

PACIFIC FORUM

COMPARATIVE

CONNECTIONS

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-PACIFIC

JAPAN-CHINA RELATIONS

WARM BUT WARY

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Sino-Japanese interactions were less prominent in the early months of 2019, with the Chinese government focused on its Belt and Road Forum and the Japanese with the imperial abdication. Although President Xi Jinping has committed to attending the G20 Summit in Osaka in late June, no date has been set for a state visit to reciprocate Prime Minister Abe's fall 2018 visit to Beijing. There is speculation that the Chinese are seeking prior commitment to a fifth communiqué, which would be controversial in Japan. The generally cordial atmospherics of lower-level talks belied tensions over territorial disputes, intellectual property rights, and cybersecurity.

This article is extracted from *Comparative Connections: A Triannual E-Journal of Bilateral Relations in the Indo-Pacific*, Vol. 21, No. 1, May 2019. Preferred citation: June Teufel Dreyer, "Japan-China Relations: Warm but Wary" *Comparative Connections*, Vol. 21, No. 1, pp 97-104.

Politics

A columnist for *China Daily* [criticized](#) Japan for unrealistic expectations on the return of the disputed Kuril Islands, citing Japan's alliance with the United States as a major factor. The Japanese Coast Guard [apprehended](#) another Chinese fishing boat illegally harvesting coral in Japan's EEZ, the fourth so far this year, although the large-scale poaching witnessed in 2014 has not occurred so far. In a conversation with Japanese Deputy Foreign Minister Mori Takeo, Chinese Foreign Minister Wang Yi [lamented](#) that, although the Chinese people's opinion of Japan had improved, most Japanese people held unfavorable views of China. He suggested youth exchanges and other bilateral programs to make a success of a visit by Xi to Tokyo.



Figure 1 Source: Yomiuri

In what was regarded as a sign that amicable Sino-Japanese relations would continue, Vice-Foreign Minister Kong Xuanyou 59, was [appointed](#) ambassador to Japan, succeeding Cheng Yonghua, 64, who held the post for nine years. Kong previously served as minister-counselor in the embassy in Tokyo. His appointment may [indicate](#) an upswing in the prestige of Japan specialists in the Foreign Ministry. There is speculation about the signing of a fifth communiqué should Xi make a state visit to Japan in the fall. However, reaction to the Japanese choice of *reiwa* for the era of the new emperor symbolized underlying concerns. Japanese sources [observed](#) that this was the first

time an era name had been derived from a classical Japanese source, the *Manyōshū*, while a Chinese commentator [observed](#) that the use of Chinese characters underscored the two countries' deep cultural ties. He hoped that *reiwa* would portend an era of peace after a cold, harsh winter. Xi is expected to attend the G20 Summit scheduled for June 28–29 in Osaka.

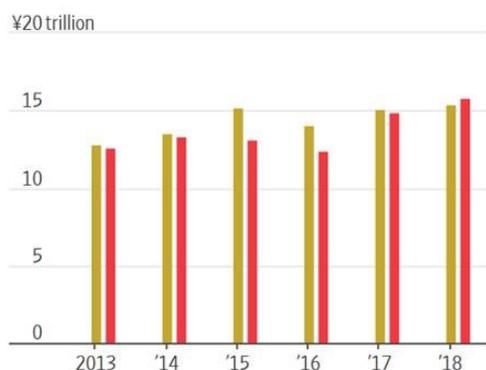
Talks between Chinese and Japanese foreign ministers in Beijing, though cordial, made little substantive progress, with Wang Yi [warning](#) counterpart Kono Taro that the two countries' relationship remained "sensitive and fragile." The PRC did not agree to lift a ban on food from 10 Japanese prefectures that was imposed after the 2011 Fukushima nuclear meltdown, while Japan did not offer to soften regulations that hamper Chinese technology giant Huawei from operating in Japan. The two did not go into detail about their maritime disputes. A former China bureau chief for *Nikkei* [observed](#) that, although it was rare for so many Japanese government, ruling party, and Self-Defense Forces personnel to visit China in so short a period of time, there had been few results.

Economics

Bloomberg [announced](#) that, for the first time since 2012, Japanese companies topped China's in the total volume of mergers and acquisitions, predicting that the spending spree would continue in 2019. According to Chinese sources, Japanese investors' [enthusiasm](#) for China is increasing, as shown by Mitsui Sugar's purchasing 20% of COFCO Liaoning Sugar, while Kawasaki Heavy Industry disclosed plans to transfer the production of hydraulic equipment components heretofore manufactured in Japan to Suzhou.

Japanese companies continued to invest in China, despite Western analysts' prediction that the China-US trade dispute would dampen economic ties between the world's second and third largest economies. In January, Mitsui Sugar [announced](#) plans to buy 20 percent of COFCO Liaoning Sugar, marking the first time Mitsui would produce sugar in the PRC. Japan sold more goods to China than to the US, even excluding sales to Hong Kong. Major Japanese e-tailer Rakuten [announced](#) that it would upgrade its unmanned delivery services by utilizing Chinese counterpart JD.com for delivery of heavier packages over longer distances. And a consortium of China's Harvest

Fund Management and Taiwan's TPK Holdings [bailed](#) out LCD manufacturer Japan Display, in a deal that would provide the two with nearly a 50% stake in Japan Display.



Note: ¥1 trillion=\$9.2 billion

Source: Japan Ministry of Finance

Figure 2 Japan's trade with China, 2013-2018, excluding Hong Kong. Source: WSJ

[Affirming](#) their faith in China as a focus of innovation, major Japanese manufacturers including Toyota Motor and Hitachi are forging ties with startup ventures there. Until recently, such ventures had largely centered on California's Silicon Valley. Separately, in an interview with the *Wall Street Journal*, Hitachi chair Nakanishi [declared](#) that it would be impossible for Japan to exist if it turned China into an enemy. Falling Japanese exports resulting from slower growth in China [indicated](#) how dependent the Japanese economic rebirth is on trade with the PRC.

[Responding](#) to a *Nikkei* report that Japan intended to use its chairship of the G20 to propose new guidelines on development assistance to check China's growing influence through the Belt and Road Initiative, a *Global Times* op-ed stated that China was willing to allow Japan to join the BRI, but that only China would determine its investment standards. Although little was said about either Japan's participation in BRI or its concerns with BRI during this reporting period, a Japanese Coast Guard vessel embarked on a three-month training cruise that included visits to two countries, Sri Lanka and Greece, whose ports have been included in the BRI. A government source [described](#) the visits as "stress[ing] the importance of open ports to these countries and the international community" and

demonstrating the coast guard's commitment to freedom of navigation.

Japan [downgraded](#) its assessment of the economy for the first time in three years, blaming the US-China trade war and declining Chinese economic growth. The Japanese government continued to [protest](#) Chinese test drilling for resource development near the intermediate line between the two countries in the East China Sea. Two human rights advocates [urged](#) that Japan distinguish itself from the PRC with regard to aid and investment in Cambodia. It cannot outspend China, and ignoring Prime Minister Hun Sen's human rights abuses has antagonized Hun Sen's opponents, who will remember who was on their side when he loses power. Still, according to World Bank data, Chinese investment has been [outmatched](#) by Japan's near-silent efforts, and the China-dominated Asian Infrastructure Investment Bank's \$6.4 billion in outstanding loans is dwarfed by those of the Japan and US-dominated Asian Development Bank.

Defense

Japan and France [agreed](#) to strengthen security cooperation in the Indo-Pacific region. Concerned about Chinese and Russian capabilities to attack satellites, the SDF is to be [equipped](#) with a Japanese version of GPS as backup against the currently used US system. Using proprietary Japanese technology, the system can evade jamming and spoofing signals. It is expected to be introduced to Maritime Self-Defense Forces (MSDF) destroyers as early as 2021.

Senior foreign affairs and defense officials [met](#) in Beijing, agreeing on the importance of promoting confidence-building efforts in the security field. The Japanese side reportedly briefed Chinese officials on the country's new defense guidelines. Other issues discussed are believed to have included the situation in the East China Sea and topics related to North Korea.

A *Global Times* opinion piece [criticized](#) Japan for expanding its military power to realize its global ambitions by signing agreements with Canada, France, India, Australia, and the US. German Chancellor Angela Merkel, visiting Tokyo, joined this list when she [stated](#) her support for the Abe administration's initiative for a "free and open Indo-Pacific" to counter Chinese expansionism, and pledged cooperation on

preventing the Chinese government from collecting and harnessing vast amounts of data. Separately, it was announced that Japan and Britain will [cooperate](#) in research in such areas as quantum science and artificial intelligence in response to China's rapid advances in science and technology.

A Japanese analyst, [lamenting](#) the rapid deterioration of his country's security environment due to China's expanding missile, submarine, cyber, and anti-satellite capabilities as well as the impasses on North Korean denuclearization and Russia's hold on the southern Kurils, suggested establishing a standing joint task force to defend the Nansei Islands as a matter of priority. The Japanese government [lodged](#) another protest with China over its continued deployment of a drilling ship in a contested areas of the East China Sea.

The Japanese Coast Guard is to set up a special 24-person section to [liaise](#) with other nations to counter maritime advances by China in the region; a particular focus will be Southeast Asian states. Japan and India [agreed](#) to work together to combat cyberattacks centered mainly on Chinese telecom Huawei's equipment. Japanese sources are concerned that illegal access to India's communications network would lead to leaks of Japanese technology and other confidential information.

China's leading military newspaper [urged](#) remaining vigilant about Japan's creeping militarization, citing as evidence the submission of acquisition and cross-servicing agreements with Canada and France for Diet approval. It also took note of the conversion of *Izumo*-class helicopter destroyers into aircraft carriers, increased investments in cutting-edge technologies such as AI, laser, and electromagnetic waves, and plans to create what the paper called space troops.

A Bank of Japan adviser to the Ukrainian government expressed serious [concerns](#) about the effect on Japanese security of Chinese entities' acquisition of sensitive Ukrainian technology. His remarks were prompted by an apparently imminent takeover of Ukraine's Motor Sich, one of the world's largest manufacturers of helicopter engines and parts for civilian and military aircraft, by a Chinese investor with strong ties to the PRC armed forces.

Three days after [announcing](#) that MSDF ships would take part in China's April fleet review, the first such visit in seven and a half years, with the MSDF chief in attendance, Japan's Defense Ministry [disclosed](#) that it planned to construct a new type of patrol ship to be mainly used in the waters around the Senkaku/Diaoyu Islands. [According](#) to Hong Kong's *South China Morning Post*, the ships are meant to send a message to Beijing that Tokyo intends to defend its maritime claims in the area. A separate program to purchase 22 new destroyers, to be used in the same area, is expected to be completed by about 2032.

Consonant with its strategy of [detering](#) military threats to its southwestern islands by stationing specialized troops on them, the Japanese government [opened](#) Ground Self-Defense Force (GSDF) bases on Amami Oshima, Miyako Island, and Ishigaki Island. Those on Amami Oshima are equipped with surface-to-air missiles and land-to-sea missiles, as will the Miyako base. A similar base was opened on Yonaguni in 2016. In [response](#) to rapid advances in the strike capabilities of the Chinese Navy, Japan's Defense Ministry decided to develop the nation's first domestically manufactured air-to-ship cruise missile, to be mounted on Air Self-Defense Force (ASDF) fighters and capable of attacking a warship from outside the range of an adversary. To counter China's increasing control over the waters linking Okinawa and other islands in the area known as the first island chain, Japan is [introducing](#) its own version of Anti-Access/Area Denial (A2/AD). This includes the ASM-3, a high-speed gliding missile that can travel at Mach 5, with a range of 400 km. Its deployment will give Japan the ability to strike enemy bases, a capability that successive Japanese administrations have eschewed to maintain consistency with the nation's pacifist constitution. There was no immediate comment from Beijing.

China Daily [interpreted](#) the dispatch of two SDF soldiers to the command the Multinational Force and Observers on the Sinai Peninsula as a further step toward dismantling its peace constitution, under which Japan is allowed to use force only if under attack. The dispatch marks the first time that the SDF has participated in a non-UN military mission, the MNO having been set up by the US, Egypt, and Israel after the UN Security Council declined to provide UN forces.

Japanese fighter jets [intercepted](#) two Chinese anti-submarine patrol aircraft north of the Senkaku Islands – a type of the Y-9, not previously seen. Shortly thereafter, the ASDF scrambled against seven PLA Air Force planes that [transited](#) the Miyako Strait between Taiwan and Okinawa. A day later, Taiwan’s Air Force [intercepted](#) two PLAAF jets when they crossed the median line between Taiwan and China. Chinese media have been critical of warming ties between Taiwan and Japan. Japan’s Defense Ministry [reported](#) that its fighters scrambled 999 times in fiscal year 2018, the second highest number on record, with Chinese planes involved in the majority, 638, of instances. They were 500 in 2017, and were nearly all in airspace close to the Diaoyu/Senkaku Islands and near Okinawa.

Culture

Asahi [reported](#) that wealthy Chinese buyers’ fondness for Kyoto real estate had driven prices beyond the reach of many locals, engendering resentment. In a sign that warmer high-level politics did not necessarily foster warmer feelings at the local level, angry netizens forced a Chinese actor to [apologize](#) after he questioned why Japanese did not rob and destroy Beijing’s Palace Museum when they invaded during World War II.

Taiwan

A *Yomiuri* editorial [called](#) for the US to visibly display its commitment to Taiwan in the face of Chinese pressure, deeming it essential to restraining China and maintaining stability in Asia.

Taiwan President Tsai Ing-wen, [interviewed](#) in *Sankei Shimbun*, expressed for the first time her interest in direct dialogue with the Japanese government on cybersecurity and regional security issues. Tsai called on Japan to overcome legal obstacles and seek active, pragmatic collaboration with Taiwan despite the absence of official diplomatic ties. In another step toward strengthening ties in the absence of formal diplomatic relations, Taiwan’s foreign minister [advocated](#) closer Taiwan-Japan cooperation in the face of common threats such as global warming, cross-border ties, and cyberattacks. The Japan-Taiwan Exchange Organization, Japan’s unofficial embassy to Taiwan, the also unofficial American Institute on Taiwan, and Taiwan’s Foreign Ministry [co-](#)

[hosted](#) an international workshop under the Global Cooperation and Training Workshop, in what Japanese representative Numata described as a historic experience that his office had been working on for three years.

Taiwanese software entrepreneur José Lin [advocated](#) avoiding China in favor of Japan since the former has “zero concept of intellectual property rights.”

CHRONOLOGY OF JAPAN-CHINA RELATIONS

JANUARY – APRIL 2019

Jan. 8, 2019: Bloomberg [announces](#) that, for the first time since 2012, Japanese companies outranked China's in the total volume of mergers and acquisitions, predicting that the spending spree would continue in 2019.

Jan. 11, 2019: Japan and France [agree](#) to strengthen security cooperation in the Indo-Pacific region.

Jan. 22, 2019: *Asahi* [reports](#) that wealthy Chinese buyers' fondness for Kyoto real estate has driven prices beyond the reach of many locals, engendering resentment.

Jan. 29, 2019: *Yomiuri* editorial [calls](#) for the US to visibly display its commitment to Taiwan in the face of Chinese pressure, deeming it essential to restraining China and maintaining stability in Asia.

Jan. 31, 2019: Columnist for *China Daily* [criticizes](#) Japan for unrealistic expectations on the return of the disputed Kuril Islands, citing Japan's alliance with the US as a major factor.

Feb. 1, 2019: Senior foreign affairs and defense officials [meet](#) in Beijing, agreeing on the importance of promoting confidence-building efforts in the security field.

Feb. 2, 2019: Beijing's *Global Times* reports that Japanese companies [continued](#) to invest in China, despite Western analysts' prediction that the US-China trade dispute would dampen economic ties between China and Japan.

Feb. 3, 2019: Japanese Coast Guard [apprehends](#) a Chinese fishing boat illegally harvesting coral in Japan's EEZ.

Feb. 5, 2019: *Global Times* opinion piece [criticizes](#) Japan as seeking to expand its military power by signing agreements with Canada, France, India, Australia, and the US.

Feb. 5, 2019: German Chancellor Angela Merkel, visiting Tokyo, [states](#) her support for the Abe administration's initiative for a "free and open Indo-Pacific" to counter Chinese expansionism, and pledges cooperation on preventing the Chinese government from collecting and harnessing vast amounts of data.

Feb. 7, 2019: Japan and Britain agree to [cooperate](#) in research in such areas as quantum science and artificial intelligence in response to China's rapid advances in science and technology.

Feb. 7, 2019: Japanese government [lodges](#) a protest with China over its continued deployment of a drilling ship in a contested areas of the East China Sea.

Feb. 11, 2019: Japanese Coast Guard announces plan to establish a special 24-person section to [liaise](#) with other nations to counter maritime advances by China in the region.

Feb. 22, 2019: Japanese e-tailer Rakuten [announces](#) it will upgrade unmanned delivery services by using Chinese counterpart JD.com for delivery of heavier packages over longer distances.

Feb. 24, 2019: Japan and India [agree](#) to work together to combat cyberattacks centered mainly on Chinese telecom Huawei's equipment.

Feb. 25, 2019: China's leading military newspaper [urges](#) remaining vigilant about Japan's creeping militarization.

Feb. 26, 2019: Bank of Japan adviser to the Ukrainian government expresses [concerns](#) about the effect on Japanese security of Chinese entities' acquisition of sensitive Ukrainian technology.

March 3, 2019: Taiwan President Tsai Ing-wen is [interviewed](#) in *Sankei Shimbun* and expresses for the first time her interest in direct dialogue with the Japanese government on cybersecurity and regional security issues.

March 8, 2019: Japan announces it will [send](#) a Maritime Self-Defense Force ship to participate in China's fleet review.

March 9, 2019: Japanese authorities [charge](#) two Japanese nationals with exporting wagyu fertilized eggs and sperm to China without undergoing the required quarantine procedures.

March 11, 2019: Japanese Defense Ministry [announces](#) plans to construct a new type of patrol ship to be mainly used in the waters around the Senkaku/Diaoyu Islands.

March 14, 2019: Taiwan's foreign minister [advocates](#) closer Taiwan-Japan cooperation in the face of common threats such as global warming, cross-border ties, and cyberattacks.

March 17, 2019: Japanese Defense Ministry announces that it will develop the nation's first domestically manufactured air-to-ship cruise missile.

March 20, 2019: Japan [downgrades](#) its assessment of the economy for the first time in three years, blaming the US-China trade war and declining Chinese economic growth.

March 20, 2019: An LDP policy group [proposes](#) the creation of a National Economic Council to develop and integrate strategy on the economy, national security and diplomacy.

March 22, 2019: Japanese government continues to [protest](#) Chinese test drilling for resource development near the intermediate line between the two countries in the East China Sea.

March 23, 2019: Japanese fighter jets [intercepts](#) two Chinese anti-submarine patrol aircraft north of the Senkaku/Diaoyu Islands.

March 26, 2019: Japan-Taiwan Exchange Organization, Japan's unofficial embassy to Taiwan, the also unofficial American Institute on Taiwan, and Taiwan's Foreign Ministry [co-host](#) an international workshop under the Global Cooperation and Training Workshop.

March 26, 2019: GSDF establishes new bases on Amami-Oshima Island in Kagoshima and Miyakojima island in Okinawa to enhance defense of the southwestern Nansei islands.

March 30, 2019: Air Self-Defense Force scrambles against seven PLA Air Force (PLAAF) planes that [transit](#) through the Miyako Strait between Taiwan and Okinawa.

March 31, 2019: Taiwan's Air Force [intercepts](#) two PLAAF jets when they cross the median line between Taiwan and China, thought to be a response to Chinese criticism of warming ties between Taiwan and Japan.

April 1, 2019: Taiwanese software entrepreneur José Lin [advocates](#) avoiding China in favor of Japan since the former has "zero concept of intellectual property rights."

April 3, 2019: Consortium of China's Harvest Fund Management and Taiwan's TPK Holdings [bail](#) out LCD manufacturer Japan Display.

April 4, 2019: Kong Xuanyou 59 is [appointed](#) ambassador to Japan, succeeding Cheng Yonghua, 64, who held the post for nine years.

April 8, 2019: Japanese Coast Guard vessel *Kojima* embarks on a three-month training cruise that includes visit to Sri Lanka and Greece.

April 11, 2019: Chinese Foreign Ministry merges its Korean and Japanese divisions.

April 15, 2019: Talks held between Chinese and Japanese foreign ministers in Beijing.

April 15, 2019: Japan's Defense Ministry [reports](#) that its fighters scrambled 999 times in fiscal year 2018.

April 30, 2019: Japan [introduces](#) its version of Anti-Access/Area Denial (A2/AD). There was no immediate comment from Beijing.

