

A chance to mend China–Japan relations

15th September, 2014

Authors: Yves Tiberghien, University of British Columbia, and Yong Wang, Peking University

Over the last two years, China–Japan relations have been trapped in a downward spiral. The inescapable reality of an ongoing great power transition makes this situation particularly tense: the size of China’s economy relative to Japan’s jumped from a mere 25 per cent in 2000 to 99 per cent in 2009 and then to 188 per cent in 2013. Yet an alternative policy course is slowly developing.



Should Chinese and Japanese leaders grasp this chance, they could turn the relationship into an economic asset for the demanding reform programs pursued by Japanese Prime Minister Shinzo Abe and Chinese President Xi Jinping.

Following former Japanese prime minister Yasuo Fukuda’s secret meeting with Xi Jinping in Beijing in late July, the foreign ministers of the two countries — Wang Yi and Fumio Kishida — recently met in Myanmar on the sidelines of the ASEAN Regional Forum to discuss Sino–Japanese relations. These meetings have raised expectations of a possible bilateral summit meeting in Beijing on the back of the APEC Leaders’ Summit in November.

Japan and China should grasp this new opportunity.

The tough economic reforms launched by the new Xi regime since 2013 to move China beyond a possible ‘middle-income trap’ stand a greater chance of success with Japanese technology, know-how and support in regional governance.

Japan’s Abenomics reforms have hit both fiscal and structural obstacles. The Trans-Pacific Partnership (TPP) could eventually help incentivise further structural reforms, but progress in

the trilateral FTA with China and South Korea as well as further integration with China could support growth more directly. Together, Japan, China and South Korea could play an innovative role in East Asian economic governance and, beyond that, in the G20.

What would it take to move in this direction?

In the decade following the Asian Financial Crisis, a common commitment to economic liberalism and the political will to cooperate boosted the whole Asian economy. As a result, all economies in the region, including the US, benefited from the ASEAN-led process of regional cooperation.

In contrast to these pragmatic times, Japan and China have now openly launched rival integration projects. They are members of competing trade agreements (Japan in the TPP and China-centred FTA networks with regions such as ASEAN, New Zealand, and other around the world). To mark its displeasure with the Japan-controlled Asian Development Bank, China is now planning to establish the Asian Infrastructure Investment Bank later this year. China also played a leading role in the recent BRICS decision to create the Shanghai-based New Development Bank, in part to rival the G7-dominated World Bank and IMF.

Mutual accommodation would allow for a more secure and prosperous way for both countries to jointly contribute to furthering development and boosting trade in the region.

Although the China–Japan–South Korea FTA talks are currently stalled, all three economies are highly interdependent. The trilateral FTA is still officially seen as the top priority FTA by China and it is strongly supported by business groups in Japan.

The recent bad shape of Sino–Japanese relations has as much to do with the growing sense of economic competition as it does with the disputes over territory and history.

As the world's second and third largest economies, China and Japan find themselves increasingly locked in a tense competition for energy and raw materials, secure shipping lanes and overseas markets — particularly in sectors such as high speed trains, power generation, IT and electronics products. Xi's active diplomacy with Russia, Africa and Latin America, and Abe's globetrotting reflect the increasing sense of insecurity over these matters.

Misunderstandings about the intentions of the other side, as well as strong posturing for domestic audiences, has also fuelled tensions. But, if the leaders of China, Japan, and South Korea recognise that their respective top priority reform goals will rise or die together, a new domestic discourse could begin to take hold.

The leaders of Japan and China should grasp [the current opportunity](#) ^[1] to compromise and create an amicable environment at the summit meeting in November. While public opinion in both countries about the other side is abysmal, the publics in both countries [support a summit](#) ^[2] (65 per cent in Japan, 53 per cent in China) and more management of the relationship.

As an important step, Abe should avoid visiting the Yasukuni Shrine. Ideally Japan should

develop a long-term arrangement where leaders and citizens alike praying for the souls of Japanese soldiers who died for their nation can be separated from tacit support for the 14 Class-A war criminals, enshrined at Yasukuni, and the Yushukan Museum.

A practical arrangement on another key issue, the disputed Diaoyu/Senkaku islands, is also needed. Japan and China could return to the 1972 understanding to peacefully shelve the issue for future generations to resolve. This should be supported urgently by developing communication protocols among coast guards and practical ways of dealing with possible fishing incidents, [along the lines of a presumed](#) ^[3] [2005 secret agreement](#) ^[4]. Such simple moves would enable both sides to deescalate the risks of naval and aerial confrontation.

These ideas may seem unrealistic in the current domestic environments of both China and Japan, but there is reason to be cautiously optimistic. For the first time in more than 10 years, both China and Japan have strong and secure political leaders at the same time. Should they choose to work together and focus on their common interests, they could usher in a new win-win relationship from which the region, and the world, would immensely benefit. It is high time to step back from the brink and prepare for a path-breaking summit in November.

Yves Tiberghien is Director of the Institute of Asian Research and Associate Professor of Political Science at the University of British Columbia

Yong Wang is Professor and Director of the Center for International Political Economy in the School of International Studies at Peking University

Article from the East Asia Forum: <http://www.eastasiaforum.org>

URL to article:

<http://www.eastasiaforum.org/2014/09/15/a-chance-to-mend-china-japan-relations/>

[1] the current opportunity: <http://www.genron-npo.net/en/pp/archives/5153.html>

[2] support a summit: <http://www.genron-npo.net/en/pp/archives/5153.html>

[3] along the lines of a presumed:

http://www.eastasiaforum.org/wp-content/uploads/2014/09/YT_HAQ-Diaoyutai-Fall-2010.pdf

[4] 2005 secret agreement :

http://www.asiapacific.ca/sites/default/files/canada-asia_agenda_30_v11.pdf