

## Japan-China Relations:

### The Zhu Visit and After ... Efforts to Steady the Course

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The early October visit of China's Premier Zhu Rongji to Japan served as the quarter's political and diplomatic centerpiece, providing for an across the board review of outstanding issues. Zhu's agenda focused on pending cuts in Japan's development assistance budget, the efforts of both governments to develop a mutual prior notification system for maritime research activities, and the always politically sensitive issue of history. Reflecting on the visit a month later, Zhu felt that he was able to address issues of mutual concern, build mutual trust, and dispel mutual suspicions, a judgment that a significant majority of Japan's political leadership would share.

During the quarter, the Japan-China Security Dialogue resumed in Tokyo. Defense officials reached agreement on reciprocal ship visits, beginning in 2001; extended invitations for visits by respective defense ministers; agreed to visits by service chiefs; and exchanged Defense White Papers. Agreement on a mechanism for mutual prior notification of maritime research activities remained illusive, even as negotiations continued.

Meanwhile, economic relations continued to expand, with the Japanese private sector paying particular attention to Beijing's western development plan and China's growing interest in information technology. However, at the end of December, Beijing's finding against Japan's steel industry for dumping practices raised temperatures in Tokyo, along with the possibility of retaliation against China's textile industry.

#### **Zhu Rongji comes to Japan**

Nearly two years after the history-laden visit of China's President Jiang Zemin, Premier Zhu Rongji went to Japan to smooth out the increasingly rough edges of the often-troubled relationship. Jiang's recurring emphasis on the past had not played well and, over the intervening years, voices critical of Beijing's policies gained a wider audience in Japan. During 2000, new issues arose--revolving around the activities of Chinese research ships in Japan's Exclusive Economic Zone (EEZ) and pending cuts in Japan's overseas development assistance (ODA) budget as well as Beijing's level of expressed appreciation for Japan's ODA efforts--to further complicate the bilateral relationship and its policy framework, "The Partnership of Friendship and Cooperation for Peace and Development."

***Setting the Stage--in Japan.*** Prior to Zhu's arrival, the press previewed Japanese concerns. In an op-ed in the October 6 *Asahi Shimbun*, Aoyama University professor Amako Satoshi noted the growing chorus of voices calling for a review of ODA policy. While not agreeing with the proponents of a harder line toward China, the professor offered a number of reasons why such thinking had gained currency. The first was that Beijing had failed to express any particular appreciation for Japan's ODA efforts and had similarly failed to make known to the Chinese people the realities of Japan's assistance. More to the point, the Chinese leadership seemed to take the assistance program for granted. To make matters worse, Japanese businesses operating in China were subjected to unethical business practices.

At the same time, concerns were being expressed that ODA cooperation was not only contributing to China's economic development but also to its growing military power. China's recent activities in Japan's EEZ only heightened such strategic concerns. Amako called on Beijing to publicize Japan's contributions to the Chinese people and thus help build a cooperative relationship, which would sweep away mutual mistrust.

On the day of Zhu's arrival in Japan, an *Asahi* editorial called for a straightforward discussion with Zhu on ODA. Noting the contribution ODA has made to China's economic development and in light of China's average ten percent growth rate and Japan's own financial troubles, the *Asahi* asked if ODA should continue at the same level and be targeted at the same projects. The editorial noted that those arguing for a large-scale cut in the ODA budget for China did so for two major reasons-China's lack of gratitude and the fear that ODA could be contributing to China's military capabilities.

While not dismissing such concerns, the *Asahi* argued that what happens in China will significantly influence Japan's future and that a China in chaos would not be in Japan's national interest. Zhu was called on to make clear to the Chinese people the contributions Japanese ODA has made to China's own development. At the same time, the editorial made clear that should China come to pose a military threat to Japan, ODA would cease. The editorial concluded that for ODA to be effective, donor and recipient must share cordial feelings.

***Setting the Stage--in China.*** On October 8, as down payment of appreciation in advance of the Zhu visit, Beijing hosted a special commemorative reception to celebrate the 20<sup>th</sup> anniversary of economic cooperation between China and Japan. Japan was represented by a power delegation led by Liberal Democratic Party (LDP) Secretary General Nonaka Hiromu, Komeito Secretary General Fuyushiba Tetsuzo, and Conservative Party Secretary General Noda Takeshi. In Tokyo, the Foreign Ministry viewed the dispatch of a special envoy as extremely important, "not only for economic cooperation but also bilateral relations in general..."

During his visit, Nonaka met with Zhu who expressed his appreciation for Japan's ODA program and committed himself to a public relations effort with respect to Japan's contribution. The Foreign Ministry Press Secretary observed that Nonaka had found in

the Chinese leadership “a very strong eagerness” to develop friendly relations with Japan and that Nonaka could sense “the heartfelt feelings of gratitude held by the Chinese side for the economic cooperation rendered by Japan...” Expressions of friendship and appreciation became the dominant tones for the Zhu visit.

***The Visit.*** From October 12-17, Zhu met with Japan’s political leadership and assiduously courted public opinion, even appearing on a national television dialogue with the Japanese people. Issues relating to Japan’s ODA program, China’s economic development (in particular its western development program), history, and security dominated the discourse.

***ODA and Economic Relations.*** On ODA, Prime Minister Mori Yoshiro emphasized the importance of popular understanding and support to sustain the development assistance program and encouraged greater efforts by Beijing to publicize Japan’s contribution to China’s progress. Zhu acknowledged the need for such efforts by his government and expressed his appreciation for Japan’s support, including the Special Yen Loan extended on October 10. (As noted last quarter, the Diet had postponed a vote on this package at the time of Foreign Minister Kono’s August visit to Beijing to express its displeasure with the activities of Chinese research ships in Japan’s EEZ.)

At the same time Japan’s leadership informed Zhu of the across-the-board, country-specific ODA review underway in Japan and promised that the future programs toward China would develop out of the internal review process and in consultation with China. In December, the Mori government approved a three percent cut in Japan’s ODA budget.

In the closely related field of Japanese private sector investment in China, Tokyo again stressed the need for greater transparency in China’s investment environment given Beijing’s expectations for Japanese private sector participation in China’s western development plans. Japan announced the establishment of a Council to Promote Inland Development in China as well as plans for a government-private sector mission to western China during the first half of 2001 to study the needs of the region. The Japanese private sector also affirmed its support for the development of China’s small and medium business sectors, while Japan’s External Trade Organization announced its support for a telecommunications infrastructure study for China’s state-owned enterprises as well as efforts to reform China’s legal system. At the same time, Tokyo urged resolution of outstanding debt issues relating to the collapse of the Guangdong International Trust and Investment Corporation.

## **Security**

On September 27-28, the second round of Japan-China consultations on the issue of mutual prior notification of maritime research activities took place in Beijing. This was the second of such consultations following agreement to develop such a system during Foreign Minister Kono’s visit to Beijing in August. During Zhu’s visit, both sides reaffirmed their commitment to the early development of a framework for mutual prior notification while holding fast to their respective positions. Zhu insisted that China’s

research activities were not inappropriate and reflected no ill will toward Japan. Both sides also reaffirmed respective commitments to the Japan-China security dialogue, to enhancing defense exchanges, and to mutual ship visits. The opening of a Japan-China “hotline” was also confirmed.

## **History**

In contrast to Jiang, Zhu took a more flexible and forward looking posture, one “taking history as the mirror and looking forward to the future.” This started with an October 8 pre-trip meeting with the Japanese press corps in Beijing. With regard to the past, including the invasion and the Nanjing massacre, Zhu announced that China had no intention of irritating the Japanese people, and, while Zhu asked Japan not to forget the past, the request was largely not viewed as intent to use history as a diplomatic card. Zhu argued that neither the Japanese people today nor those of the 1930s bore responsibility for the war, which occurred because of the rise of militarism, thus suggesting a willingness to differentiate between militarism and the Japanese people.

Zhu, however, was not turning a blind eye to history. During his TBS television appearance and at his meeting at the Correspondents Club, he addressed the issue directly. During the October 14 national television appearance, in response to a question as to how long China will continue to ask for an apology, Zhu replied that, while former Prime Minister Murayama Tomoichi had in 1995 issued a general apology to the people of Asia, Japan “had never once apologized, in any official documents, to China for its aggression.” No matter how many times Japanese leaders may have evidenced reflection on the past, words of apology had never been uttered.

That said, Zhu also made clear that China was not intent on asking ceaselessly for an apology. Whether or not to apologize was a decision to be left to the Japanese people; Zhu only asked for Japanese reflection on the matter. The premier noted that his views were criticized in China as being soft. (Afterward, it was reported that an unidentified senior Chinese official asked TBS not to broadcast to China the portion of Zhu’s remarks about being criticized for softness and that TBS had complied.) On Nanjing, Zhu stated that he had not intended to touch on the issue, but since the matter was raised, he noted that Nanjing was a reality that could not be denied given the sufficiency of evidence.

Two days later in a meeting at the Correspondents Club, Zhu returned to history and apologies. Zhu stated that China had consistently evaluated highly Prime Minister Murayama’s remarks to the Asian people and made clear that he did not want history again to worsen bilateral relations. Nevertheless, history was something that could not be hidden and should be squarely faced. Zhu also noted that “the Japanese people and Chinese people alike were victims of militarism and that the Japanese people ought not to be forced to bear the responsibility for the past war of aggression.”

The same day, Chief Cabinet Secretary Nakagawa addressed Zhu’s remarks about Japan’s failure to apologize to China in an official document. Nakagawa explained that “because Japan had expressed such feelings in many forms, to express such sentiments

again in writing is not under consideration.” Moreover, he noted that, although not appearing in an official document, former Prime Minister Obuchi had used the words “reflection” and “apology” in speaking to President Jiang. Zhu had also asked Japan not to allow descriptions of atrocities committed by the Imperial Army to be deleted from middle school textbooks. In response, Nakagawa noted that the authorization council was paying appropriate attention to the matter in its deliberations.

With both leaders recognizing the importance of “promoting mutual understanding and building mutual trust” and establishing a “more cooperative bilateral relationship,” the Japanese Foreign Ministry pronounced that Zhu’s visit had achieved the goal of cementing the Japan-China Joint Declaration on Building a Partnership of Friendship and Cooperation for Peace and Development. Zhu had left an impression of having endeavored in many ways to gain the understanding and friendship of the Japanese people.

***The Haneoka Incident.*** One history issue was resolved during the past quarter. The Haneoka Incident had long stood as one of the unresolved legacies of the war. At issue was the mistreatment of impressed Chinese laborers in a mine run by a branch office of the Kajima company; a June 30, 1945 uprising and its suppression by the Kempetai, costing the lives of four Japanese and one Chinese; and the continuing torture of the Chinese work force, which over the period August 1944 through November 1945 resulted in the deaths of 418 Chinese workers.

In 1989, the Chinese leader of the uprising asked for an apology from the Kajima company. A year later, Kajima complied, admitting responsibility in a joint statement. However, negotiations over compensation dragged on over the past decade, until November 28 when an out of court settlement was agreed to, with Kajima offering \$4.6 million to the victims and their relatives. Two days later, the lead *Asahi* editorial hailed the settlement as a “great post-war milestone.”

### **Zhu Again--New Views on Japan?**

On November 9, a month after his visit to Japan, Zhu granted an exclusive interview to *the Asahi Shimbun*. Asked to evaluate his visit, Zhu replied that subjectively it would be difficult to judge; nevertheless, he felt that his visit had served to increase mutual trust and dispel mutual suspicions. He stated that he wanted to see a deepening of bilateral exchanges as well as a deepening of mutual understanding.

Significantly, Zhu went on to say that through cooperation both China and Japan had important and appropriate roles to play in Asia and across the globe--with Japan’s role being limited to the political realm. Speaking not as an individual but reflecting China’s feelings of friendship toward Japan, Zhu hoped that Japan would assume these responsibilities. Zhu’s views, the *Asahi* noted, marked an advance from the statements of previous Chinese leaders, reflecting China’s understanding that new approaches were necessary to deal with East Asia’s changing environment. The *Asahi* considered Zhu’s

remarks to be an expression of China's paying due regard to relations with Japan even as Beijing sought to constrain the United States.

### **Japan-China Security Dialogue**

The Japan-China Security Dialogue resumed on November 2, when the People's Liberation Army's (PLA) Deputy Chief of Staff, Xiong Guangkai met with the Defense Agency's Vice Minister Sato Ken. Major topics of discussion were the Japan-China Defense Exchange, respective defense policies, and a review of regional developments. Xiong and Defense Minister Torishima also reaffirmed the importance of the defense relationship and defense exchange program.

Following up on the agreement reached during the Zhu visit for mutual ship visits, Sato and Xiong scheduled the first visit for 2001 with a Chinese ship coming to Japan. Both extended invitations for mutual visits by Defense Ministers and agreed to a continuation of meetings at the Vice Minister level. Exchanges between chiefs of the respective services were also agreed to, beginning in 2001. Both committed to supporting the agreement to promote visits of young PLA officers to Japan, reached between President Jiang Zemin and former Prime Minister Hashimoto during his October visit to China.

With respect to the activities of Chinese research ships in Japan's EEZ, Sato expressed the concern that such activities could damage friendly relations. Xiong simply repeated the Chinese position that such activities are no longer a problem. The officials exchanged Defense White Papers, with Sato welcoming the transparency provided by the Chinese document and reiterating that Japan's defense thinking remains consistently focused on self-defense.

### **China's Defense White Paper--Missile Defense, Taiwan, and Japan**

China's Defense White Paper, released on October 16, dealt significantly with Taiwan and Taiwan-related security issues, potentially involving Japan. Beginning with missile defenses, the White Paper underscored China's opposition to any introduction of theater missile defense (TMD) to Taiwan. It also set out Chinese concerns with Japan-U.S. cooperation on TMD research, warning that TMD far exceeds Japan's defense requirements and will set off a regional arms race. The document also expressed concerns with the lack of transparency in the revised Japan-U.S. Defense Guidelines with respect to Taiwan, i.e. whether or not Taiwan is included as a "regional contingency" for Japan-U.S. defense cooperation. For the first time, the White Paper expressed concern over the extent to which the strengthening of the U.S.-Japan alliance might encourage Taiwan separatism and prevent a resolution of the Taiwan issue. It went on to criticize Japanese legislation to extend rear area support to the U.S. in the event of a regional contingency as contrary to the trend of the time.

Premier Zhu also addressed issues relating to Taiwan at his October 16 meeting at the Japan Correspondents Club. The premier noted that he had referred to Taiwan during his meeting with Prime Minister Mori and restated China's insistence on the one-China

principle. Speaking to a possible visit to Japan by Taiwan's former president, Lee Teng-hui, Zhu made it clear that under no circumstances could Lee be considered just an ordinary person. Even if Lee were to be considered simply a private individual, Zhu indicated that an approval for such a visit by the Japanese government would have a negative affect on Japan's relations with China. Given these facts, Zhu thought both parties were sufficiently aware of the results of such a visit.

### **Japan's Mid-Term Defense Plan**

On December 15, the Mori government announced Japan's next Mid-Term Defense Plan (2001-2006). The most controversial procurement decision involved the acquisition of mid-air refueling capability. In the Diet and within the ruling coalition, concerns were expressed over regional reactions to Japan's acquisition of a capability that would extend the range of its fighter aircraft. To address the issue, the Defense Agency pointed out that, compared to the fighter aircraft of other countries, Japan's fighter aircraft have a limited land attack capability and thus the acquisition of a mid-air refueling capability did not pose a threat to neighboring countries. At the same time, the Defense Agency and ultimately the government shifted its focus on the issue, arguing that mid-air refueling would provide not only increased training efficiency for its fighter aircraft but also allow Japan to participate more fully in international relief efforts by extending the range of transport aircraft. It was also noted that when not engaged in refueling activities, the aircraft could serve as transport aircraft in humanitarian and disaster relief operations.

Coalition politics, however, necessitated a compromise. The ruling parties reached agreement on the inclusion of four mid-air refueling aircraft in the Mid-Term Defense Plan but deferred budgeting for the aircraft to later years of the plan.

### **Economics and Trade**

During his October 8 meeting with the Japanese press corps in Beijing, Premier Zhu took up his government's plan for the development of China's western interior region. Zhu observed that the development of China's interior afforded Japan's private sector numerous commercial opportunities. Given the vast needs, the success of Beijing's efforts will to a large extent be predicated on its ability to attract large-scale foreign investment and development assistance. Securing Japan's ODA and the participation of its private sector are central elements of Beijing's western development strategy.

On October 25, Nissho Iwai, one of Japan's large trading companies, announced plans to set up a Western Development Promotion Council which would focus on key target areas including agriculture, natural resources, food, information technology, and human resource development as well as the advancement of individual commercial enterprise. Nissho hopes to benefit from its early involvement in the development of the interior, which it has made a centerpiece of its corporate strategy toward China.

Chinese officials also made clear their interest in attracting Japanese private sector participation in the development of China's information technology sector. In particular,

cooperation with Japan in the diffusion of information technology and in the development of human resources was viewed as critical to the success of the government's plans for the interior. On November 8, NTT Communications reached agreement with China Telegraph, the country's largest communications company, that would allow China Telegraph to benefit from NTT technology in the management of large-scale networking and from personnel exchanges focused on internet service. The agreement gave NTT a foothold in China's promising communication market in advance of Beijing's World Trade Organization (WTO) accession.

Even as new economy cooperation advanced, old economy issues returned at the end of the year to buffet commercial relations. On December 18, China's Ministry of External Trade and Economic Cooperation handed down a final decision in a stainless steel dumping case involving nine Japanese and six Korean companies. Japanese press reports from Beijing, citing Chinese steel industry sources, claimed the decision was aimed at squeezing Japanese imports to make more room in the domestic market for Chinese producers, thus facilitating the reorganization of China's state-owned steel industry. Reflecting Japanese dissatisfaction, the president of New Japan Steel found the decision "painful to understand." Other industry sources noted that Japanese high-end steel exports do not compete with Chinese steel in China's domestic market and that there was no factual basis for the dumping finding. The decision raised trade temperatures in Japan and the possibility of retaliation, where various anti-dumping petitions are in process against textiles imported from China.

Also on the economic front, on December 21, Japan, China, the Republic of Korea, and ASEAN signaled their intention to study the possibility of a Euro-styled common currency for Asia in conjunction with the EU. The formal announcement is scheduled to take place at the ASEM (Asia-Europe Meeting) Finance Ministers Meeting in Japan in January 2001. The announcement suggests a growing interest in the development an EU-like integrated economic zone in Asia. For Tokyo, this may represent an attempt to use its economic and financial diplomacy in Asia to balance Japan's central focus on the importance of relations with the United States.

### **Regional Issues--ASEAN Plus Three**

From November 22-25, Japan, China, and South Korea met in Singapore with the member states of ASEAN. The meeting was the fourth of the unofficial ASEAN Plus Three grouping and second in which Japan's Prime Minister Mori Yoshiro, Premier Zhu Rongji, and President Kim Dae-jung met together. Afterwards Mori, Zhu, and Kim agreed on a yearly trilateral heads of government meeting during the ASEAN Plus Three meeting.

For both Tokyo and Beijing, the ASEAN Plus Three grouping offers an opportunity to highlight respective commitments to multilateral diplomacy. Discussions focused on the development of a currency swap mechanism to guard against a recurrence of the late 1990s Asian financial crisis, regional and bilateral free-trade agreements, the Mekong

development project, as well as regional security issues, in particular the South China Sea.

In the Japanese press, China was reported to be taking an active interest in developing a cooperative relationship with the ASEAN countries. China's activism was portrayed as an indicator of Beijing's intent to use WTO membership to expand its influence in the region, thus its interest in a region-wide free trade agreement in contrast to Japanese and U.S. interest in bilateral agreements with countries such as Singapore. An unidentified, senior Japanese diplomat considered China's interest in multilateralism as part of its strategy "to advance a multipolar world." The *Asahi* wrap-up of the meeting offered the analysis that China's increasing activism in Southeast Asia was a concern to ASEAN and that by involving both Japan and South Korea, the organization was focused on maintaining balance in the region. One implication is that Japan and China may find themselves in an increasingly competitive relationship in Southeast Asia.

### **Policy Implications for the United States**

Stability in the Japan-China relationship remains in the national interest of the United States. To the extent Zhu's visit served to impart this, it should be judged as complementing long-term U.S. strategic interests in Asia. Of some interest are indications, however faint, of an evolving Chinese strategy toward Japan that could, over time, significantly affect U.S. interests. As reflected in Zhu's November 9 interview, China's encouragement of a larger international role for Japan suggests an effort to enhance multipolarity vis-à-vis the United States. An unstated assumption may be that a Japan inclined to play a larger international role will be a Japan less inclined to move in lockstep with the United States and perhaps one more susceptible to Chinese influence.

## **Chronology of Japan-China Relations October-December 2000**

**Oct. 6, 2000:** An *Asahi Shimbun* editorial calls for a review of Japan's overseas development assistance (ODA) policy for China.

**Oct. 8, 2000:** China commemorates 20<sup>th</sup> anniversary of China-Japan economic cooperation with formal reception in Beijing. High-profile Japanese political delegation led by Liberal Democratic Party (LDP) Secretary General Nonaka, Komeito Secretary General Fuyushiba, and Conservative Party Secretary General Noda attend.

**Oct. 8, 2000:** Chinese Premier Zhu Rongji meets with Japanese press corps in Beijing to advance to his trip to Tokyo.

**Oct. 12-17, 2000:** Zhu Rongji visits Japan.

**Oct. 16, 2000:** China issues new Defense White Paper.

**Oct. 19-21, 2000:** ASEM in Seoul; Japanese and Chinese Foreign Ministers meet.

**Oct. 27, 2000:** Former Japanese PM Hashimoto meets with PRC President Jiang Zemin in Beijing with the purpose of advancing Japan-China defense exchanges.

**Nov. 2, 2000:** Japan-China Security Dialogue resumes in Tokyo

**Nov. 2, 2000:** Japan and China agree to naval ship visits next year.

**Nov. 9, 2000:** Zhu exclusive interview with *Asahi Shimbun*.

**Nov. 22-25, 2000:** ASEAN Plus Three meets in Singapore. Prime Minister Mori, President Kim, and Premier Zhu meet and agree to yearly trilateral meeting.

**Nov. 28, 2000:** Out of court settlement is reached in wartime Haneoka Incident.

**Nov. 30, 2000:** Tokyo Governor Ishihara Shintaro asserted that Japan's constitution, including the dissolution of Japan's military, failed to reflect Japan's independence and an article recognizing Japan's right of belligerency should be adopted. While recognizing the U.S.-Japan alliance as necessary to deal with China, Ishihara cautioned that Japan also had to consider a future without the U.S.

**Dec. 6-7, 2000:** Second Japan-China Public Security Consultations held in Tokyo. The talks deal with issues related to illegal entry, illicit drugs, and organized crime and focused on enhancing cooperation and law enforcement.

**Dec. 11-15, 2000:** Hotayama Yukio, leader of Japan's opposition Democratic Party travels to China for wide ranging talks with senior Chinese officials, including President Jiang Zemin.

**Dec. 15, 2000:** Mori government announces next Mid-Term Defense Plan.

**Dec. 18, 2000:** Beijing announces dumping finding against Japanese steel industry.

**Dec. 21, 2000:** Japan, China, and South Korea announce the study of the possibility of a Euro-styled common currency for Asia in conjunction with the European Union.