

Are Japan and the U.S. having a China Gap?

Ryo Sahashi

May 2019

Knowledge-Net for a Better Word

The East Asia Institute (EAI) is a nonprofit and independent research organization in Korea, founded in May 2002. The EAI strives to transform East Asia into a society of nations based on liberal democracy, market economy, open society, and peace.

The EAI takes no institutional position on policy issues and has no affiliation with the Korean government. All statements of fact and expressions of opinion contained in its publications are the sole responsibility of the author or authors.

This electronic publication of EAI intellectual property is provided for non-commercial use only, as long as it is unaltered and complete. Copies may not be duplicated for commercial purposes.

Unauthorized posting of EAI documents to a non-EAI website is prohibited. EAI documents are protected under copyright law.

"Are Japan and the U.S. having a China Gap?"
ISBN 979-11-88772-79-7 95340



Are Japan and the U.S. having a China Gap?*

Ryo Sahashi
University of Tokyo

“The United States is confident that we have the adaptive power to continue competing in championship form”

Matthew Pottinger, October 1st, 2018

“Upon international standard, from competition to cooperation. As neighbors, avoid becoming threats on each other. Then, promote free and fair global trade regime.” Shinzo Abe, October 26th, 2018

Introduction

The U.S. Vice President Mike Pence delivered his eye-catching speech on October 4th, 2018 on China. In the remark, Pence clearly accuses China of using political, military, and economic tools to interfere in the domestic politics and advance its influence in American society. He also criticizes Beijing for suppressing the rights of religious freedom for Christians, Muslims and Buddhists. Giving credit to American “open door” policy for the success of rapid development of China, Pence discusses the essence of Trump administration’s National Security Strategy and emerging policies against a “communist” China. While there is still a chance for both governments to agree on ways to assuage imbalance of trade surplus through diplomatic efforts, the hard-liner position on China has been almost a unified and inter-departmental view in the Trump administration.

Trump’s foreign policy has inclination to promoting ‘America First’ in trade, and has been reluctant to globalism, order-building and international institutions, and cold-hearted towards old allies and partners which American leadership has been underpinned since the Cold War. Therefore, it was surprising to the international audience that his administration has advocated the strategy of competition against China, which requires all of policy resources, what he has denied until then.

The big question is the role of the U.S. allies and partners in the strategy. Since Chinese challenges on the liberal and democratic order are multifaceted, and use of force is not always cost-effective to achieve the political goals in great power politics, it is rational to accumulate political and diplomatic powers to check and shape ambitious activities by China, such as modernizing dual-use technologies, exercising sharp power in Western democracies, and envisioning an alternative order. However, the Trump administration has gradually decreased American reliability and even credibility due to its uncertain and untrustworthy commitments on international agreements. This casts doubts for some on the ability for the U.S. to lead a coalition to compete against China.¹

* Disclaimer: this paper is drafted and submitted in February 2019.

¹ As an insightful analysis, see Hal Brands et al., “Credibility Matters,” Center for a New American Security, May, 2018.

Moreover, no country is prepared to contain China: their China policy is naturally nuanced and balanced, due to the reality of economic interdependence and indispensability of economic exchange with China. In each country, we can find out interest groups, or constituency, to support business with China, while we can also find out pro-competition camps who try to offset engagement. A good example is the recent Japan-China relations. In October 2018, Prime Minister Shinzo Abe visited Beijing and shook hands strongly with President Xi, proclaiming three principles in order to avoid being dragged into the competition. Japan has viewed that its alliance policy with the U.S. is still essential for long-term security, but it aims to shape the strategic environment by international norms and rules. Japan is not alone for such a nuanced and independent stance on China, and many Asian and European countries have different policies against China. Their strategic goals are to shape China in the rule-based order.

Some argue it is because of the Trump administration that the U.S. finally turned its foreign and security policy toward competitive approaches against China. However, we have to ask whether the Trump administration has an ability to lead the world for the strategic goals properly, and whether American allies and friends can accept the economic cost to reshuffle business activities with China due to security concerns.

This paper attempts to contrast American and Japanese approaches on China. Firstly, it analyzes emerging American hard-liner approaches on China. Then, it argues the debates and responses in Japan on the emerging U.S.-China competition.

The Rise of American Competitive Approach

Trump's China policy has experienced 'up and down' during the year of 2017, starting from the bottom of the relationship after China saw Japan's success in establishing a personal relationship between Abe and Trump and surprise of Trump's telephone conversation with Taiwan's President Tsai In-Wen. After the restoration of the default relationship through the telephone conversation between Xi and Trump in February and the White House reassuring announcement on America's One China policy, China and the U.S. has successfully stabilized their bilateral relationship, holding a summit in Florida in April. It should let Chinese policymakers to take a long breath.

However, there were two turning points of their bilateral relationship. The first one had a relatively minor impact, but significant to be noted. From an early summer, Washington policy circles echoed that Trump's China policy was too soft on China and insisted the U.S. push back to tame China properly. Economic nationalists, on the other hand, warned that the trade deficit against China was suffocating the U.S. domestic economy and employment. The working groups, which was introduced in April summit, failed to withdraw the concession from China which could satisfy them.

The second and real pivotal timing has arrived around the end of the year: firstly, the National Security Strategy had put the challenges by authoritarian states, China and Russia at the center of the discussion, calling the world was entrapped into the competition beyond particular regions. It was rumored the Trump administration reviewed their China policy from the spring of 2017, under the White House lead, but it was the first time the White House revealed a comprehensive picture of competition against China. Secondly, Mr. Robert Lighthizer, a traditional protectionist, has received the confirmation as the representative for the U.S. Trade policy, and then from January to March in 2018, Professor Peter Navarro, in tandem with Commerce Secretary Wilbur Ross,

succeeded in gaining supports from President Trump for their economic nationalism over the retiring economic tsar and former Wall Street executive, Gary Cohn. Thirdly, several reports started to cast doubts on the American technological advantage over China. Moreover, National Endowment of Democracy claimed their findings of Chinese “sharp power,” by which China has interfered into political institutions in various democracies.

By early summer of 2018, most American political institutions seemed to fix their hard-liner China policy, from security concerns, technological advancement to trade deficit. Religious freedom has also gained the political attention strongly during this period of time. Vice President Mike Pence made a speech at the Hudson Institute on October 4th, which delivers the message mainly for the domestic audience and provides a comprehensive list of concerns on China without proposing alternative lists of solutions on the problems he raises. Analysts suggest the economic nationalists have promoted the idea of de-coupling the Chinese economy from global supply chains, while many policy experts outside the government do not hide their strong concerns on such self-destroying economic plan.

This is general description of rise of American competitive approach against China. The next few sections give a detailed and chronological sketch on main agenda by the end of 2018.

Trade War

In May 2017, Commerce Secretary Ross announced the ten-part agreement following the 100 day action plan of the U.S.-China Comprehensive Economic Dialogue, which was initiated after the Trump-Xi summit in April. The new arrangement allows the U.S. to finally be able to export beef to China and in return, China would be allowed to sell cooked poultry to the U.S. In addition, two governments discussed on the U.S. liquid natural gas (LNG) export to China, cooperation on U.S.-China financial relations and Chinese safety reviews for U.S. biotechnology applications. In July, the first meeting of the U.S.-China Comprehensive Economic Dialogue took place. The dialogue was co-chaired by Secretary Ross and Treasury Secretary Mnuchin. In the statement issued after the dialogue, they exclaimed that China had agreed to cooperate with the U.S. to reduce the ongoing trade deficit between two countries.

Since the spring of 2017, the seeds of trade war existed and expanded gradually. In April 2017, USTR is authorized to investigate the effect of steel and aluminum imports on national security. Since his Presidential campaign, Trump has openly spoken about China’s unfair trade practices and has been accusing it of stealing the economic profits and technology from the U.S. Both U.S. Republicans and Democrats view China’s practice of forcing U.S. companies to hand over intellectual property to Chinese “partners” as unfair. In August, USTR began its investigation on Chinese policies and practices related to technology transfer, innovation and intellectual property. The investigation was to inquire whether the growth of China was through the espionage and technology theft in the U.S. homeland. Chinese Commerce Ministry rebuffed such probe in vain.

In the National Security Strategy (NSS) in December, China was labelled, with Russia, to be expanding its interests, stealing the intellectual properties, and breaching the security of the U.S. The NSS makes the case that the U.S. should advance its national defense capability and prepare for the competition against China. On 17th of January, President Trump claimed that the U.S. was planning to impose a large scale fine of sanction on China for the theft of intellectual property. The Trade Act of 1974 authorizes Trump to initiate an investigation on the matter and it also allows him to impose tariffs or exercise other trade sanctions, unless China makes policy reforms.

In January of 2018, U.S. Trade Representative Robert Lighthizer started to claim his tactics of raising tariff bar. In February, the tariff on solar panels was implemented, and then on washing machines. A few weeks earlier, in the World Economic Forum at Davos, Trump declares that the U.S. is open for business and it would no longer tolerate unfair trade practices. The speech was mostly directed to China and few other trading partners of the U.S. The president clearly stated under his “make America great again” policy that the U.S. would be focusing on developing its domestic economy and will be working towards reducing its trade deficits without tolerating predatory behaviors of its trading partners.

On the 8th of March, Trump administration accused China of stealing intellectual property, technology and jobs from the U.S. The tariff was imposed on Chinese goods worth more than 50 Billion USD including the tariff on clothing and electronics. Two weeks later, the USTR released its long report on the investigation on China and its trading practices, policies and strategies. This investigation caused acute criticism that China had been involved in unfair trade practices, including enforced technology transfer and intellectual property theft. Trump responded by signing the memorandum to impose tariffs on China worth 600 Billion USD worth Chinese products. Next day, the U.S. government filed its official complaints to the WTO about the unfair trade practices of China, while its 25% steel and 10% aluminum tariff increase went into effect on China and some other countries (with a few exceptions). The share of China in this sector was only 6%.

China started to retaliate by raising its own tariffs on the import of the U.S. goods from 15% to 25%. The tariff was worth 2.4 billion USD. In April China imposed preliminary tariffs on U.S. sorghum. The announcement was made by the Chinese government to implement the anti-dumping duties of 178.6% on the import of sorghum from the U.S. The tariff on sorghum was later revoked by China as a result of the trade negotiations with the U.S.

One month later, Treasury Secretary Steven Mnuchin announces a “hold” on the tariffs. A brief hold on the ongoing trade war with China was announced due to the escalating tension on the retaliation tariffs imposed by both the nations. The tariff hold, however, was cancelled. The White House made an announcement on May 29th that it would impose the tariff on the Chinese goods worth 50 Billion USD and its temporary hold on tariffs would be cancelled. USTR announced a two-stage plan to further improve the tariffs by 25% on 50 Billion USD worth Chinese goods. The first stage is to be effective by July 6th and it increases the tariff on 34 Billion USD worth of Chinese goods and in the second stage (from August 23), the tariff was imposed on further goods worth 16 Billion USD. China responded by imposing similar number of tariffs but also filed a complaint against the U.S. to the WTO.

Trump announced a further increase of 10% tariff on about 200 billion USD worth Chinese products from September 24th onwards. He removed tariffs on smart watch, consumer electronics, and bicycle helmets but has threatened to increase further 25% tariffs from Jan 2019. After the implementation of these new round of tariffs, the U.S. would have imposed tariffs on 12% of its total imports during 2018 and the retaliation imposed by the other trading partners on the U.S. exports would cover 8% of the total U.S. exports. After the U.S.-China summit in December 2018, both governments started a ninety-day negotiation, and in the last week of February, just before its deadline, President Trump announced his intention to meet President Xi in March.

It is noted that technological concerns on China has been strong. On April 16th, the U.S. commerce department banned American firms to sell parts and software to Chinese ZTE Corp for 7 years. The ban was announced after ZTE's violation of the agreement on punishing the employees of ZTE after being caught illegally shipping goods from the U.S. to Iran. On June 7, 2018, Commerce Secretary Ross announced that an end to U.S. sanctions against the Chinese telecommunication company ZTE. The conditions for removing the sanctions read

as a fine of 1 billion USD, the compliance team selected by the U.S. to be stationed in the company, and the board of directors and the executive team needs to be reshuffled within a month.

However, the U.S. concerns on technology did not disappear. In June 2018, Secretary Mnuchin posted a twitter, saying “statement will be out not specific to China, but to all countries that are trying to steal our technology.” Then, President Trump endorsed Mnuchin’s plan of restricting the Chinese investment in the U.S. technology companies. The policy that has been proposed by Mnuchin and supported by the White House Trade Adviser Peter Navarro was the plan to reduce technology theft in the U.S. In August, National Defense Authorization Act 2019 endorsed such perception on Chinese theft of technology, and it required the policy to push out Chinese companies from telecommunication and enhanced the authorization of the administrative authority over foreign direct investment and export control. The Foreign Investment Risk Review Modernization Act (FIRRMA) 2018 was into law. Before the introduction of FIRRMA, the Committee on Foreign Investment in the U.S. (CFIUS) could block an acquisition in the U.S. but they were unable to do anything if the company formed a joint venture after that. With the new law, however, the joint venture can also be blocked in case of the involvement of critical technologies and the transfer of technology through a joint venture.

Technology is becoming the main field of competitive policies. In December, CFO of Huawei Wanzhou Meng was arrested in Canada and the U.S. Justice Department claimed criminal charges for bank fraud, wire fraud, conspiracies to commit bank among others against Huawei, its two affiliates and Ms. Meng. In 5G and ITC area, reportedly the Trump administration would soon issue presidential decisions on tighter control of telecommunication device made by Chinese companies to American market. Also, in other areas of emerging and founding technologies, the U.S. Commerce department is in the process of issuing the list of control.

Security

While the Trump administration did not openly challenge against rising Chinese military modernization in 2017, it was not silent on South China Sea. In January, the incoming State Secretary Rex Tillerson claimed that the U.S. should block the access of China to its newly made artificial islands by claiming it to be illegal. His remarks in front of the Senate Foreign Relation Committee was seen as a threat and a strong stance of the administration. In August, a U.S. Navy warship sailed around the territorial sea claimed by China around the Mischief Reef in the South China Sea. The warship sailed around the area for 6 hours within 12 nautical miles of the artificial island constructions done by China by defying the UNCLOS.

In 2018, the U.S. stance on South China Sea was open to criticism. On May 23, 2018, it rejected the participation of China Peoples Liberation Army- Navy (PLAN) in the U.S.-led Rim of the Pacific (RIMPAC) military exercise in Hawaii, the largest multinational naval drill that allowed 22 nations to practice sailing and operating together. On June 1st, at the annual Shangri-La- Dialogue, Defense Secretary Jim Mattis openly criticized the actions of China in the South China Sea. Mattis accused China of trying to create coercion and trying to intimidate its neighbors by placing advanced military equipment and missiles, which is against the policy of openness promoted by the U.S. Then, on July 27th, when the U.S. did RIMPAC exercise, the Chinese PLAN carried out their surveillance on the exercise from which it was disinvited. The U.S. Pacific Fleet Captain Brown exclaimed that as long as the ship remains outside the territorial seas maintaining the 200 nautical mile exclusive

economic zone without causing any disruptions to the exercise, it is permitted by the international law. In addition, two militaries experienced the near-miss tension on October 1st, 2018. Chinese naval vessel Luyang destroyer came within 45 yards of USS Decatur during a routine freedom of navigation operation in the South China Sea. The American ship had to carry out series of aggressive maneuver to avoid collision and had to give warnings before departing the area near Spratly Islands in the South China Sea.

Two governments kept the dialogue though. In addition to the U.S. China Diplomatic and Security Dialogue in June 2017, where State and Defense Secretaries participated, in October its first US-China Law Enforcement and Cybersecurity Dialogue (LECD) took place and Attorney General Jefferson B. Sessions III and Acting Secretary of Homeland Security Elaine Duke, together with Chinese State Councilor and Minister of Public Security Guo Shengkun, co-chaired the dialogue. Both sides discussed issues related to repatriation, counter-narcotics, cybercrime and security, and fugitives during the dialogue. On July 31st, 2018 in the DHS Cybersecurity Summit, Vice President Pence exclaimed that the U.S. would take a strong stance against China's attempt to steal the national intellectual property and advanced technologies. Referring to the 301 trade investigation, Pence exclaimed that China has been using its bureaucrats and business to carry out the theft. In addition, he also stated that the U.S. would take a strong stance against the countries like China, Russia and North Korea if they attempt to meddle in the national elections.

Amid the rising American rough stance, in October, China canceled its participation in the second round of Diplomatic and Security (D&DS) Dialogue with the U.S. Two days later, Vice President Pence made a hard-liner speech on China at the Hudson Institute. Almost simultaneously, the Senate passed Better Utilization of Investment Leading to Development (BUILD) Act to create a new agency, the U.S. International Development Finance Corp to increase the review on federal government lending for foreign development. To reduce increasing Chinese influence and debt diplomacy and make government development organizations like Overseas Private Investment Corp (OPIC) stronger, the Senate passed the legislation to create a new 60 billion USD agency. In addition, in Papua New Guinea Vice President Pence also announced the Indo-Pacific Transparency Initiative. His speech explained, "In conjunction with more than \$400 million in American funding, this program will help empower the region's citizens, combat corruption, and strengthen sovereignty" (Pence 2018a).

Sharp Power

Congressional Executive Commission on China conducted a second round of hearing on "The Long Arm of China: Exporting Authoritarianism with Chinese Characteristics" to discuss strategies to reduce the Chinese influence in the U.S. The first round of the hearing on China's "long arm" was done in May 2016. In the opening statement of the round 2 hearing, Senator Marco Rubio discussed issues like the use of United Front Work Department (UWFD) as an instrument of influence by the Chinese government, China's censorship over private social media platforms, Chinese censorship on academia, proliferation of Confucius Institutes, and debt policy of China through the One Belt and One Road initiative.

Under National Defense Authorization Act 2019, the use of Pentagon's resources to fund Confucius Institutes or Chinese government funded language schools in the American Universities was banned. The amendment was proposed by Senator Ted Cruz to the Trump administration to prohibit the funding to any Confucius institute or to any university that has such institutes. On August 19th, National Security Advisor John

Bolton listed China as one of the countries that interfered in the U.S. politics during an ABC News interview. The Chinese government complained against the accusation of Bolton but when asked to confirm about no intervention, the Chinese Government did not comment.

Congressional Commission Report revealed that some Washington think-tanks were funded by the Chinese Communist Party through the United Front Work Department (UFWD) to ensure a better projection of China in the U.S. The report stated violation against the rights and freedom of speech that were protected by the laws of the United States. The report stated that Johns Hopkins School of Advanced International Studies had been receiving funding from Tung Chee-hwa, the Vice Chairman of the Chinese People's Political Consultative Conference that has high influence on UFWD.

The U.S. Justice Department ordered on September 18th that Xinhua News Agency (CCTV) and China Global Television Network (CGTN) to register as foreign agents. The initiative was taken to reduce the foreign influence in the domestic issues of the U.S., to reduce the media manipulation, and to toughen the stance of the U.S. on the policies of China. On the same day, Trump tweeted that China was trying to meddle in the U.S. elections by turning the farmers, industrialists and businessmen against the Trump administration.

Trump openly accused China for attempting to interfere in the upcoming U.S. Mid-term elections in the 73rd UN general Assembly. In the press conference after the claim, Trump did not disclose any evidence behind his claim, but he did exclaim that he would disclose the details later. The only evidence he offered was the advertisement of China in the US newspapers but he mentioned about confidential intelligence that could not be disclosed but backed his claims.

Religious Freedom

In terms of defending human rights, the Trump administration is not abandoning its responsibility. In April 2017, President Trump sent a letter to the congress affirming his administration's commitment in support of the Global Magnitsky Act. On December 21st, Trump sanctioned former Chinese police chief Gao Yan for the death of Human Rights activist Cao Shunli while in his custody. Signing an executive order, the president declared a national emergency on "human rights abuse and corruption around the world" and imposed sanctions on 13 individuals authorized by the 2016 Global Magnitsky Act. The Treasury department sanctioned additional 39 people and entities afterwards.

In the year of 2018, religious freedom has drawn close attention from the top leadership of the White House and Department of State. In April, the U.S. State Department Spokeswoman Heather Nauert expressed Washington's concerns over Uighurs and people in Xinjiang and urged China to respect freedom of belief and release the people in detention. Nauert also expressed concerns over China's mass detention and surveillance on those areas. She stressed that the U.S. would continue to pressure the Chinese government to end their counterproductive policies and to release the Uyghur Service Reporters of Radio Free Asia. She also met with six U.S.-based reporters whose Uighur family members have been threatened because of their jobs.

In July, in the CECC Hearing on "Surveillance, Suppression, and Mass Detention: Xinjiang's Human Rights Crisis" Secretary Pompeo and Vice President Pence made statements and pledged the U.S. support in promoting Universal Religious freedom and plurality through the Potomac Declaration and Genocide Recovery and Persecution Response. Pompeo gave an introduction by addressing the issues in Xinjiang and the reports from the

U.S.-based Uighur journalists. Pence emphasized the State Department's annual Religious Freedom Report that labeled China as a religious violator from 1999 and introduced Kusho Golog Jigme, a Tibetan Buddhist Monk fighting for religious freedom, in the audience (Pence 2018b; Pompeo 2018).

On September 12th, Nauert discussed a possibility of U.S. sanctions in response to the Chinese government's crackdown on ethnic Uighurs, Kazakhs and other minority groups. The sanctions could be imposed under the Global Magnitsky Act that would allow the government of the U.S. to freeze the U.S. assets of the Human rights violators, ban them from entering the U.S. and prohibit any U.S. firms to do business with them. Chinese government did not show any accommodating posture and insisted the “sinicization” of Xinjiang should continue.

Taiwan

In December 2016, Trump received a call from the President of Taiwan Tsai Ing-wen. Since taking office, Washington and Beijing started to fix the relationship through diplomatic back channels. On February 9th, just a few days before the upcoming Abe-Trump summit, the White House released the turnout on One China policy. It said, “President Trump agreed, at the request of President Xi, to honor our ‘one China’ policy.”

Trump administration has tried to stretch out its Taiwan-related policy to the edge of its One China policy, and the Congress has shown its strong interests through legislation, while most of the policies on Taiwan was under the administrative power. A good example of bipartisan support and President’s forward-leaning position can be seen in the Taiwan Travel Act (signed in March 2018), which permits the meetings between the U.S. and Taiwanese high officials.

The Trump administration showed its commitment through arms sale. On June 29th, 2017, the Trump administration approved US \$1.42 billion worth of arms sales to Taiwan. On September 24th, 2018, the U.S. announced the arms deal proposal of \$33 Million USD with Taiwan. The proposal that was sent to the congress for approval covered parts for the American made aircrafts F-16, C-130 and F-5s without covering new fighter jet, F-35 or submarine technology. After the U.S. arms deal with Taiwan, the Chinese government declined the request of U.S. Navy Warship to visit Hong Kong for a port call (it accepted the visit later.).

The Congress also passed Asia Reassurance Initiative Act in December 2018, which asked President “conduct regular transfers of defense articles to Taiwan that are tailored to meet the existing and likely future threats from the People’s Republic of China, including supporting the efforts of Taiwan to develop and integrate asymmetric capabilities, as appropriate, including mobile, survivable, and cost-effective capabilities, into its military forces.” The White House announced the President signed this act while reserving its administrative power over many articles, including the one over Taiwan.

Further Research Agenda

As analyzed, it is observed that Trump administration’s China policy has been transformed into the hard-liner approach since the winter of 2017 through spring of 2018, and security hawks and economic nationalists have united their positions on various issues. However, the research questions have been remained: firstly, whether the administration position on China has been really shifted, including president, bureaucracy, and interest groups.

Secondly, it is still unclear whether there is a consensus view on the end state with such hard-liner policy. Some provocatively argue the de-coupling of Chinese economy from global supply chains, and stress the regulation on technological development, acquisition through investment, and free trade with China, while these arrangements could do serious negative impacts on substantial economy and stock markets. If the administration aims at such decoupling, the tension between the U.S. and China shall not be relaxed for a decade or more. On the other hand, if the administration simply tries to enhance its bargaining power to change Chinese unfair economic practices and ambitious challenges against the American leadership, there is a room for the Chinese government to assuage the U.S. concerns through concessions and economic statecraft.

Finally, relating to these points, is the engagement idea vanishing among the U.S. policy makers? Since the 1970s, many China hands have kept the hopes on Chinese democratization and also socialization in the international community through contribution to global governance. Last five years, it is said, by some security-concerned experts, such hopes have been into extinct. Do ideas to avoid Thucydides trap, through statecraft, have the possibility to arise? In addition, President Trump might be attracted by the idea to make “Big Bargain” with Chinese leaders, making a historical turning point of the world order, to claim it as his own achievement.

Japan’s Response to the U.S.-China Competition

Beginning (summer 2017)

After the inauguration of Trump administration, Japan has tried to keep a personal relationship between the two top leaders and to attain the bargaining power against the U.S. to de-couple security and economic affairs and to buy time for serious economic negotiations. The joint communique in February 2017 was the success for Japanese policymakers’ eyes since it assured Japan on Senkaku issue for the first time for the U.S. president to promise treaty obligation to protect these islands in paper.

However, “for Japan, there exists a delicate balance between alliance management and regional diplomacy if Japanese policymakers are to hedge against Trump taking a strong ‘America first’ position in Asia. The Abe government will, therefore, remain open to other options, including fixing its relationship with China,” as the author wrote in 2017 (Sahashi 2018). The embryonic sign was seen on the eve of the Belt and Road Forum in the spring of 2017. Toshihiro Nikai, Secretary General of Japan’s Liberal Democratic Party, suddenly participated in the Belt and Road Forum, accompanied by Takaya Imai, the Prime Minister’s Secretary for Political Affairs and his closest aide. Nikai delivered his speech at a plenary meeting and also met Xi, with Abe’s personal letter. Around then, Nikai publicly suggested that Japan would consider participation in the China-led AIIB. After seeing the success of his national security advisor meeting with Chinese counterpart, Abe clarified his intention to cooperate with the Belt and Road Initiative (BRI) with China when conditions are met on June 5th.

After having the frozen relationship since the two incidents over Senkaku islands in 2010 and 2012, Chinese aircrafts and ships had increased their operations around the area and the two countries failed to fix the relationship until the fall of 2014, when Chinese government ended up welcoming Japanese Prime Minister to China as the host of G-20 meeting. The bilateral relations were not set back on the track of recovery, and thus it was noteworthy from the spring of 2017 Chinese government send off a signal to Japanese counterpart to repair the relations. For both governments then it was very important to fix the relationship and hedge against bad

scenarios on the Korean peninsula and Trump foreign policy in general. In other words, they did not have the luxury to keep their bilateral relations deteriorated as such.

Abe Visit and “Three Principles”

Until the early spring of 2018, China had a long political season, and Xi Jinping entered his second term. In September, Abe showed up at the Chinese embassy’s ceremony of national day, voicing his intention to visit China and hope to invite Xi Jinping to Japan then. Beijing also made signals to keep the momentum for China-Japan relations. After having a warm summit meeting between Abe and Xi at Da Nang, APEC in November, on the occasion of Memorial Day ceremony for ‘Nanjing Massacre’ on December 13th, Xi did not make speech by himself, but the remarks were made by Yu Zhengsheng, chairman of Chinese People’s Political Consultative Conference, emphasizing the points that Japan was a neighbor to construct the relationship along with the principles of Periphery Diplomacy toward their common future friendship.

Prime Minister Li Keqiang visited Japan on the occasion of the China-Korea-Japan trilateral summit hosted by Japan in May, 2018. It was for the first time in eight years that Chinese prime minister visited Japan. At this occasion, in addition to the warm welcome for Li at Tokyo and Sapporo, the two leaders celebrated the conclusion of maritime-air communication mechanism between the two authorities and signed the China-Japan social welfare treaty, which both country’s industry long hoped to accomplish.

Not only top-leaders’ meetings have taken place, but foreign ministers also met each other very frequently during this period of time. After assuming the Foreign Minister in August 2017, Taro Kono and his counterpart Minister Wang Yi had held eight foreign minister meetings. According to the anonymous person in the Japanese ministry, the Chinese side had sought occasions energetically to hold foreign minister meetings.

2018 Li Visit

On October 25th, 2018, Abe paid state visit to Beijing for the first time in seven years as Japanese prime minister. His schedule was totally full for the two days: Li Keqiang hosted dinner (1st day) and lunch (2nd day), Xi Jinping hosted dinner (2nd day), and a reception to celebrate the 40th anniversary of China-Japan Treaty of Friendship. Abe and Japanese foreign ministry announced that they agreed on three principles: 1. upon international standard, from competition to cooperation, 2. as neighbors, avoid becoming threats on each other, 3. promote free and fair global trade regime.

Both governments also signed twelve documents and held the business forum where fifteen hundred business people gathered, and fifty-two memoranda of understanding had been made. Substantially, they reached a noteworthy agreement on financial cooperation (including swap agreement), private companies’ cooperation at the third country, innovation dialogue (under this framework they also talk about intellectual property right), and search and rescue (SAR) agreement. Top leaders also agreed on further exchange between SDF and PLA, and most importantly, on resumption of negotiation to implement the 2008 agreement on East China Sea joint development “at early stage.” Reportedly, historical issues and Taiwan had been mentioned during the meetings, but there are no readout from the governments on these points. Li invited Abe for the trilateral summit next year

and Abe accepted it, while Abe invited Xi to come to Japan, followed by Xi's forward looking answer.

Chinese leaders were frustrated by the U.S. protectionists and 'Sino-phobic' attacks against China and they tried to share such concerns with the Japanese leader. Shin Kawashima argued, "Xi Jinping and Li Keqiang expressed their hope that Japan and China could combine forces to take the United States head on. But the likelihood of such a joint Japan-China push back against the United States is slim."²

Prospect and Further Research Agenda

As of February, 2019, China and Japan are still waiting how Trump would behave after the mid-term election of 2018, on his China policy and North Korean policy, respectively. Xi Jinping may pay state visit to Japan in 2019, but the items Beijing and Tokyo could agree on would depend the situations of the US-China relations at that time: if this relationship between Beijing and Washington goes back to the normal negotiation phase, putting an end to strong criticism against China, China might not be motivated to approach towards Japan strongly. On the other hands, if Beijing and Washington fail to reach at any concessions, China should be tempted to enhance its relations with Japan, while Japan's position might be more difficult. Japan, as a crucial ally for the U.S. strategy, should be asked from Washington to make a united front on China belligerent behaviors domestically and abroad. Japan would be put in a serious dilemma between the U.S.-Japan alliance and the China-Japan relations.

The Japanese government paid much attention to manage the triangular relationships, by explaining the restoration of the relationship with China aims to fix the worsen relationship since 2012 and also to persuade China into a more fair and responsible behavior in international community. However, any interpretation that this move means tilting towards China should be rejected. It should be also noted, on the other hands, that Japan has not shared such comprehensive sense of competition against China, which was provoked by Vice President Mike Pence. Both Japan and the U.S. concern over Chinese unfair practice, providing subsidies to state-owned companies and failing to secure intellectual property rights, while the Trump administration's economic nationalism is also against WTO rules and targets at its own allies. To make further research, we have to make deep dive on Japan's response on American tighter controls against Chinese business and investment, and then on Japan's diplomatic efforts with other countries toward rule based order-building.

Japan's vision of Asian order was typical one to maintain American-led post war order in the time of shifting balance of power. For the last ten years, Japanese diplomacy has aimed to underpin American hegemony by stretching out its diplomatic and defense resources and by securitizing its Indo-Pacific diplomacy through enhancing security partnership with a lot of nations (Sahashi 2018). However, Japan's vision lies not in confrontational order-making process. As Akihiko Tanaka insists, while a new Cold War is theoretically possible as long as the Chinese communist party maintains its ruling system as such, it "should not be metamorphosed into a hot war and Japan should make efforts not only for strengthening the alliance for deterrence but also for enlarging a sphere for 'peaceful co-existence' with China." He also argues, "Japan should not give up shaping China models of development and political reforms in the future" (Tanaka 2018). Even though Japan has not come up with good alternatives, and is still rejecting to accept a Sino-centric order vision, the recent behaviors suggest Japan's dilemma is deepened in the time of incredible Trump foreign policy. ■

² He also argues, "Should tensions continue and the United States altogether abandons its engagement policy towards China, Japan will likely continue to engage. What this would mean for US-Japan relations is a looming uncertainty."

References

- Kawashima, Shin. 2018. "A new norm in China–Japan relations?" East Asia Forum. November 1.
- Pence, Mike. 2018a. Remarks at APEC Summit Meeting, Papua New Guiana. November 16.
- _____. 2018b. Remarks at Ministerial to Advance Religious Freedom. July 26.
- Pompeo, Mike. 2018. "Religious Persecution in Iran, China Must End Now." USA Today. July 24.
- Sahashi, Ryo. 2018. "American Power in Japanese Security Strategy." in *China's Rise and Australia-Japan-US Relations Primacy and Leadership in East Asia*, edited by Andrew O'Neil and Michael Heazle, 143-166. London: Edward Elger.
- Tanaka, Akihiko. 2018. "From Trade War to 'a new Cold War'" *Chuo Koron* 2018(November): 36-37. (In Japanese).

Author's Biography

Ryo Sahashi is an Associate Professor of International Politics, Institute for Advanced Studies on Asia at University of Tokyo. Sahashi specializes in international politics and is currently focusing on East Asian security as well as Japanese security policy. His recent book is *In a Search for Coexistence: the United States and Two Chinas during the Cold War* (Tokyo: Keiso, 2015). In English, he recently edited *Looking for Leadership: The Dilemma of Political Leadership in Japan* (Tokyo and New York: Japan Center for International Exchange, 2015), and wrote on the impact of rising China on Asian order, Japan's security policy and Japan-Taiwan relations. Now he is writing his next book on US-China competition and leading two group studies on the alliance and order after the end of the Cold War. He received his B.A. from International Christian University and his Ph.D. from the Graduate Schools for Law and Politics at the University of Tokyo. He also studied at Department of Political Science, University of Illinois at Urbana-Champaign.

This working paper is the result of research activity of East Asia Institute's Future of China and Regional Order in the Asia-Pacific Research Group.

Any citation or quotation is prohibited without prior permission of the author.

This paper and other EAI reports can be found on our website, [EAI Articles]. The contents of this article do not necessarily reflect the views of the East Asia Institute.

For inquiries:

Sooyee Choi, Research Associate/Project Manager, Future of China Research Group
Tel. 82 2 2277 1683 (ext. 206) | Email: schoi@eai.or.kr

Typeset by Sooyee Choi

The East Asia Institute
#909 Sampoong B/D, Eulji-ro 158, Jung-gu,
Seoul 04548, South Korea