bilateral meeting between Japan and China will put to rest some of the recent tensions.

It could be that simple, right, but I think you could see – I think that could be a positive, but I really wanted the statement separate last year.

Dr. Matsuda: What was the – I'm sorry.

Dr. Lin: So the question is, if you do have a U.S. public statement urging sort of a return or a change from the current environment, how would – what would you expect to happen?

Dr. Matsuda: I would appreciate if President Trump himself makes a very strong statement about the quick amelioration of the relations between Japan and China. I think that, you know, China's approach is to utilize the Trump-Xi summit in a very tactical way.

I have just, you know – you know – we – China has just, you know, controlled or, anyway, the relations – managing the relations with the United States very well so that others should follow me, you know.

This is a basic Chinese approach to other countries. So that if the United – U.S. president, you know, we all know that both Senate and House also – are also very supportive to Japan, and also the U.S. ambassador to Japan also made a statement. But Trump – President Trump – should make this announcement, and it makes a very good opportunity for Xi Jinping to make a final decision to see, you know, Prime Minister Takaichi.

Without this, I think that it is more and more – it is more difficult for Xi Jinping to make. This is a very difficult decision, you know. He has, you know, scolded her and, you know, criticized her, you know, both publicly and, you know, the – privately for many months, and suddenly changed the position.

That's very difficult. So Xi Jinping needs a kind of pressure, you know. I think that President Trump's statement is a very good opportunity for both countries.

Thank you.

Dr. Lin: Thank you.

And the second question I have before opening to Q&A, and, Professor Matsuda, I'd love you to go first, if you can – is you and Sheila outlined pretty different sort of visions for how China-Japan relations could evolve.

So if you could highlight under your vision, what is that – where do you see China-Japan relations in five years? You said it could de-escalate, like, but – things could get better, but where overall do you see China-Japan relations, given the future that you highlighted?

And similarly for you, Sheila, and what are the implications, particularly for the United States, and I would also ask about general stability in the Indo-Pacific, given the different futures you laid out.

Dr. Matsuda: In Japan, major concern about the relations with China, very, very challenging ones.

First, Taiwan contingency. You know, there – it's an immediate threat if something occurs in the Taiwan Strait so Japan is pacing up its, you know, strengthening of the deterrence posture.

You know, for example, our ground forces in Okinawa is going to be upgraded to the division level. It used to be very low level, but now it's going to have a very strong survival mobile, you know, ground force, which have very strong anti-air and anti-surface, anti-ship capability, which is, you know, definitely disliked by Chinese PLA.

You know, this effort will continue because the war should be deterred. The war should be prevented. Under these circumstances, you know, the somewhat sour relations with China is tolerable because war is the worst scenario, right? If you ameliorate the relation with China and war occurs, what is the return, right?

So I think that this is the basic line of the Japanese government.

And the second – but, you know, because I'm a scholar, I guess this – you know, the government never says this, we are not going to, you know, provoke China. So that – this is one.

The second one is economic security. You know, the Chinese statecraft, especially, you know, the export control of the rare earth, especially the heavy rare earth, is damaging Japanese economy.

But Japanese firms or Japanese government doesn't want to retaliate to, for example, decrease the amount of, you know, electronic components to China – export of those electronic components to China and they are – you know, they use rare earth importing from China.

So actually the Sino-Japanese relations, economic relations, is a kind of a mutually, you know, dependent relations and China knows that, so that China doesn't stop rare earth export to Japan completely. So this still, you know, reserve a certain amount of export.

So, you know, Japan – but mutual trust is already lost seriously so Japan is going to reduce the dependence on China in every, you know, field. So this is not a good situation.

But, you know, originally, you know, status quo is that Japan and China have very, very thick and strong economic ties. So if you lose it, I think that you feel like that you have to save it. So I think that there is still a strong momentum of amelioration of the relations. I think that this is the whole picture I see.

Thank you.

Dr. Smith: I'm going to try – oh. I got to keep turning on. Sorry.

I'm not sure I have a vision. I don't want it to be a dark cloud over the relationship forever and ever so please don't misunderstand my hope for the Sino-Japanese relationship.

But just, again, to bring you back to that sort of eight-year run of the – you know, of the Senkaku to Abe going to Beijing, of that phase, and remember Xi was expected to go to Japan as the final piece of the summitry and the pandemic occurred. So that Xi visit to Japan would need to get back on the table, I think. I think that would be a constructive step if we were talking about the reset yet again.

But one of the things that Abe Shinzo when he was prime minister sought to do when he went to Beijing in October of 2018 I believe was to convey to President Xi that Japan and China didn't have to have competitive dynamics in the region.

In other words, Abe's free and open Indo-Pacific concept did not necessarily have to compete with China's Belt and Road, that they could be mutually complementary. And so he was trying to find common ground beyond the big, long statement of mutually beneficial relationship based on common strategic interests. That framework, that language, is very fixed. But what comes under the hood of that language I think is really important.

So the regional piece Abe thought was the place to put emphasis. I think there was – and correct me if I'm wrong, Matsuda-sensei – but I think there were some projects specifically targeted in Thailand for clean city

development. There was some, you know, clearly obvious ways in which Japanese and Chinese companies could work together.

But the idea was to highlight that both of these countries, China and Japan, had similar interests in the – a thriving Indo-Pacific and they had resources and talents and expertise to bring to bear to that.

I still think you have to find that common space that takes you beyond the bilat, you know, focused on each other. I can't imagine – and this just may be because I have a bad imagination, and Matsuda-sensei has a better imagination than me – but I can't imagine a military dialogue between Tokyo and Beijing.

There was, to be sure, confidence-building agreements, maritime awareness agreements. There could be a conversation to go back to that. Stability in the East China Sea, right? You could certainly have those kinds of revisiting of those kind of prior agreements.

But I think the defense and military ambitions of those two countries are not complementary and they will never be, going forward. And the problem for Japan, Japan's economy now is one-fourth, one-fifth the size of China's. Japan can't compete militarily with China.

So there is no balance of power to be reached on the military side except for through the alliance with the United States for Japan, and that's why I keep coming back to that framing for the conversation that Takaichi had – Takaichi – (inaudible) – had in the Diet.

It's critically important not as a bilateral diplomatic relationship, but Japan's entire defenses now are going to rest on the premise of a very close understanding between Washington and Tokyo, and Xi cannot or any future prime minister cannot allow China to shake that basic understanding of how the U.S.-Japan alliance is going to work.

So I don't see a military – I can't, again, find a military balancing act. Confidence building, to be sure. But I think the mil-mil relationship is always going to be skeptical and probably ought to be, given the environment under which Japanese defense planners have to operate.

So I think the vision then becomes where is it that China and Japan can raise their sights beyond and, again, the Indo-Pacific seems to be an obvious place. But I'm not sure China's interested. And, again, my interpretation of Chinese behavior may be suspect, but I believe that Xi Jinping's goals are bigger than an Indo-Pacific vision with his neighbors that is negotiated. (Laughs.)

I think he has a vision for the Indo-Pacific. It's not a vision that Japan is ultimately going to be very comfortable with.

Thank you.

Dr. Lin: Sheila, and not to keep on poking at the dark cloud but –

Dr. Smith: It's OK. It's my job.

Dr. Lin: – but you've highlighted in just your comments a second ago, I guess, ways in which China and Japan could improve relations, the more optimistic side. But also in your arguments, I think you provide a very convincing case of why you actually don't see the two de-escalating in the next five years.

So in the – in the situation where we don't see de-escalation, what is your biggest worry in terms of China-Japan relation? Where are the risks, moving forward?

Dr. Smith: So that is the worst-case scenario kind of thinking, and I think we should always visit worst-case scenarios.

So I was trying very quickly when I was wrapping up and advocating for a U.S. statement it's because I believe – let's just say I'm right, unfortunately, and there is no bilateral summit. There is no setting the table for a recovery reset that may take time, but nonetheless a reset, right?

Then you have not a freeze but then you have a deep, deep chill, and you don't have the kind of communication back and forth that I think Beijing and Tokyo need to have just because of their proximity, and especially because of the mil-mil relationship.

And I do believe that even though we don't have a very robust, mature crisis management system that is Sino-Japanese in nature, not having any political conversation, and there's always been some measure through some back channel of political conversation even at the worst of times – and I would put the Senkaku crisis the worst of times – you had people going and had access to the top leadership in China, and how do we get there from here kinds of conversations, which were, largely, not done by the diplomats but done by the politicians. And I don't know who can do that today and that's what I worry about.

So if we're in crisis mode, if both countries, or maybe it's just China, decides, you know, not worth my time right now, then it becomes a real problem of what if there's an incident; what if there's proximity of those coast – you were talking about this in the previous panel, whether they're gray hulls or white hulls.

What if there – what if there is a Japanese fisheries boat that is detained by the Chinese coast guard? What ifs? We could spend a lot of time on the worst-case scenarios here. The crisis management mechanisms would not be available, and I would see Tokyo and Beijing perhaps going to Washington – (laughs) – to try to help crisis management.

But I could very easily see this getting a little bit more uneasy and more volatile than anything we've seen previously.

Dr. Lin: Thank you. I want to now open this to questions from the audience. I think I saw those two hands go up.

Let's collect those two, and then we'll go from there.

Audience Question: Thank you all so much for this engaging and really detailed discussion. My name is Nick Ackert. I'm with the Asia Group.

And a lot of the variables we've been discussing on both sides for China and Japan have to do with, it seems, leader-level psychology and also domestic politics and incentives on both sides there.

And my own personal view is I actually think those variables do matter the most, but for the sake of argument, I'd love to hear your thoughts on a more structural level about what broader forces in the international system could affect the trajectory of the relationship and the likelihood to escalate.

So, for example, do vicissitudes in the U.S.-China relationship shape Japan's own posture towards China? The other thing that I think has been really remarkable is Japan has played such a strong leadership role both with the U.S. and without the U.S. in establishing its own mini-lateral architecture throughout the region, whether we're thinking about the Quad or the trilat with South Korea or separate engagements on the bilat level with Australia, the Philippines, and others.

How do you see those variables coming into play in your respective views about the future of the relationship?

Dr. Lin: I think we had another question. Oh, there we go. OK.

Audience Question: Yes. Yes. Hello.

Yeah, my question is on the Nanjing Massacre. As you know, many folks – many presidents have gone to Yasukuni Shrine, but nobody has really sincerely given a state apology.

Do you think Sanae Takaichi, if she could give a good formal apology to Chinese, even Koreans as well, about it, and also maybe shutter down some of the areas of the shrine, could that be of something of benefit to the relation, considering Sanae Takaichi has talked a bit about women's hard work and all those things?

And also, LDP has been in there for '82 – has been there since, like, for decades. Same thing with China Communist Party. Since Maruyama, Japan hasn't had a new party.

So could you talk in relation to that? Why isn't LDP going away? I don't know.

Dr. Lin: Sorry, and I thought – I missed a hand earlier right there.

Audience Question: Thank you very much. My name is Joon-Hyung Cho with Yonhap News Agency, South Korea.

I just want to ask how domestic politics will affect the relationship of China and Japan. People can argue that President Xi and Premier Takaichi, both of them – both of them need some kind of enemy outside. That means two leaders might be enjoying the chilly relationship, you know, for the domestic political reason.

I mean, the – President Xi, who has a not bad relationship with President Trump, might need Japan to put people together before the next year's congress – you know, party congress. And Premier Takaichi, you know, also needs, you know, this kind of chilly relationship, you know, the – for her domestic agenda, like, you know, a path for the – for the rearmament – I mean, the – you know, going to a normal country, normal nation, which can provoke a war.

So – yeah, so what do you think about this kind of idea, the domestic politics?

Thank you.

Dr. Lin: Great. Thank you. Wide-ranging questions.

So let me turn to our two experts to – for you to comment on whatever one you would like.

Dr. Matsuda: Thank you for the questions. I will try very hard from answering the final question first.

I think – I don't think that the Japanese politicians need, you know, a kind of enemy outside of the country because the Japanese have been successful of

having very good and stable relations and trade and investment and human exchanges with all the nations. It's almost omnidirectional relations.

But sometimes – the chilly relations sometimes help because, you know, sometimes the politicians have to show the tough, you know, posture. But it's not a structural one. You know, I don't think that Japan doesn't – Japan needs or Prime Minister Takaichi needed or needs the enemy outside of the country.

I think that her statement was just a, you know, mishandling – you know, a lack of caution. It's not a deliberate, you know, behavior to create an enemy in order to gain more support from the citizens.

Well, the first one, the structure, I think that Japan is trying to – first trying to, you know, strengthen its own defense capability. You know, the defense spending is, you know, booming.

And secondly, also Japan is trying to lift all the old unnecessary, quote/unquote, restrictions of the Japanese defense policy including arms export to other countries and so on. Thanks to the realignment of the – you know, the coalition, you know, Komeito is out and Innovation Party is in, so this transformation is going very smoothly.

And the second, the – strengthening the relations with the United States, U.S.-Japan alliance is still on the direction of strengthening, and Japan is also diversifying its – you know, the security partners, Australia, U.K., Philippines. You know, Japan is doing live-fire drills in the soil – on the soil of the Philippines. That's amazing, you know, what Japan did in the Philippines during the war, right?

But the Filipinos are welcoming Japan, so just we have to update the changes in the region, right? So that Japan is diversifying the partners.

I think that this is, you know, major structural changes, and this trajectory has not changed and will not change. So that the ups and downs of the Sino-Japanese relations are basically, you know, caused by the, you know, events or, you know, the – you know, such as, you know – (inaudible) – and so on, you know, that – so that even if the follower – I mean, the replacement of Prime Minister Takaichi could be very much hawkish.

But, you know, if he or she can manage the – you know, his or her statement or the behavior or the relation with China, the relation can be ameliorated, definitely.

And Nanjing Massacre issue, I, you know, feel very much sorry about the – what Japan did during the World War II and, you know, the previous

Japanese, you know, politicians and cabinet formally made, you know, the sorry and apology and in – as a whole, not particularly to the Nanjing Massacre.

But, you know, I think that this history is quite clear, and Yasukuni Shrine is a private shrine, and it's not – it is very difficult for the country like Japan, which stands firm on the rule of law, to simply, you know, smash it or something like that.

So please understand, you know, the nuance and details of the, you know, domestic politics in other countries.

Thank you. I appreciate your comment. Thank you.

Dr. Smith: Let me add, Matsuda-san has basically done all the answering so I don't feel I have a lot to add to, but I'll start where you left off, Matsuda-san.

So I want to just tackle the politics piece of your question, which is why is the LDP still around. Because Japan's a democracy, and the Japanese people keep coming back to it and choosing it. And so I'm not going to deal with that in terms of solely on historical memory issues, but I do want to point out that there's a fairly steady attempt to gauge binational public opinion to the extent that you can do that effectively in the China Sino-Japanese relationship.

And so taking out the shrine issue for a second, the Japanese public is quite skeptical of the CCP government of China in terms of the trajectory of public opinion polling in the last two decades.

So I think you have a little bit of a domestic political environment where the public is watching China, watching Chinese behavior closely, and I outlined some of the issues that sparked popular controversy in the book that I wrote in 2015.

I also did a deep dive on the Yasukuni issue back then, on the politics of the Yasukuni issue, and I think, you know, the LDP in the 1960s attempted to make Yasukuni an official national shrine and it failed, and the Diet votes were never in favor of that.

So the private status of Yasukuni remains a private – it is a private shrine, and it was politically unacceptable to the Diet to move it in any other direction.

So I think that has – that has gone as a political issue and, again, I'm sure Matsuda-san may have a different opinion. But I don't think that anybody in

Japan is advocating that Yasukuni becomes the nation's shrine, despite some of the civil society activism around the causes that Yasukuni represents.

On why the LDP is still in power, and I think this is the age-old question for those of us who teach Japanese domestic politics. (Laughs.) Books have been written. Many, many generations of scholars have written books about the LDP and its staying power, and I think the one thing that was –

Dr. Matsuda: Read her book. Read her book. (Laughter.)

Dr. Smith: No, Gerry Curtis' book. (Laughs.) A different book.

But I think what's interesting to me about the last election – and I just want to echo and amplify a comment that Matsuda-san made in his presentation – is that Takaichi Sanae is the first LDP leader to garner a two-thirds majority in the lower house solely for the LDP.

So to think of her as politically weak would be a mistake, because she has brought her party back from a fairly weak position, right, in the Diet to an overwhelming electoral victory last February when a lot of people didn't think that was going to happen. So all of us our jaws were dropped a little bit.

So why? Is it all about China? No, it's not all about China. There's a whole host of reasons, and I think, you know, we could have a lecture on Japanese politics and we could discuss some of those reasons.

But politically, she is in a much firmer position than even Abe Shinzo when he was in power, and he ended up staying in power for eight years.

So, again, don't underestimate her political skill in getting Japanese voters to re-endorse the LDP as their choice of party. She also has chosen a different party as a coalition partner. Again, this does have something to do with Sino-Japanese relations because she now has Ishin no Kai, or the Renovation Party, as her coalition partner. They are hard – more hard line on China than the previous coalition partner, which was the Komeito Party, a small party.

She basically ended that coalition. Yamaguchi Natsuo, the head of that party for many, many years, was one of those pipes that I referred to as behind-the-scenes Tokyo-Beijing communication. So the Komeito has always wanted a more engaged Sino-Japanese relationship.

She's now in coalition with another political party that is not interested in playing that role, and that supports a lot of her defense positions as well. So political dynamics actually do matter a lot – Nick, I'm coming to your question – I recognize as well.

But I think it's important to understand she may have made a mistake by using Taiwan in her language last November and lots of people in Japan have told me that. That was a – she got tripped up a little bit.

But don't underestimate her electoral victory in terms of how it positions the LDP, OK? So that's that.

The international system and structural issues – I agree that there's a lot of structural issues here that we should be paying attention to. Japan – and this is – I'll go back to the reference to other countries in the region and their desire for security cooperation with Japan.

Malaysia has just agreed to a 2+2 security dialogue with Japan. So there is demand in the region for a security strategic relationship with Japan. Not all of it involves weapons sales or the kinds of things that we've seen, for example, in the Philippine-Japan relationship.

But I think there's both supply and demand. The Japanese government now offers official security assistance. That's a very new initiative, right? This has gone – the first recipient was the Philippines. Surprise, surprise, right?

This has all begun as policy under Kishida, though. It didn't start with Takaichi. So remember the politics of this in Japan are more shared politics among the conservative leaders than you might imagine.

So there's a robust demand for greater engagement with Japan on security strategic issues in the region, and Japan has been willing to step up and put its money and some of its old coast guard ships to use with – for the capabilities of others around the region.

I expect that to continue, and for – if I was sitting in Beijing, I'd be looking at that thinking, hmm – (laughs) – that's not so good. Because the remilitarization of Japan theme is a theme that I think China has wanted others in Southeast Asia to share with them.

So it's a little bit of a – it may be perceived as a bit of a setback for China. I don't know. But it's certainly different.

The other partner, Nick, that I would say don't underestimate here for Japan is Europe, and particularly in the wake of the Russian invasion of Ukraine, you've seen Japanese – again, Prime Minister Kishida at the time was prime minister, but Japan led the way for the other Indo-Pacific allies to enhance their relationship with NATO.

Three or four Japanese Self-Defense Force officers are being deployed at the NATO command headquarters in Germany. That's huge. It's not for a combat role in Ukraine but it is to watch the – and learn from the fighting in Ukraine.

You'll see in what comes out in December 2026 "new ways of war." In fact, you can already see this. It's transparent. It's on the MOD website for those of you interested.

But there is a lot of learning from the fighting going on in Ukraine, but also a much more military-military engagement with the NATO command in the wake of the Russian invasion.

New fighter jet – new support fighter jet – U.K., Italy, Japan, and possibly Germany joining the mix. So don't underestimate the incentives for European engagement with Japan, especially on the defense technology, innovation, and development side of things.

That is really, really important for understanding where Japan wants to go, not only for its own defense industry but also the kind of capability enhancement that the Japanese are looking for.

Finally, on the question about domestic politics and seeking a war, I don't believe that either Xi or Takaichi would benefit from a war politically. Now, it may have some nationalistic resonance in that sense of light politics, but not we need an external enemy. And again, I'm going to defer to my China expert colleagues to correct me on their interpretation of Xi Jinping, both of them sitting here.

But I don't think either of those two leaders see the need for an external enemy. I think they see other things they need and maybe diffusing – as Matsuda-sensei argued, maybe diffusing the tensions in the Sino-Japanese relationship is their thought process. Maybe not. Maybe not spending so much political capital on that, which would be my argument, is where they both stand.

I'm more familiar with Takaichi's position. I think she would be grateful for a summit in November because I think she'd see it in Japanese interest. I don't think she would see avoiding a summit or avoiding an improvement in the Sino-Japanese relationship as beneficial to her and her political fortunes.

Dr. Lin: Great. Thank you.

I just want to get one or two more questions from this side of the room and from folks who haven't asked a question earlier today, if that's OK.

Audience Question: Hi. Yeah, sure. Hi. Paul Dempsey. I'm with the E&T.

We're looking at a five-year horizon for this specific question so there are a couple of things that spring to mind for me that I think would maintain tensions between China and Japan.

On the one side, any kind of military expansion project – and we're only just about to see some of the details of it – is a long-term project. So this is something that's going to go on for quite some time. And there will always be, because historically I remember from living out there, the sensitivities in Beijing about any kind of Japanese military expansion. I mean, it's on a feather.

But looking at it from the other side, I mean, one of the things we're also seeing at the moment in terms of the FDI question is Xi's attempts to displace it, not to attract it. I mean, if we take one big example on this whole AI issue at the moment, obviously, this doesn't directly involve Japan, but Xi is promoting Huawei's chips over those from Nvidia even though the Nvidia ones are better.

Now, my memory of Japanese FDI is a lot in manufacturing, a lot in high technology and robotics, all areas that Xi has identified as things where he wants to be domestically superior. So, again, that's going to continue and continue to have some kind of economic impact, I think, over a five-year horizon.

But I'd just like to know what you think of those particular issues and others that extend this out.

Thank you.

Dr. Lin: Thank you. And let's also use this opportunity for any final words or concluding thoughts before we go back to the poll again.

Dr. Matsuda: Well, thank you for the question.

I think that, you know, the – that Japanese industry – Japanese companies in China are different for different, you know, the industries, and the – China also needs to upgrade its industries so that the outdated industry should go. You know, that's correct.

But if the pace is too quick it will cause unemployment issue, you know, a very serious issue, and the unemployment issue is very, very serious in China in the current situation. So that – you know, that if the Japanese companies are receding away, you know, I think – I think it's not – it's not good. I think that basically the Chinese government perceives this trend is very bad.

Lastly, I'd like to – you know, we have played very good roles, you know, pros and cons, and I actually agree with many points – (laughs) – what Sheila raised. But I still personally believe that although there are, you know, lots of structural issues, I think that countries naturally try to seek ameliorations, you know, because, you know, that the world is so mutually dependent on each other so that stabilization is very, very necessary.

As for Xi Jinping, he's going to be re-elected next year 21st Party Congress, so that he wants to have better and stable relations with the other countries, and at the same time he wants to behave – as the world leader he should not be insulted by other countries or something like that.

So that Trump, Takaichi, or anyone else should admire him. You know, that kind of, you know, posture is definitely needed. So that if the both nations can make such kind of diplomatic art, on one hand, the Japanese think that Japan didn't make any concession about the Takaichi statement.

On the other hand, the Chinese think that Takaichi kowtowed or something like that. That's not impossible, you know. So that I think that this is going to be another way of thinking when we observe the Sino-Japanese relations.

Thank you.

Dr. Smith: As a final response, I'm going to recruit you to Team Sheila. Come on up. You can be on my side. (Laughter.)

But you did point out some very important things. So the Japanese defense procurement plan that will come out in December will be Japanese fiscal year 2027 to 2032, so beyond our five-year framework. I don't see anything in this current Sino-Japanese dynamic that is going to change what the Japanese are thinking about in terms of their capability enhancement.

Now, implementation is the name of the game, and how fast and how many Tomahawks get to Tokyo, you know, obviously, depends on what happens in the production here in the United States.

But I think it's important to understand that I don't see the Japanese – I don't see this current spat as having fundamental impact on Japanese long-term strategic defense planning. So I agree with – certainly agree with you there.

I think on the foreign direct investment, and I think you're right to point out that China's technological innovation now is not about foreign technology, it's about Chinese technology, and it's absolutely crucial to understand it that way.

But foreign direct investment, there's qualitative enhancement of Japanese foreign – and this is the Lowy report, which I highly recommend to you – but companies like Toyota and others have R&D facilities in China working with Chinese counterparts, right?

So some industries will qualitatively enhance their foreign direct investment even as the larger landscape of Japanese companies, the number of companies, and the amount of aggregate foreign direct investment will shift, has gone down, right?

But don't underestimate the importance of the China market because it's not just about technological innovation. It's also for Japanese foreign direct manufacturing, right? It's about access to the China market, and that's critically important for the profits of these companies.

So for the big ones, the big multinationals, you're going to see accommodation. Maybe not, you know, giving away their high tech, but you're going to see some technological collaboration. Maybe not the first generation, maybe the generation a little bit behind. But you're going to see Japanese manufacturers want to stay in China, right? Because that's where the money is made and that's where the market is.

One thing, Bonny, I didn't respond to when you asked me for the worst-case scenario, and I think this is important for those of you thinking about Japan, and it matters for the Sino-Japanese relationship.

But if you are looking out from Tokyo, the Taiwan contingency is not the only contingency the Japanese strategic planners have to think about, even if Beijing initiates use of force across the straits, which is, you know, a hypothesis, right?

Japan will have to look at China, southwest islands. It'll have to look at the North Koreans. (Laughs.) It'll have to look at the Russians up north.

And what's been going on lately in that China-Russia-North Korean relationship vis-à-vis – about Japan is something I really want to draw your attention to because I think it matters, right?

So not only is China and Japan having a spat, President Putin went to the northern territories, the disputed islands, right? He went there, and then they had a missile test – submarine and ground-based missile launch test, right? Again, first time in a long time, but certainly a capability far more enhanced than under Medvedev. Forgive my Russian pronunciation.

North Korea's, you know, state party organ – their press, right – has been talking about Japanese militarism for some time now. So you're getting

signals whether or not this is – actually would involve the use of force or anything like that, but I think you have to understand if you're sitting in Tokyo thinking about capabilities that you need to be prepared for in a scenario that maybe it's just Taiwan, and I would hesitate to use just in that sentence, honestly, right, given that it's a major power conflict.

But you have to also be looking at North Korea and its behavior. You have to also be looking at what the Russians could do to make life difficult for you up north in Hokkaido, and I think that's a perspective in Washington we often miss.

We see it all about the southwestern islands and the Japan-China, but I think if – again, if we're thinking about this larger strategic planning, this is a very complicated time for Japan. It's not just about catching up an investment in military capability, but it's also envisioning a potential scenario that is far more complicated and can't be separated out, Korea, south – you know, southwestern islands, right?

And so this is a challenge for the Japanese, and I – again, I will be looking at the defense documents that come out in December to see how they're navigating that challenge.

Thank you.

Dr. Lin: Great. Fantastic.

Let's now take a minute to go back to the polls and recognizing that, you know, our two experts actually probably have more common ground than what we presented in the debate, and we also asked them to take a very clear stance, whereas in reality their positions are probably much closer.

Dr. Smith: Yeah.

Dr. Lin: Wow. (Laughter.)

Dr. Smith: Oh, oh, I'm losing now.

Dr. Lin: No, actually, this is – it's still slightly better than when you started, right?

Dr. Smith: Oh, oh, it's better than when we started. OK. (Laughter.) Oh, it's back to 50-50. OK. Whoever just put the last one in – oh no, come back, come back. (Laughter.)

Dr. Lin: Well, so I think this showcases a very vibrant debate in which the audience are very torn in terms of whose position to support, but also it shows, like,

this is a really important question that I really appreciate both experts addressing.

So let's give both a round of applause. (Applause.)

For folks who are staying, I think we already have lunch out there, and we will take a break until 1:30 and we'll start our final third debate at 1:30.

(END.)