

# AUSTRALIA-CHINA AGENDA 2013

2013

## China/Japan: What Comes Next?

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*THE AUSTRALIAN Centre on China in the World engages with the public and policy discussion of relations with the People's Republic of China and the Chinese world. Australia-China Agenda 2013 is our contribution to this important election year and the on-going consideration of the bilateral relationship.*

*This is a relationship that touches on virtually every aspect of our national life. A mature and beneficial engagement of such breadth and depth requires the leadership and support of government at all levels, as well as public stewardship, media understanding, educational enhancement and the strategic involvement of the business community.*

*Australia-China exchanges are also profoundly influenced by regional and bilateral relationships. Australia and China trade in goods as well as culture, politics and people, ideas and education, community and personalities.*

*Australia-China Agenda: 2013 brings to the attention of the public and the media, politicians and specialists some reflections and policy ideas authored by specialists with a professional interest and involvement in the relationship.*

—Geremie R. Barmé  
Founding Director, CIW

JANUARY 一月

FEBRUARY 二月

MARCH 三月

APRIL 四月

MAY 五月

JUNE 六月

JULY 七月

AUGUST 八月

SEPTEMBER 九月

OCTOBER 十月

NOVEMBER 十一月

DECEMBER 十二月

二〇一四年

中(華)全球研究中心

AUSTRALIAN CENTRE ON  
CHINA IN THE WORLD



ANU College of Asia & the Pacific  
Canberra, Australia

ON 21 MAY 2013 (a date randomly selected by this author), the *China Daily* ran an article that criticized Japan's 'unilateral actions' in nationalising the Senkaku/Diaoyu islands, and put forward evidence that challenged Japan's historical claim to the disputed islands. That same day, the *China Daily* also ran a story about Megumu Ubasako, the 57-year old Japanese chairman of the 7-Eleven franchise in China, whose 90 stores in Chengdu have contributed more than 150 million yuan to the local economy this year. In Japan, articles in the *Nikkei* on 21 May noted that major Japanese medical equipment manufacturers were accelerating product development and manufacturing in China, and that the share prices of Japanese steelmakers had risen on the back of the Chinese government's new economic reform plans. Yet that same day, the *Japan*

*Times* also published a report on China's most recent Defence White Paper, warning of the 'relentless modernization' of China's military capabilities, and calling on China to better explain its strategic thinking.

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How should we, in Australia, make sense of these seemingly incompatible strands in the China-Japan relationship? The stark contrast between booming economic ties and tense political and military relations understandably leaves many of us perplexed. Yet I suggest that the factors that have produced this particular combination of economic interdependence and political and military tension in the China-Japan relationship are not as incompatible as we might think. In fact, the history of the China-Japan relationship is one in which the economic story is deeply intertwined with the political and military story. For either country to achieve its national ambitions has required close economic integration with the other.

Japan's first war against China in 1894-1895 gave Japan access to the raw materials and export markets that it needed to rapidly industrialize and develop its military so that it could stand up to foreign powers in the West. Not content with the territorial and economic rights it acquired through this war, however, Japan pushed further, and in 1932 formally occupied China's northeast region of Manchuria. Manchuria's mineral deposits and agricultural produce were vital to Japan's economy and military supply lines. By the outbreak of the Second World War, this occupied region of northeast China had become a lifeline for the Japanese Imperial Army as it waged brutal war first in China and then throughout the Pacific.

China's population and economy were decimated by this experience of war with Japan. Yet, astonishingly, in the immediate decades after the Second World War, both the Chinese and Japanese governments worked hard to leave the bitter legacy of war in the past. In China, the Communist Party deliberately played down Japan's aggressive history in order to try and build an economic relationship with Japan. Although the Cold War prevented the two countries from establishing diplomatic relations, Chinese officials welcomed scores of Japanese industrialists and business groups – many of whom had served as 'imperialists' in Japan's colony of Manchuria – to China in the 1950s, 1960s and 1970s to provide advice on developing China's post-war economy. These Japanese advisors helped to develop China's industrial base, transform China's agricultural output through the use of Japanese farming techniques and fertilizer, and re-establish limited trade networks between Japanese and Chinese firms.

In Japan, politicians and business leaders from across the political spectrum were more than willing to encourage these economic ties with China. Japanese on the right recognised the economic benefits to Japan of trading with China, while those on the left believed that providing economic assistance to China was a way for Japan to atone for its imperial and wartime aggression in China. For elites in both China and Japan, the bitter political and military legacy of the Second World War took a backseat to the more pressing demands of economic development at home.

However, all this began to change in the 1980s and 1990s as historical tensions flooded back into the China-Japan relationship. In China, a combination of the effects of the Reform and Opening program and the Tiananmen Square incident of 4 June 1989 created uncertainty both within China and in its foreign relations. China's leaders then used the history of war with Japan to forge a unified Chinese national identity and to shore up domestic support for the Communist Party. Throughout the 1980s and 1990s, memories of the war were instrumentally introduced into the Chinese national consciousness through history textbooks, museums and national commemoration.

In Japan, the economic downturn of the 1990s and 2000s – against the backdrop of China's seemingly unstoppable economic rise – cast a pall on the Japanese economic miracle and led to much soul-searching about Japan's place in the world. Research by Amy Catalinac of The Australian National University also suggests that changes to

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Japan's electoral system in the mid-1990s compounded tensions in the China-Japan relationship. Japan's new single-member district electoral system demanded that politicians focus on issues of national policy rather than simply pork barreling for their districts. Making hawkish statements about Japan's wartime history became one way for Japanese politicians to demonstrate their attention to national security policy.

Yet, in the midst of these tense political relations in the 1980s and 1990s, the China-Japan

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economic relationship soared. Freed from the diplomatic shackles of the early Cold War, and encouraged by Deng Xiaoping's Reform and Opening, total China-Japan trade in 1995 was 70 times that of the level reached in 1970. Today, the bilateral trade relationship between China and Japan is the third largest in the world. Furthermore, Japan is one of China's most important sources of foreign capital, and since the late 1990s Japan's investment in China has grown by a factor of ten as Japanese factories have shifted their manufacturing operations to China.

Yet, in 2013, increasingly nationalistic discourse and military tensions in the East China Sea belie this booming economic relationship between China and Japan. In the past year, comments by Japanese Prime Minister Abe Shinzo, Osaka Mayor Hashimoto Toru and Tokyo Mayor Ishihara Shintaro on Japanese aggression during the Second World War, the Senkaku/Diaoyu islands, and revision of the Japanese 'Peace' Constitution, have not only attracted widespread condemnation in China – where the *Global Times* newspaper has argued that right-wing discourse is pushing Japan 'back to the era of imperialism' – but have also shaped Chinese perceptions of the security threat posed by Japan. In January 2013, Lt Qi Jianguo, Deputy Chief of the People's Liberation Army General Staff with responsibility for foreign affairs, described a list of 'serious risks and challenges' (*yansude fengxian tiaozhan* 严峻的风险挑战) presently facing China. The second of the risks described by Qi was Japan's political 'rightism' (*youqinghua* 右倾化) which, he argued, had caused Japan's military strategy to shift from one of pure self-defence, to 'a more externally-oriented and offensive type'. On the Chinese side, articles by scholars affiliated to the Chinese Academy of Social Sciences, and statements by outspoken military generals, questioning Japan's sovereignty over the island of Okinawa, have sparked similar outrage in Japan. Although the Chinese government has taken pains to assert that this is not the official Chinese position, these comments – combined with the increasing presence of Chinese surveillance vessels in disputed territorial waters – have further bolstered concerns in Tokyo about China's growing 'assertiveness' in the East China Sea.

Yet this nationalistic discourse comes at a time when both the Chinese and Japanese governments are trying to introduce ambitious reform programs. In China, Xi Jinping's new government is busy articulating its vision of the 'China Dream'. Though the precise contents are still ambiguous, the underlying goal – to make China both more economically prosperous and militarily powerful – is one that has not changed since China's Qing government faced Japanese aggression in 1894, or since the Chinese party-state looked to Japan for industrial advice to modernise and strengthen China after the Cultural Revolution. Today, Xi's ability to realise the 'China Dream' continues to rest, in part, on maintaining strong economic ties with Japan. However, the second goal of making China more militarily powerful alienates Japan.

Similarly, in Japan, new Prime Minister Abe Shinzo is unrolling an ambitious economic reform program to counter long-term Japanese deflation and slow growth. At the same time, Abe is using the boost in opinion polls he has achieved from these economic reforms to try and bring in controversial revisions to the Japanese Constitution. These revisions, he argues, are necessary to give constitutional recognition to a Japanese military force. Yet the dilemma is this: constitutional revision will further weaken Japan's relations with China at a time when Abe needs strong economic ties with China to lift Japan out of recession.

This dilemma has existed in the China-Japan relationship for over a century. For China and Japan to achieve their national goals rests, in part, on ongoing economic cooperation with the other. Yet casting each other in dangerously nationalistic terms as the 'enemy' often helps the Chinese and Japanese governments shore up the domestic support that is also needed to achieve these national goals. Resolving this dilemma will not be easy. While there have been attempts made on both sides to reduce the level of anti-Chinese or anti-Japanese sentiment through student exchanges, joint history textbooks and friendship associations, these efforts have been limited by a lack of political openness in China, and electoral incentives in Japan that favour anti-Chinese rhetoric.

### What Can We Do?

As we watch this relationship from Australia, we need to remind ourselves that we cannot separate the economic dimension of the China-Japan relationship from its political-military dimensions. We must also remember that although economic ties have not translated into warmer political or military relations between China and Japan, economic interdependence has prevented the relationship from getting worse. Australia can enhance the positive economic dimensions of the China-Japan relationship by continuing to champion the WTO-led liberal international economic order and giving support to region-wide efforts to bolster free trade and investment. Furthermore, Australia should lobby organisations such as Japan's business federation, the *Keidan-*

ren, and the Japan-China Economic Association to draw greater attention to the positive dimensions of the China-Japan relationship. These organisations, together with individuals and businesses, generate so much of the day-to-day cooperation between China and Japan that tends to go unnoticed amidst headlines about the Yasukuni Shrine, disputes over the Senkaku/Diaoyu islands, or Chinese military modernization. While we should not underestimate the risks posed by a potential military clash between China and Japan, it would be equally hardy to expect China and Japan to recklessly throw away a century of economic interdependence. The China-Japan economic relationship is central to the domestic reform goals of the new governments in both countries.

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#### AUSTRALIAN CENTRE ON CHINA IN THE WORLD

The Australian Centre on China in the World (CIW), College of Asia & the Pacific (CAP), The Australian National University (ANU) is an initiative of the Commonwealth Government of Australia in collaboration with ANU, a university with the most significant concentration of dedicated Chinese Studies expertise and the publisher of the leading Chinese Studies journals in Australia. CIW is a national research centre that is jointly managed by a body of academics that includes scholars of China at universities in Adelaide, Brisbane, Hobart, Melbourne and Sydney.

The Centre is a humanities-led research institution that is engaged with the broad range of social sciences to produce academic work that, while relevant to the full spectrum of demands of international scholarship, also relates meaningfully to those in the public policy community, and to the broader interested public, both in Australia and overseas. It values a New Sinology, that is an intellectual, cultural and personal involvement with the Chinese world (be it in the People's Republic, Hong Kong, Macau, Taiwan or globally) that is underpinned by traditions of academic independence, local fluency and disciplinary relevance.

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#### CIW sites

<http://ciw.anu.edu.au>

<http://www.thechinastory.org>

#### CIW publications (also available online)

*China Story Yearbook 2013: Civilising China*, October 2013

*China Story Yearbook 2012: Red Rising, Red Eclipse*, August 2012

Stephen FitzGerald, *Australia and China at Forty—Stretch of the Imagination*, 澳大利亚与中国已届四十年—舒展的想象力, February 2013

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#### CIW journals

*China Heritage Quarterly*

(<http://www.chinaheritagequarterly.org>)

*East Asian History*

(<http://www.eastasianhistory.org>)

*The China Journal*, co-published

(<http://ips.cap.anu.edu.au/chinajournal/>)

*Danwei*, affiliated

(<http://www.danwei.com>)