

Japan-China Relations: No Escaping History -or the Future

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Japan's relations with China began the year on a positive note, with the announcement of a FY 2000 budget request to provide for the clean-up of chemical weapons abandoned in China by the Imperial army. However, history soon proved to be very much alive as underscored by the Osaka conference on the Nanjing Massacre. Likewise contemporary China's own problems -- the Dalai Lama, Falun Gong, and Lee Teng-hui -- continued to affect Sino-Japanese relations. Other developments during the quarter, including cyber attacks on Japanese government home pages, (in part originating in China), the 15 percent increase in China's military spending announced at the National People's Congress, and the Presidential election on Taiwan also posed new challenges. On the economic side, Toyota announced final approval of a joint venture, and Tokyo unveiled new Overseas Development Assistance (ODA) commitments. Even as the new ODA package was announced in Beijing, the Japanese ambassador publicly admonished China for failing adequately to appreciate the efforts Japan was making. At the same time, China's Supreme Court acted to make claims by Japanese banks against China's bankrupt international trade and investment corporations (ITICs) virtually unrecoverable.

A Good Beginning in the New Millennium...

The new millennium began with a positive step back into history. At the end of December, the Japanese government proposed 2,862 million yen in the draft fiscal year 2000 budget for the destruction of approximately 700,000 chemical weapons abandoned by the Imperial Army in China at the end of the Second World War. The sum, if appropriated, would allow the Prime Minister's Office for Abandoned Chemical Weapons to proceed with its ongoing study of destruction technologies and develop a destruction plan.

But Old Issues and History Remain

Despite this positive start, the issues of the past continued to buffet the relationship. A late January storm revolved around a one-day conference on the 1937 Nanjing massacre at Osaka's International Peace Center. Organizers of the conference portrayed it as an attempt to review the incident's historical record. Mainstream Japanese historians, however, regarded participation as tantamount to legitimizing the organizers' position that Nanjing was the "biggest myth of the twentieth century" and simply anti-Japanese wartime propaganda.

Prior to the conference, the Chinese Foreign Ministry expressed its intense concern and asked the Japanese government to take steps to prevent the spread of such ideas. Following the conference, China's Foreign Minister Tang Jiaxuan called in the Japanese ambassador and expressed the strong indignation of the Chinese government and people. While acknowledging that the number of Japanese who hold such extreme views is exceedingly small, the Chinese

Foreign Minister felt the conference reflected the deep and continuing influence of militarism in Japanese society. The Japanese ambassador explained that the conference proceedings did not represent the position of the Japanese government and that allowing the conference to be held reflected the freedoms of speech and assembly existing in contemporary Japan. The issue resurfaced at the National People's Congress in March when Prime Minister Zhu Rongji warned against the continuing existence of extreme right wing elements in Japan as evidenced by the Osaka conference.

Other Old and New Problems

At the same time, a series of sensitive political and diplomatic issues, involving possible visits to Japan by the Dalai Lama and Lee Teng-hui, a petition for non-profit organization status in Japan for Falun Gong, and the coming Okinawa Summit, continued to complicate Japan's relations with China.

Following an invitation from Kyoto's Seika University, the Dalai Lama made clear he was to travel to Japan and applied for a visa. Tokyo's governor, Shintaro Ishihara, well known for his strong views of China, stated he would meet with the Dalai Lama should he come to Japan. Meanwhile, Taiwan's President Lee Teng-hui was showing strong interest in traveling as a private citizen to Japan after he leaves office on May 20. Beijing asked that neither be allowed to enter Japan.

In November 1999, the Falun Gong organization applied, through a Japanese advocate, to the Tokyo municipal government for non-profit organization (NPO) status. The Chinese embassy informed Tokyo that granting such status held the possibility of negatively influencing Sino-Japanese relations. When the Tokyo government rejected the petition on March 8, Beijing characterized the refusal as an "enlightened" decision. Not to leave Beijing with the last word, Tokyo Governor Ishihara made it clear the decision had nothing to do with diplomacy -- the organization simply failed to meet the legal standards for NPO status. Moreover, the decision was not made with the intention of soliciting praise from Beijing.

Future Shock: Cyber Attack

In late January, the websites of the Prime Minister's Management and Coordination Agency, the Science and Technology Agency, and the Ministry of Transportation were attacked. The illegal acts began soon after the conclusion of the Osaka Conference on the Nanjing Massacre and eventually affected other government websites, including the Bank of Japan and the Finance Ministry. By the end of the first week in February, a total of twenty-one sites had been tampered with. With unexpected ease, cyber-terrorists had hit Japan.

Japanese police authorities traced the attacks to servers in China, the U.S., and Tokyo University's Hongo campus. Police linked the January 24 attack on the Science and Technology Agency to a server on the Tokyo University campus, while tracing the January 25 attack on the Prime Minister's Management and Coordination Agency and the January 26 attack on the Science and Technology Agency to servers located in China. One group of hackers, who wrote their message in Chinese characters, claimed to represent the Chinese Extreme Right Wing Anti-

Japanese Federation. In Beijing, the Chinese government issued a statement condemning the attacks.

Okinawa Summit and China

To invite or not to invite China to the Okinawa Summit was a matter of much pondering in Tokyo. The question of including China in the G-8 framework has been lingering on the diplomatic agenda for some time, only to be given new life late last year by Germany's Prime Minister Gerhard Schroeder. Schroeder's ruminations raised a number of difficult questions for Prime Minister Obuchi and the Japanese government, hosts of this year's G-8 Summit in Okinawa.

Prime Minister Obuchi initially sought to have the Summit reflect the voice of China as a major Asian power and looked for ways to involve China. The question was whether to enlarge the G-8 to include China or to grant observer status to Beijing. Either case would require extensive consultations with other G-8 members. Playing a bridging role between China and the West has long been regarded in Tokyo as Japan's unique contribution to the integration of China into the international community. Inside the Foreign Ministry, however, the difficulty of coordinating with other G-8 members and the downside of potential embarrassment should Beijing refuse a formal invitation were emphasized.

From Tokyo's perspective, China's leadership was not demonstrating much interest publicly. Prime Minister Zhu announced he did not consider the G-8 to be a broadly representative body. There were other concerns: China's presence could invite criticism of its own human rights record; participation in the G-8 might somehow weaken the UN system; as a member, Russia is not treated as a true equal; and Okinawa was also the site of major U.S. bases that could involve the U.S.-Japan alliance in a Taiwan contingency. Previously, China had criticized the Obuchi government's three-party coalition as right-leaning; accepting an invitation from the Prime Minister -- who (according to much "inside" speculation) was planning to use the Summit as a major re-election prop -- could have negative political consequences back in Beijing.

By early March, Beijing began to clarify its position -- it would not participate as a guest observer. On March 10, Foreign Minister Yohei Kono told the Diet's Upper House Diplomatic and Security Committee that China had decided not to attend the Summit regardless of how the invitation might be extended and it had no interest in joining the G-8 as a member. As next best, Tokyo asked Prime Minister Zhu to visit Japan before the Summit. Beijing, however, was unable to accommodate this request.

The National People's Congress: Military Spending Increase

Prime Minister Zhu's March 6 wide-ranging Work Report to the National People's Congress touched on a number of issues of immediate concern to Japanese security interests, including a 15 percent increase in China's defense spending and a reiteration of China's February 21 White Paper threat to Taiwan. Japanese press reporting on the increase in defense spending noted that it would outpace the projected annual economic growth rate of approximately seven percent and that it was being put forward at a time of increasing tension with Taiwan. This prompted a

Sankai Shimbu, editorial of 7 March calling for a review of Japan's ODA program for China, noting that by assisting in the construction of expressways, railroads, and airports, Tokyo was contributing to an increase in China's comprehensive military strength.

The following day, March 8, the Japanese Defense Agency's National Institute of Defense Studies released its *East Asia Strategic Review 2000*. The chapter covering China, thirty-three pages in length, takes up a broad range of issues, including China's diplomatic strategy, sea lane security, incursions into Japan's economic zone, the Senkakus, and PLA modernization. Among its observations, the study notes a slow but continuing increase in China's ballistic missile strength. At the same time, it asserts that Beijing's continued opposition to Japan-U.S. joint research on theater missile defense (TMD) is simply an apprehension that China's overwhelming military superiority with respect to Japan, as expressed by the deployment of its missile systems, was being put at risk. TMD is a defensive system and it is difficult to countenance the view that it threatens to destabilize strategic relationships with Japan's neighbors. That Japan, lacking any strategic systems, should be criticized for advancing TMD research is a view that could not be entertained. Overall, the report's heavy focus evidenced a strong concern with Chinese military trends.

In Tokyo, the Japanese Foreign Ministry's new press secretary called for increased transparency in China's military budget, observing that "we are not 100 percent sure what sort of items are covered by the Chinese defense budget *per se*...."

Presidential Election in Taiwan

From mid-February through March 18, the Japanese media featured extensive coverage on Taiwan's presidential election. Candidates, parties, election strategies, and cross-Strait developments were closely watched.

Despite China's considerable threats -- the February 21 White Paper, the March 6 *PLA Liberation Daily* article "Taiwan Independence Means Immediate War," and Zhu's own warnings at the close of the National People's Congress that "the Chinese people are ready to shed blood and sacrifice their lives to defend the sovereignty and territorial integrity of the motherland" -- Taiwan's March 18 election resulted in the election of Chen Shui-bian of the traditionally pro-independence Democratic Progressive Party (DPP). Post-election analysis in Tokyo focused on the implications of the election for Japan's relations with China, Taiwan, and the United States.

Foreign Minister Yohei Kono made clear Japan's hopes that both Beijing and the newly elected government in Taipei would work to resolve outstanding issues peacefully through direct discussion and that dialogue would be promptly resumed. There would be no change in Japan's basic policies of developing official relations with Beijing based on the 1972 Normalization Communiqué, while maintaining unofficial relations with Taiwan.

The situation required careful handling. While the Diet debate during the passage of legislation implementing the new Japan-U.S. Defense Guidelines had left the issue of Taiwan's inclusion shrouded in ambiguity, the new situation resurfaced concerns of possible Japanese involvement

and commitment. Early in the new year, Kunihiko Saito, former ambassador to the United States, observed that a Japanese failure to respond to a U.S. request for support in a Taiwan contingency would be a source of profound despair in Washington. A U.S.-China conflict would be Japanese diplomacy's worst nightmare.

At the same time, the striking progress of Taiwan's democracy raised Taipei's standing in Japan. This served to energize policy debates within Japan's political parties as to how to respond to the election, the May 20 inauguration, and the new DPP government. It re-engaged the debate among Japan's pro-Taiwan and pro-China political and economic elites. The election also raised sensitive political and diplomatic questions involving possible visits of former Japanese government officials to Taipei to attend Chen's inauguration. Even more sensitive were possible visits to Japan by outgoing President Lee Teng-hui and President-elect Chen Shui-bian.

Economic Relations

Despite a rocky start, Sino-Japanese economic relations continued to expand.

Beginning in 1997, the collapse of several of China's International Trade and Investment Corporations revealed the serious exposure of Japanese banks. Initially, the Bank of China announced that foreign investor claims would receive preference in any settlements. However, last year a Chinese court ruled giving preference to foreign creditors would disadvantage China's own investors. This ruling tied up asset recovery in bankruptcy proceedings. On January 8, China's Supreme Court issued a classified internal circular, freezing action on previously recognized claims and temporarily declining to accept new ones. The court's action made credit extended to China's ITICs by Japanese banks virtually unrecoverable. The foreign debt of such corporations is estimated at approximately 8 billion yen with Japanese debt accounting for nearly half. In Beijing, the Japanese embassy publicly criticized the court's failure to uphold China's own laws. The Japanese press headlined the story as China not playing by its own rules and contributing to a decline in foreign investor confidence.

In the private sector, joint ventures moved ahead. On January 31, Toyota received final approval for a production joint venture with Tienstin Automobile Manufacturing. Production is scheduled to begin next year. The agreement makes Toyota the third Japanese automobile corporation operating a joint venture in China; the other two companies are Suzuki and Honda. In February, Japan's Ando Marble Group and a Hong Kong-based Chinese stone company began operating a joint venture in Amoy. The joint venture brings unfinished building stones from various countries, Italy, Brazil, etc., to China for low cost processing. The joint venture is capitalized at five million Japanese yen.

The two governments also made progress on economic and development issues. In early February, Tokyo and Beijing announced agreement on a 16 billion Japanese yen loan package designating Dalian, Chungqing, and Shenyang as model cities for comprehensive environment protection projects. At the end of the month, after two years of on and off negotiations, the two governments reached agreement on a new fishing accord covering the northern areas of the East China Sea. While details regarding implementation remain to be worked out, the accord is scheduled to go into effect on June 1.

Indicative of Japan's central ODA role, representatives of Japan and China signed an agreement on Japan's new ODA commitment on March 27. At the signing ceremony, Japan's ambassador Sakutaro Tanino pointed out that in light of Japan's own economic difficulties, there are intense opinions being expressed in the Diet and the press about Japan's ODA spending in China. The ambassador went on to say that while the assistance extended to China represents the principal part of Japan's development assistance, this fact is not sufficiently understood by China. He expressed disappointment with China's reluctance to acknowledge the role that Japan's assistance has played in China's economic development over the past twenty years. This attitude, Sakutaro cautioned, made sustaining Japan's assistance program difficult.

Implications for U.S. Policy

China's ongoing military modernization, in particular the growth of its missile forces and its opposition to missile defenses, continues to move Tokyo toward closer security cooperation with the United States and serves to enhance cooperative research in the development of TMD. At the same time, the cross-Strait tensions during the 2000 Taiwan election again raised nightmarish scenarios of possible U.S. involvement in a China-Taiwan crisis. This, in turn, would likely bring calls from Washington for Japanese support. Failure of Japan to respond in accordance with the new U.S.-Japan Defense Guidelines would put at risk the U.S.-Japan alliance as well as the existing alliance-based regional security structure.

Looking ahead to the next administration in Washington, striking and maintaining the proper balance between U.S. values and U.S. interests with respect to Taiwan and China remains a central challenge for U.S. diplomacy. For both Washington and Tokyo, conflict in the Strait represents a lose-lose outcome.

Chronology of Japan-China Relations January-March 2000

Dec. 24, 1999: Japanese government announces FY 2000 draft budget, proposing funds for destruction of chemical weapons abandoned by the Imperial army in China.

Jan. 8, 2000: China's Supreme Court rules against recovery of claims against bankrupt Chinese corporations by Japanese banks.

Jan. 23, 2000: The Osaka conference on the Nanjing Massacre convenes.

Jan. 24, 2000: Cyber attacks begin on Japanese government home pages; some are traced back to China.

Jan. 31, 2000: Toyota received final approval for joint venture with Tienstin Automobile Manufacturing. This is the third Japanese joint venture in automobile production in China.

Feb. 21, 2000: China releases White Paper on Taiwan that broadens the circumstances under which the PRC would invade Taiwan.

Feb. 26-27, 2000: Japan, the ROK, and the PRC sign a joint communiqué on environmental protection.

Feb. 27, 2000: Japan and China sign a fisheries agreement.

Mar. 5, 2000: Prime Minister Zhu Rongji's Work Report to the National People's Congress announces a military spending increase, criticizes Japanese right wing extremism, and reaffirms China's commitment to the February 21 White Paper.

Mar. 8, 2000: Tokyo municipal government rejects Falun Gong petition for Non-Profit Organization status.

Mar. 8, 2000: Japan's Defense Agency releases *East Asia Strategic Review 2000*; China-related issues are major focus.

Mar. 10, 2000: Foreign Minister Kono announces that China will not attend G-8 Summit in Okinawa.

Mar. 15, 2000: Prime Minister Zhu threatens that China will shed blood to prevent Taiwan independence.

Mar. 18, 2000: Presidential election takes place in Taiwan and Chen Shui-bian of the Democratic Progressive Party is elected.

Mar. 27, 2000: An agreement is reached in Beijing on new Japanese Overseas Development Assistance (ODA) commitments.