

Evolution of Sino-Japanese Relations: Implications for Northeast Asia and Beyond

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NORI KATAGIRI, APR 10 2019

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China and Japan exert the greatest amount of influence over their neighbours in East Asia. Cooperation between the two economic giants remains robust in trade, foreign direct investment (FDI), tourism, and cultural and educational exchanges while their rivalry has grown with regard to military modernization, political discourse, and cyber security. The complexity of Sino-Japanese relations stems in part from the fact that they have different political and economic systems as well as historical and cultural differences. They are also bound by the presence of neighbours in Northeast Asia that rival each other one way or another – North Korea, South Korea, and Taiwan – as well as powerful states with regional stakes – Russia and the United States – all of which make the region inherently prone to instability. To further complicate issues, the region was thrust into a period of transition after the election of Donald Trump in November 2016. The US-dominant structure that had held the region together since the end of the Cold War began quickly eroding under Trump's Asia policy, or lack thereof. Mired in one self-inflicted domestic crisis after another, Trump remains generally opposed to a large-scale commitment to East Asia, essentially offering China an incentive to be more revisionist and act with less constraint, while making statements drastically different from past presidents about North Korea and Taiwan. The main question I pursue in this chapter, given the changing circumstances, is how stable Sino-Japanese relations are likely to be for the next few years.

In this chapter, I make two arguments. First, of the many factors that affect the stability of Sino-Japanese relations, one of the most important is the way that national leaders in each respective country interpret the balance of military, cyber, and socio-economic power. Militarily, the two countries compete for dominance in East Asia and control of territory – especially with regard to the Senkaku/Diaoyu islands. Concerning cyber power, China continues to use its first-mover advantage to attack vulnerable systems and steal secrets from its neighbours. In economic and cultural dimensions, China and Japan are tightly interconnected and act on the principle of collaboration over conflict. The age of globalisation, regionalisation, and economic interdependence leaves no immediate losers between the two, while generating no winners, either. Claude Meyer's contention in 2011 that 'for the time being, neither of these two dominant powers can lay claim to overall supremacy in the region' is still valid (Meyer 2011, 7). Although China and Japan continue to distrust each other and blame one another for any problems, they remain interdependent for peace and prosperity, and mutual deterrence is at work against military strikes and embargoes by either side (Katagiri 2017, 1–19). The way the current leaders of both countries, China's Xi Jinping and Japan's Abe Shinzo, interpret the gains and losses of their interactions will have much to do with the way they treat each other throughout their leadership, at least until 2022 for Xi and possibly 2021 for Abe (assuming he wins re-election in 2018).

My second argument is that some changes in the external environment will have unexpected, although not necessarily consistent, impact on the stability of Sino-Japanese relations. Bilateral issues like the East China Sea disputes claimed by China but controlled by Japan, and cyber insecurity are likely to continue. They will become more salient political problems when unexpected things happen, such as when provocative statements are made on Taiwan's future (Taiwan, too, claims the East China Sea islands) and when military actions are threatened against North Korea to dissuade its nuclear and missile programs. These things can easily find their way to drag China and

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Japan into intense scrutiny of one another's intent. Further, bilateral relations will develop based on the way their national leaders interact with other major powers, especially the United States and Russia. That is, Xi's relations with Trump and Russian President Vladimir Putin will form the foundation of his relations with Abe because Trump's and Putin's behaviours are less predictable. Likewise, Abe's relations with Trump and Putin will be a source of strategic consideration for the Japanese as a junior ally and economic partner in the Far East, respectively, although the nature of both leaders' characters make it difficult for the Japanese to predict what their next actions will be.

Overall, ongoing bilateral interactions show that in the short run, China and Japan are likely to continue economic engagement and military balancing. Over the long run, however, China is poised to have a power advantage over Japan. China is growing faster economically, demographically, and militarily, and retains an advantage in hard power as well as the power to significantly influence events at the United Nations as a permanent member of the Security Council with veto power. Japan has boasted of its soft power to make the country culturally attractive, is making a slow economic recovery of its own, and remains protected by American forces. This means, however, that if Trump were to withdraw the United States from active engagement in East Asia, not necessarily an unreasonable possibility, China would likely become the dominant player, especially in the military sphere.

Military and Cyber Confrontations Shaping Bilateral Competition

Between China and Japan, the balance of military power tilts towards the former, a trend likely to continue over time. The Chinese Communist Party (CCP) keeps social support for People's Liberation Army (PLA) programs artificially high through propaganda and coercion, particularly for those that would be used against Japan (Reilly 2011). China has outspent Japan on defence to acquire advanced military hardware, increased training hours, and conducted military exercises. With regard to the Senkaku/Diaoyu islands, China has invested heavily in upgrading its maritime forces to undermine Japan's control to the extent that Japan's Maritime Self-Defence Forces (JMSDF) and Japan Coast Guard can no longer effectively handle them. Growing aerial intrusions and naval incursions into disputed areas have caused Japan to increase its emergency flight missions. As someone who flew an F-15DJ fighter jet recently at an air base in Japan, I can attest to how seriously Japan Air Self-Defence Force (JASDF) operators run *each* flight in contested areas and how much real coordination it takes them to carry out one mission on the ground and in the air. Yet Japan's response is falling behind. In 2016 alone, JASDF scrambled more than 850 times to Chinese aircraft threatening Japan's airspace, nearly 280 times more than in 2015, separate from those against Russian aircraft (Japan Ministry of Defence 2017). Japan's administrative control of the islands is likely to erode further if the Trump administration decides to reduce its defence commitment to Japan believing that Tokyo should 'pay more' for its own defence. The US role in the territorial dispute would also diminish if the United States attacked North Korea, still a possibility after the April 2017 showdown, because an outright war in Korea would allow Beijing to operate the PLA more freely in East Asia against US Forces in Japan (USFJ). It is unclear if the United States would remain committed to the security order in Northeast Asia as Trump is strongly driven by his purpose to 'make America great again'.

Trust is a rare commodity in the military sphere between the two countries. Few Japanese believe in Beijing's rhetoric about a 'peaceful' rise. Military cooperation between them is limited to multilateral contexts like rare joint exercises. Japan's defence officials unequivocally mention China's military growth as a vital security concern. Japan continues to adjust its defence posture to curtail China's territorial ambitions, by shifting SDF resources from Hokkaido, once a Cold War frontline against Soviet attacks, to its south where Japan has buttressed ground forces with Marine components and deployed a few hundred soldiers on islands near Okinawa, among other things. The adjustment reflects Japanese leaders' intent to counter China's growing power by way of acquiring new equipment and increasing logistical efficiency. The leaders, however, have left post-war social norms and laws largely unchanged, which have severely limited the operability of defence forces (Katagiri, forthcoming). The Peace Constitution's Article 9 remains unchanged – banning the use of force as a means of resolving international disputes. Public support for the SDF remains mild, too, in favour of pacifist resolution of conflict. While it is true that a growing number of Japanese people support the SDF, they do so primarily because the SDF carries out non-military missions, such as humanitarian assistance and disaster relief, rather than defence. For *real* defence operations, the Japanese have turned to USFJ as the legitimate authority, as seen in the 2015 legislation allowing collective self-defence with the United States. Of course, the United States does not take a stand on ownership of the

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Senkaku/Diaoyu islands, but it acknowledges that the Japanese government has administrative control of the islands and that the islands fall under Article 5 of the mutual security treaty. The question, however, is whether President Trump will honour this when pressed to do so.

In cyberspace China's activism is growing with its first-mover advantage. Cyber operations are relatively inexpensive and effective. When used properly, they can impose heavy costs on targets on the cheap and facilitate the use of military force if necessary. China has capitalised on plausible deniability to target countries like Japan asymmetrically to exploit the offensive-dominant nature of cyber-operations. Even though targets of cyber-attacks in general have learned lessons to make their systems robust, attackers continue to retain the initial advantage of choosing the time and place of attack (Singer and Friedman 2014, 57–60; Segal 2016, 82–90). Accordingly, Chinese military writings have called for a strategy of 'active offense' on enemy command and control, network-centric forces, and first strike capabilities (Pollpeter 2012, 165–189). As a result, cyberattacks have been mostly a one-way street, with agents in China being responsible for a disproportionately large number of malicious attacks on its neighbours. To date, China's cyber agents have been identified as having targeted Japanese government agencies, including the Ministry of Defence and Self-Defence Forces, as well as large private organizations like JTB. China's attacks have put Japan on the defensive without *real* defence, however, as Prime Minister Abe's Liberal Democratic Party remains unable to cross the constitutional hurdle to adopt a retaliatory cyber doctrine and robust counter-offensive measures to deter attacks. Most Japanese officials I speak with say that the government knows the severity of the damage it incurs and that it has to do more to curtail further attacks, but then they privately acknowledge that it has done little to fix the problem. Of course, there are questions about whether China can actually use the stolen information in ways that significantly increase its ability to absorb stolen data and reinforce its aggressive aspirations (Lindsay 2014/15, 44). For now, however, China continues to steal a massive amount of industrial and government secrets from Japan to the extent that the asymmetry of cyberattacks is steep in Beijing's favour.

These issues across the security and cyber dimensions have shaped the tension between the two, while still providing reasons for cooperation. To add to this already complex picture, Sheila Smith argues that several critical political issues have separated the two in the past few years – including historical disagreements, food safety, as well as political rhetoric on both sides. She points out a few contentious issues including Japanese politicians' visits to the Yasukuni Shrine, China's export of poisoned dumplings, and the territorial disputes in the East China Sea. None of these offer a clear-cut path to compromise, yet they shape the way they interact with each other (Smith 2016).

Keeping the Balance through Socioeconomic Cooperation

Intense rivalry in the military and cyber domains aside, the two countries have experienced a boost in trade, FDI, tourism, and cultural and academic exchanges. This perhaps represents the only beacon of hope for better relations. It is important to note, however, that economic interdependence is based less on mutual trust than the unilateral drive to economically gain – so as to eventually outdo the other. Still, China has been Japan's largest trading partner, while Japan is China's second largest following only the United States. In 2015 Japan granted 3.8 million visas to Chinese nationals, an increase of 85% over 2014, which represented 80% of all visas Japan issued to all nationalities that year (The Japan Times 2016).

There are two problems that may hamper economic cooperation in the short run. First, the growing trade deficit with Beijing remains a concern for Tokyo, as it negatively affects Japan's relative power in the long run. In 2015, for instance, Japan's trade deficit was \$17.9 billion (Japan External Trade Organization 2016). Anticipation of continued trade deficit may decrease incentives for cooperation in Japan, making it easier for lawmakers to be nationalistic towards China and call for less peaceful means to solve bilateral problems like the territorial dispute (Copeland 2014). Tokyo has complained about Chinese involvement in stealing intellectual property, which the CCP has unsurprisingly refused to acknowledge. Cyber-attacks targeting Japanese industrial secrets may strain Japan to such an extent that Japan would seek to retaliate economically, although to do so would bring back even more painful counteractions.

Second, while bilateral trade remains robust, there are different types of political dynamics at play in *multilateral* economic projects where the relations are more complex and competitive. Certainly, China and Japan are among the

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leading nations that participate actively in a number of regional organisations, such as APEC, ASEAN+3, and ASEAN Regional Forum (ARF). Yet there are critical new groups where the two nations compete against each other for influence. Beijing seeks to find ways to maximise the use of the many regional economic projects it leads, including the Regional Comprehensive Economic Partnership (RCEP) and the Asia Infrastructure Investment Bank (AIIB) – of which Japan is not a member. Japan is a partner of China's with regard to the promotion of the RCEP, but it is unclear how long this cooperation will last. These regional economic projects are heavily affected by external events including, most notably, Trump's policy. The presumable end of the Trans-Pacific Partnership (TPP) brought about by Trump's reluctance has now put the Japanese on track to lead a multilateral negotiation to pursue a TPP-minus-America. Until the deal is made, the TPP's disappearance is likely to strengthen China's regional influence relative to Japan.

Managing Political Flashpoints

In addition, the external strategic environment remains critical in shaping Sino-Japanese relations, especially the way China and Japan have diplomatically aligned with other countries in the region. On one hand China has 'friends' (but not formal allies) that it *could* rely on – primarily Russia and Pakistan. However, both of these states pursue different sets of political ambitions from China. Certainly, Russia confronts US global interests in a manner that occasionally aligns with China's. Since the 2016 US presidential election, modest expectations of the possibility of rapprochement between Trump and Putin have been raised. The possibility, however, is a wildcard; it can turn out well enough to positively shape Beijing's relations with Trump, or go so bad that it may spill over to Sino-US relations to deteriorate them. In the meantime, Prime Minister Abe's recent overture towards Putin through unilateral economic investments is also important, as it made Japan's Russia policy less confrontational than previous administrations. The move, however, has not necessarily been successful for hammering out a resolution of the Northern Territories/Kurile Islands dispute. China is also close to Pakistan, which offers the use of a strategic naval port at Gwadar to the Chinese navy. This allows for China to check India's naval power and exert influence beyond the Indian Ocean. This concerns Japan because its cargo ships pass through the Indian Ocean and 80% of its oil imports come from the Middle East. Accordingly, Japan has closely worked with India to prevent this. Finally, China shares with North Korea a common interest in checking Japan's power, but the chance of collaboration between China and North Korea has weakened in recent years as Pyongyang continues to ignore Beijing's calls for restraint. China's weakening control of North Korea means that it will be less likely and able to use North Korea as an instrument of policy at negotiation tables with the United States and Japan. In sum, Chinese strategic alignment does not strongly constrain Japan's national interests, but it does not boost them either.

Japan's growing military ties with some of the Southeast Asian and South Asian states – especially the Philippines, India, and Australia – allow it to have an encirclement strategy against China. The ties with the Philippines allow SDF ships to operate near the contested areas of the South China Sea, both with the US Navy and independently. Japan's reasoning for this is not to aggressively act against the Chinese Navy but rather to secure sea lanes and freedom of navigation as much of Japan's energy import comes through the Strait of Malacca. Common strategic sense pulls Japan and India together to tighten commerce, weapons sales, and officer exchange. India and Japan also view Chinese advances into the Indian Ocean as harmful to their interests. India has historically abhorred making foreign commitments and is geographically distant from Japan, but both nations meet periodically to discuss methods of cooperation. Finally, Australia remains wary about China's advance and is a regular participant in multilateral military exercises that include the SDF.

In this context, it is important that China and Japan find ways to manage political flashpoints that may arise as a result of unexpected changes in their external environment. Specifically, if Trump does something without thinking hard enough about consequences that end up upsetting regional stability, China and Japan may clash. Two scenarios are especially possible. One potential situation is if Trump moves away from traditional policy to publicly encourage Taiwan to declare independence. Trump's early missteps towards temporarily rejecting the One-China Policy emboldened Taiwan President Tsai Ing-wen. This served as a fresh reminder that a statement short of actions can quickly escalate putting cross-strait relations into confusion. Even though Trump changed his mind after China's protest, the incident left behind a sense of opportunity for Taipei which it could exploit in the future. This also brought a sense of fear and uncertainty in Beijing about what Trump would do next. Japan's informal diplomatic relations with

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Taiwan could change if Abe decides to align with Trump's Taiwan policy. If, hypothetically speaking, Japan decides to follow Trump in supporting Taiwan's call for independence, this would in turn put China and Japan in direct confrontation.

The other scenario is North Korea, where Kim Jong-Un's regime has become even less predictable since the April 2017 showdown with Trump. China's declining 'control' over North Korea and inability to discourage missile and nuclear development has increasingly allowed North Korea to do things that annoy many including the Japanese. Kim appears to know his limits, but he acts almost recklessly in the eyes of foreign countries because he has no choice but to keep face outside to ensure internal stability. Andrei Lankov predicted that North Korea's end would come suddenly and violently (Lankov 2012, 187–228). It would be in China and Japan's interests to work together to minimise any impact a collapse in North Korea would have on regional stability particularly the danger of a nuclear explosion, proliferation or mass outflows of Korean refugees.

Conclusion

China and Japan regularly hold high-level bilateral talks and routinely participate in multilateral discussions about regional cooperation, but trust deficits keep the two nations apart. In China, the CCP has managed to contain nationalist sentiment and public demand for greater autonomy to the extent that allows the Party to continue to pursue aggressive economic development projects. The CCP has done so by making efforts to restrain its citizens by cooling public anger towards Japan (Reilly 2011). In Japan, however, incidents like the high-profile, uncivil demonstrations against Japanese businesses in 2012 remain vivid in the minds of the Japanese, and CCP's effort to rectify its image seems too political to be true. Furthermore, to most Japanese eyes, the CCP's effort is hardly sufficient. China's supposed restraint has failed to convince ordinary Japanese that China has become friendlier by any measure. Public surveys constantly put both nations' public opinions of each other at low points, and without mutual efforts, that reality is unlikely to improve anytime soon. The cyber hacks and rivalry over the islands make it quite hard for both nations to improve relations quickly. The international community can, for now at least, rest easy, as socioeconomic interdependence and deterrence against military strikes prevents further deterioration of relations.

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