

# Japan-China Relations: “Hot Economy, Cold Politics”

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**Abstract**—This paper examines why in spite of countless endeavors to normalize the diplomatic relations between Japan-China that has begun and reached its golden age on early to mid-1980's and succeed to bring the two countries to several bilateral agreements that led to positive outcome in various sector from socio-cultural to science and technology exchange, it still not enough to resolved the political tension between them just yet. As they trap on the vicious ‘blaming-game’ of bitterness and historical-distortion that happened on Great World War II or the recent tension over the disputed island, this paper explore the role of economic necessity and trade dependency in order to recover the bilateral-relations between them as requiring these two countries to improving their diplomatic relations better than they've been in decades.

**Index Terms**—Diplomatic relations, economic dependency, Socio-cultural, trade dependency, world War II.

## I. INTRODUCTION

Bilateral Relations between Japan and China were very much affected by the various events of previous decades. After the Great War, Japanese Foreign Affair implied a several specific policy toward China. During the period of United States-backed "containment" of China, there was a sharp divergence between official policy and popular attitudes in Japan. Known as friend of the States, the Japanese government was committed a non-recognition, whereas popular sentiments favored diplomatic relations and expanded trade. Japan sought to seize this situation in their propaganda efforts to promote more intimate relations with Beijing. Pro-Chinese sentiment found support not only in the desire of the business community for a new source of raw materials and a profitable market but also in the popular feeling of cultural affinity with the Chinese. Japanese leaders spent considerable effort trying to manage this tension.

When, in consequence of the Great War, the Europeans retired from China, the opportunity came, urging Japan to form a defensive alliance with China, as a means to control it, and to resist the post-bellum Western aggression. In 1915, when Japan issued its so-called "Twenty-One Demands" on China. These demands, presented as an ultimatum to the Chinese government, would have amounted to giving Japan a privileged status in certain parts of the country. This was in direct conflict with the stated policy of the United States toward China—the famous "Open Door," in which all countries were to respect Chinese sovereignty and enjoy equal access to Chinese trade [1]. It was a total game changing event for the dynamics relations between two

neighbors country. We can see that yes indeed both countries still have unresolved dispute regarding to the issue of History and other problems that potentially lead to physical confrontation and militia force. They might be take that path, but the fact that they don't, apart from the Security-Dilemma theory in Anarchic International Order, what I found that Economic and Trade and dependency is outweigh the willingness to declare war at each other.

## II. DISCUSSION

China's President made an unexpected visit to a luxurious dinner on May 23 for no fewer than 3,000 Japanese private delegations including business leader, lawmaker and tourism and government officials at the Great Hall of the People in Beijing. He told the group, led by ruling Liberal Democratic Party senior figure Toshihiro Nikai:

*“China has always been committed to the development of China-Japan relations as its policy principle, and it will continue to do so in the future [2]”*

## III. MATH

Xi also emphasize that the two countries must expand people-to-people exchanges that can withstand the diplomatic rows. He added that peace and friendly cooperation between China and Japan is the common will of the people, and the general trend of events. And the friendship between the two neighbors deserves cherishing and protecting.

Xi appeared downright quite chummy and struck in friendly tone with Nikai — in contrast, it's a total different when he had meeting with Japanese Prime Minister Shinzo Abe on April, and especially his November meeting, where he looked like he had just come from a funeral ceremony.

Prime Minister Shinzo Abe known for making a breakthrough to Japan overall foreign policy. Abe is pushing a bill that would expand the role of the nation's self-defense force to help out allies, principally the United States. The idea requires a change to Japan's pacifist constitution and poised to abandon 70 years of pacifism by reinterpreting article 9. Abe is using his leverage in parliament to force a legislative changes that would allow the armed forces to engage in collective self-defense. The bill has given birth to its own doom, the bill has grown increasingly unpopular in recent months for doggedly pushing the pro-war declaration. While Chinese media has condemned the move, often quoting Japanese opponents to the idea, top Chinese officials have been largely quiet [2].

Abe's move in Economy is not less controversial

Manuscript received November 15, 2015; revised January 25, 2016.

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compared to his pace on political reformation. Shinzo Abe then introduced what he called as Abenomics, Abe's signature economic program, featured massive injections of cash by the central bank, depressing the value of the yen. Abenomics is based upon "three arrows" of fiscal stimulus, monetary easing and structural reforms. The idea was that as prices rose and businesses profited, they would pass on a bigger share of earnings to workers, who would spend more on goods and services. If it worked, the "virtuous cycle" would deliver sustained economic growth. This in turn has produced a windfall for corporate Japan since the lower currency means that overseas profits are automatically worth more when translated back into yen. Japan's gross domestic product is now looking surprisingly perky at a 3.9 percent annual growth rate, good enough to give it top honors among the G-7 nations [2]. Even though some economist claim that Abenomics has failed Japan yet it still left effect to whomever conducting trade with Japan. China as its prime trading partner possibly the most influenced one. China has been stroke by a crisis in confidence coming in the form of a sharp sell-off in the stock market. The Shanghai Composite Index fell more than 30 percent in just three weeks from its peak of 5,166.35 on June 12. After a recovery helped by government-backed buying, the market has again been hit hard with the Shanghai exchange dropping 8.5 percent on July 27, this is the biggest one-day fall since the last time in 2007. Other warning signs abound. China's GDP in the first half of 2015 rose 7 percent from the same time last year. While that's pretty good shooting for almost any other country, it is China's worst performance since the financial crisis in 2009. Industrial profits slipped 0.3 percent in June from a year earlier, suggesting tougher times ahead for big manufacturers. Closely watched PMI data, which surveys the views of purchasing managers at select companies, showed that a majority believe conditions are worsening [2].

Some economists say that a quiet economic conformity between China and Japan has been underway for some time, following a sharp downturn in economic ties in 2012 when a debate over the disputed Diaoyu/Senkaku, a small group of islands in the East China Sea, flared anew. Martin Schulz, a senior economist at the Fujitsu Research Institute said:

*"Economic relations have improved significantly over the past nine months, with a lot of negotiations behind the scenes,"*

There have been some tangible signs of progress. Chinese real estate investment in Japan is meanwhile on the rise, especially in big cities like Tokyo. There has also been a highly visible surge in the number of Chinese tourists — May figures showed a 134 percent year-on-year increase.

But when do exactly the economic partnership of two countries began? A recent survey on China's growing integration with Japan detailed that the relationship began early on, when China started importing industrial goods to build out its manufacturing infrastructure. This includes machinery and equipment to build factories and steel mills, but also a transportation infrastructure that includes bridges, roads, airports and rail systems. The survey lists Japan and Germany as the two primary countries able to successfully supply China with advanced goods, in a large enough scale to

help it build out its industrial economy. It also stated that the U.S. has been less interested in supplying industrial equipment, which stems in part from fears of its companies losing their competitive advantages if expertise is also exported [4].

Like other countries, Japan is also very interested in bringing its goods and services to China's burgeoning class of consumers. The most obvious reason for the interest is China's population of more than 1.3 billion - the largest in the world. In contrast, Japan is a small island with a population of just over 127 million. This qualifies it as a high-density population, but one that is only the 10th largest in the world. Japan is particularly interested in building factories in China, in order to produce Honda and Toyota vehicles. The Yen remains a strong currency compared with other currencies, and this makes Japanese goods more expensive in markets that it would like to export to. To overcome this obstacle, Japan has sought to produce cars and electronics products directly in overseas markets. This can localize costs and help keep prices more reasonable for underlying customers. The link between the two countries is strong and only getting stronger. Japan is already China's largest trading partner in terms of imports; for all of 2011, Japan accounted for 11.2% of China's total imports. Surprisingly, only 7.8% of China's exports go to Japan, which qualifies it as Japan's third-largest trading partner; only the U.S. (17.1%) and Hong Kong (14.1%) are larger. Given Japan's smaller size, China is its largest export and import partner; China accounted for 21.5% of Japan's total imports in 2011 and 19.7% of its total exports [5].

The essential question that arise is what China wants from Japan on the economic trade? Grag Baker in his work reveal the reason as:

*It is cash rich with plenty of investment capital, and with Japan's economy showing limited potential for the long term, what is the advantage? One answer is the "soft infrastructure" where Japan now excels, according to Schulz of Fujitsu Research. "China does not need Japanese investment, but they need Japanese technology," he said. China is also keen to gain the involvement of Japan, as well as the United States, in the Beijing-led Asian Infrastructure Investment Bank. The new public-sector bank is China's answer to the Western-dominated World Bank. Japan and the United States were highly notable no-shows for the opening party of the lending body, initially capitalized at \$50 billion, and their involvement would help lend valuable credibility. With Japan's long history in lending to developing nations (including China, not too long ago), it could also help out in avoiding some of the inevitable mistakes.*

I inferred that the two powers' economies are deeply intertwined, and Japanese doing business in China are guardedly optimistic. So the question of why Japan and China will doing it best to avoid conflict should be answered by Economically, Japan and China need each other. It shown on Trade map between the two countries has tripled over the past decade to more than \$340 billion in 2012. China offers Japanese firms an affordable manufacturing base and a vast export market. Between 1995 and 2011, for example, shipments to China accounted for 45 percent of the overall

growth in Japanese exports. China, in turn, depends on Japanese investment and the jobs that come with it, while its own export industry would struggle without Japanese technology. About 60-70 percent of the goods China imports from Japan comprises the machinery and parts it needs to make its own products. And for every 1 percent of growth China sees in global exports, imports from Japan rise by 1.2 percent, according to 2012 calculations by the International Monetary Fund.

#### IV. SUMMARY

The question of why Japan and China will do its best to avoid conflict is because Economically, Japan and China need each other. But Despite the economic dependency that now play major role to make them avoid any form of militia confrontation, the tension between them is like a time bomb that ready to explode at any time in the future, the bilateral relations between them still may have to face some non-trading challenges ahead that require serious pace from both of them to overcome it to minimalize the possible casualties. The Ministry of Foreign Affairs of the PRC points out some sensitive issues between Japan and the PRC (FMPRC: 2010) such as:

- First, Issue of History. This is one of the most sensitive problem in their politics. Since 2001, Japan are accused several time to ever do a distortion, misquotation, over generalization, smear of the fact of their aggression on China or what happened in Nanking massacre. Also, the act of prime minister Koizumi that visiting the Yasukuni Shrine several times has profoundly disturbed the relations between Japan-China
- Second, Issue Taiwan. China has already take a bold stance on One China Policy, The China emphasizes Taiwan is a part of China and the PRC is the only legal government of China. It allowing Japan to engage in trade or governmental exchange with Taiwan. But forbid any form of official agreements that create division between any China and Taiwan. China demand Japan to show their Commitment to not putting Taiwan as a subject on the framework of security cooperation between Japan and USA. And urged Japan to showing the path of their military directions
- Third, about the abandoned Chemical Weapon in China, as war occurred, Japan Accused to violate the international convention of war for using a bio-chemical mass destructive weapon. China has discovered not less than 30 venues of Chemical weapon waste that potentially harm the Chinese
- Four, over the disputed territories. Without arguing the current dispute over Senkaku Island/Diaoyu Island has a compelling reason to be the most prominent obstacles In the relations between Japan and China, and if these problem is not solve by any time soon, it will imposes the diplomatic relations recovery processes [3].

#### V. BASIC DATA

As issued by Ministry of Foreign Affairs of Japan on

October 2012, here are the basic data of Japan-China Relations that help me write the paper [6].

##### A. Diplomatic Relations

Established in September 29, 1972

Number of Chinese residing in Japan:

519,561 (December 2006 Ministry of Justice Statistics)

Japanese Nationals (long-term residents):

114,899 persons (as of 2005; includes Hong Kong

Trade with Japan (2006):

Exports: \$118.4 billion

Imports: \$92.9 billion

Direct Investment from Japan (realized value):

\$58.2 billion (Cumulative Total until 2006)

##### B. Japan's Economic Cooperation

1) Loans: 3,133.1 billion yen (Cumulative Total until FY 2004)

2) Grants: 145.7 billion yen (Cumulative Total until FY 2004)

3) Technical Cooperation: 144.6 billion yen (Cumulative Total until FY 2003)

VIP Visits

##### C. From Japan to the People's Republic of China

###### Year Name

1994: Prime Minister Morihiro Hosokawa

1995: Prime Minister Tomiichi Murayama

1997: Prime Minister Ryutaro Hashimoto

1999: Prime Minister Keizo Obuchi

2001: Prime Minister Junichiro Koizumi

2002: Prime Minister Junichiro Koizumi

2002: Foreign Minister Yoriko Kawaguchi

2003: Foreign Minister Yoriko Kawaguchi

2004: Foreign Minister Yoriko Kawaguchi

2005: Foreign Minister Nobutaka Machimura

2006: Prime Minister Shinzo Abe From the People's

Republic of China to Japan

###### Year Name

1994: Vice President Rong Yiren

1995: Qiao Shi, Chairman of National People's Congress

1997: Premier Li Peng, Vice President Hu Jintao

1998: Vice President Hu Jintao, President Jiang Zemin, Li

Ruihuan, Chairman of the Chinese

1999: People's Political Consultative Conference

2000: Premier Zhu Rongji,

2001: Tung Chee Hwa, Chief Executive of the Hong Kong

Special Administrative Region

2003: Wu Bangguo, Chairman of the National People's

Congress

2007: Wen Jiabao, Premier of the State Council

##### D. Japan's Basic Policy toward the People's Republic of China

In order to ensure the stability and prosperity of the Asia-Pacific region, it is important to encourage China to become an even more constructive partner in the international community. In particular, the following points are stressed:

- 1) Support for China's open and reform policy (implementation of economic cooperation, support

for China's early accession to the WTO, etc.)

- 2) Promotion of bilateral and multilateral dialogue and cooperative relations (high-level exchanges, Japan-China security dialogue, ASEAN Regional Forum, APEC, etc.)

### E. Cultural Exchanges

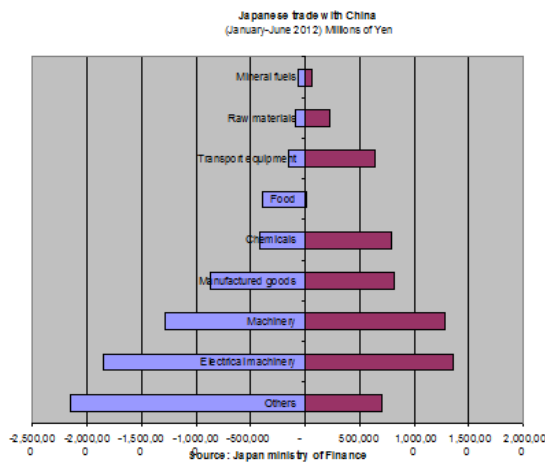
Japan and China signed the Japan-China Cultural Exchange Agreement in 1979, and the two countries have been conducting various cultural exchanges, both at governmental and private levels

In 1999, in order to commemorate the 20th anniversary of the signing of the Japan-China Cultural Exchange Agreement and the 50th anniversary of the founding of the People's Republic of China, various cultural activities took place in both countries throughout the year, including serial performance of the musical "The Beauty and the Beast" in Beijing assisted by the Shiki Theatrical Company, performances by the Takarazuka Revue Company in Beijing and Shanghai, and "Chinese Film Week 1999" in Tokyo, organized by the Japan Foundation.

### F. Cultural Grant (Cumulative total Fiscal 1975-2004)

1,977.1 million yen (Cultural Grant Aid)  
 280.0 million yen (Grant Aid for Cultural Heritage)  
 40.5 million yen (Grant Assistance for Cultural Grassroots Projects).

### G. Graphics And Images



Chinese President Xi Jinping (C) shakes hands with the chairman of Japan's Liberal Democratic Party's General Council Toshihiro Nikai (R) as Chinese State Councilor Yang Jiechi looks on during the China-Japan friendship exchange meeting in Beijing, May 23, 2015. (Photo: AFP/Pool) source :channelnewsasia.com

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