

# POLICY BRIEF

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## Power Transition and Beijing's Japan Policy under Xi Jinping

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### **Abstract**

Power transition theory typically focuses on how a rising power challenges the dominant position of a reigning power, which could result in major conflict or even war between the two. In contemporary international relations debate, this concept is often applied in the case of China and the United States. Less discussed, at least not framed in a theoretically rigorous analysis is how China's growing economic and military power informs its policy toward Japan under the current leadership of Xi Jinping. This policy brief identifies a number of key events and milestones, and discusses both the rationale and modalities of Chinese approaches to Japan from diplomatic signaling, economic statecraft, to the display of military prowess in an effort to regain its primacy in East Asia. It concludes with caution about the risks of Beijing's more assertive policy toward Japan, which inevitably will be met by a Japan embarking on a path of not just of becoming a normal country but a more determined rival in the contention for regional dominance.

### **Introduction**

Sino-Japanese relations have undergone significant changes since the end of the Cold War. While over the past four and half decades since the diplomatic normalization between the two Asian powers in 1972, China and Japan have developed extensive ties in the areas of trade, investment, cultural exchanges, deep-rooted suspicions and distrust continue to hamper a full-fledged

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development of bilateral relations on a solid foundation.<sup>1</sup> There are many reasons behind the ambivalence of the bilateral relationship, including the two countries' divergent views of the role of military alliances and suspicions in both capitals of each other's intentions and military buildup. This lack of mutual trust is further fed by the legacy of the past, territorial disputes, the Taiwan issue, and changing relations power positions. Indeed, a serious challenge to the leaderships in both capitals is that never in history have both countries been powerful at the same time and this raises the question of how this potential competition for regional primacy is to be managed. This particular problem is vividly captured by Yoichi Fundabashi, Japan's most widely read foreign affairs commentator: "A rising China will induce critical, painful, and psychologically difficult strategic adjustments in Japan's foreign policy. Japan has not known a wealthy, powerful, confident, internationalist China since its modernization in the Meiji era."<sup>2</sup>

A number of factors have influenced the current state of Sino-Japanese relations. The first is the power transition in East Asia. Over the last two decades, in particular China joined the World Trade Organization (WTO), its economy has registered an average of over nine percent in growth for the better part of this period until recently when it has slowed down to around 6.5%. At the same time, Japanese economy has stagnated since the 1990s and it is only in recent years that Japanese economy

has shown signs of recovery.<sup>3</sup> Within a decade of joining the WTO, China surpassed Japan in 2010 to become the second largest economy in the world. China's dramatic economic growth means not only that the gap between China and Japan shrank within a considerably short period of time (within a decade) but also has left Japan far behind since 2010. This power shift is not confined to economic statistics only; Beijing has also significantly built up its military power and has extended its diplomatic influence in the region and beyond. Needless to say, this reversal of fortune has had an enormous psychological impact on bilateral relations even as it induces and further intensifies rivalry between the two Asian powers.<sup>4</sup>

The second factor refers to generational changes in the two countries' leaderships over the past two decades. Older-generation Chinese and Japanese statesmen such as Zhou Enlai, Deng Xiaoping, Hu Yaobang, Liao Chengzhi, Kakuei Tanaka, Masayoshi Ohira, and Takeo Fukuda expended tremendous efforts at building bilateral ties after China and Japan established diplomatic relations. Indeed, in the 1980s, Chinese and Japanese leaders Hu Yaobang and Yasuhiro Nakasone strongly promoted greater Chinese-Japanese youth exchanges. Since the 2000s, successive leaderships in both countries have been held hostage to—and probably have also taken advantage of—growing nationalism and become highly sensitive to public opinions at home. This creates enormous difficulties for policy flexibility and compromises.<sup>5</sup> The

1 June Teufel Dreyer, *Middle Kingdom and Empire of the Rising Sun: Sino-Japanese Relations, Past and Present* (New York: Oxford University Press, 2018); Lam Peng Er, ed., *China-Japan Relations in the 21st Century: Antagonism Despite Interdependence* (Singapore: Palgrave Macmillan, 2017); Yun Zhang, *Sino-Japanese Relations in a Trilateral Context: Origins of Misperception* (New York: Palgrave Macmillan, 2016); Reinhard Drifte, *Japan's Security Relations with China since 1989: From Balancing to Bandwagoning?* (London: Routledge, 2003); Wan Ming, *Sino-Japanese Relations: Interaction, Logic, and Transformation* (Stanford: Stanford University Press, 2006).

2 Yoichi Funabashi, 'Tokyo's Depression Diplomacy', *Foreign Affairs* 77:6 (November/December 1998), p.2.

3 Bong Youngshik and T.J. Pempel, eds., *Japan in Crisis: What Will It Take for Japan to Rise Again?* (New York: Palgrave Macmillan, 2013).

4 Richard C. Bush, *The Perils of Proximity: China-Japan Security Relations* (Washington, D.C.: The Brookings Institution Press, 2010).

5 Mike M. Mochizuki, "China-Japan Relations: Downward Spiral or a New Equilibrium?" in David Shambaugh, ed.,

new generations of leaders in both countries have been constrained by domestic variables such as growing nationalism and internal power competition, and lack the credentials and political capital to shape domestic consensus on sensitive issues such as the history issue and territorial disputes. In Japan the 2000s witnessed a revolving door of prime ministers (six of them) while Hu Jintao, who was China's top leader from 2002 to 2012, was hamstrung by his predecessor and was not powerful enough to carry out his preferred policy toward Japan, such as the short life of the "New Thinking" would indicate.<sup>6</sup> In 2012, Abe and Xi entered office as strong leaders with ambitious national and foreign policy agendas for Japan and China, but their uncompromising positions on territorial disputes, history and strategic rivalry prevented the two countries from seeking reconciliation. Bilateral relations further deteriorated.<sup>7</sup>

Third, the international security environment has also changed, as have Japan's security outlook and defense posture. Clearly, the nature and scope of the U.S.-Japan alliance have changed, prompted by U.S. post-Cold War strategies of maintaining its primacy in the region and globally, and preparing for contingencies that require alliance systems to be more adaptable, in large part in response to the rise of China and growing Chinese military capabilities, and emerging North Korea's

nuclear and missile threats.<sup>8</sup> The U.S.-Japan alliance now goes beyond the original bilateral security arrangement to take on more regional and even global missions. This, to Beijing, poses the threat of infringing on Chinese sovereignty in particular where Taiwan is concerned. Finally, as alluded to above, is the rising nationalist sentiment in both countries—perhaps more so in China than in Japan that is both influenced by Chinese and Japanese media coverage of the current affairs in bilateral relations and affect how media report and depict issues of sensitive and contentious nature. Indeed, public opinions in both countries have consistently convey deep distrust of each other, concerns over the other side's actions, and pessimism about the prospect of a stable and more normal relationship between the two.<sup>9</sup> While it remains inconclusive whether nationalism and public opinions can really sway and even determine a country's foreign policy options, clearly these are important variables Beijing and Tokyo will have to consider as they seek to manage a delicate relationship.<sup>10</sup> These four sets of factors combined confront Beijing and Tokyo on how best to manage their bilateral relationship. Managed well, this could be turned into a realistic relationship based on mutual respect, acceptance, and power parity; it could also degenerate into open rivalry, fanned by history, nationalism, and the pursuit of dominance in the region.<sup>11</sup>

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*Power Shift: China and Asia's New Dynamics* (Berkeley, CA: University of California Press, 2005), pp. 135-150.

6 Peter Hays Gries, "China's 'New Thinking' on Japan," *The China Quarterly* 184 (December 2005), pp. 831-850.

7 Yanan He, "The Impact of Chinese National Identity on Sino-Japanese Relations," *Joint U.S.-Korea Academic Studies* (2017), pp. 81-94; Isabel Reynolds, "China-Japan Rivalry Deepens with Abe and Xi on Pace for More Power," Bloomberg, October 17, 2017.

8 Michael D. Swaine et al., *China's Military & the U.S.-Japan Alliance in 2030* (Washington, D.C.: Carnegie Endowment for International Peace, 2013); Lu Hao, "Japan-U.S. Relations: Political and Security Exchanges and Strategic Coordination in the Context of 'Indo-Pacific Strategy'," in Yang et al. eds., *Annual Report on Research of Japan (2018)*, pp. 158-175.

9 Jin Ying and Zhu Xiaodan, "An Analysis of 2017 Survey on Sino-Japanese Relations, in Yang et al. eds., *Annual Report on Research of Japan (2018)*, pp. 283-309; Jing-dong Yuan, "Chinese Nationalism and Sino-Japanese Relations," *Pacific Focus* 23:2 (August 2008), pp. 212-231.

10 James Reilly, *Strong Society, Smart State: the Rise of Public Opinion in China's Japan Policy* (New York: Columbia University Press, 2012).

11 Mochizuki, "China-Japan Relations."

## ***Power Transition***

Perhaps one of the most significant developments in international relations over the past decade is the dramatic rise of China in economic, political, and military terms. First and foremost is the phenomenal economic growth that has been sustained over the past two decades, quadrupling China's gross national product (GNP) during that period. In 2001, Chinese GDP was \$1.34 trillion, compared to Japan's \$4.3 trillion, less than one third. Chinese economy overtook Japan's in 2010 to become the second largest in the world. By 2017, China's GDP stood at \$12.2 trillion, 2.5 times of Japanese GDP, which was a distant \$4.87 trillion.<sup>12</sup> During the same period, the Chinese defense modernization has made significant progress, fueled by double-digit annual growth in military expenditure, which ranks the country second to the United States, with \$228 billion in 2017, according to the Stockholm International Peace Research Institute. Japan, on the other hand, spends \$45.4 billion on defense in 2017, ranking third in Asia (behind India) and 8<sup>th</sup> in the world.<sup>13</sup> The People's Liberation Army (PLA) has undergone major organizational and doctrinal changes, including deep reduction of personnel and improvement in recruitment, training, and joint operation; reform of defense industrial base and closer civil-military integration (CMD); weapons procurement programs that combine international acquisitions (mainly from Russia) and domestic production of surface ships and submarines, fighter aircraft, and aerial

early warning systems; and continued nuclear modernization that has seen both numerical increases of nuclear weapons and new batteries of ballistic and cruise missiles.<sup>14</sup>

The rise of China is fundamentally transforming the geopolitical as well as geo-economic landscapes of the Indo-Pacific Region. Ever since the 2007-2008 global financial crisis (GFC) and in particular since Xi Jinping became China's top leader in 2012-13, Beijing has become more pro-active in its diplomacy, from launching the ambitious One Belt, One Road Initiative (OBOR, now BRI) that connects more than 60 countries from Asia through Eurasia to Europe, establishing the Asian Infrastructure Investment Bank (AIIB), to expanding membership in China-sponsored regional institutions such as the Shanghai Cooperation Organization (SCO) and promoting a new regional security concept different from the U.S.-centered military alliances. Clearly, China's growing economic power has enabled Beijing to project itself as a more confident power and exercise a unique set of statecraft to advance its national interests.<sup>15</sup> At the same time, Beijing is also becoming more assertive in its pursuit of national interests, especially with regard to territorial disputes in the East and South China Seas even as it deepens its engagement in regional and global affairs from climate change to nuclear nonproliferation. This power transition primarily poses challenges to the United States but also has critical implications for Sino-Japanese relations as Beijing becomes

12 Figures compiled from Central Intelligence Agency, *The World Factbook*, various years, at: <https://www.cia.gov/library/publications/the-world-factbook/>; and <https://tradingeconomics.com/>

13 Nan Tian et al., *Trends in World Military Expenditure, 2017* (Stockholm: SIRPI May 2018), [https://www.sipri.org/sites/default/files/2018-04/sipri\\_fs\\_1805\\_milex\\_2017.pdf](https://www.sipri.org/sites/default/files/2018-04/sipri_fs_1805_milex_2017.pdf); "Chapter Six: Asia," in *The Military Balance 2018* (London: Routledge for the International Institute for Strategic Studies, 2018), pp. 219-314.

14 Eric Heginbotham et al., *The U.S.-China Military Scorecard: Forces, Geography, and the Evolving Balance of Power, 1996-2017* (Santa Monica: RAND, 2015); Roger Cliff, *China's Military Power: Assessing Current and Future Capabilities* (New York: Cambridge University Press, 2015); Hans M. Kristensen & Robert S. Norris, "Chinese Nuclear Forces, 2018," *The Bulletin of the Atomic Scientists* 74:4 (July/August 2018), pp. 289-295.

15 Zhang Xiaotong and James Keith, "From Wealth to Power: China's New Economic Statecraft," *The Washington Quarterly* 40:1 (Spring 2017), pp. 185-203.

more confident in dealing with Tokyo while the latter seeks to resist what it sees as China's attempt to assert primacy in Asia.<sup>16</sup>

Even as it surpasses Japan as the world's second largest economy, Beijing remains concerned over the direction of Japan's security policy and its pursuit of greater military capabilities. One particular issue is whether the strengthening of the U.S.-Japan alliance will allow Tokyo to take advantage to introduce major changes and amend the peace constitutions so that Japan could legitimately rearm and step out of the postwar constitutional limitation on overseas deployment of military personnel, engagement in collective defense, and pursue an independent defense policy, including modernization of the JSDF in both force structure and equipment. In addition, Japan is seeking to establish indigenous defense manufacturing capability and is acquiring independent military space and intelligence-gathering capabilities. Finally, there is always the concern that one day Japan may acquire nuclear weapons. Whether or not Japan can achieve these objectives depends on how Washington handles the bilateral alliance that serves both as a cork in the bottle to prevent Japanese re-militarization and encourages Japan to play a more active role in regional and global contingencies.<sup>17</sup>

Chinese attitudes toward the U.S.-Japan alliance have over the years shifted from

outright condemnation and opposition in the 1960s, to tacit acquiescence in the 1970s and 1980s, to growing criticisms since the end of the Cold War.<sup>18</sup> Beijing has reacted negatively to the 1996 U.S.-Japan Joint Declaration on Security, the September 1997 U.S.-Japanese Defense Cooperation Guidelines, and the April 2015 Guidelines for Japan-U.S. Defense Cooperation. While in the past the alliance in Beijing's eyes served a useful purpose of keeping Tokyo from seeking re-militarization, it is now increasingly viewed as a security threat.<sup>19</sup> Three issues stand out. First, Beijing considers the revitalized U.S.-Japan military alliance as part of Washington's containment strategy against China. After all, the alliance was established during the Cold War years with the defense of Japanese territories as its primary mission. Now the Cold War has ended, the very *raison d'être* – protecting Japan from Soviet aggression – no longer exists. The alliance therefore reflects Cold War mentality and actually justifies and facilitates continued U.S. military presence in the region with unmistakably clear objectives: to maintain American primacy against China as a potential future adversary.

Second, the new defense guidelines extend the alliance's defense perimeter to include the Taiwan Strait and the so-called "grey zone situation" that could be seen as affecting Japan's security, therefore giving the pretext to Tokyo to deploy JSDF personnel and even engage in collective defense actions.<sup>20</sup> China is

16 Richard McGregor, *Asia's Reckoning: China, Japan, the US, and Struggle for Global Power* (Viking Press, 2017); Lindsay Black, "Japan's Aspirations for Regional Leadership—Is the Goose Finally Cooked?" *Japanese Studies* 37:2 (2017), pp. 151-170.

17 郭丽立 [Guo Lili], "日本的'自主防卫'与日美同盟发展趋势 [Japan's 'Self-Defense' and Development Trends in U.S.-Japan Alliance],"《国际问题研究》No. 2 (2005), pp. 52-55.

18 For an overview, see 袁征 [Yuan Zheng], "美日同盟与中日关系 [The U.S.-Japan Alliance and Sino-Japanese Relations],"《和平与发展》[*Peace and Development*], No. 3 (2018), pp. 21-25; 136-142; 张玉国 [Zhang Yuguo],《日美同盟关系转型研究》[*A Study of Transformation of Japan-U.S. Alliance*] (北京: 社会科学文献出版社 [Beijing: Social Sciences Academic Press], 2015).

19 Thomas J. Christensen, "China, the U.S.-Japan Alliance, and the Security Dilemma in East Asia," *International Security* 23:4 (Spring 1999), pp.49-80.

20 高兰 [Gao Lan], "日本'灰色地带事态'与中日安全困境 [Japan's 'Grey Zone Situation' and Sino-Japanese Security Dilemma],"《日本学刊》[*Japanese Studies*], No. 2 (2016), pp. 12-28.

understandably concerned with the possible intervention of the U.S.-Japan alliance in the Taiwan Strait, what it regards as its internal affairs. Tokyo's ambiguity regarding its defense perimeter based not on geography but on events only heightens Beijing's suspicions. Third, the revitalized alliance allows the Japanese Self Defense Force (SDF) to take on additional responsibilities. Beijing is increasingly worried that a more assertive Japan actively involved in the region's security affairs and seeking to be a "normal" power will emerge as a result. The new defense guidelines in effect give Japan the green light to go beyond the original exclusive self-defense to a collective defense function, therefore providing justification for Japan to intervene in regional security affairs. Japan already has one of the largest defense budgets in the world and has a reasonably sized (given its peace constitution) but the best-equipped military in the region. In addition, Japan's industrial and technological wherewithal will provide it with ready resources should it decide to become a military great power at short notice, including the acquisition of nuclear weapons. And finally, U.S.-Japan alliance has in recent years further consolidated with regular bilateral consultations such as 2+2 talks, joint military exercises, explicit references to U.S. commitment to the defense of Diaoyu/Senkaku islands under the U.S.-Japan security treaty, closer cooperation in joint intelligence gathering, reconnaissance, weapons development, defense technology cooperation, greater interoperability and "seamless" joint operations between forward deployed U.S. troops and JSDF units. Within the alliance framework, Japan will play a more active and lead role in promoting an "open and free

Indo-Pacific" strategy.<sup>21</sup>

### *China's Japan Policy*

While China's growing economic and military power provide Beijing with wherewithal to adopt a more assertive policy toward Tokyo, it nonetheless has sought to manage this important relationship in the region, with a view to facilitating conditions conducive to stable and mutually beneficial Sino-Japanese ties. Indeed, this was the rationale behind the short-lived "New Thinking" on Japan policy in the early years of the Hu Jintao administration, an effort to move beyond historical baggage to elevate the bilateral relationship to a new, strategically-oriented direction in the 21<sup>st</sup> century. Unfortunately, partly due to strong domestic opposition, and partly because of then Japanese prime minister Koizumi's stand on history issues, in particular with regard to the Yasukuni Shrine controversy, bilateral ties were severely strained and it was not until after Koizumi stepped down before normalization could become possible.<sup>22</sup> Most Chinese analysts have identified Abe as a nationalist Japanese leader seeking to change Japan's postwar security policy and launch the country on a path of remilitarization; however, it was the ice-breaking trip to Beijing by Prime Minister Abe in October 2006 that halted the free fall in bilateral relations and led to the resumption of summit meetings and official exchanges (including those between the two militaries) between Beijing and Tokyo between 2006 and 2010. These renewed efforts in effect kept Sino-Japanese disputes to the backburner while the two countries looked for long-term solutions.<sup>23</sup> It was within this context

21 卢昊 [Lu Hao], "日美关系: 政军互动与印太战略下的政策协调 [Japan-U.S. Relations: Political and Security Exchanges and Strategic Coordination in the Context of 'Indo-Pacific Strategy']," in Yang et al., eds., *Annual Report of Research of Japan* (2018), pp. 158-175; 王广涛 [Wang Guangtao], "军工利益集团与日本的安全政策 [Military-Industrial Interest Group and Japan's Security Policy]," 《世界经济与政治》 [World Economics and Politics], no. 12 (2017), pp. 26-47.

22 Tomohito Shinoda, *Koizumi Diplomacy: Japan's Kantei Approach to Foreign and Defense Affairs* (Seattle: University of Washington Press, 2007)

23 Joseph Kahn, "China and Japan Take Steps to Mend Fences," *International Herald Tribune*, October 9, 2006; David Pilling and Mure Dickie, "Abe Soothes Relations with China," *Financial Times*, October 9, 2006, p. 2; Yang Bojiang,

that Hu Jintao proposed the five points on how to manage bilateral relations. These are:

- friendly and co-operative Sino-Japanese relations orientated towards the 21st century;
- the issue of history should be taken seriously;
- the Taiwan question should be handled properly;
- the differences between China and Japan should be dealt with through dialogue and negotiation on equal ground; and
- friendly non-governmental exchanges and co-operation should be further enhanced.<sup>24</sup>

Clearly, from Beijing’s perspective, history, Taiwan, and territorial integrity are the most important issues in bilateral relations and need to be handled carefully. U.S.-Japan alliance and Japan’s security policy after the Cold War, and differences between China and Japan on major regional matters are also becoming increasingly critical in the stability of bilateral ties. Beijing therefore views recent developments, from nationalization of the Diaoyu/Senkaku islands in 2012, to the Abe administration’s legislative and policy reforms on national security, as of particular concerns. Indeed, these represent a major departure from Japan’s pacifist foreign policy in the postwar years. Likewise, Tokyo also becomes increasingly concerned and even alarmed by China’s growing military power and Beijing’s more assertive foreign policy under Xi Jinping, from the establishment of an air defense identification zone (ADIZ) in the East China Sea, to massive land reclamation to build up artificial islands in the South China Sea. Tensions over the disputed Diaoyu/Senkaku islands in the past few years have further strained bilateral ties and Tokyo views increasing Chinese aerial

and maritime intrusions near or within the 12-nautical mile perimeters as particularly provocative and dangerous.<sup>25</sup>

Clearly, this worsening of bilateral relations, if left unattended, could seriously undermine Chinese interests. Japan remains one of China’s most important economic partners, with annual bilateral trade of \$300 billion. Japanese investments in China are critical to employment and economic growth. A strained bilateral relationship also becomes a significant impediment to the development of a China-Japan-South Korea free trade agreement and regional economic integration. Given the growing uncertainty in U.S.-China relations, it becomes imperative that Sino-Japanese relations be improved. Starting with the 2014 APEC meeting in China where Abe and Xi met on the sideline, Beijing and Tokyo began to take the steps to gradually restore bilateral ties, including official dialogues, visits by business executives, and between the academia. The two sides have agreed to the “Four Points of Agreed Principles” as the follows:

- (1) both sides agree to observe the spirit and principles of four basic documents and continue to strive for “mutually beneficial relationship based on common strategic interests”;
- (2) domestic political difficulties need to be overcome for both countries based on the spirit of “squarely facing history and advancing toward the future”;
- (3) both sides recognize/acknowledge that they had different views of the tensions in East China Sea, and agree that the further deterioration of the situation needs to be prevented through dialogue and consultation and establish a crisis management

“Redefining Sino-Japanese Relations after Koizumi,” *The Washington Quarterly* 29:4 (Autumn 2006), pp. 129-137.

24 Xinhua, “Hu: Five-point proposal on Sino-Japan ties,” *China Daily*, April 3, 2009.

25 Japanese concerns are reflected in various official statements and reports, as well as scholarly analyses. Ministry of Defense, *2017 Defense of Japan*; Ministry of Foreign Affairs, *2017 Diplomatic Bluebook*; National Institute for Defense Studies, *China Security Report 2018*.

mechanism; and  
 (4) both sides agree to generally resume bilateral dialogue in various areas.<sup>26</sup>

Since late 2014, bilateral efforts to restore the relationship have brought about a degree of normalcy and stability, even though key issues remain unresolved. Indeed, the past two years, which mark both the 45<sup>th</sup> anniversary of diplomatic relations and the 40<sup>th</sup> anniversary of the Sino-Japanese Treaty of Peace and Friendship, have continued the gradual restoration of high-level exchanges and dialogues, with Premier Li Keqiang making his first visit in May 2018 to Japan since he assumed premiership in 2013, the first such visit by a Chinese premier in nine years. The two countries' foreign ministers have exchanged visits as well, as have the two countries' top national security advisors. Visits by Abe to China in 2018 and Xi Jinping's visit to Japan in 2019 are also being planned. Beijing emphasizes the bilateral relations should be guided by the four key documents, especially the 2008 joint statement on promoting strategic, mutually beneficial ties between the two countries. Tokyo has indicated its interest in participating in BRI projects and bilateral trade has steadily increased to the \$300 billion level. Nearly seven million Chinese tourists visited Japan in 2017 and investments have also picked up speed. What is most significant is the progress made in introducing the maritime and aerial communication mechanisms to manage potential crisis situations, and the establishment of a hotline. Encounters in the Diaoyu/Senkaku islands have also declined and the two sides express mutual understanding on managing this sensitive issue. The three issues—history, Taiwan and territorial disputes—have been under control but fundamental differences remain.<sup>27</sup>

The diplomatic thaw between China and Japan certainly a welcome development in East Asian international relations. It also reflects Beijing's policy adjustment informed by realistic assessments of the second Abe government. First is the recognition that Abe, despite the domestic difficulties, may remain in power and could become the longest serving prime minister in postwar Japan. In other words, Beijing will have to deal with him in the next few years. Second, there is clearly a steady trend toward constitutional reform or at least reinterpretation as Abe consolidates his power and as he conceives a major role for Japan in a much changed international environment. The so-called postwar system is transitioning to a normal country, especially where Japanese security policy is concerned. However, Abe still has to overcome quite insurmountable obstacles to changes in the constitution, especially Article 9. Third, the Abe administration has in recent years significantly changed Japan's security policy, including the SDF's role, growing defense spending (e.g., 2018 fiscal year, 5.12 trillion Japanese yen, a historic record high), and key procurement programs. Several major developments have taken place, including the issuance of new defense guideline, the establishment of a national security advisor position, and the passage of the national security law, among others. At the same time, Tokyo has relaxed its policy regarding arms exports. Fourth, while seeking to strengthen the U.S.-Japan alliance and enhance interoperability, the Abe administration is also pursuing closer security cooperation with a number of countries in the Indo-Pacific, including India, Australia, and some Southeast Asian states such as Vietnam and the Philippines. What is also significant is that Tokyo is also extending its security cooperation with NATO countries, including UK and France. Finally,

26 Ministry of Foreign Affairs (PRC), "Yang Jiechi Meets National Security Advisor of Japan Shotaro Yachi," November 7, 2014, [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1208360.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1208360.shtml), accessed on August 2, 2018.

27 吕耀东 [Lyu Yaodong], "中日关系日本两面下注背景下的战略博弈 [Sino-Japanese Relations: Japan's Strategic Game in the Context of Its Bet-hedging Strategy]," in Yang et al., *Annual Report on Research of Japan (2018)*, pp. 143-157.



after significant downturn in 2012-2014, the Abe government has also been seeking improvement in its relationship with China and, as a result, bilateral ties are gradually being restored in the past two years. Tokyo's hedging strategy is met half-way by Beijing's need to stabilize a critical relationship in the region while it re-positions itself for the growing rivalry with the U.S. It can hardly afford to fight on all fronts.<sup>28</sup>

Despite the positive developments in bilateral relations in the past two years, significant differences between the two countries remain unresolved and any of them could reignite tensions before long. What is more, risks of escalation to major military confrontation are quite high, especially given that bilateral crisis management and confidence building measures (CBMs) remain underdeveloped. Indeed, compared to the 90 plus bilateral official dialogues between China and the U.S., including multiple channels of military-to-military contacts, similar Sino-Japanese mechanisms are very limited. Indeed, between the mid-1980s to 2001, China and Japan developed some rudimentary CBMs, including an annual security dialogue since 1993 and exchange visits between the two countries' top defense officials. Given that the two countries at the time were not poised (nor perceived by each other) to pose immediate military threats to one another but

remained suspicious of each other's intentions, the focus of bilateral CBM efforts had been more on reassurance than developing specific mechanisms.<sup>29</sup>

While this approach was helpful in facilitating ongoing bilateral dialogues without directly and prematurely introducing constraining measures, the expanding missions of the two militaries, coupled with continuing disputes over territorial issues and the sea lanes of communications, should have elevated the role of CBMs in bilateral relations. Unfortunately, none was developed in any substantive way and the three categories of activities—exchange visits between the two countries' top defense officials; security dialogues; and other ad hoc mechanisms, including Track-II activities—that could have enhanced mutual understanding, promoted dialogues, and introduced crisis management mechanisms, have largely been left unattended or cancelled altogether. For instance, the last time that the Chinese and Japanese defense ministers exchanged visits was almost a decade ago, in 2009. In this context, the recent bilateral agreement to set up a hotline to avoid military conflict over the disputed territories in the East China Sea, is a welcome development.<sup>30</sup>

28 杨伯江 [Yang Bojiang], “总报告：安倍‘超长期执政’背景下日本战略走向与中日关系—2017-2018年日本形势回顾与展望 [General Report: The Trend of Japan's National Strategy and Sino-Japanese Relations in the Context of Abe's 'Extra Long-term Administration': The Review and Prospect of Japan 2017-2018],” in 杨伯江等编著 [Yang Bojiang et al, eds.], 《日本研究报告 (2018)》 [Annual Report on Research of Japan (2018)] (北京：社会科学文献出版社 [Beijing: Social Sciences Academic Press], 2018), pp. 1-29; 魏博宇等 [Wei Boyu et al.], “日本安全政策是如何摆脱宪法急剧转变的 [How Japan's Security Policy Takes a Drastic Turn and Breaks Free of Constitutional Constrains],” 《现代军事》 [Conmilit], no. 1 (2016), pp. 43-48.

29 For an earlier discussion, see Jianwei Wang, “Confidence-Building Measures and China-Japan Relations,” in Benjamin L. Self and Yuki Tatsumi, eds., *Confidence-Building Measures and Security Issues in Northeast Asia*. Report No. 33 (Washington, DC: The Stimson Center, February 2000), pp.71-91. See also, Zhang Tuosheng, *Building Trust between China and Japan: Lessons Learned from Bilateral Interactions in the East China Sea*. SIPRI Policy Brief (Stockholm: Stockholm International Peace Research Institute, February 2015), <https://www.sipri.org/sites/default/files/files/misc/SIPRIPB1502c.pdf>

30 Ankit Panda, “Japan, China Agree to Implement East China Sea Crisis Management Hotline,” *The Diplomat*, December 7, 2017; Kyodo, “China-Japan Hotline Launched to Avoid Sea, Air Clashes,” *South China Morning Post*, June 8, 2018.

## ***Conclusion***

Sino-Japanese relations are destined to be one of the key elements of East Asian security in the coming decades. Over the last four and half decades since the diplomatic normalization between the two Asian powers, China and Japan have developed extensive ties in the areas of trade, investment, cultural exchanges; however, deep-rooted suspicions and distrust linger. Partly due to the historical legacy, changing generation of leaderships and politicians in both countries, and partly due to the two countries' divergent perspectives on building the post-Cold War security architecture in the region, Beijing and Tokyo remain locked in a relationship of rivalry rather than expend their energies in building and leading the region toward greater peace, stability, and prosperity. The two current leaders in power, Shinzo Abe and Xi Jinping, vow to change the countries they lead in fundamental ways. Abe seeks to restore Japan to a normal country status with the reinterpretation of the postwar constitution and introduction of new legislature to allow Japan to acquire greater defense capabilities and more flexibility in the use of force; on the other hand, Xi wants to reclaim China's status as a great power with an active and assertive foreign policy, expansion of global Chinese influence, and dominance in Asia. Naturally, their paths cross and their encounters in East Asia have renewed rivalry as much as they deepen interdependence.

The recent thaw in bilateral relations is a reflection in both capitals the need to re-assess national interests, re-adjust foreign policy priorities, and re-engage each other to achieve strategic and mutually beneficial results between Asia's two major powers. It provides a unique opportunity for both China and Japan to reverse what has been a free fall in bilateral relations in 2010-2014. It would be naïve, and certainly too early, to expect that the current atmosphere and positive developments—resumption of summit meetings, with Prime Minister Abe's trip to China later this year after the September

LDP presidential election, and President Xi's visit to Japan next year; more regular security consultation and the recently launched hotline; and other channels of exchanges, non-governmental as well as official—would paper over or even erase the significant structural, perceptual, historical issues and territorial disputes, which remain largely unresolved. But what is encouraging is that at least Beijing and Tokyo can explore ways to better manage contentious issues between them and move forward with in areas they share common interests, such as regional economic integration and the North Korean nuclear challenge. Leaders of both countries should seize the moment and make important progress toward re-building trust and friendship to mark the two important anniversaries: the 45<sup>th</sup> anniversary of the establishment of diplomatic relations (2017) and the 40<sup>th</sup> anniversary of the 1978 China-Japan Treaty of Peace and Friendship. East Asia's peace, stability, and prosperity will also be at stake whether the two powers can manage to live together and lead the region into the 21<sup>st</sup> century.