



Japan-China Relations:
Looking Beyond Koizumi

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The quarter ended as it began – with Prime Minister Koizumi Junichiro expressing his inability to understand why China and the Republic of Korea refused to hold summit meetings just because of differences over Yasukuni Shrine. He also could not understand why he should not pay homage at the shrine simply because China and South Korea said he should not do so. Meanwhile, China's leadership made clear that it was writing off the next six months and looking to a post-Koizumi future. During the quarter, Beijing hosted a number of high-level political delegations and courted potential Koizumi successors. Reflecting the political stalemate, diplomatic efforts to resolve issues related to the exploration and development of natural gas fields in the East China Sea failed to make progress. China rejected Japan's proposal for joint development, and when Chinese diplomats presented their ideas, Japanese diplomats found little they could agree to beyond agreeing to take them back to Tokyo, where the political reception proved decidedly frosty.

Despite the government adopting the position that China was not a threat to Japan, the political debate continued. The opposition Democratic Party of Japan adopted a party platform that China represented an "actual threat" to Japan. At the end of March, the Foreign Ministry released the 2006 Diplomatic Blue Book, which called attention to the lack of transparency in China's military budget and in the modernization of the People's Liberation Army. In the face of "cold politics," economic relations continued "hot." For the seventh consecutive year, Japan's trade with China hit a record high in 2005, reaching \$189.3 billion.

Yasukuni

Prime Minister Koizumi opened the new year by visiting Ise Shrine on Jan. 4. Afterward, during a nationally televised news conference, Koizumi described his visits to Yasukuni Shrine as "a matter of the heart" and criticized China (and South Korea) for refusing to hold high-level political summits because of "this single issue." The prime minister found it beyond his "understanding" that foreign governments would "try to intervene in a matter of the heart and make the Yasukuni Shrine into a diplomatic issue." For his part, the door to summit meetings remained open and he was "willing to respond to talks at any time." Koizumi then put the ball squarely in Beijing's court, defining the problem as

“what decision the other sides make.” During an end-of-the-year press conference, China’s Foreign Ministry’s Spokesperson Qin Gang took a diametrically opposed stance, making clear that responsibility for the lack of progress in the bilateral relationship “is not on the Chinese side.” And so 2005 closed and 2006 opened.

At the same time, the Liberal Democratic Party’s coalition partner, the New Komeito Party, was taking a more measured position on policy toward China and South Korea. Komeito leader Kanzaki Takenori told a meeting of party executives that “Koizumi’s successor must get down to the task of improving deteriorating relations with China and South Korea.” Similar critical sentiments were expressed in an unprecedented dialogue between the chief editor of the *Yomiuri Shimbun*, Watanabe Tsuneo, and the chairman of the *Asahi Shimbun*’s editorial board, Wakamiya Yoshibumi. The dialogue was published in the February edition of *Ronza* magazine. Also joining the debate was former Vice Foreign Minister and Ambassador to the U.S. Kuriyama Takakazu, who criticized Koizumi in his article “Reconciliation – Challenges Facing Japanese Diplomacy.” Kuriyama’s article appeared in the January edition of *Gaiko Forum*.

From Islamabad, Foreign Minister Aso Taro defended Koizumi’s visits to Yasukuni, taking the position that there was “no need” to cease visiting the shrine “just because China tells him to.” While recognizing relations with China are “important,” he cautioned that “no progress will be made so long as Yasukuni is made the focus of everything.” In a Jan. 21-22 opinion poll conducted by the *Mainichi Shimbun*, it was found that the Japanese public was split evenly on the question of whether the next prime minister should visit Yasukuni. LDP supporters were more supportive of the visit at 74 percent.

Aso took a more diplomatic tone in his policy speech to the Diet on Jan. 20. The foreign minister stated that Japan “welcomes” China’s peaceful development and expressed the hope that “as a major partner in Asia and a member of the international community, China will come to embrace universal values common to humanity, such as democracy and human rights.” With regard to the past, he assured China that “we Japanese take most seriously the feelings of Chinese nationals concerning history.” Japan would “call on the Chinese people to build a relationship with Japan whereby the two countries, without dwelling unduly on the past, and seeing things in a broad perspective, concentrate their efforts on the basis of our mature friendship... to address the challenges posed by a broad range of global and regional issues.”

On Jan. 24, Koizumi appeared before both houses of the Diet, where his Asia policy was called into question. In response, the prime minister reiterated his belief that “close relations between Japan and the United States are extremely important for Japan to promote its policy toward Asia in a strategic way.” As for Yasukuni, Koizumi refused to back down. The prime minister again asserted that China and South Korea are the only two Asian states criticizing his visits. However, on Feb. 5, Singapore’s Senior Minister Goh Chok Tong told an audience at the Asia-Pacific Roundtable that Japan’s leaders should stop visiting the shrine and find other ways of paying respects to the war dead. Still, Koizumi was prepared “from a broad perspective” to enhance cooperation and build

a future-oriented relationship with China. To that end, he repeated his commitment to meet anywhere, anytime with China's leaders.

On Jan. 26, Chief Cabinet Secretary Abe Shinzo and Foreign Minister Aso, appearing before the House of Representatives Budget Committee, criticized Beijing for refusing to meet with Koizumi because of the Yasukuni issue. Abe told the legislators that it is "clearly wrong" to use "a political issue as a diplomatic instrument." Aso found the situation "abnormal," observing that his Chinese counterpart is "the only person who has refused to hold talks with me due to the Yasukuni issue."

The degree of difficulty in making that happened rocketed into the stratosphere, when, on Jan. 28, Aso told a Komeito Party meeting in Nagoya that a visit to Yasukuni by the emperor would be "best" in helping to resolve the issue of the prime minister's visits to Yasukuni Shrine. The reason, according to Aso, was that Japanese killed in the war went to their deaths shouting "banzai" for the emperor – not the prime minister. The foreign minister reiterated his view that a decision not to pay homage at Yasukuni should not be made on the basis of external pressure and his belief that an end to the Yasukuni issue would not solve all outstanding bilateral issues.

The foreign minister's remarks quickly drew fire from China's *New China News Agency* which branded his views as "representing the position of Japan's extreme right-wingers" and reflecting his "inability to squarely face his country's past military aggression." Political backpedaling began early the following week. On Jan. 30, Chief Cabinet Secretary Abe told reporters that the foreign minister was merely expressing his personal opinion. The following day, Aso told a press conference that he "simply intended to present a question about how we should offer our gratitude and respect to those who gave their lives for the nation." On the *Asahi* nightly news, Aso drew a distinction between his personal beliefs and feelings as foreign minister, admitted that "personal beliefs and state beliefs do not necessarily coincide," but assured his audience that he would "make judgments appropriately."

During a March 8 news conference China's Foreign Minister Li Zhaoxing returned to the Yasukuni issue, reiterating the charge that Koizumi's visits to the shrine were the equivalent of German leaders honoring Hitler and noting that "no German leaders have ever expressed their respects for Hitler." He went on to say that not only China but other countries could not accept "Japanese leaders worshipping Class-A war criminals." Koizumi replied that his visits were "to offer prayers to all the war dead." Both Abe and Aso deemed Li's remarks "inappropriate." When Vice Foreign Minister Yachi Shotaro tried to call in the Chinese ambassador to protest, Wang, citing a busy schedule, failed to show, leaving Yachi to protest over the telephone. The *Yomiuri* reported that Wang did not apologize, defended his minister's remarks, and that "an exchange of accusations followed."

During a televised March 14 news conference at the conclusion of the National People's Congress, Premier Wen Jiabao addressed the Yasukuni issue. Wen emphasized the source of the current tension "does not lie with China, nor with the Japanese people, but

with the Japanese leader” and made clear that failure to resolve this issue, would make the “smooth development” of relations “difficult” – even in a post-Koizumi government.

Building on his recent speeches welcoming the rise of China, Foreign Minister Aso placed an op-ed, “Japan Welcomes China’s Democratic Future,” in the March 13 *Wall Street Journal*. The op-ed found China’s evolution to democracy to be “imminent.” Looking back over the past two centuries, Aso described China’s history as “one of extremes” and suggested that China could “learn from Japan’s missteps” in experiencing “extreme nationalism.” Two days later, speaking to the Upper House Budget Committee, Aso expressed his dissatisfaction with the assistance China is providing to North Korea and emphasized that Japan was asking China for an explanation.

Unsurprisingly, Beijing found Aso’s *Wall Street Journal* effort to be “extremely inappropriate” meddling in “China’s political system” and urged Japan “to appropriately settle the question of its historical views to earn the trust of its Asian neighbors.” Beijing also denied that Japan had asked for an explanation of its trade with North Korea and labeled Aso’s recent statements as “contrary to diplomatic common sense.”

With respect to Yasukuni, the quarter ended as it began. On the evening of March 27, Koizumi met with reporters, after receiving the final budget for 2006. When asked if he would visit Yasukuni before leaving office in September, Koizumi replied that he would handle the matter “appropriately.” He then observed that while differences of opinion exist [with respect to Yasukuni], China and the ROK were the only two countries that refused a summit meeting because of those differences. What he could not understand were those who said that he should not pay homage at the shrine just because China and South Korea said that he should not do so.

East China Sea

Japan and China last met in October 2005 to discuss energy development in the East China Sea. During the October meeting, Japan had presented a proposal for joint development extending across both sides of the median-line boundary. China, however, held to its previous position that joint development should take place only on the eastern (Japanese) side of the line. Little progress was made in defining the area for joint development, and Beijing broke off the talks in response to Koizumi’s Oct. 17, 2005 Yasukuni Shrine visit.

On Jan. 6, the Japanese Foreign Ministry announced that Director General of the Asia and Oceanic Bureau Sasae Kenichiro would meet his Chinese counterpart Cui Tiankai in Beijing Jan. 9 to review informally issues affecting the bilateral relationship, including the East China Sea dispute. Sasae was accompanied by Kodaira Nobuyuki, director general of the Natural Resources and Energy Agency. The informal talks, however, failed to make progress. Japanese officials said China’s response to Japan’s earlier proposal was “problematic” and that China was preparing to present its own proposal at the next negotiating session. Both sides agreed to resume formal talks in either late January or early February.

Subcabinet-level talks, led by Vice Foreign Ministers Yachi and Dai Bingguo, resumed in Tokyo Feb. 10 and, to facilitate a more relaxed exchange of views, moved to a hot spring resort on Feb. 11. The agenda included issues related to history, the suicide of a Japanese diplomat at the Shanghai Consulate in 2004 and the East China Sea. Notwithstanding the relaxed atmospherics, progress remained elusive. On the East China Sea, China failed to present a response to the Japanese proposal. Both sides, however, agreed the working-level dialogue should continue.

Talks resumed in Beijing March 6 at the Diaoyutai Guest House. Japan's Sasae expressed the hope that China would present a "constructive and positive view" indicative of its "seriousness." The meeting, however was more of the same – the Japanese asking that China cease development of the Chunxiao gas field and provide data on exploration activities, the Chinese refusing to do so and not responding to Japan's proposal for joint development. Later, the Chinese proposed joint development of two areas, one in the north of the East China Sea near the median-line but still in the territory in dispute between Japan and South Korea and a second in the south in the vicinity of the disputed Diaoyu (Senkaku) islands. Japanese diplomats agreed to take back the Chinese proposal for further study, and both sides agreed to resume talks in Tokyo at an early date.

Japan's political leaders, however, expressed strong dissatisfaction with Beijing's proposals. Chief Cabinet Secretary Abe told a March 8 news conference that Japan could not accept China's proposal, asked for greater realism on the part of Beijing, and noted that "Japan has the right to carry out test-drilling." The *Sankei Shimbun* reported that Abe had upbraided Sasae for not refusing the Chinese proposals outright. Foreign Minister Aso made clear that the Senkaku islands are "indisputably Japan's territory both historically and under international law" and that Japan would not allow co-development in the area. An unidentified government source called Beijing's proposals "provocative," suggesting that China seemed interested in "picking a fight." Appealing for calm, Ministry of Economy, Trade, and Industry Nikai Toshihiro told a Lower House Budget Committee on March 8 that the various problems on the negotiating table with China – sovereignty issues as well as history – are "not problems that can be solved quickly" and will have to be dealt with "tenaciously." On March 10, the LDP approved legislation to protect companies engaged in the exploration and development of natural resources within Japan's EEZ.

China's Foreign Ministry Spokesperson Qin Gang, of course, saw it differently. Characterizing China's proposal as "rational, reasonable and constructive" in contrast to Japan's "unilateral position," Qin urged Tokyo to "carefully study" the Chinese proposal. Once again, Beijing refused to accept Japan's claimed median-line boundary along with its proposal for the joint development of the Chunxiao field and reasserted China's sovereignty claim to the Diaoyu/Senkaku islands. Qin also announced that China would continue to develop the Chunxiao field until agreement is reached on joint development. The *Sankei Shimbun* quoted a senior Foreign Ministry official as saying that China's assertion of sovereignty over the Senkakus as assuring that "talks will never move ahead." A second official speculated that China intended to complicate and draw out the East China talks by raising the Senkaku sovereignty issue.

On March 15, Foreign Minister Aso, in response to questions before the Lower House Foreign Affairs Committee, told the lawmakers that Japan “has to consider countermeasures” in the event China went ahead with exploration of the Shirakaba gas field. Two days later during a Cabinet meeting, METI Minister Nikai took issue with Aso and argued for a positive approach of solving the issue through continuing discussion.

On March 17, the *Sankei* reported that the Japan Defense Agency (JDA) was considering whether the Air Self-Defense Force would be allowed to provide covering fire in the event that ships of the Maritime Self-Defense Force were fired upon within Japan’s air defense identification zone, an area larger than the territorial air space. In the East China Sea, the air defense identification zone extends beyond the median-line boundary.

High-level visits

In Beijing and Tokyo, post-Koizumi politics – and their implications for China-Japan relations – began to dominate political agendas. On Feb. 8, Tang Jiaxuan, state councilor and former foreign minister, met in Beijing with LDP’s Noda Takeshi, head of the Japan-China Association. Taking a long-term perspective, Tang wrote off the next eight months, telling Noda that “we no longer expect anything from Prime Minister Koizumi. There is little possibility that our relations will turn for the better while he is in office.” Abe stated at a Feb. 9 press conference that he found Tan’s remarks “inappropriate” for someone in a national position and not in accordance with the pronouncements of China’s leaders with respect to the importance of Japan-China relations. Koizumi reacted by noting that he is “an advocate of friendly Sino-Japanese relations.”

On his return to Japan, Noda, in a Feb. 15 speech to a Tokyo audience, quoted Tang’s remarks and went on to say that “the question of paying homage at Yasukuni Shrine and policy toward China are important factors in considering the successor to Prime Minister Koizumi.” Also on Feb. 15, China’s ambassador to Japan, Wang Yi, speaking to the Japan-China Parliamentary Friendship Association, reiterated China’s concerns with the prime minister’s visits to Yasukuni and called for the removal “of any political impediments” in the relationship.

At the same time, the Chinese visitors to Japan called on Abe to urge that steps be taken to improve bilateral relations. On Feb. 13, Jing Dunquan, vice chairman of the China-Japan Friendship Association, met Aso at the prime minister’s official residence. Jing also met Foreign Minister Aso on Feb. 14. Earlier on Jan. 18, Aso received guests from the China International Friendship Liaison Council and met Vice Foreign Minister Dai Bingguo on Feb. 10.

Looking ahead, Beijing moved to engage Japan’s political leaders through a series of high-level visits to China. The Japanese media interpreted China’s political activism as an effort to shape the post-Koizumi environment. In mid-February, Nakagawa Hidenao, chairman of the LDP’s Policy Research Council, and his Komeito Party counterpart Inoue Yoshihisa led a delegation of the coalition’s Exchange Council to China.

On Feb. 20, Nakagawa met with Li Zhangchun, Standing Committee member of the CCP's Political Bureau, in the Great Hall of the People. Li had a two track message: the first being that the current situation caused by the Yasukuni visits was "the most serious difficulty since the normalization of diplomatic ties," and the second that "we do not think the current chilly relationship will last long." Li called on Japan's leaders "to come up with sincerity and action." Nakagawa emphasized the importance of dialogue to address issues in the relationship and suggested informal talks toward that end.

The next day Nakagawa delivered a speech that called for the building of a future-oriented relationship. Nakagawa offered seven proposals, including a joint Japan-China study of history that could be opened to third country scholars, cooperation on North Korea and UN Reform, and the active development of youth exchanges. Yasukuni, however, was at the center of Chinese concerns. Wang Jirui, head of the CCP's International Department made clear that Koizumi's visits to the shrine were not "a minor difference" that could be compromised. When Nakagawa attempted to defend the visits as an expression of Koizumi's private beliefs, the Chinese refused to buy, asserting "it's impossible for political leaders to make a distinction between public and private capacity."

Also on Feb. 21, METI Minister Nikai arrived in Beijing. (Nikai is perceived to be a pro-China LDP leader.) On the following day, Nikai met with Premier Wen Jiabao, who made clear China's displeasure with Koizumi's visits to Yasukuni, and State Councilor Tang Jiaxuan. Nikai emphasized Japan's interest in expanding economic relations and building a future-oriented relationship. Wen welcomed Japan's participation on the 2008 Olympics and 2010 Shanghai Exposition and spoke positively with respect to the importance of cooperation in developing the East China Sea, having it become "a sea of peace."

The Wen-Nikai meeting marked the first Cabinet-level meeting since Koizumi's Oct. 17 visit to Yasukuni. When the Nakagawa delegation returned to Japan without receiving the high-level attention visited on Nikai, the Japanese media interpreted the difference in treatment as an effort to send the post-Koizumi contenders a message. Nakagawa is widely viewed as Abe's political consiglieri. The Nakagawa delegation had hoped to meet Wu Bannguo, Chairman of the Standing Committee of the National People's Congress, and Vice President (and Japan handler) Zeng Qinghong; both, however, proved unavailable. A meeting with Foreign Minister Li Zhaoxing was cancelled.

During his March 14 press conference, Premier Wen, while ruling out progress in bilateral relations as long as Japan's leader continued to visit Yasukuni, called for an expansion of economic ties and people-to-people exchanges to build mutual trust and cooperation for "win-win results." At the end of March, at the invitation of the China-Japan Friendship Association, heads of seven Japan-China friendship organizations, including former Prime Minister Hashimoto Ryutaro, former Foreign Minister Komura Masahiko, and former Home Affairs Minister Noda Takeshi visited Beijing. High-level meetings with President Hu and Premier Wen were on the delegation's schedule.

Security and the “China threat”

On Dec. 31, the *Nihon Keizai Shimbun* reported that the JDA announced that elements of the Ground Self-Defense Force would conduct joint exercises with the U.S. Marine Corps. The exercises took place Jan. 9-27 in waters off San Diego and focused on scenarios involving the defense of remote islands, such as the Senkakus. In early January, the *Sankei* reported that the JDA would be strengthening measures to deal with a sharp increase in the intrusions of Chinese military aircraft into Japan’s air defense identification zone over the East China Sea. From April through December 2005, the violations had already topped the all-time high of 30 set in Japan’s 1998 fiscal year.

On Jan. 31, the Cabinet adopted a government position paper stating that China did not represent a threat to Japan. The statement defined threat as “what is actualized with aggressive capability and intent combined.” At the same time, the document noted China’s 17 consecutive years of double-digit defense spending and called for transparency in China’s defense budget.

Meanwhile, the political debate over the “China threat” continued. In remarks to a *Kyodo News* Study Group on Jan. 11, Maehara Seiji, leader of the opposition Democratic Party of Japan, told his audience that, while there were views within the party that differed with his China threat assessment, he would continue to use the words “actual threat.” Earlier on Jan. 10, Maehara told Tan Gailin, assistant to the head of the CCP’s International Liaison Department, that he did not see China as “an enemy” and wanted to promote exchanges to advance relations. Two weeks later, on Feb. 23, the DPJ adopted as a party position the view that China represented an “actual threat” to Japan. The party noted China’s continuing military modernization as well as statements and actions that threatened Japan’s sovereignty. Earlier, in a Jan. 18 speech to the Foreign Correspondents Club, Minister of Agriculture, Forestry and Fisheries Nakagawa said that “Japan is facing military threats. Specifically, they are North Korea and China.”

On Feb. 15, China’s ambassador Wang entered the debate. In a speech to the Diet’s Federation of Japan-China Friendship, Wang attempted to explain increases in China’s defense spending, attributing increased personnel costs to China’s increasingly “affluent” standard of living. He went on to emphasize that the PLA’s *raison d’être* was to “defend” China not to threaten others. The same day ASDF Maj. Gen. Takiwaki Horiyuki, commander of the air base at Naha on Okinawa, told reporters that China’s military build-up represented a threat to Japan. The next day, JDA Vice Minister Moriya Takemasa offered a correction, noting that Japan does not view China as a threat.

On Feb. 28, the *Sankei Shimbun* reported that the U.S.-Japan command post exercise *Keen Edge*, conducted Feb. 23-March 3, would deal with North Korea and China as “hypothetical enemies.” The exercises focused on missile defense and maritime security.

On March 3, the *Tokyo Shimbun* reported that the Foreign Ministry, in its annual Diplomatic Blue Book, would, without specifically identifying China, call attention to an arms buildup “that will directly affect Japan’s national security” and state that “in Asia,

there is a country that has been expanding armaments and has not fully uncovered its armed strength, constituting a matter of concern in the neighboring region.” Commenting on the text, a Foreign Ministry official told the paper that “it is apparent that the identity of the nation in question is China.” On March 22, the Foreign Ministry released the document that called attention to the lack of transparency in China’s military budget and modernization. While the JDA in its Defense White Paper has cited China specifically for a lack of transparency, the reference in the 2006 Blue Book represents a first in the Foreign Ministry’s publications. In his March 19 speech to graduates of the Defense Academy, Koizumi, without naming names, made reference to the fact that some countries “have been pushing nontransparent military expansion in recent years.”

Suicide at the Shanghai Consulate

At the end of 2005, the *Yomiuri Shimbun* revealed the May 2004 suicide of a cipher clerk at the Japanese Consulate in Shanghai and that the government had, on four occasions, lodged protests with Beijing alleging a violation of the Vienna Convention on Diplomatic Relations. The *Yomiuri* reported that the clerk’s suicide note to his family told a story of attempted blackmail by Chinese officials to secure access to confidential codes and of the clerk’s refusal to betray his country. Foreign Ministry spokesperson Katori Yoshinori acknowledged the story and the government’s protests at a Dec. 28 press conference, charging Chinese officials to be behind the incident.

In turn, China’s Foreign Ministry Spokesperson Qin Gang made clear that “Tokyo’s claim is not based on facts” and that China had expressed its “strong indignation toward the Japanese government for taking such a vile action that can smear China’s image.” Meanwhile, the Chinese embassy in Tokyo released a statement to the effect that the Japanese government initially had asked China not to disclose the suicide which Tokyo at the time had attributed to “work pressure.”

Speaking in Tokyo on Feb. 18, Foreign Minister Aso returned to the incident, telling a Tokyo audience that the cipher clerk had committed suicide after having an affair with an unidentified woman, that the incident involved “regrettable acts” on the part of Chinese security officials, and that clerk had “killed himself as he could not sell out his country.” Two days later Aso found himself back-peddling before the Diet, telling lawmakers that he had offered his account only as a hypothetical scenario. He also cautioned Japan’s diplomats to exercise caution when approached by attractive women.

Taiwan

Chinese sensitivities with regard to Taiwan were again aroused when Foreign Minister Aso told a Fukuoka audience on Feb. 4 that Japan’s colonial rule was responsible for Taiwan’s high standards of education. Aso said that he had learned about this from “an important figure on Taiwan” and that “all the elderly people knew about it.” The occupation was a time when “our predecessors did a good thing.” In his remarks, the foreign minister was reported to have called Taiwan a country. Aso later denied that he had called Taiwan a country, telling a Feb. 6 news conference that “I know it’s

problematical to say Taiwan is a country and I'm not that stupid." Beijing expressed surprise and outrage at the foreign minister's "openly prettifying" Japan's past military aggression.

However, during a March 9 meeting of the Upper House Budget Committee, the foreign minister again referred to Taiwan as a country, saying "it has a mature democracy and embraces a free economy. It is also a country under the rule of law." Aso, later amended his remarks, acknowledging that Japan had recognized Beijing as "the only legitimate government" of China and that it was correct to call Taiwan a "region." Also on March 9, Chief Cabinet Secretary Abe reaffirmed the Japan-China Joint Statement, noted that Japan's position had not changed, and observed "I think the foreign minister has understood our position."

Business and economy

For the seventh consecutive year, Japan's trade with China hit new record highs, growing at the rate of 12.7 percent and totaling \$189.3 billion. Exports to China grew 8.9 percent, amounting to \$80.3 billion, while imports increased 15.7 percent and hit \$109 billion. This left Japan with a record trade deficit with China of \$28.7 billion. A JETRO official noted that last year's anti-Japanese demonstrations and China's revaluation of the yuan had "no effect" on bilateral trade. At a Jan. 5 new conference, Keidanren Chairman Okuda Hiroshi told reporters that "when we look at our actual business in China...we do not get the impression that economic ties have cooled." Underscoring the growing importance of commercial relations with China, the Foreign Ministry announced that it would establish in April a Japan-China Economic Affairs Office in the Bureau of Asia and Oceanic Affairs.

The only dark cloud that appeared during the quarter was a result of investigations into illegal export activities of Japanese companies. At the end of January, Japanese media reported that METI had decided to file a criminal complaint under the Foreign Exchange and Foreign Trade Laws against Yamaha Motors for exporting remote-controlled helicopters to Poly Technologies, a Beijing-based company controlled by the PLA. Police authorities suspected that the helicopters could be converted to military use and employed in the spraying of toxic substances. On March 2, National Police Chief Uruma Iwao asked Japan's high-tech companies to exercise caution in exporting to China. Uruma asked that they "take into account national interests" in their business dealings and cautioned that China is "making greater efforts to integrate high technology into military equipment, so it is steeping up clandestine activities directed toward Japan."

Looking ahead

As the quarter drew to a close, it was clear that Beijing was making efforts to shape the post-Koizumi political environment. Its criteria for improving relations, however, remained unchanging – an end to visits to the Yasukuni Shrine by Japan's political leaders. While Japanese opinion polls point to a wide-based public understanding of the need to improve relations with China, among the front-runners to succeed Koizumi

bending to China's criteria during the run-up to the LDP party election is not likely to be a vote getter. The optimistic scenario is that things will not get worse.

Chronology of Japan-China Relations January-March 2006

Jan. 4, 2006: Prime Minister Koizumi visits Ise Shrine; afterward in nationally televised news cast, says he cannot understand foreign governments attempting to turn matter of the heart (Yasukuni) into a diplomatic issue.

Jan. 5, 2006: Keidanren Chairman Okuda tells news conference that economic relations, with one or two exceptions, were not been affected by political tensions during 2005.

Jan. 5, 2006: *Ronza* magazine publishes *Asahi-Yomiuri* editorial dialogue critical of Koizumi's visits to Yasukuni.

Jan. 9, 2006: Director general/working-level informal discussions in Beijing on East China Sea fail to make progress.

Jan. 9, 2006: China's director general for Asian affairs is reported to have criticized Japanese media for only reporting negative aspects with regard to China.

Jan. 9-27, 2006: Ground Self-Defense Forces conduct joint exercises with U.S. Marines in California; exercises focus on defense of remote islands.

Jan. 11, 2006: Democratic Party of Japan (DPJ) leader Maehara Seiji reiterates view that China is an "actual threat."

Jan. 11, 2006: China, Japan, India, South Korea, Australia, and the U.S. meet in Sydney to discuss global warming.

Jan. 13, 2006: JDA Director General Nukaga visits Moscow; asks Russian counterpart to consider impact on regional balance of Russia arms exported to China.

Jan. 18, 2006: Agriculture Minister Nakagawa in speech to Foreign Correspondents Club warns Japan is facing military threats from North Korea and China.

Jan. 18, 2006: LDP party convention adopts platform promising continued party members' visits to Yasukuni.

Jan. 20, 2006: Foreign Minister Aso Taro in foreign policy address to Diet "welcomes" China's peaceful development, assures China that Japan has learned lessons of history, and seeks to build a future-oriented relationship.

Jan. 23, 2006: *Mainichi Shimbun* public opinion poll shows public evenly divided on question of whether next prime minister should visit Yasukuni Shrine.

Jan. 23, 2006: DPJ adopts view that China is an “actual threat” to Japan.

Jan. 24, 2006: Koizumi tells Diet that only China and South Korea are critical of his visits to Yasukuni; reiterates interest in building future-oriented relationship and summit meeting.

Jan. 26, 2006: Chief Cabinet Secretary Abe Shinzo and FM Aso tell Diet that it is wrong for China to use Yasukuni as a diplomatic instrument.

Jan. 28, 2006: FM Aso suggests that the emperor should visit the shrine and thus resolve issue of prime minister’s visits.

Jan. 30, 2006: Abe tells reporters that Aso was simply expressing a personal opinion.

Jan. 31, 2006: Koizumi government adopts position paper stating that China is not a threat to Japan.

Jan. 31, 2006: FM Aso tells reporters that he only intended to raise the issue as to how best to pay homage to those who died for their country.

Feb. 4, 2006: FM Aso tells Fukuoka audience that imperial Japan was responsible for present-day Taiwan’s high educational standards; is reported to have referred to Taiwan as “a country.”

Feb. 6, 2006: FM Aso back-peddles on Taiwan remark, claiming “I’m not that stupid.”

Feb. 8, 2006: LDP leader Noda meets in Beijing with State Councilor and former Foreign Minister Tang; Tang writes off expectations of progress for Koizumi government.

Feb. 8, 2006: Japan Trade Union Confederation and All China Federation of Trade Unions agree to strengthen exchanges.

Feb. 9, 2006: Chief Cabinet Secretary Abe calls Tang’s remarks “inappropriate.”

Feb. 10-11, 2006: Vice ministerial-level talks in Tokyo on East China Sea again fail to make progress.

Feb. 13-14, 2006: Chief Cabinet Secretary Abe meets in Tokyo with Jing Dunquan, vice chairman of the China-Japan Friendship Association; Jing meets FM Aso Feb. 14.

Feb. 15, 2006: Noda quotes Tang's remarks in speech to Tokyo audience; China's ambassador Wang calls for removal of "political impediments" in obstacles in bilateral relations and asserts PLA *raison d'être* is to defend China not threaten others.

Feb. 15, 2006: Tokyo District Court dismisses lawsuit by three Japanese women left in China at end of World War II, seeking damages from government for lack of support.

Feb. 18, 2006: FM Aso charges official Chinese involvement in 2004 suicide of Japanese cipher clerk in Shanghai Consulate.

Feb. 20, 2006: FM Aso backtracks on suicide charge saying he was offering a hypothetical scenario.

Feb. 20, 2006: Delegation of Ruling Coalition members, led by Nakagawa Hidenao, head of LDP's Policy Research Council, visits China; meets Li Zhangchun, Standing Committee member of Political Bureau; Li calls Yasukuni visits "most serious difficulty" since normalization.

Feb. 21, 2006: Nakagawa delivers speech in Beijing offering proposals for a future-oriented relationship.

Feb. 21, 2006: Association to Consider National War Memorial opens Diet study group under chairmanship of LDP's Yamasaki Taku.

Feb. 21, 2006: METI Minister Nikai arrives in Beijing.

Feb. 22, 2006: Nikai meets Premier Wen Jiabao and State Councilor Tang.

Feb. 24, 2006: Miyamoto Yuji, China-school diplomat, named ambassador to China.

Feb. 25, 2006: Chinese companies establish fund to support lawsuits of Chinese citizens seeking compensation for wartime forced labor.

March 5, 2006: Former Chief Cabinet Secretary Fukuda calls for improving relations with Japan's Asian neighbors, including China and South Korea.

March 6, 2006: Director general-level talks on East China Sea resume in Beijing. China advances joint development proposal. Japan and China agree to early resumption of Six-Party Talks.

March 8, 2006: Chief Cabinet Secretary Abe announces that Japan cannot accept Beijing's proposal and asserts Japan's right to carry out exploration activities.

March 8, 2006: METI Minister Nikai calls for continuation of diplomatic efforts to resolve East China Sea issues.

March 8, 2006: China's FM Li asserts that Koizumi's visits to Yasukuni are the equivalent of Germany's leaders honoring Hitler.

March 9, 2006: FM Aso again refers to Taiwan as "a country" in remarks before Upper House Budget Committee; later amends his statement acknowledging Beijing as the "only legitimate government."

March 10, 2006: Chief Cabinet Secretary Abe reaffirms one China policy; observes that he believes FM Aso understands Japan's position.

March 10, 2006: Nagano District Court rejects suit for compensation filed by wartime conscripted Chinese laborers and their families; appeal filed on March 16.

March 10, 2006: LDP approves legislation to protect Japanese companies engaged in resource exploration in Japan's EEZ.

March 14, 2006: Premier Wen in press conference cautions that unless the Yasukuni issue is resolved relations will be difficult with a post-Koizumi government.

March 15, 2006: FM Aso in op-ed in *Wall Street Journal* urges China to learn from Japan's missteps with regard to "extreme nationalism" and to embrace its democratic future which Aso finds "imminent."

March 15, 2006: FM Aso tells Diet that Japan would have to consider countermeasures should China develop other gas fields.

March 15, 2006: FM Aso expresses dissatisfaction with China's assistance to North Korea.

March 17, 2006: Defense Agency is reported to be considering allowing Air Self-Defense Force to provide covering fire in the event Maritime Self-Defense force ships are fired on in Japan's air defense identification zone; the zone extends beyond the median-line boundary in the East China Sea.

March 19, 2006: Koizumi, in speech to Defense Academy graduates, critical of lack of transparency in unspecified countries' military expansion, does not single out China.

March 21, 2006: Former DPJ leader Okada meets President Chen Shui-bian during visit to Taiwan.

March 22, 2006: Foreign Ministry Blue Book calls attention to lack of transparency in China's military budget and modernization.

March 22, 2006: Foreign Ministry postpones consideration of fiscal year 2005 ODA yen loans to China.

March 24, 2006: China's national Development and Reform Commission announces funding to support rehabilitation and expansion of Harbin's Unit 731 Germ Warfare Exhibition Hall into a peace park.

March 25, 2006: Japanese and Chinese Finance Ministers meet in Beijing.

March 25, 2006: Nakagawa Hidenao, chairman of the LDP's Policy Research Council, calls for mutual efforts to surmount the Yasukuni issue and for leaders in both countries to take risks toward that end.

March 27, 2006: Defense Agency releases 2006 East Asian Strategic Review, which cites North Korea's nuclear challenge and China's striking military modernization as continuing sources of instability

March 27, 2006: Koizumi again expresses his inability to understand why, because of a single issue [Yasukuni], China and South Korea continue to refuse summit meetings, professes himself to an advocate of friendly relations with both countries.

March 30-April 1, 2006: Heads of seven Japan-China friendship organizations, including former PM Hashimoto, visit Beijing to exchange views on how to increase nongovernmental exchanges and promote bilateral growth. President Hu tells them he will agree to summit if Japan PM refrains from Yasukuni visits.