



China-Japan Relations – Now What? by Dong Wang

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When Hatoyama Yukio became the first Democratic Party of Japan (DPJ) prime minister in 2009 and began advocating for an East Asian Community (EAC), it looked like a bright moment in China-Japan relations and perhaps for all Northeast Asia. However, Hatoyama's vision of EAC, based on the idea of regional economic cooperation and integration as well as the idealistic philosophy of "yu-ai" or "fraternity," never materialized. His idealism, sadly, was thwarted by the logic of realism and geopolitics. Indeed, in just three years, China-Japan relations seem to have gone "back to the future," trapped in a simmering security dilemma characterized by the repeated flare-up of territorial disputes, increasing strategic distrust, and the spillover of political disputes into the economic arena. "Cold politics, warm economics" (*zhengleng jingre*, or *seirei keinetsu*) – a phrase coined to describe the close economic ties between China and Japan despite political spats over sensitive issues such as the Yasukuni Shrine and history textbooks – has been replaced by the depressing "cold politics and economics" (*zhengleng jingleng*, or *seirei keikan*).

Why the downward trajectory? Several explanations are offered: the shift in relative power position between China and Japan and the psychological effects that come with it; Japan's turn to the right; China's assertiveness; rising nationalism in both countries, etc.

What are we going to do about it? First and foremost, we should understand that China-Japan enmity will be of great detriment to the interests of not only the two countries but the entire region. The cultivation and development of close, robust, and healthy bilateral relations will be in the interest of both countries and peoples. After all, the majority of Chinese and Japanese would like to see an improvement in bilateral relations. According to a recent joint China-Japan public opinion poll, reported by the *Japan Times* on Jan. 6, 2013, 71 percent of surveyed Chinese and 60 percent of Japanese polled believe that ties between the two nations need to improve.

China and Japan, the world's second and third largest economy, respectively, are economically interdependent. In 2011, China-Japan trade volume exceeded \$340 billion. China has been Japan's largest trading partner since 2007 and Japan is China's fourth largest trading partner. Together, the Chinese and Japanese economies account for 18.8 percent of global Gross Domestic Products (GDP). Moreover, Japan is China's second largest source of foreign direct investment, second only to Hong Kong. There are now about 23,000 Japanese enterprises operating in China with total Japanese investments of more than \$190 billion, creating more than 10 million jobs for Chinese workers. Meanwhile, China's huge market, with a

burgeoning middle class that is expected to be four times larger than that of the United States within a generation, will be crucial for the recovery and growth of Japan's sluggish economy. There will be no winner in a trade war between China and Japan. Worse still, decoupling the two economies will hurt both nations, bring new risks and threats to the fragile global economy, and will be so damaging that it becomes almost unthinkable.

Therefore, it is of fundamental importance for the two countries to prevent political disputes from spilling over into economics. Keeping "cold politics and warm economics" should be the minimal goal to cushion against further deterioration in bilateral relations. The recent decision by Beijing and Tokyo to continue the China-Japan-South Korea trilateral free trade negotiations is a sign that both countries are determined to "stay on track" and not allow political disputes to trump the economic partnership that is critical to domestic and regional economic growth.

Second, to stabilize the China-Japan relationship, Beijing and Tokyo need to take practical measures to defuse tensions surrounding the standoff over the Diaoyu/Senkaku Islands. To do so, Tokyo needs first to change its unreasonable position of denying the existence of any dispute over sovereignty of the islands. This position is counter-productive and detached from reality. In private or in public, a number of sober-minded Japanese strategists have criticized the illogic of the Japanese government's position. Tokyo's willingness to recognize the existence of a dispute over the islands will be the first step toward stabilizing the situation and finding a diplomatic resolution to the issue through negotiations.

Third, we cannot ignore the perceptions that have contributed to the deepening of security dilemma between China and Japan. There are misperceptions on both sides about each other's intentions. While Japan's foreign policy establishment and media scrutinize every step of China's military modernization and clamor about the "China threat," Chinese elites and media are equally obsessed with perceived Japanese attempts to restore militarism. Both countries should examine more critically their exaggerated fears of each other. Japan should have an objective assessment of China's rise, adjust psychologically to that rise, and avoid exaggerating the China threat. China should acknowledge Japan's legitimate security concerns and anxiety when facing China's rapid rise, and avoid exaggerated fears of Japanese remilitarization.

Third, both countries should better "manage" public opinion and rein in nationalism. Political leaders in both countries should not fall prey to encouraging nationalism. Fanning such sentiment might reap political benefits in the short run, but an atmosphere of hatred and revenge bred by nationalism could lead nations into conflict or war.

The deterioration of the public's goodwill toward the other country is indicative of the troubled relationship between Japan and China. To remedy the public's worsening view of the other, Beijing and Tokyo need to enhance social, people-to-people exchanges, and cultural exchanges. In the early 1980s, large-scale youth exchanges between China and Japan increased mutual understanding between the two countries and laid the foundation for the rapport and friendship between the two countries and the two peoples. Now, more people-to-people and educational exchanges, and in particular exchanges among young people between the two countries should be encouraged.

Finally, for China, both its elites and the public have to think seriously about how it should use its increased power and for what purpose. Historically, when great powers rise, they rarely display self-restraint. Strategic self-restraint is a virtue that is in short supply in international politics. China has benefited greatly from its strategic self-restraint – enshrined in the strategic decisions to “keep a low profile” (*taoguang yanghui*) and focus on “peaceful development” – in the past three decades and it should continue to do so. While China will continue to contribute to international public goods as its power grows, strategic restraint and prudence in exercising its power will help ensure the peaceful rise of China and the “great revival” of the Chinese people.

Japan's elites and the public must face the fact that unless they come to terms with wartime crimes and unless they can achieve a genuine reconciliation with neighbors on issues such as history, Japan cannot be politically influential and morally respectable. While a majority of the Japanese public remains committed to pacifism, the rise of the so-called New Right with strong, and oftentimes notorious, revisionist views of history has cast a long shadow over Japan's future trajectory. The worry and anxiety in the region and the international community are evident in editorials and front-page stories throughout the mainstream international media. *The Economist* noted that “Shinzo Abe's appointment of a scarily right-wing cabinet bodes ill for the region.” An editorial in *The New York Times* slammed Prime Minister Abe's attempt to revise Japan's formal apology for World War II aggression, calling it “shameful.” The Obama administration, for its part, has warned Abe against denying wartime crimes and diluting apologies. Japanese leaders should humble themselves, listen to those voices, and ask what it takes to fulfill the dreams of the Japanese people. Nationalism and turning to the right should not be the answer to Japan's aspirations and ambitions.

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