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By Q. Ken Wang
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With Claude E. Welch
As Major Professor

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Achieving Political Influence in Asia: Changes in Japan's Foreign Policy Toward China and U.S.-Japanese Relations, 1972-1992

ABSTRACT

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The 1951 U.S.-Japanese Security treaty set the stage whereby Japanese foreign policy and security policy would be subordinate to U.S. post-war containment policy. Japan's dependent foreign policy in the past two decades has undergone dramatic transformation against the backdrop of international changes. Conflicts between the U.S. and Japan have heightened as Tokyo strives for diplomatic autonomy. Increasingly and openly, Japan is defying policy objectives of the United States.

Japan's foreign policy toward China was no exception. Since the early 1970s, Japan has become more assertive in pursuing its national interests in China, which has been defined as stabilizing the bilateral relationship and cooperation. Japan's 1972 diplomatic normalization with China marked the beginning of Japan's search for an autonomous China policy. Since then, Tokyo has not only intensified its economic relationship with China through economic assistance, trade and foreign direct investment; it has also placed more

emphasis on its political and security relationship with China.

Economic interdependence between Japan and China continues to deepen in the late 1980s as mutual needs and vulnerability draw the two countries closer than ever. Moreover, the importance of Sino-Japanese political cooperation on regional affairs looms large in the late 1980s. Sino-Japanese cooperation is becoming indispensable in bringing peace and stability to Cambodia and the Korean peninsula.

The objectives of this dissertation are two-fold: first, it argues that Japan's China policy in the last two decades have gradually departed from the principles of U.S.-Japanese cooperation originated in the early days of the Cold War as Tokyo strives for diplomatic autonomy and political influence in Asia and in China particularly. Second, changes in Japan's China policy and the U.S.-Japanese relationship in general can be attributed to the relative decline of the U.S. hegemony, or the realist notion of "uneven growth of power."

Chapter 1. Introduction

Regime and International Cooperation

Whether or not the international system consists of structures has been a perennial focus of studies of international relations. Classical realism, dating back to Thucydides' writing on the causes of the Peloponnesian War, believes that international society is anarchic and that nations' striving for power primarily determines patterns of interaction among states. On the other extreme, the liberal or Grotian tradition rejects these realist assumptions outright, contending that the international system, like domestic society, is highly structured. For liberalism, cross-national alliance in a balance of power system, international laws and treaties that govern the behaviors of states, and economic interdependence among nations all suggest the existence of structures and institutions in the international system.

Over the last ten years or so, international regimes emerged as a major focus of empirical research in the field of international relations because they offer opportunity for dialogue between the two diametrically opposed theories. The emergence of regime studies stemmed from a genuine dissatisfaction with the current state of the study of

international relations, and the inability to bridge the gulf that exist between classical realism and liberalism on the part of the students of international relations. By focusing on international regimes as a new paradigm for the study of international relations, both classical realism and liberalism have implicitly come to find a common ground that the international system consists of structures, however tenuous they may be, and that these structures have some impact on the outcome of inter-state relations.

Defining International Regime

Haggard and Simmons distinguished three types of international regime. First, an international regime is viewed as a set of patterned behavior by states in a given issue-area; Second, regime is defined as a set of implicit and explicit injunctions. Third, a regime is equated with multilateral agreements among nation states to accomplish objectives in a given issue-area.[1]

The first definition sees international regime as a set of patterned behavior by states; therefore, regimes do not necessarily have formal structures and injunctions for states. As Oran Young wrote, "patterned behavior inevitably generates convergent expectations."[2] Puchala and Hopkins argued that "regimes exist in all areas of international relations, even those, such as major power rivalry, that are traditionally

looked upon as clear-cut examples of anarchy. Statesmen nearly always perceive themselves as constrained by principles, norms, and rules that prescribe and proscribe varieties of behavior."[3]

The second definition, which is the most popular, views a regime as consisting of "sets of implicit and explicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of international relations." Krasner postulated that a regime may include four major characteristics: principles, norms, rules and decision-making procedures. According to Krasner, "principles are beliefs of fact, causation, and rectitude. Norms are standards of behavior defined in terms of rights and obligations. Rules are specific prescriptions or proscriptions for action. Decision-making procedures are prevailing practices for making and implementing collective choice."[4]

For Krasner, principles of regime are fundamental to the structure and the operation of an international regime. Rules and norms are made and defined on the basis of underlying principles of regime. It may be difficult to distinguish rules from norms of a regime. Rules and norms prescribed in an international regime imply obligations for members of the regime. Successful operation of an international regime entails cooperative efforts on the part of member states and adherence to rules and norms derived from the underlying principles. Rules are less rigid than norms; they can be

made, remade or discarded. As long as the fundamental framework of the regime, namely underlying principles, remains intact, the regime will continue to function. Changes in underlying principles portend fundamental transformation, and some times the demise, of the existing regime. Finally, decision-making procedures enable the rules and norms of regime to be implemented.[5]

Similarly, Keohane and Nye defined international regime as "the sets of governing arrangements that affect relationships of interdependence."[6] They further elaborated that "international regimes are intermediate factors between the power structure of an international system and the political and economic bargaining that takes place within it. The structure of the system (the distribution of power resources among states) profoundly affects the nature of the regime (the more or less loose set of formal and informal norms and rules, and procedure relevant to the system)."[7] To Keohane and Nye, international regimes are not identical with the system, but are attributes of the system.

Third and finally, some scholars have defined international regimes more restrictively "as multilateral agreements among states which aim to regulate national actions within an issue area."[8] Thus, in contrast to the second definition, this type of regimes contains only explicit injunctions. Implicit rules and norms do not constitute an international regime. Not surprisingly, this restricted

definition of regime is often equated with international laws.[9]

International regimes may consist of multiple-issue areas or single-issue areas. Examples of multi-issue regimes are GATT and IMF. Examples of single-issue regime are the U.S.-Soviet security regime and the international oil regime.[10] Moreover, bilateral relationships and bilateral alliances can be considered as international regimes also.[11]

An international regime has three major defining characteristics: underlying principles, scope, and strength.

Underlying Principles: Every regime is created to espouse certain fundamental values and have distinct objectives to fulfill. "The principles of regime define, in general, the purposes that their members are expected to pursue."[12] The demarcation between underlying principles and norms of regime is rather blurred. Some scholars use them interchangeably. The fundamental ideology of the GATT was drawn from Adam Smith's notion of liberalism, namely free trade is most efficient and beneficial. But this lassez-faire ideology as adopted in the GATT was conditional in that there are many escape clauses to safeguard member countries' well-being in the event that free trade causes temporary disruption in domestic economies. This conditional liberalism, or what John Ruggie called "embedded liberalism," has been GATT's most important norm, or underlying principle. It has hardly changed over the years despite many changes that have taken place

within GATT.[13] Similarly the underlying principle for the creation of the Bretton Woods System was the belief that international liquidity is necessary for maintaining nations' balances of payment if international trade were to be conducted smoothly. Despite the termination of fixed exchange rate and the growing involvement of private banks in providing liquidity to member countries in need, the IMF continue to exert prominent role in arranging liquidity and private banks treat negotiations of a Fund stand-by as a prerequisite for lending. This underlying principle of IMF--serving as an arbiter of access to financing--have been preserved.[14] For a security regime, the underlying principle is usually to counter external threat and enhance national security. Changes in the underlying principle of a regime forebodes fundamental transformation of regime itself. As Krasner wrote, "when norms and principles are abandoned, there is either a change to a new regime or a disappearance of regimes from a given issue-area."[15]

Strength: Rules and norms, which are the building blocks of a regime, entail obligations on the part of members of the regime. Strength of regime is gauged by the degree of compliance by regime members with rules and norms, or new rules and norms if the regime evolves.[16] As Krasner writes, "if the principles, norms, rules and decision-making procedures of a regime become less coherent, or if actual practice is increasingly inconsistent with principles, norms,

rules and procedures, then a regime has weakened.[17] Conversely, a regime strengthens if members of the regime increasingly adhere to the principles, norms, rules and decision-making procedures. For example, the GATT regime has weakened over the years with the rise of protectionism in the form of the evasive Non-Tariff-Barriers (NTBs). Alliance regimes follow the same pattern. Most alliances are constructed to accomplish one principle, that is to enhance national security and to reduce foreign threats. When this underlying principle is under question, nations may adhere less to rules and norms prescribed by the alliance regime; Consequently, the alliance regime has weakened.

Scope: The scope of regime refers to the inclusiveness of regime, or "the range of issues a regime covers," to use Haggard and Simmons' words. A regime changes when it expands to include some new issues and rules, or when it terminates some old rules.[18] According to Krasner, "changes in rules and decision-making procedures are changes within regimes, provided that principles that are consistent with the same principles and norms."[19] Over the years, the scope of the GATT regime has changed considerably. Whereas tariff-cutting was a major issue during the Multilateral Trade Negotiations in the 1950s and 1960s, Non-Tariff-Barriers (NTBs) became a new issue in the Tokyo Round in the 1970s. The current Uruguay Round has included new issues such as service trade,intellectual property and foreign investment. The

Bretton Woods System changed significantly when President Nixon terminated the convertibility of dollars into gold in 1972. However, the expansion of new issues does not necessarily mean the regime strengthens. Nor does termination of old issues always mean the weakening of regime. The incorporation of new issues such as NTBs and intellectual property rights have actually weakened the enforcement of GATT. Whether or not the expansion of scope strengthens any given regime will depend on the extent to which nations comply with the new rules.

International Cooperation and Change

Cooperation is often equated with policy coordination. Negotiation is seen as the necessary process to achieve policy coordination. When differences exist in states' interests and policy objectives, states seek policy coordination through mutual policy adjustment to each other's interests and objectives.

According to Lindblom, "a set of decisions is coordinated if adjustments have been made in them."[20] On the other hand, Keohane wrote that "cooperation requires that the actions of separate individuals or organizations be brought into conformity with one another through a process of negotiation."[21] To be more precise, "intergovernmental cooperation takes place when the policies actually followed by

one government are regarded by its partners as facilitating realization of their own objectives, as a result of a process of policy coordination."[22]

Cooperation in a regime, by way of policy coordination, usually entails compliance with rules and norms to which member countries subscribed. Cooperation can take various forms. Keohane distinguished three different patterns of cooperative interaction among states. The first one is harmony, which occurs when "actors' policies automatically facilitate the attainment of others' goal."[23] There is no policy adjustment occurring in the situation of harmony because of perfect compatibility of interests and policy preferences. This is ideal cooperation. The second one is cooperation, that is, policy adjustment takes place to make mutual interests and objectives compatible. The third one is discord, which refers to "a situation in which governments regard each others' policies as hindering the attainment of their goals,and hold each other responsible for these constraints."[24] In a situation of discord, like that of cooperation, attempts are also made to induce others to change their policies. The difference is that under discord, these attempts are met with resistance. When policy adjustment succeeds, cooperation occurs. When policy adjustment fails to occur, discord ensues. Discord is the other extreme of cooperation, or may be called non-cooperation.

The pattern of cooperation was further differentiated into

two kinds by Keohane. They are adaptive cooperation--involving bargaining and negotiations on a more or less equal basis; and manipulative cooperation--"one actor confronting another with a fait accompli" without regard for the policy consequences of another actor; this is unequal cooperation.[25]

Similarly, Young differentiated international orders or regimes into three kinds. The first kind is "spontaneous orders," which occur when partners' "expectations converge to a remarkable degree in the absence of conscious design or even explicit awareness. The formation and operation of natural markets are example of this type of order. The "spontaneous orders" are similar to Keohane's harmony. The second one is "negotiated orders." According to Young, "these regimes are characterized by conscious efforts to agree on their major provisions, explicit consent on the part of individual participants, and formal expression of the results." Thus, the prerequisites for "negotiated orders" are shared interests and policy preferences. The subjects negotiate on a more or less equal basis and the results are "balanced." "Negotiated orders" resemble Keohane's "adaptive cooperation." The third one is "imposed orders," which "are deliberately established by dominant actors who succeed in getting others to conform to the requirements of these orders through some combination of coercion, cooptation, and the manipulation of incentives." Thus, disparity of power between dominant powers and subordinate powers seems essential for the establishment of

"imposed orders." This type of order is an unequal one, which is similar to Keohane's "manipulative cooperation."[26]

To summarize, international regimes can be at least differentiated as follows: 1) Harmony; 2) imposed order (manipulative cooperation)--unequal cooperation; 3) negotiated order (adaptive cooperation)--equal cooperation; and 4) discord (non-cooperation).

Although these forms are by no means exhaustive, they represent basic forms of international cooperation and regime change. International regimes evolve and change from one form to another in accordance with different forces that shape them.

It must be also added that there is no strict line between negotiated orders and imposed orders. In most situations, international regimes consist of both manipulative cooperation and adaptive cooperation. When we term an international regime as negotiated order, we are really saying is that the international regime has more elements of voluntary and adaptive cooperation than that manipulative or imposed cooperation. Likewise, an imposed order has more manipulative elements of cooperation than adaptive elements of cooperation.

Theories of Regime Change: Two Schools of International Relations

Neorealism and the Theory of Hegemonic Stability

The study of international politics has been dominated by the realist school of thought for many decades. Realism can be dated back to Thucydides's writing about the causes of the Peloponnesian War and Hobbes's discourse on the state of nature in human society. Modern realism sees power and anarchy as two essential features of international politics (Carr, Kennan, Morgenthau, Wolfers).[27] They believed that statesmen think and act in terms of maximizing national interests defined as power (Morgenthau). Thus, the reality of international politics is competition among states for power and influence.

Because of the lack of a world government and the anarchic nature of the international system, realists envisioned that states are in constant fear of insecurity and have to rely on self-help for survival. Therefore, they argue that states inherently strive for power and independence. Realists believed that cooperation is possible, but is difficult to achieve. States are worried about cooperation for cooperation may create excessive dependence on their partners.[28]

Realists believed that the anarchic nature of the international system limits cooperation among states in two ways. First, states in an anarchic world always worry that gains from cooperation may favor other states more than itself. Relative capability matters in a self-help world. Second, cooperation is difficult because a state also worries

about being dependent on other states. "High interdependence of states means that the states in question experience, or are subject to, the common vulnerability that high interdependence entails." Therefore, states always seek to lessen the degree of their dependency.[29]

To summarize, classical realism consists of several key assumptions. 1) States are the major unitary actor; 2) States are rational actors, capable of calculating cost and benefits; 3) The international system is characterized as anarchic, lacking centralized authority to enforce rules and justice; 4) States seek to maximize their power in order to survive in an anarchic world.

Recent students of classical realism have begun to give some emphasis to the structural components of the international system. The latest realists see the international system as having some kind of structures and as being constrained by structures, rather than totally anarchic. We will refer to their theories as "structural realism" or "neorealism."

For instance, Waltz perceived the international system as consisting of sets of interacting units. The structure of a system is determined by three factors, ordering principle, differentiation in units, and the distribution of capabilities. For Waltz, the ordering principle in international system is anarchy because there is no higher form of governments than states in the international system.

Moreover, he argued since all units perform the same function in international politics, the differentiation in units should be dropped. Therefore, international systemic structure is only determined by anarchy and distribution of state capabilities. Redistribution of power among states leads to changes in the international system. Waltz's deductive realism predicts that balance of power is the most stable state of the international system.[30]

The theory of hegemonic stability is a variant of realism, and owes many intellectual debts to traditional realism. The concept of hegemony was first proposed by Kindleberger who attempted to link declining British power with the subsequent World Depression in the 1930s. Based on the same logic, more recent scholars have attempted to explain the decline of international regimes such as the Bretton Woods System and GATT by looking at the decline of U.S. hegemonic power.

The theory of hegemonic stability has three central propositions. First of all, the theory postulates that a hegemonic or preponderant power is essential to maintaining an open, liberal and stable international order. To Kindleberger, hegemony is essential for the stability of international economic regime. If a hegemonic power has both willingness and capability to assume the responsibility of the leadership of the regime, an international economic regime will remain open and stable.[31] Militarily, a hegemonic power

with preponderant military capability is essential to ensure the stability of the international system defined by the absence of international war.[32] Neorealism believes hegemony is indispensable for the creation and maintenance of the international system. Only the hegemon uses its power and influence to create international regimes and make rules and norms that are conducive to the operation of the international regime. Only hegemon has both power and resources to enforce the secondary states' compliance with rules and norms of the system. The reason why supporting states and other secondary states comply with the rules of the systems is because the cost of defiance outweighs the cost of compliance.[33]

Some neorealists believed the hegemon is malevolent and selfish. The hegemon creates the regime, or international cooperation as a vehicle to advance its own interests and accrue power vis-a-vis other states. Rules and norms in regime reflect the distribution of power among member states of regime, and most of all, the preferences of the hegemon.[34] Others saw the hegemon as a benevolent and altruistic leader of the international system. The hegemon created and maintained international regimes at its own expense. International orders and regimes created by the hegemon are public goods, whereby small states usually can take advantage of the system.[35] In a sense, the proponents of the theory of hegemonic stability believed in the structure of international system; therefore, they can be considered as structural

realists or neorealists.

Secondly, there must be a high degree of compliance with the policy objectives of the hegemon on the part of secondary powers. This compliance may be a result of congruence of interests between the hegemon and the secondary powers. But in the most cases it is a result of deference to the leadership of the hegemon and the fear of the hegemon's sanctions and punishment against the failure of compliance on the part of secondary states. The hegemon possesses the preponderant power to exercise this type of sanctions. To the theorists of hegemonic stability, the states of the secondary countries are also rational actors, capable of calculating cost and benefit. They always comply with the objectives of hegemonic power because they perceive that the cost of not complying is much greater than cost of complying.[36] Sanctions and punishments can take the forms of withdrawing military commitment and cutting off export markets and foreign aid.

Thirdly, the decline of hegemonic power will de-stabilize the international system. Uneven growth of power contributes to systemic change as well as regime change.[37] "The decline of hegemonic structure of power can be expected to presage a decline in the strength of the corresponding international economic regime."[38] In other words, the decline of hegemony will result in changes of the international system, and the rules and norms that make up the system. Similarly, the decline of hegemon's military power will cause

instability in the international system, and enhance the likelihood of war.[39]

The corollary of the relationship between the hegemon and the secondary power is that as the power of the hegemon declines the degree of secondary states' policy compliance and cooperation with hegemon will decrease accordingly. As Keohane and Nye argued, the decline of hegemonic power tends to cause secondary states within regimes to seek more policy autonomy.

> As the rule-making and rule-enforcing powers of the hegemonic state begin to erode, the policies of secondary states are likely to change. No longer do they have to accept a one-sided dependence which, no matter how prosperous, adversely affects governmental autonomy and political status....prosperity is no longer enough.[40]

In assessing the impact of declining hegemony on the international system, Gilpin observed that, "with the inevitable shift in the international distribution of economic and military power from the core to rising nations in the periphery and elsewhere, the capacity of the hegemon to maintain the system decreases."[41]

The rise of protege or supporter will challenge the hegemon to rewrite the existing rules and norms which will more accurately reflect the interests of the rising challenger. This is because as "the power of a state increases, the relative cost of changing the system and thereby of achieving the state's goals decreases."[42] The restructuring of the system and the rewriting of rules and norms will revert to a new equilibrium of international

system, which will be acceptable to both challenger and the declining hegemon. Then cooperation becomes possible again. The difference of cooperation under hegemony and after hegemony is that the former is more hierarchical and the latter is under a more equal footing.

Critics of realism and neorealism have focused on some common key assumptions of realism. First, critics of realism contended that the concept of power, as an essential element of realist school of thought, is a very loose term. It "lacks a definitive meaning."[43] Second, critics argued that realists' assumption that states actors are unitary and rational is too simplistic. Domestic politics may have important impacts on states' international behavior.[44] States' misperception and cognitive limitation may hamper their rational calculation.[45] Third, realism assumes that achieving military security is states' overriding interest, while ignoring other interests. As Nye criticized, realism says very little about how states define and change their interests.[46]

Although the theory of hegemonic stability has offered some insights into regime change, it has several drawbacks. First, like classical realism, the concept of hegemonic power is an elusive term and is hard to measure. Inability to measure power makes it hard to define what is a hegemonic power and where the threshold of hegemonic power lies. Without knowing the threshold of hegemonic power, it is

difficult to determine when a regime will start to destabilize. Second, when correlation between the strength of hegemony and regime change is established, it is still difficult to determine the causality of the two variables. Namely, it is hard to know whether the decline of hegemonic power causes regime change or vice versa.

Neoliberalism: International Cooperation and Interdependence

Neoliberalism has its intellectual roots in functional theories which focused on the regional integration that occurred in post-World War II Europe. Functional theorists emphasized the importance of political process of learning and of communication in the transformation of post-war Western Europe into an economic and political community. While Hass found redefining political actors' loyalties and expectations toward a new center important for regional integration, Deutsch considered political communication as being essential to regional integration.[47] As Nye described, "what these studies had in common was a focus on the ways in which increased transactions and contacts changed attitudes and transnational coalition opportunities, and the ways in which institutions helped to foster such interaction."[48]

Like neorealists, neoliberalists also perceived states as unitary and rational actors, and that states made rational choices. However, neoliberalists directly challenged the core

assumption of classical realism that the international system is anarchic. Rather than chaotic, they contended that the international system consists of structures such as international institutions and regimes. Neoliberalists considered international regimes as vehicle for international cooperation because international regime can provide a forum whereby states with convergent expectations on given issues can communicate and reduce uncertainty, hence facilitating cooperation.[49]

Second, neoliberalists challenged another core assumption of realism that power is the essential analytical concept to understand international politics. They acknowledged the importance of power but argued that power is an elusive concept and that power cannot be fungible across different issue areas. Hence they proposed a variety of new concepts to explain international politics and change.

For neoliberalists, international cooperation is the major tenet of international politics. They acknowledged international structural change but believed that it is only part of the broad picture of international cooperation. Neoliberals contended that hegemonic power is not an essential element for maintaining international cooperation and regimes. In fact, hegemonic cooperation is just a special case of international cooperation.[50] Like neorealists, neoliberalists believed states are rational and egoistic. States cooperate with each other because they perceive benefits of cooperation.

Neoliberalists relied on several models to explain why states cooperate: game theory, complex interdependence, microeconomics (transactional cost) and bounded rationality in organizational theory.

For game theorists like Axelrod and Snidal, rational state actors cooperate with each other because they perceive cooperation has more gains than non-cooperation or cheating.[51] Game theorists often resort to the games of Chicken, Prisoners Dilemma and Stag Hunt in explaining why cooperation is preferred by states.[52] Prisoner's Dilemma (PD) is the most widely used game in the studies of regime and cooperation. It basically says, in the absence of communication and trust, two strategic players would choose the defect strategy to avoid the worst outcome of being cheated (DC), thus, the outcome is usually suboptimal (DD). But if there are communication and mutual trust, both players can cooperate to achieve the optimal outcome (CC).[53] The likelihood of cooperation corresponds to the amount of absolute gains from cooperation. "The more substantial the gains from mutual cooperation (CC-DD) and the less substantial the gains from unilateral defection (DC-DD), the greater the likelihood of cooperation." Alternatively, cooperation will be more easily achieved if incentives for defection are decreased or penalties for defection are increased.[54]

Prisoner's Dilemma

		Player B	
		C	D
Player A	C	3,3	1,4
	D	4,1	2,2

In addition, if there is still temptation to defect in the single-play PD game, iterated PD game with Tit-for-Tat strategy will create greater incentive for cooperation. This is because iterated PD game will lengthen the "shadow of the future," meaning players will weigh present gains against future gains, thus, reducing the likelihood of defecting in the present. Iterated game is said to accurately capture many facets of international politics.[55] Iteration has the effect of "enlarging the shadow of the future," thus, extending the time horizons of states, which is essential in reducing the attractiveness of cheating in the short-run and enhancing the likelihood of cooperation in the long-run.[56]

Neoliberalism is concerned about absolute gains, not relative gains. Cooperation may make states lose in the near-term, but in the end all participating states will benefit through cooperation.

For the proponents of neoliberalism, the size of the common endeavor matters. The smaller the number of players is, the more likely cooperation will succeed. There are two reasons for this. In the first place, as the number of players increases, transactions costs and uncertainties rise, thus,

cooperation becomes more difficult. Second, absolute gains obtained from cooperation will need to be shared by players; if the number of player is large, gains from cooperation is smaller, therefore, cooperation is less attractive and more difficult to occur. As Oye wrote, "the prospects for cooperation diminish as the number of players increases."[57]

For Keohane, states are like any organizations, and always lack adequate information or certainty for making correct decision; cooperation means sharing information and reducing uncertainty. Hence, states prefer cooperation to non-cooperation in order to make better decisions. Keohane borrowed the concept of transactional cost from microeconomics to explain why states prefer cooperation to non-cooperation. For Keohane, cooperation reduces the transactional cost of an international regime, thus, making it easier for regime to be sustained. Cooperation through bargaining enhances efficiency because it reduces transactional cost. Non-cooperation will require legal enforcement such as a hegemonic leader or a world government which will entail transactional cost and reduce efficiency.[58] As Keohane argued, "international regimes thus allow governments to take advantage of potential economies of scale. Once a regime has been established the marginal cost of dealing with each issue will be lower than it would be without a regime." International regime produces contracts, conventions and quasi-agreements that generate patterns of transactional costs. Through cooperation and the

creation of regime, "cost of reneging on commitments are increased, costs of operating within these frameworks are reduced."[59]

For Keohane and Nye, complex interdependence is another important factor that brings about regime change. Interdependence is characterized by three features: minor role of military, multiple channels of contact, and lack of hierarchical issues. To them, interdependence is measured by vulnerability and sensitivity among states. Complex interdependence creates pressure for regime change, because it increases vulnerability and sensitivity between states, and thus demands the readjustment of the existing rules and norms in regime.[60] Keohane and Nye believed that in a world of mutually dependent states, the state that has positive net dependence vis-a-vis another state is considered less powerful than the other state that has negative net dependence. Moreover, they perceived power as divisible among issue areas; hence, one state's overall power may not be the sum of all power in each issue area. Power is not fungible across different issue areas, meaning that states cannot translate power from one issue area to another issue area. For example, OPEC is more powerful in the oil area than the United States even though the United States is a superpower. States don't usually translate power across different issues because of many constraints they face.

To summarize, neoliberalists have used the following

independent variables to explain international regime and regime change:

1) **The magnitude of absolute gains produced by cooperation** (the extent to which players can receive optimal gains through cooperation). The more substantial the absolute gains from mutual cooperation are and the less substantial the gains from defections are, the more likely cooperation will occur.

2. **The extent to which a game is iterated.** The more a game is iterated and states value future playoffs, the more likely cooperation will occur.

3. **The number of players.** The smaller the number of players is, the more likely cooperation will occur.

Neoliberalism has received criticism in several aspects. First, critics charged that neoliberalism ignores the concept of power as a central element of international politics. Moreover, critics argued that nations are inherently distrustful of others and often resort to cheating. Therefore, cooperation may be difficult to come by because of the fear of cheating.[61]

Finally, critics contended that the tit-for-tat game assumes that states are concerned only about absolute gains, which is false. Critics believed that power by definition is a relative matter; one state's gain is another state's loss. For states, to ignore relative gains, especially in the security area, is to commit self-destruction.[62] Therefore,

states, concerned about their survivals in a self-help world, always strive to prevent increases in other states' relative capabilities. As Grieco argued, "this is because states fear that partners may achieve relatively greater gains; that, as a result, the partners could surge ahead of them in relative capabilities; and finally, that these increasingly powerful partners in the present could use their additional power to pressure them or, at the extreme, to become all the more formidable foes at some point in the future.[63]

Summary of Major Differences Between Neorealism and Neoliberalism:

1. Definition of Power

Realism believes that power is central to international politics. Power is the sum of military power, economic power and population, etc. Realism also believes that "power by its very nature is a relative matter; one state's gain in power is by necessity another's loss."[64]

Power is not a major concern for the proponents of neoliberalism. Instead, many of them are more comfortable using the concept of gains or utilities than the concept of power. Naturally, for neoliberalists, disparity of power or relative gain is not important, for states are looking for absolute gains in the long run. Although the concept of power is also an important concept for the school of complex

interdependence, the proponents of complex interdependence understand and define power very differently from realism. Power is measured by asymmetry of interdependence. Moreover, power is divisible among different issue areas, and is not fungible across issue areas.

2. International Cooperation and Regime Change

Neoliberalism and neorealism converge on the assumption that states may cooperate when they see chance to secure their optimal benefits. But they see states' motivation and incentive to cooperate very differently. Whereas neoliberalism perceives cooperation as the end goal of states, neorealism sees states continue to strive for relative gains within international regime in order to overcome the problem of cheating.[65] For neoliberalism, states are inherently interested in cooperation since it eventually will bring more absolute gains for all states than without cooperation. Neorealism believes that cooperation is possible but difficult and transient, because states see cooperation only as a means to advance their own relative gains over other states.

Furthermore, neorealism and neoliberalism also differ on what accounts for regime change. They resort to different analytical concepts to account for regime formation and change. While neoliberalism attributes regime formation and regime change to rational choice, absolute gains, game iteration, and the size of common endeavors, neorealism sees

hegemonic power as essential for creating and maintaining international cooperation and order. Uneven growth of power, or the decline of hegemonic power, leads to regime change and breakdown.

Japan's China Policy During 1972-1992 as the Research Focus

Not surprisingly, most recent studies on contemporary Japanese foreign policy have been confined to U.S.-Japanese relations in the post war era. Little attention has been paid to Japan's foreign relations with its Asian neighbors, particularly China, which has been vitally important for Japan. Moreover, these studies tend to be policy-oriented and descriptive in nature.[66] Few efforts have been made to place the study of U.S.-Japanese relations on a more theoretical perspective.

On the other hand, theorists of international politics tend to take a more static or sometimes stereotyped view of Japan and Japanese foreign policy when the subject of Japan is involved. For instance, Gilpin has touched on Japan as a free rider taking advantage of the U.S. benign hegemony. Others have characterized Japan as a spoiler of the liberal international economic system reaping ravenously the benefits of U.S. liberal trade policy.[67] Few of these theorists have noticed the changing nature of Japanese foreign policy and

U.S.-Japanese relations in general or attempted to link changing Japanese foreign policy to international systemic change.

Japan's China policy is a neglected subject in the United States. Sino-Japanese relations in the post-war era have rarely captured the attention of academics in the United States. The perceived geographical remoteness of the two countries rendered the impact of their interaction insignificant. Yet It is hardly exaggerating to say that Japan's relations with China is one of the most important bilateral relationships for Japan in the post war era, perhaps second only to the U.S.-Japanese relationship. This is due to geographical proximity, the sheer size of China and the historical legacies.

Moreover, the interaction between Japan and China until recently not only had shaped the histories of the two nations in the past century, but also had a profound impact on U.S. national interests in the Far East. The United States has had a long history of interacting with both China and Japan. For nearly a century, the China question had been a lasting source of conflict between the United States and Japan. In the early 1900s, U.S. Open Door policy by Secretary of State John Hay maintained that the U.S. had great interest in keeping China's door open to the West and U.S. treaty interests in China should be respected by other great powers in China. He stressed that the U.S. could not tolerate the violation of its

treaty rights in China by other great powers in the course of pursuing their own interests. Subsequently, the United States reaffirmed this open door policy in the Washington Nine-Power Treaty signed on February 5, 1922 and again in 1928 when the United States recognized the Chinese nationalist government under Chiang Kai-shek. During World War II, the United States consistently opposed the Japanese aggression in China both for its own interests in China and for moral reasons. The United States maintained diplomatic relations with the exile nationalist government in Chongching, and refused to recognize the Japanese puppet government headed by Wang Chingwei in China. In the final years of World War II, the status of Taiwan, which was ceded to Japan in the aftermath of the Sino-Japanese war in 1895, became a topic in the Cairo declaration, and in the Yalta Conference and the Potsdam Conference. Finally, the China question became a critical issue in U.S.-Japanese relations after the establishment of the People's Republic of China in 1949 and the outbreak of the Korean War in 1950. From time to time China policy would surface as a major source of discord in post-war U.S.-Japan relations.

Postwar Japan pursued a strategy known as "Yoshida Doctrine," named after former Prime Minister Shigeru Yoshida, which called for the Japanese devotion to economic development while minimizing Japan's involvement in world politics. This policy line was premised on U.S. military protection for Japan as accorded by the 1951 U.S.-Japanese Security treaty.

The 1951 Security Treaty set the stage whereby Japanese foreign policy and security policy would be subordinate to U.S. post-war containment policy.

Whereas the 1950s and 1960s saw a complete subjugation of Japanese foreign policy to objectives of U.S. cold war containment policy, Japan's dependent foreign policy in the past two decades has undergone dramatic transformation against the backdrop of international change. Gradually, as Japanese economic power strengthened, its foreign policy has become more assertive. In 1973 in the aftermath of the first "oil shock," Japan began to pursue a "multipolar diplomacy" to assert its own strategic interests in the Middle East, which provided 90% of Japan's oil imports as the time. Japan's search for diplomatic autonomy was illustrated by its departure from U.S. pro-Israel policy and taking a pro-Arab stance. The 1970s and 1980s saw an increasing assertiveness of Japanese foreign policy, evidenced in the agonizing trade frictions between the United States and Japan, and in the growing Japanese influence in East Asia through its trade and foreign economic aid.

U.S.-Japan relations have been a major variable in the twists and turns of Japan's China policy over the years. Under heavy U.S. pressure, Japan established its security and economic ties with the Chinese nationalist government in Taiwan, instead of mainland China. Against the backdrop of changing international balance of power in the 1970s, the

growing assertiveness of Japanese foreign policy was most evident in Japan's recent policy toward China. In September 1972, following Nixon's trip to China, Japan announced its decision to establish diplomatic relations with mainland China, which marked the beginning of Japan's search for an autonomous China policy. Since 1972, Japan has placed Sino-Japanese relations near the top of its foreign policy agenda. Tokyo has not only intensified its economic presence in China through economic assistance, trade and foreign direct investment; Tokyo also placed more emphasis on its security cooperation with China in opposing Soviet expansion in Asia during 1970s and the early 1980s. Sino-Japanese security cooperation culminated in the signing of Sino-Japanese Peace and Friendship Treaty in 1978.

Economically, the Sino-Japanese economic interdependence has constituted one of the most dramatic changes in the region. China has now emerged as Japan's third-largest trading partner in the Pacific, now taking about 4 percent of Japan's foreign trade. China's oil exports into Japan became one of the important Japanese energy sources. Needless to say, Japan is an even more important trading partner for China.

The advent of an assertive Japanese foreign policy, in East Asia particularly, has generated concerns among Asian countries as well as countries that have great interests in the region because of the haunting memory of Japanese aggression in World War II. An assertive Japanese foreign

policy in East Asia will inevitably have a profound impact on regional stability there. Certainly, it will also affect overall U.S.-Japanese relations, which have served for more than four decades as the main stabilizing forces for U.S strategic policy in Asia. Therefore, Japanese foreign policy merits an in-depth analysis.

This dissertation intends to examine the changing nature of Japanese foreign policy toward China during 1970-1992. The objectives of this dissertation are two-fold. First, it attempts to shed some new light on the study of Japan's contemporary China policy and its implications for peace and stability in Asia and the world. Second, it attempts to fill a theoretical void in the study of Japanese foreign policy by linking changes in Japanese foreign policy to international systemic change.

U.S.-Japanese Cooperation on China policy in the Post-War Era as an International Regime

The American hegemonic system constructed in the early post-War Asia consisted of a number of loosely-contrived bilateral and multilateral arrangements. They included the U.S.-Japanese Security Treaty, U.S-Republic of Korea Security Treaty, Southeast Asia Treaty Organization (SEATO), U.S.-Republic of China Security Treaty, and Australia-New Zealand-

U.S. Security Treaty (ANZUS).

Japan became an integral part of the U.S hegemonic system through the signing of the U.S.-Japan Security Treaty in 1951. The U.S.-Japanese Security Treaty marked the beginning of an unequal bilateral relationship. Part of the unequal nature of the treaty stemmed from the fact that the U.S. was obliged to defend Japan with troops stationed in Japan in the event of emergency, whereas Japan was not required to defend the U.S. in the event of exigency. This asymmetry has given a great degree of leverage to the U.S. vis-a-vis Japan and allowed the U.S. to dictate Japanese foreign policy in the years to come. In a sense, the U.S.-Japanese alliance regime was an "imposed order" from its outset. The Security Treaty was revised in 1960s to allow Japan more autonomy in its own security policy, but the asymmetric nature of the treaty has been preserved up to the present.

The U.S.-Japanese alliance in the form of the bilateral security treaty was an international alliance regime, since it has had all the attributes of a regime. The underlying principle of the alliance regime was to contain international communism and enhance security for the free world. There were complex formal as well as informal rules and norms. The U.S.-Japanese alliance regime consists of two components:

(1) The first one is the formal structure as defined by the formal rules and injunctions in the bilateral treaty. The explicit rules include allowing the U.S. to station its troops

in Japan, U.S. obligation to defend Japan and Japan's obligation to support U.S. military action in Japan. The structure so far has remained intact.

(2) The second component are the informal rules and norms that came with the formal structure. The implicit rules included Japan's obligation to support U.S. military action related to security inside and outside Japan, and Japan's obligation to coordinate its foreign policy with U.S. policy objectives, etc. Therefore, the alliance regime has had a profound impact on almost every aspect of Japan's foreign relations. In a sense, Japan's foreign relations with major countries like China and Taiwan, two Koreas, the Soviet Union and international economic organizations, were all subject to the rules and norms implicitly prescribed in the U.S.-Japanese alliance regime, namely by the United States.

U.S.-Japanese cooperation on China policy has been a major issue area in the U.S.-Japanese alliance regime since the inception of the alliance regime. Based on the definition of international regime by Keohane and Nye and by Krasner, the complexity of the China issue area itself constituted an international regime since it has had a set of implicitly or explicitly prescribed principles, rules, norms and decision-making procedures. The underlying principles of the China policy regime were similar to that of the U.S.-Japanese alliance regime, namely, to contain the Chinese communist threat and to enhance U.S. and Japanese security in the Far

East. The scope of the regime, or rules and norms, encompassed a wide range of sub-issue areas, including the issue of diplomatic recognition of the two Chinas, the signing of the peace treaty with the Republic of China, supporting U.S. military action in the Taiwan strait, trade relations with mainland China and Taiwan, foreign aid assistance to China, and export controls. The U.S. and Japanese Security Treaty of 1951 and the subsequent bilateral communiques have established many explicit as well as implicit rules about these many issues. To be sure, these rules were very much one-sided, with Japan's China policy subjugated to overriding objectives of the U.S. security policy in the Far East.

Ironically, the decision-making procedure was rather simple. It was implicitly stated or understood that the United States would be the sole decision maker with regard to the China policy regime and that Japan would simply follow U.S. China policy faithfully lest its China policy be at odds with U.S. policy objectives.

Major Arguments and Research Plan

The basic research plan for this dissertation is two-fold. First, the dissertation attempts to critically examine and evaluate the evolution and changes of Japan's China policy in the context of U.S.-Japanese regime on China policy. Emphasis will be made to determine how Japan's dependence on

the United States in the context of the China policy regime has affected or constrained Japan's China policy. Thus, change and evolution of the U.S.-Japanese regime on China is **the dependent variable.**

The three defining characteristics of international regime, underlying principles, scope and strength will be used as the major indicators to determine whether or not changes in the regime occurred. If changes in any of these three defining characteristics occurred in the regime, then we may say that changes in the regime occurred. Based on Keohane's definition of cooperation, to the extent that the two countries successfully coordinated their China policies and made necessary policy adjustment to each other' interests and policy objectives, U.S.-Japanese cooperation on China policy can be considered successful. Conversely, to the extent that the two countries' interests and policy objectives were not compatible with each other and attempts to adjust their policies failed, discord ensued. Or we may consider that non-cooperation occurred.

If changes in underlying principles occurred to such an extent that most issues in the regime disappeared and discord was rife, then based on Krasner's definition, they may signal the advent of fundamental transformation of the regime, or perhaps its demise.

Second, the dissertation attempts to explain why changes in U.S.-Japanese regime on China policy occurred if any. The

two major schools of contemporary international relations, neorealism and neoliberalism, will be used to explain such changes. Forces and factors that have come to shape and determine changes in Japanese-U.S. cooperation, be they hegemonic power, or rational choice model, are **the independent variables.**

It should be made clear that although the basic theme of this dissertation is U.S-Japanese cooperation on China policy, emphasis will be given to changes and evolution in Japan's China policy, with changes in U.S. policies and their impact on Japanese policy making as a background factor.

General Methodology and Sources of Research Materials

The methodology used in this dissertation will be mainly historical case studies, supplemented by statistical data. The main document sources include Japanese official documents and publications (Japanese Import/Export Bank reports, Diplomatic Bluebook, etc.), Japanese news media, U.S. official publication such as Department of State Bulletins, U.S. Congressional hearings, Federal Broadcasting Information Service (FBIS) documents, U.S. news media, Chinese news media and official publications, news media in Hong Kong, U.N. statistical data, and finally, a variety of secondary sources.

The collection of the bulk of statistical data relies on

the yearly statistical data published by the UN, the World Bank, the IMF, the U.S. Government and the Japanese government. The data on Japanese public opinion and on the number of seats each Japanese party holds in the parliamentary (the Diet) can be obtained from surveys conducted by Japanese news media and by Japanese official publications.

Summary of Major Periodicals and Journals

Asahi Shimbun
Japan Times Weekly
Asahi Evening News
Asiaweek
Asia Pacific Community
Journal of Japanese Trade and Industry
Asian Survey
Journal of Northeast Asian Studies
Asian Wall Street Journal
Asian Wall Street Journal Weekly
The Daily Yomiuri
Look Japan
Far Eastern Economic Review
Mainichi Daily News
Industrial Review of Japan
Japan Echo
The Japan Economic Journal
The Tokyo Shimbun
Japan Echo
Japan Quarterly
World Politics
The Japan Times
International Security
Foreign Affairs
Foreign Policy
The New York Times
The People's Daily
China Daily
Red Flag
South China Morning News

The Structure of the Dissertation

Chapter 1 is an introduction of the theoretical framework and a brief review of literature in the field of international relations and the study of Japanese foreign policy.

Chapter 2 gives a brief historical account of the development of Japanese-U.S. relations in the early post-War era and its impact on Japan's China policy.

Chapter 3, 4, 5 and 6 critically examine major issues of Japanese foreign policy toward China during 1970-1992 respectively and determine if changes in Japanese-U.S. cooperation on China occurred. Chapter 3 focuses on Japan's diplomatic normalization with China in 1972. Chapter 4 focuses on Japan's decision to sign a peace treaty with China in 1978. Chapter 5 focuses on the economic dimension of Japan's policy toward China after 1978. Chapter 6 focuses on the political and security dimension of Japan's policy toward China after 1978.

The first part of Chapter 7, the concluding chapter, summarizes findings of previous chapters. The second part attempts to explain changes and evolution in Japanese-U.S. cooperation on China in light of the two main theories of international relation. Finally, efforts are made in the conclusion to briefly assess the utility and the validity of these two theories of international relations based on the findings on Japan's China policy.

Endnotes

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Chapter 2. The Origin of the China Policy Regime

For several decades, Japan's highly dependent relationship with the United States has been the cornerstone of Japanese foreign policy. The San Francisco Treaty and the Mutual Security Treaty signed in 1951 between the United States and Japan have set the stage whereby the Japanese foreign policy would be subjugated to the U.S. post-war containment policy. The China question was an important and thorny issue in this unequal U.S.-Japanese relationship since the signing of the Security Treaty. More than any other issue, Japan was made to comply with the objective of U.S. strategic policy in Asia in its diplomacy toward the two Chinas, the People's Republic of China and the Republic of China in Taiwan. The importance of the China question lay in the fact that mainland China was perceived as an instrument of Moscow's international communist conspiracy scheme, thus a major target of U.S. containment policy in Asia. Japan's friendly attitude toward mainland China could seriously undermine the success of U.S. policy objectives in Asia. This chapter is a brief account of the origin of the unequal U.S.-Japanese regime on China policy.

The advent of American hegemony after the end of World War II reshaped Japan's political system, economy and foreign relations in a remarkable way. The immediate policy objective of the United States in Japan after 1945 was to dismantle the

remnants of Japanese military machinery and to ensure that Japan would never again constitute a military threat to the world. During the Occupation period, the Supreme Commander of the Allied Powers (SCAP) under the leadership of General Douglas MacArthur rewrote Japan's Constitution, legitimized labor unions, dismantled corporate monopoly Zaibatsu, and formulated Japan's economic policies in reconstructing its war-torn economy.

The outbreak of the Korean War aroused the western world's suspicion of the international communist conspiracy aimed at dominating the world. To many in the West, North Korea was just a pawn in Stalin's war games in Asia. The goal of U.S. policy now shifted to building up a strong anti-communist front in Asia in order to thwart the communist advance. Whereas dismantling the Japanese war machinery was the main goal of the Allied Powers in the early years after Japan's surrender, rearming Japan was now seen as a key to U.S. containment policy in Asia. In September 1951, the San Francisco Peace Treaty, which returned full sovereignty to Japan and ended the Allied Powers' occupation of Japan, was hastily concluded in the absence of the other major allied powers. On the same day, the U.S-Japanese Mutual Security Treaty was also signed, which marked the beginning of the U.S.-Japanese military alliance. Under the security treaty, the United States would provide physical security for Japan; in return Japan would allow U.S. troops to be stationed in

Japan for an indefinite period of time and to make use of military bases in Japan in times of military conflicts in the region.

By signing the alliance treaty, Washington hoped to use Japan as a strategic foothold to contain the spread of international communism in the wake of the Korean War. Washington also hoped that Japan could rebuild its military in some fashion so as to be able to defend its homeland and to allow the U.S. to divert its manpower from Japan to the Korean battle field. But the U.S. demand was rejected by Japanese Prime Minister Shigeru Yoshida, who was mainly concerned with post-war economic reconstruction in Japan. Yoshida wanted Japan to keep a low profile in international affairs, fearing that the rebuilding of the Japanese defense force would drain much of Japan's limited resources desperately needed for the post-war economic reconstruction.[1] At the prodding of the United States, Tokyo made a compromise to strengthen the Japanese National Police Reserve and to change it into the National Safety Force.[2] Moreover, the U.S. government also urged Japan to support the U.S. anticommunist strategy by promoting economic development in Southeast Asian countries through foreign trade. Then U.S. special envoy to Japan John F. Dulles stated that "Japan should be part of the free world and friendly to the United States and should set an example to the rest of Asia by thriving in the free world, thus contributing to a general will to resist communism."[3]

During the negotiation for the peace treaty, Prime Minister Yoshida staunchly resisted John Dulles's pressure to rearm Japan, The rationale which Yoshida used to oppose the rearmament of Japan was born out of Yoshida's negotiation with Dulles and was later referred to as the Yoshida Doctrine. It could be summed up as follows:

1. Japan's prime national goal should be economic reconstruction. Political-economic cooperation with the United States is essential to achieving this goal.

2. Japan should refrain from rearmament and involvement in any international strategic issues in order to fully devote its resources to rebuilding the war-torn economy and avoid internal political divisions.

3. For the sake of Japan's own long-term physical security, Japan needs U.S. military protection. Hence, it is imperative that Japan provide military bases for the United States. This understanding became the basis of U.S.-Japanese Security Treaty.[4]

The Mutual Security Treaty, which was a major part of the fundamental shift of U.S. strategic policy in Asia, marked the beginning of Japan's heavy political and economic dependence on the United States. After the signing of the Mutual Security Treaty, the U.S. continued to pressure Japan to rearm itself. In 1954, the Mutual Security and Assistance Treaty was signed by the United States and Japan, which offered large-scale economic aid to Japan with one singular and same goal, that is

to prop up Japanese economic recovery and to make Japan strong economically, hence militarily, so as to serve as a viable foothold for the U.S. containment policy in Asia. In return, Japan would build a sizable military. Hence, Tokyo was compelled to pass two defense laws which became the legal basis for the creation of the Self Defense Forces (SDF).[5]

In Southeast Asia, the United Stated decided to intervene in Indochina officially after the Geneva Conference of 1954, which signified the formal French defeat in Indochina. With the participation of Great Britain, the United States established the Southeast Asian Treaty Organization (SEATO) late in 1954, which served as the official basis for U.S. involvement in Southeast Asia. A few years earlier in 1950, at the request of the Australian government, an Australian-New Zealand-U.S. alliance was contrived, known as the ANZUS. Thus, the web of U.S. security policy in Asia was completed.

The 1949 communist takeover of China planted seeds of dissension between the United States and Japan with regard to the China question. Japan was confronted with the controversy of which China, the newly established People's Republic of China or the Republic of China (Taiwan), should be officially recognized. The issue would continue to haunt U.S.-Japanese relations until 1972.

The outbreak of the Korean War reinforced the U.S. suspicion that Beijing played a major role in an

international communist conspiracy led by Moscow. As a result, the U.S. adopted trade embargo against mainland China and reinforced its military commitment to Taiwan. Moreover, Washington also demanded that Tokyo's China policy be subordinate to U.S. containment policy objective in Asia. For Washington, a formal diplomatic relationship between Japan and China would weaken its anti-communist strategy in Asia. Therefore, the U.S. strongly opposed Japan's recognition of mainland China and pressured Japan to establish diplomatic relations and sign a peace treaty with the Republic of China in Taiwan. General MacArthur, who at first envisioned that Japan would become the Switzerland of Asia (politically neutral), even stated that Japanese-Chinese trade was not feasible:

> [Under communism], deterioration proceeds until...with the incentive completely lost, the human energy and individual initiatives in production, give way to indolence and despair. In such an unhealthy climate industry and commerce cannot thrive and realism warns that the potentialities of trade with any people under the strictures of a collectivist system must be discounted accordingly. For the time being, therefore, and for some time to come, Japan must look elsewhere [than China] for the sources of her needed imports and the markets for her manufacture.[6]

On the other hand, the cultural similarities, kinship and historical legacy, have all seemed to suggest the necessity of Japan's close relationship with continental China. Moreover, trade with China was perceived by Japan as an indispensable means to achieve the urgent goal of economic recovery. The economic importance of China for Japan before World War II was

evident. Prior to 1945, the Japanese economy was predicated on trading with its colonies and spheres of influence, which had provided some 30% of its raw material imports and some 37% of exports. With the loss of Manchuria, China, Korea, Formosa, and Sakhalin after the Japanese defeat, a viable Japanese economy would become questionable without alternative trading partners, especially sources of raw materials.[7] A 1950 resolution passed by the upper house of the diet put pressure on the Japanese government to establish diplomatic relations with the new China.[8] Prime Minister Shigeru Yoshida illustrated the Japanese desire to befriend mainland China in a plain way, "Red or white, China remains our next-door neighbor. Geography and economic laws will, I believe, prevail in the long run over any ideological differences and artificial trade barriers."[9]

The conclusion of the peace treaty with the nationalist government in Taiwan in April 1952 reflected the strong influence of the United States over Japan's relations with the two existing Chinese governments. It dashed any hope that Japan would establish diplomatic relations with the People's Republic of China in the near future.

The negotiations of Japan's peace treaty with the United States were undertaken at a time when MaCarthyism began to spread in the United States. This gave the U.S. negotiators much added leverage in objecting to Japan's rapprochement with the People's Republic of China. The U.S. special envoy, John

F. Dulles, repeatedly warned Japan not make any friendly gesture toward Beijing, lest the U.S. Senate disapprove the San Francisco Treaty. During the negotiation, the U.S. Congress was watchful of the U.S.-Japanese negotiations, and many in the Congress were concerned over the likelihood of Japan's rapprochement with the new Communist government in China. A letter to President Truman signed by 56 Senators read:

> Prior to the submission of the Japanese treaty to the Senate, we desire to make it clear that we would consider the recognition of Communist China by Japan or the negotiating of a bilateral treaty with the Communist Chinese regime to be adverse to the best interests of the people of both Japan and the United States.[10]

Yoshida took great pain to comply with U.S. pressure. As one scholar pointed out, "from the Japanese point of view, the United States was, so to speak, the power in possession. To defy its wishes would have jeopardized the prospect of recovering national independence."[11]

In what was later known as the "Yoshida letter" dated December 21, 1951, Prime Minister Yoshida attempted to dispel the U.S. suspicion that Japan intended to pursue its own China policy. Yoshida wrote:

> ...The Japanese Government desires ultimately to have a full measure of political peace and commercial intercourse with China which is Japan's close neighbor...At the present time,...My government is prepared as soon as legally possible to conclude with the National Government of China, if that government so desires, a treaty which will re-establish normal relations between the Governments in conformity with the principles set out in the Multilateral Treaty of Peace....

> ...As regards to the Chinese Communist regime, that regime stands actually condemned by the United Nations of being an aggressor.... In view of these considerations, I can assure you that the Japanese Government has no intention to conclude a bilateral treaty with the Communist regime of China.[12]

The clear tone set in the "Yoshida letter" not to deviate from the U.S. China policy pleased Dulles, who replied:

> This clear statement should dispel any misapprehensions which, as you suggest, may have arisen from statements, separated from their context and background, made during the course of debate in Japan on the ratification of the Japanese Peace Treaty and the U.S.-Japan Security Treaty.
>
> I am grateful to you for your letter and I respect the courageous and forthright manner in which you face up to this difficult and controversial matter.[13]

Subsequently, Japan concluded a peace treaty with the Chinese nationalist government in Taiwan in April 1952 in accordance with the U.S. policy line. During negotiations of the peace treaty, Tokyo made unsuccessful attempts to preserve diplomatic independence in its China policy. At first, Tokyo wanted merely a treaty to normalize bilateral relations between the two governments, rather than a treaty between the countries, which would have the legal effect of ending the state of war between Japan and China. A treaty between the governments of Japan and Chiang Kai-Shek would give Tokyo leeway to negotiate with mainland China and reserve the right for Tokyo to sign another peace treaty with Beijing. However, the nationalist Chinese wanted a treaty which would recognize them as the only legitimate government governing the territories of China. Due to Dulles' pressure, the Japanese

eventually conceded to the Nationalist Chinese and agreed to sign a peace treaty to end the state of war with China.[14]

Tokyo's continued struggle for a more independent China policy was evident during the treaty negotiations and in the text of the peace treaty. First, Tokyo did not want to touch on war reparations, for it felt that the settlement of this issue with the Nationalists would close the door on future negotiations with the mainland. Thus, the issue of war reparations was not included in the six-point draft the Japanese submitted for the treaty negotiations. At the insistence of the nationalist government in Taiwan, a provision stating that the nationalist government waived war reparation was inserted. Second, Japan's peace treaty with Taiwan deliberately left room for Tokyo to maneuver in the future when the time would be ripe for mending its diplomatic relations with the mainland.

The peace treaty between Tokyo and the nationalist Chinese was fraught with inconsistencies and confusion. The name of the Republic of China was used in Article I (declaring an end to the state of war), VI (outlining the principles of bilateral cooperation), VIII (concerning the signing of a civil aviation agreement), and IX (referring to a fishery agreement). Articles III (settlement of property and claims) and X (definition of nationals of the Republic of China, defining the Republic of China as Taiwan (Formosa) and Penghu (the Pescadores). Article IV (concerning treaties and

agreements before 1941) and V (concerning Japan's renunciation of special rights and interests in China) refers to China. Finally, the protocol, 2(d,i) delimited the registration of vessels and the products of the Republic of China as those of Taiwan and Penghu.[15]

The signing of the peace treaty with the Republic of China marked the beginning of Japan's reluctant subservience to the United States in its China policy and set the stage for its China policy to become an explosive issue in Japanese politics when the time came to recognize the People's Republic of China in 1972.

Japan's trade with China was profoundly affected by the trade embargo imposed by the United States in the 1950s. The Korean War and the subsequent signing of the peace treaty with the Republic of China had eliminated the opportunity for Japan to trade with China. Tokyo was forced to look for alternative markets. As early as December 1951, the General Headquarters of the Occupation Forces issued a order banning any Japanese trade with China. Having recognized the importance of foreign trade for Japanese economic recovery, the United States now perceived Southeast Asia to be an alternative to China and capable of providing vital sources of raw materials and markets for Japan. A paper entitled "Japan's Economic Recovery and Future Progress Toward Economic Cooperation with the United States," circulated by the allied General Headquarters documented Japan's considerable excess industrial capacity

after the end of World War II, spoke at length about the historical linkage between the Japanese economy and raw materials of Southeast Asia, and urged the Japanese government to utilize raw materials in that area to meet the demands of its industrial capacity.[16] The Japanese government had no choice but to follow the dictates of U.S. policy. The Economic Stabilization Board of the Japanese government stated in February 1952 that

> Japan will cooperate more actively with the economic develop ment of Southeast Asia along the lines of the economic assistance programs of the United States and the economic development programs of Southeast Asian countries and thereby increase the imports of goods and materials from this area and improve the balance of sterling trade.[17]

In addition, Japan's trade with China was further constrained by the establishment of the Coordinating Committee on Multilateral Export Controls (CoCom). Under U.S. auspices, Cocom was established in 1949 among major Western countries and Japan to regulate trade with the communist bloc when it involved technologies that might be used for military purposes. When the CoCom's China Committee (Chincom) was founded in 1952 to control trade with China, Japan had no choice but to join it. To this day, Japan's technology with China has been effectively restricted by the Chincom. Cocom has three major official commodity control schedules: the Industrial List, the International Munitions List, and the International Atomic Energy List. The Industrial List, which is the most controversial, outlines controls on several

categories of advanced dual-use industrial goods: materials, materials processing (machine tools), electronics, computer, telecommunications and cryptography, sensors, avionics and navigation, marine technology and propulsion systems. China was one of the major target countries for Cocom.[18]

Nonetheless, Tokyo's desire to trade with mainland China remained. In July 1953, the Japanese Diet passed a resolution calling for the strengthening of bilateral trade with the mainland. A supra-partisan Diet Members' League for the Promotion of Sino-Japanese Trade was formed.[19]

After replacing Yoshida in 1954, Prime Minister Ichiro Hatoyama attempted to distance himself from Yoshida's policy line by pursuing a more independent foreign policy. Hatoyama saw improvement of relations with communist countries as a way to break dependence on the United States. In 1956, Tokyo normalized its relations with the Soviet Union. With regard to China, Hatoyama publicly advocated the recognition of the two Chinas as solution to the China problem, contradicting U.S. containment policy in Asia. Informal contacts and trade between Japan and China increased rapidly under Hatoyama. But rapprochement between Japan and China was eventually blocked because of pressures from Washington. Then Secretary of State Dulles warned that U.S. might reconsider its economic assistance to Japan if Tokyo expanded trade with Beijing.[20]

From 1952 to 1958, four informal trade agreements were signed between Japan and China. Trade fairs were important

means of strengthening bilateral trade relations. In the mid-1950s, China began to hold trade fairs in Japan. The fourth bilateral trade agreement signed in 1958 recognized the rights of the two countries to fly their national flags in their trade missions, thus, promoting stormy protests from the nationalist government in Taiwan and right wing forces in Japan. In May 1958, the so-called "Nagasaki Incident," in which a Japanese youth tore down the Chinese flag at a Nagasaki trade exhibition, caused a setback to bilateral commercial relations.[21]

The volume of Japan's trade with China was insignificant despite its political implications. In 1957, Japan's trade with China totalled $157 million. Bilateral trade dropped after 1958. In 1963, trade with China amounted to only $137 million, representing 1.1% of Japan's total world trade.[22]

Summary

The signing of the Mutual Security Treaty of 1951 between Japan and the United States marked a beginning of an unequal bilateral alliance and established the unequal China policy regime between the two sovereign nations. The bilateral regime on China policy set the stage in which Japan's China policy would be subjugated to the objective of U.S. China policy. Prior to 1970, Japan's China policy was conducted under several rules and norms which were implicitly agreed

upon by both the United States and Japan. These rules and norms adequately reflected the reality of post-war Japan's heavy dependence on the United States both economically and strategically. Therefore, the China policy regime was unequal and one-sided in nature; it was an "imposed order."

The underlying principles, and major rules of the China policy regime implicitly stipulated by the United States are as follows:

The Underlying principles

The underlying principle of the China policy regime was that China was a major military threat to both the United States and Japan; and bilateral coordination on China policy in both economic, and political realm would enhance the security of the two nations.

Implicit rules and norms

1) It was desirable that Japan's China policy be subordinated to objectives of U.S. strategic policy in Asia. Policy coordination and adjustments on the part of Japan would be necessary if conflicts of policy objectives arise between Japan and the United States.

2) Politically, in the foreseeable future, Japan should not have diplomatic relations with China. Instead, Japan should recognize the Republic of China (Taiwan) diplomatically and maintain friendly economic relations with the Republic of

China.

3) Economically, Japan should not promote trade relations with China; instead, Southeast Asia would replace China as a main source of raw materials and market for Japan goods in the post-war era. In particular, trade with China involving products that could be potentially used for military purposes should be subject to U.S. restriction through Cocom.

4) Japan implicitly agreed that it would not seek a major political role in East Asia, or forge political alignment with China, independent of the United States.

Endnotes

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9.Shigeru Yoshida, "Japan and the Crisis in Asia," Foreign Affairs, January 1951, p.179.

10. The New York Times, September 14, 1951, cited by Wolf Mendl, Issues in Japan's China Policy (New York: Oxford University Press, 1978), p.10. The several paragraphs that follow are drawn from Wolf Mendl.

11.Wolf Mendl, Issues in Japan's China Policy, 1978, p.7.

12. The full texts of Yoshida's letter is included in the Appendix A, in Wolf Mendl, 1978.

13. The full text of the reply letter by John F. Dulles is included in the Appendix A in Wolf Mendl, 1978.

14.Wolf Mendl, 1978, p.12.

15.This paragraph is drawn from Wolf Mendl, 1978, p.13.

16. ibid, p.90-91.

17. The Economic Stabilization Board documents, cited by Akio Watanabe, in Iriye and Cohen, 1988,p.92.

18.Holsti, 1986, p.649.

19.Mendl, 1978, p.47.

20.Xuewen Wu, et al, Riben Waizhiao Kueiji (Trends of Japanese Diplomacy) (Beijing, China: The Current Affairs Press, 1990), p.88-91.

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Chapter 3. Japan's Diplomatic Normalization with China

By end of the 1960s, Japan had surpassed several major Western European countries to become the third largest economy in the world, behind only the U.S. and the Soviet Union. Its trade surplus was the indicator of this miraculous economic growth. From the end of World War II to 1964, the U.S. had trade surplus with Japan. In 1965, Japan's exports to the U.S. exceeded its imports for the first time. From then on, the trade surpluses with the U.S. has shown no sign of decreasing. Consequently, it remains to this day a thorny political problem in the U.S.-Japanese relationship.[1]

The sudden shift of U.S. China policy in 1972 contributed to the easing of tensions in East Asia. Some hailed it as the advent of a multipolar system and believed that Japan was now qualified to become one of five emerging poles in the new world order with the U.S., the U.S.S.R, the European Community and China.[2] Beginning in 1970, the U.S. on many occasions referred to Japan as an indispensable ally for security in East Asia, and to the U.S.-Japanese relationship as an interdependent rather than a dependent one.[3] Consequently, the changing international situation and Japan's growing economic power heightened Tokyo's desire for autonomy and political influence in world affairs. In this context, Japan's China policy, which had followed U.S. policy objectives faithfully for three decades, now faced more severe tests and

challenges than ever before. Though tumultuous and painful it might be, Japanese Prime Minister Tanaka made a bold decision to go to Beijing and thereby completed the diplomatic normalization with China in late September 1972. The normalization of Sino-Japanese relations turned a historic page in international relations in East Asia.

This chapter will focus on the process of foreign policy making in Japan, which led to normalization with the People's Republic of China in September 1972. Emphasis will be given to determining how the China policy regime imposed by the U.S. in the early Cold War era evolved and changed, and how Japan's decision to normalize its relations with China was constrained by this regime.

China's Onslaught And The "People's Diplomacy"

By the end of the 1960's, trade frictions between the U.S. and Japan escalated as bilateral trade deficits continued to surge, culminating in the explosion of the textile dispute in 1969. Many Japanese businessmen, realizing the risk of over-dependence on the United States, began to look for export opportunities elsewhere. Naturally, it did not escape the notice of Japanese manufacturers that the sheer size of the Chinese market presented a remarkable potential for Japanese business. On the other hand, there were genuine fears that corporations of other industrialized countries, especially

those that had already established diplomatic relations with China might, leave Japan far behind in exploring the Chinese market.

The anxiety on the part of Japanese corporations coincided with the ending of an extremely turbulent chapter of Chinese political history, the Great Proletarian Cultural Revolution. The Ninth National Congress of the Communist Party of China was held in April 1969. Now Mao's political power had been consolidated and the establishment of political order was given top priority. Internationally, the Ministry of Foreign Affairs had resumed normal functioning after a period of disruption, and Chinese ambassadors were sent back abroad.

Diplomatic normalization with Japan was long considered an important step in bringing an end to China's international isolation by Beijing. Its significance increased as China was confronted by both superpowers, the U.S. and the USSR, after the 1969 border war with the Soviet Union. It was against this backdrop that China escalated its onslaught of "people's diplomacy" toward Japan, hoping it might eventually influence the mindsets of LDP leaders and establish diplomatic relations with Japan.

After the conclusion of the Ninth Party Congress in 1969, China began to resort to "People's Diplomacy" through intensifying its contacts with Japanese opposition parties and left-wing forces within the LDP. The Japanese Socialist Party (JSP) had a long history of contact with the People's

Republic of China since the mid 1950s, mainly through sending official missions to Beijing. Later, the JSP endorsed the PRC's proposal to abrogate the Japanese-Taiwan Peace Treaty and to establish diplomatic relations between the PRC and Japan. In March 1959, JSP Secretary General Inejiro Asanuma led the JSP's second mission to Beijing. There he delivered a speech which, to many people's surprise, called the U.S. "a common enemy of the peoples of Japan and China."[4] The changing political situation in the late 1960s in China had not escaped the notice of JSP leaders. In March 1969, the JSP introduced a resolution in the Diet calling for the normalization of Sino-Japanese relations and the restoration of China's legitimate status in the U.N. The resolution failed because of the blocking of the ruling liberal Democratic party (LDP) in the Diet, which had long enjoyed majority control over the Diet.[5]

Within the LDP, the pro-Beijing force, the Asian-African Problems Study Group (known as AA-Ken), also saw the end of the Cultural Revolution as a political opportunity to assert their influence within the LDP. In April 1969, LDP Diet memeber Yoshimi Furui, a member of the LDP's Asian-African Problems Study Group, signed a communique with Liu Hsi-Wen, assistant deputy minister of the Chinese Foreign Trade Ministry, to renew the Memorandum Trade agreement with China, which was first concluded in 1962 between Japan and China. In the communique, the Chinese stepped up their attack on the

Sato government's willingness to continue to follow "U.S. imperialism." Furui was under Chinese pressure to make a number of statements to denounce Sato's China policy in the communique: (1) The Sato government was responsible for tenuous bilateral relations; (2) The Japan-Taiwan peace treaty was unlawful; (3) The U.S.-Japanese Security Treaty was a major military threat to China; (4) Taiwan was an inalienable part of China.

Whereas the JSP welcomed this trade memorandum, the LDP was badly split on Furui's denouncement of Sato's China policy in the memorandum. Within the LDP, Kenzo Matsumura, Aiichiro Fujiyama, Takeo Miki and Yasunari Nakasone were appreciative of Furui's efforts to preserve the Memorandum Trade with China despite its anti-Sato political overtones. Other pro-Taiwan Diet members including Nakano Shiro of the Sato faction and Kikuchi Yoshiro of the Kawashima faction demanded that the party level punitive measures against Furui.[6]

Chinese attacks on the Sato government heightened after the Nixon-Sato summit in November 1969 whereby the reversion of Okinawa to Japan was scheduled in 1972. The so called "Taiwan Clause" in the Communique particularly irritated the Chinese government. The clause stated that "[t]he Prime Minister said that the maintenance of peace and security in the Taiwan area was also a most important factor for the security of Japan." Later at a press conference, Prime Minister Sato explained that Japan would consider an armed

attack on Taiwan or South Korea a serious threat to its security and would allow the U.S.to use its military bases in Japan to respond to the threat. China's immediate reaction was that the Nixon-Sato meeting was "an important step by the U.S. and Japanese reactionaries in intensifying their military collaboration and hatching a new war plot."[7] Chou En-Lai's comments were equally bitter. He charged that the Sato government was aspiring to "step up the revival of militarism and realize its old dream of a Greater East Asia Co-Prosperity Sphere."[8]

China also sought to use the Japanese business community's interests to promote its political objectives in Japan. Under China's insistence, the Memorandum Trade Agreement signed on March 1, 1971 categorized Japanese companies into four groups. China would give preferential business treatment to companies considered "friendly" to China. The Memorandum stated that four groups of companies would not be permitted to trade with China: (1) those "helping the Chiang Kai-Shek gang stage a comeback to the Mainland" and those helping the South Korean regime "intrude into the Democratic People's Republic of Korea"; (2) those with heavy investment in Taiwan and South Korea; (3) those supplying arms and ammunition to the Americans for use in Indochina; (4) all Japanese subsidiaries of American companies and Japanese-U.S. joint ventures.[9] This new approach had an immediate impact on the Japanese business community. Companies like Hitachi, New Nippon Steel, Toyo

Industry and others announced their acceptance of China's four principles.[10] In August 1971, the Kansai Committee for Economic Development called for immediate revision of Japan's policy toward China. At the Canton Autumn Trade Fair held in November 1971, 1,457 Japanese companies and 2,300 representatives participated, compared with 791 companies and 1408 personnel participating in the spring fair held in the same year.[11]

On the eve of Kissinger's secret visit to Beijing on July 2, 1971, a delegation sent by the Komeito (the Clean Government Party, or the CGP), led by party general secretary Yoshikatsu Takeiri, was received by the Chinese government. The delegation announced a joint statement with the China-Japan friendship association in which "five principles" for normalizing Japan-China relations were included. These five principles, endorsed by Chinese Prime Minister Chou En-lai, were to become Beijing's preconditions for the normalization of Sino-Japanese relations. They were:

(1) There is only one China, and the PRC is the sole legitimate government of China;

(2) Taiwan is an inalienable part of China;

(3) The Japanese-ROC peace treaty was illegal, and should be abrogated;

(4) The U.S. must withdraw all its forces from Taiwan and the Taiwan strait area.

(5) The PRC's legitimate rights to the U.N should be

reinstated and Taiwan be expelled from the U.N..[12]

Later on, China dropped the demand for the U.S. to withdraw from Taiwan as a precondition for the normalization of Sino-Japanese relations, realizing that the U.S.-Taiwan security arrangement was simply beyond Tokyo's control. The remaining four conditions were later known as China's "four principles" for diplomatic normalization with Japan.

The Sato Government's Dilemma

Despite the increasing Chinese attacks against the Sato government, the Sato government's China policy remained very rigid. The so-called "main stream" LDP with which the Sato government identified was not only powerful, but also had some very substantial interests in opposing immediate normalization with the PRC on the PRC's terms.

The pro-Taiwan forces within the LDP consisted mainly of four groups. The first was known as the Asian Problems Study Group (the Ajia Mondai Kenkyukai, or the A-Ken), which was established in 1964 to review the LDP's China policy. The group included conservatives like Naka Funada, Okinori Kaya, Nobusuke Kishi (former Prime Minister), Mitsujiro Ishii, and Eikichi Nadao. The second group was the Asian Parliamentary Union, whose goal was to combat communism in Japan. The group was formed in 1954. The third one was the Japan-Taiwan

Cooperation Committee (known as Nikka Kyoryokai Inikai). The fourth was the Soshinkai (the Plain-heart Association) whose membership was composed of mainly right-wing members. These four groups had a lot of overlapping membership, yet together they constituted a rather sizable force within the LDP and exerted extremely powerful influence within the LDP's Policy Affairs Research Council (PARC), which is in charge of formulating the LDP's China policy.[13]

The reversal of Japan's China policy in favor of the People's Republic of China's conditions would have involved extreme complications in historical, international legal, and military security realms. To sum up, there were several important reasons for the conservative LDP members to be intransigent about the China issue.

First, the U.S.-Japanese Security Treaty of 1951 had provided to the U.S. the right to station its military on Japan's soil in order to protect Japan from external threats. Thus, the Security Treaty (Article 1) allowed the U.S. to use its Japanese military bases to defend its security interests in the event of military conflicts in the region, most likely the Taiwan Strait and the Korean Peninsula. Moreover, Prime Minister Yoshida Shigeru, while in San Francisco in 1951, exchanged notes with Dean Acheson that promised Japan would support any U.S. military actions in the Far East.[14] Despite the Japanese efforts to gain more say in the use of U.S. military bases in Japan in the 1960 revision of the Security

Treaty, the extent of this new-found right in the revised Treaty was not clearly defined. In other words, the Japanese obligation to support U.S. military action in the Far East had not changed.[15] Japan's commitment to supporting U.S. military action in the Far East was more concretely defined in the 1969 Sato-Nixon Communique known as the "Taiwan Clause."[16] If armed conflict were to arise in the Taiwan strait, the normalization of Sino-Japanese relations resulting in the severance of Japanese relations with Taiwan could undercut Japan's commitment specified in the Security Treaty and emphasized by the "Taiwan Clause" to support U.S. military action. The normalization of diplomatic relations between Japan and the People's Republic of China would mean that Japan would likely side with Beijing in the event of armed conflicts in the Taiwan strait, which would conflict seriously with the spirit of the U.S.-Japanese security treaty and the "Taiwan Clause." Given the volatile situation in the Taiwan strait at the time, the U.S. would be very concerned about the grave consequence of Sino-Japanese diplomatic normalization. In other words, the normalization would be likely to cause serious damage to the U.S.-Japanese relationship, which remained fundamental to the conduct of Japanese diplomacy. Hence, there was an intrinsic logic in coordinating both the U.S. and Japan's China policy. As a junior partner of the mutual security alliance, Japan had to take this possibility into consideration.

Second, severance of Japanese-Taiwan relations could disrupt a highly profitable bilateral trade relationship which had grown to $1.034 billion in 1971. Moreover, Japanese foreign direct investment had become one of the major sources of Taiwan's foreign capital over the years. In 1971, Japanese investment in the island amounted to $68 million, accounting for 19 percent of the total foreign investment in Taiwan.[17] The sudden rupturing of Japan-ROC diplomatic relations would inevitably endanger the large Japanese economic interest in the island.

Finally, abrogation of the Japan-Taiwan peace treaty as requested by the PRC would further invoke several extremely difficult issues. First of all, it was unclear whether the Prime Minister in Japan had the legal authority to terminate a peace treaty ratified by the parliament. Second, the 1952 Peace Treaty with Taiwan stipulated that the ROC would give up demands for war reparations from Japan. In the event of diplomatic relations with mainland China, if Japan were to terminate its peace treaty with Taiwan, a separate peace treaty would need to be signed with the PRC in order to terminate the state of war with the PRC; thus, war reparations to the PRC would need to be renegotiated. A report by the Chinese People's Supreme Court in 1951 had estimated war reparations to be over $50 billion. Although there were some indications that China would give up its claims for the indemnities, they were never confirmed by the Chinese

government.[18] Because of these intriguing legal, security and economic questions, the conservative forces within the LDP apparently viewed Japan-China normalization as a risky enterprise.

The Changing International Climates and U.S. Policy Toward China

In October 1971, the vote on the "important question" resolution regarding China's lawful status in the U.N. indicated for the first time that the number of supporting nations was approaching the number of opposing nations in the U.N. The surprising result had greatly energized the pro-China political forces in Japan. Despite the defeat, the voting result revealed that the number of countries that supported China's admission into the U.N. was increasing rapidly, much faster than anticipated by the Japanese Ministry of Foreign Affairs. In light of this changing international climate, leaders of three opposition parties, the JSP, the CGP, the DSP (the Democratic Socialist Party of Japan), and leaders of the LDP's left wing decided to form a supra-partisan coalition pressing for the normalization of Japanese-China relations. The coalition was known as Dietmen's League for Promoting Restoration of Japanese-Sino Relations (Nitchu Koko Kaifukai Sokushin Giinrenmei). The coalition was composed of 255 representatives and 124 senators. The LDP had 95 endorsers,

and the JSP had 154; the CGP and the DSP and the JCP (the Japanese Communist Party) had 71, 37 and 21 respectively. The sheer size and the all-encompassing membership were unprecedented.[19] The coalition immediately passed a resolution urging the normalization of Sino-Japanese relations.

As a result, Prime Minister Sato softened his positions toward China on several occasions in light of growing domestic pressures. He directed the LDP to form a subcommittee on China within the LDP's Committee on Foreign Affairs (led by Chairman Takao Noda) in order to study new China policy.[20] In his address to the National Diet in January 1971, Sato referred to mainland China's government as the government of the People's Republic of China instead of the Beijing government for the first time.[21]

The sudden announcement on July 15, 1971 that U.S. President Nixon would visit China in the following spring caught Tokyo totally off-guard. There was a strong sense of betrayal and bitter humiliation within the Japanese government. China policy had been the area whereby the Japanese government had followed the U.S. line most closely for the past three decades. Without a doubt, Prime Minister Sato felt particularly bitter. As late as October 1970, Prime Minister Sato and President Nixon had agreed to keep in close consultation on China. In June 1971, Secretary Rogers and Foreign Minister Aichi had reaffirmed the same agreement in

Paris.

The reactions of opposition parties were anger and vengeance of a different kind. They scaled up their attacks against the Sato government for blindly following U.S. policy and for failing to recognize the changing international climate toward China. A week after the so called Nixon shock, the Dietmen's League introduced to both Houses a resolution calling for the immediate establishment of Japan-China relations and the restoration of China's lawful status in the U.N. The resolutions were endorsed initially by 54 LDP members. However, because of Sato's tactics and the LDP's dominant control over the both Houses, the resolution was defeated.[22]

Nonetheless, the sudden U.S. shift in its China policy also created a deep opinion gap between the Sato government and the Japanese public. A week after the announcement of Nixon's trip to China, Sankei Shimbun conducted a public opinion poll. The result showed that 73% of adults thought Nixon's trip to China would contribute to easing international tensions, while only 13% gave a negative assessment. Subsequently, Asahi's survey showed that 63% supported Japan's diplomatic normalization with China, while 11% of them opposed Sino-Japanese normalization.[23]

The Sato Government's Continued Deference to the United States

The announcement of Nixon's trip to China caused some genuine confusion and worry within the Sato government. No one was sure what the U.S. government would do next with regard to its diplomatic relations with and its security commitment to Taiwan. Sato was even more worried that the U.S. might abandon its security commitment to Japan and embrace Beijing as a substitute.

While Sato had signaled his willingness to accommodate the changing international climate and the domestic pressure and to moderate his intransigent China policy after President Nixon announced his trip to China in July 1971, he also made it clear that he would not cave in to Beijing's "four principles" for normalization. Sato's subsequent China policy was to pursue a two-track approach. On the one hand, Sato reacted to a series of international changes and domestic pressures by softening his attitude toward China. At times he even made clear gestures that he would like to improve relations with China. On several occasions, Prime Minister Sato conveyed his desire to visit China and to improve Sino-Japanese relations. He also asked visiting Chinese official Wang Kuo-chuan, who came to Tokyo for Kozo Matsumura's funeral, to convey "his best regards to Premier Chou En-lai." But Sato's gesture was ignored by Chou.[24]

On the other hand, Sato preferred to seek closer consultation with the U.S. and keep his China policy in line

with U.S. policy, instead of departing from the U.S. policy toward China and Taiwan. Sato's refusal to reverse his China policy, despite the growing domestic attacks from both within LDP, the opposition parties and, the Japanese public in general, stemmed from Japan's economic interests in Taiwan, the treaty obligation with Taiwan, and more importantly, his anxiety to regain Okinawa from the U.S. Sato had considered the reversion of Okinawa an essential step to recover Japan's full sovereignty and had sought the reversion since he took over office in the mid-1960s. For Sato, adherence to the existing China policy seemed a safest way to avoid conflicts with the United States if he were to realize his goal of Okinawa's reversion, which had been promised by President Nixon.

Right after the Nixon Shock, Mr. Ushiba, then Japanese ambassador to the U.S., obtained assurances that U.S. would not change its fundamental policy toward Taiwan, and that the U.S. would consult closely with Japan with respect to China's representation in the U.N. and other related issues.[25] These U.S. assurances further boosted Sato's determination to follow U.S. policy faithfully.

Sato's continued desire to support the U.S. China policy was evident by his sudden decision to support a U.S. request to co-sponsor the "reverse important issue" resolution in the U.N. in October 1971.[26] The resolution was to call for the seating of both the PRC and Taiwan in the U.N. and, in fact,

reflected a "two China" approach which had been denounced by both the PRC and the opposition parties at home. The Ministry of Foreign Affairs warned the Prime Minister of the possible defeat of this resolution and the potential damage to his political standing at home. Furthermore, there was also a serious split within the LDP with respect to co-sponsoring the "reverse important issue" resolution. LDP power brokers like Takeo Miki, Masayoshi Ohira and Yasunari Nakasone were all opposed to co-sponsoring the resolution. However, because of Sato's preoccupation with the reversion of Okinawa to Japan, he could not help but accommodate the U.S. request. To the Prime Minister's great surprise, the resolution was utterly defeated in the U.N. and the Albanian resolution which called for the seating of the PRC in the U.N. and the expulsion of Taiwan from U.N. was surprisingly upheld.[27]

The defeat of the "reverse important question" was seen at home by the opposition parties and the LDP left-wingers as another shameful diplomatic blunder. The opposition launched another offensive. They singled out Foreign Minister Takeo Fukuda as responsible for this diplomatic debacle and proposed a non-confidence resolution in the Diet against him. Another non-confidence resolution against Kakuei Tanaka, then head of the Ministry of International Trade and Industry (MITI), was also introduced. But once again because of the LDP's dominance in both Houses, both resolutions were defeated.[28]

After the defeat of the U.S.-Japan co-sponsored resolution

to seat both the PRC and Taiwan in the U.N., Sato made another friendly gesture to China by having LDP Secretary-General Shigeru Hori write a personal letter to Premier Chou En-Lai. The letter was delivered by Tokyo governor Minobe Ryokichi. Chou reportedly replied that the letter failed to respond to China's three conditions, and said, that "even if Sato accepted the three basic principles as the basis of opening talks with us, we shall not accept Sato as a negotiating partner."[29] Another attempt was made by Foreign Minister Fukuda in the U.N. When the new Chinese delegation led by Chiao Kuan-Hua arrived in New York, Japanese U.N. Representative Toru Nakagawa extended a welcome to the Chinese delegation and added that his delegation looked forward to close contact with the Chinese delegation. But there was no immediate breakthrough.[30]

In January 1972, Sato flew to San Clemente to meet President Nixon. Sato was mainly preoccupied by the timing of the reversion of Okinawa to Japan. His other intention, though, was to probe Nixon's agenda for his trip to China in the spring. Sato was disappointed. The final communique did not mention anything substantive about China. But the provision stating that Okinawa was to revert to Japan May 15 1972 alone was enough to please Prime Minister Sato.[31] The reversion of Okinawa to Japan signaled the recovery of Japan's full sovereignty since its defeat in 1945 and the beginning of a new and more equal relationship between the United States

and Japan.[32] Despite the Sato government's repeated efforts to court Beijing, the Chinese government continued to respond with fierce attacks against the Sato government. The reasons were simple. First, Beijing did not trust the Sato government, given the history of Sato's China policy, and it was aware of the close linkage between the Sato government and the LDP conservative forces. Sato's recent attitudes toward China also convinced the Chinese that Sato could go no further than proposing the "two China" policy. Second, the parliamentary election was coming and Sato had announced that he would not run for re-election. China may have anticipated that the upcoming cabinet would be more willing to meet the Chinese conditions.

Tanaka's Tilt Toward China

On July 9, 1972, two days after Kakuei Tanaka was elected Prime Minister, Chou En-Lai sent an encouraging signal to Prime Minister Tanaka by expressing favorable opinion about him in public. In the meantime, in order to boost the political status of the new government, Tanaka was prepared to make concessions to the Chinese. On July 14, Tanaka asked former JSP Chairman Sasaki Kozo to inform Chou En-lai that he was ready to accept China's three principles for normalization (The fourth condition that Japan supported China's lawful status in the U.N was dropped after the

Albanian resolution was upheld).[33] In order to reach consensus within the LDP, Prime Minister Tanaka established the Council for the Normalization of Japan-China Relations, aimed at achieving consensus within the LDP. The Council, composed of 312 members, was headed by ex-foreign minister Zentaro Kosaka. Likewise, Foreign Minister Masayoshi Ohira established his own version of a policy coordination council within his Foreign Ministry in order to consolidate support for new China policy. The committee, known as the "China Problem Countermeasures Consultative Council," was composed of mainly officials above the Foreign Ministry Bureau Director-General class.[34] A basic policy guideline for the government's China policy formulated by Foreign Minister Ohira indicated that Japan fully understood China's three principles and intended to discontinue Japan-Taiwan diplomatic relations.[35]

Substantial opposition to Tanaka's immediate normalization with China came from members of the LDP's Council for Normalization of Japan-China Relations, who were pro-Taiwan in their policy stance. They maintained that normalization of Japan-China policy should not sacrifice Japan's diplomatic relations with Taiwan. With the strong backing of Prime Minster Tanaka and Foreign Minster Ohira, the LDP's Council for the Normalization of Japan-China relations finally overcame the opposition from the LDP pro-Taiwan forces after several rounds of intense debates and reconciliation,

and reached a five-point agreement in early September of 1972. The agreement, was formally endorsed by the LDP Executive Council on September 8, 1972.[36] The five points were as follows:

(1) The normalization of Japan-China relations will be based on the U.N. charter and the ten peaceful co-existence principles made in the 1955 Bandung Afro-Asian Conference.

(2) The normalization should be based on mutual respect for different political, social and other systems and non-interference in the internal affairs of other nations.

(3) The two nations should espouse mutual non-use of force or threat of force.

(4) The two nations will expand economic and cultural exchange.

(5) The two nations should fully cooperate in achieving peace and prosperity in Asia.[37]

Tanaka finally got the green light from the LDP to proceed with his diplomatic initiatives with the PRC, however vague they might be. If consensus within the LDP was an essential precondition for Tanaka to proceed with the diplomatic normalization with China, then the coordination with (or more accurately, consent from) the United States was the other essential precondition for the realization of Tanaka's new China policy.

While the battle between the pro-Beijing factions and the

pro-Taiwan factions in the meetings of the Council for the Normalization of Japan-China Relations were raging, the meeting between President Nixon and the Prime Minister was taking place in Honolulu on August 31,1972. Major agreements were reached at the Nixon-Tanaka summit: Sino-Japanese normalization was acceptable to the U.S., as long as it would not jeopardize U.S.-Japan security arrangements. This agreement seemed to be based on an unstated belief shared by the two countries that armed conflict in the Taiwan strait was very unlikely. In other words, the "Taiwan Clause" became less relevant in the light of recently tumultuous changes in the international scene. Furthermore, the summit was concluded with the implicit understanding that if the U.S. acquiesced to Japan's new China policy, Japan should in return satisfy some important U.S. demands, most notably by addressing the widening bilateral trade deficit.

The Signing of the Chou-Tanaka Communique

After securing consensus within the LDP, the support from the United States, and several rounds of informal exchange over the contents of the would-be Communique between China and Japan, Prime Minister Tanaka finally arrived in Beijing on September 25, 1972. His four-day historic visit to China ended with the signing of a nine-point communique. Predicated on the unreserved acceptance of the Chinese "three principles"

by the Japanese government, the Communique symbolized the end of the thirty-year feud between the two major powers in the Far East and ushered in a new balance of power in East Asia. Specifically, the Communique stated:

(1) The two countries declared the termination of the "abnormal state of affairs";

(2) Japan recognized the PRC as the sole legitimate government of China;

(3) China reiterated the position that "Taiwan is an inalienable part" of its territory; Japan expressed that it "fully understands and respects" the PRC's position with respect to Taiwan on the basis of the Potsdam Declaration (which called on Japan to renounce its rights over Taiwan).

(4) Both countries agree to establish diplomatic relations and to exchange ambassadors.

(5) China decided to relinquish its demands for war indemnities from Japan.

(6) Both countries agreed to conduct their bilateral relations through peaceful means in accordance with the five principles of peaceful coexistence and with the U.N. Chapter.

(7) Both countries stated the communique was not directed to any specific nation, that both countries would not seek hegemony in East Asia, and that both countries were opposed to hegemony in the region by any nation.

(8) Both countries agreed to sign a "treaty of peace and friendship" in the near future.

(9) Both countries agreed to hold negotiations in order to conclude bilateral agreements on trade, fisheries, navigation, aviation, etc.[38]

It appeared that China made a notable compromise to Japan, because Japan's position regarding Taiwan was vague at best in comparison with China's rigid one-China policy. This was one of the original three principles that the Chinese offered for the bilateral normalization. The vagueness of the language used by the Japanese side in the communique might in fact give Japan more latitude to maneuver with regard to the status of Taiwan in the future. Second, that the Japan-Taiwan Peace Treaty was not mentioned at all in the Communique reflected Tokyo's successful resistance to accommodate the Chinese demands.[39]

But a closer look at the text of the Communique would suggest otherwise. It is important to note that article 3 stated that the government of Japan "adheres to its stand of complying with the article 8 of the Postdam Proclamation."[40] Article 8 of the Postdam Proclamation reaffirmed the 1943 Cairo Declaration which specifically endorsed the restoration of Formosa (Taiwan) to China after the end of World War II. For this part of the article, Japan's position toward Taiwan was unequivocal: that is Japan recognized that Taiwan is part of China. Thus, the first and second part of the article appeared to be inconsistent. However, the Japanese position on Taiwan was further clarified by Foreign Minister Ohira at a

press conference following the signing of the Chou-Tanaka communique. Ohira stressed four major points: 1) that because of the Chou-Tanaka communique, the 1952 peace treaty with Taiwan had lost its legality and was terminated at the same time as the Chou-Tanaka communique took effect; 2) similarly, Japan would have to close its embassy in Taipei; 3) Japan regarded Taiwan as an integral part of China since Japan accepted article 8 of the Potsdam Proclamation; 4) Japan would hope to continue its economic and cultural ties with Taiwan.[41]

These vague Japanese wordings on the Taiwan issue might have indicated the Tanaka government's dilemma of having to please both China and the LDP conservatives. But in the end, Tanaka seemed to please the Chinese more than the pro-Taiwan conservatives within the LDP. If there were Chinese concessions, they seemed to be concessions in the wording of the agreement on the Taiwan issue, rather than anything of substance.[42] In fact, China's dubious concession in the wording with respect to Taiwan had not satisfied the LDP's pro-Taiwan factions. When Tanaka went to the Diet to explain his trip to China on the same day he returned from China, several LDP's pro-Taiwan Diet members from the Fukuda, Shiina, and Mizuda factions complained that Tanaka had made too many concessions too quickly on the Taiwan issue. They also contended that Tanaka had violated the LDP' "free-world" diplomacy and the Japanese Constitution.[43] In short, Tanaka

had unequivocally adhered to one of China's four principles of the normalization, namely, Taiwan is an inalienable part of China.

The war reparations clause appeared to be another Chinese concession to Japan. China seemed to calculate in a more long-term perspective. First, by giving up war reparations, China, through diplomatic normalization, would in return gain enormous access to Japanese technology and capital which were essential for China's economic development in the long-run. Second, by renouncing the demands for war reparations, China might have been able to manipulate Japanese guilt concerning the atrocities it committed against China during World War II, thus, leaving the Chinese more room for extracting concessions in the future.[44]

An apparent concession Tanaka made was the inclusion of an anti-hegemonic clause, which stated that Japan and China were opposed to hegemony in the Far East. Clearly, this clause was of Chinese making since the military confrontation between China and the Soviet Union reached its climax in 1969 when the border war broke out. Chinese leaders worried that the military tensions between China and the Soviet Union might escalate. It seems that China intended to use this clause to restrain the Soviets in Asia.[45] They were determined to mobilize all available nations in an united front against "social imperialism." The diplomatic normalization of Japanese-China relations had provided another opportunity for

China. But from the Japanese perspective, it was not in its national interest to be involved in the Sino-Soviet tangle, especially since negotiations for a peace treaty between Japan and the USSR had been stalled by the touchy issue of the four northern islands occupied by the Soviets. Moscow was worried about a potential Sino-Japanese alliance against it. Soviet Foreign Minister Gromyko made a trip to Japan in January 1972 to propose that a peace treaty be concluded by the end of that year.[46] The Tanaka government clearly understood the Soviet worries after the signing of the Chou-Tanaka communique. Shortly after Tanaka's Beijing trip, he sent foreign minister Ohira to Moscow to explain the content of the communique to the Soviets. Presumably, Ohira's trip provoked some strong Soviet reactions. When asked about his impression of Japanese-Soviet relations upon his return from Moscow, Ohira replied with a sense of regret, "there is still something [referring to the territorial negotiations] which has not been completely straightened out with the Soviet Union, and it seems that it will take a long time."[47]

The Impact of Japanese Domestic Politics on its China Policy

The enormous pressure from within LDP and from the opposition parties did not effectively change Sato's China policy. The inability of Japanese opposition parties to

reverse Sato's China policy was witnessed in the repeated defeat of pro-China resolutions sponsored by the opposition parties and joined by some left-wing LDP members. The JSP's 1969 resolution calling for normalization with China had little impact on the Sato government's policy, because the JSP had little support from the LDP and the international climate had not changed. Despite the unprecedented support from left-wing LDP members, the resolution introduced right after the announcement of Nixon's trip to China by the Dietmen's League in both Houses calling for normalization with China and the restoration of China's status in the U.N. was also defeated by the LDP. LDP Secretary General Hori's effective campaigning reduced the number of die-hard LDP supporters for the resolution to 21 from initial 54 members.[48] Furthermore, the inability of the opposition parties to reverse Sato's China policy was once again evident in the defeat of the non-confidence resolution against Foreign Minister Fukuda's failure in the U.N and against then head of MITI, Kakuei Tanaka, by the comfortably wide margins of 274-169 and 280-171 respectively in October 1971.[49]

Undoubtedly, these challenges from the coalition of left-wing LDP and opposition parties had a significant impact on Sato's China policy. It was unprecedented that the Dietmen's League was endorsed by 379 members, well above a majority vote, and threatened to overturn Sato's tenacious China policy several times.[50] Nonetheless, these influences were more

psychological than real. There were two reasons why the opposition parties had not been able to challenge Sato's China policy significantly. First, the LDP had long controlled majority votes in the national Diet. The opposition parties could only perform the roles of checking and balancing the LDP's monopolistic position, rather than shaping or vetoing LDP policy. Second, having no experience of governing the nation, opposition parties were even more handicapped by the lack of meaningful communication with powerful bureaucratic organizations, such as the Ministry of Foreign Affairs and the Ministry of International Trade and Industry (MITI), whose influences over policy making at times overshadowed other ministries and the powerful LDP members.

Like opposition parties, the LDP anti-main stream forces had not been able to marshall enough political weight to reverse Sato's pro-Taiwan policy stance because of their weak power bases within the LDP. From the outset, Sato had maintained strong power base within the LDP. He had identified himself with the most powerful pro-Taiwan organization, the Asian Problems Study Group (the A-Ken), since its inception in December 1964. When it was established, 27 out of the 99 members were from Sato's faction. Members from staunchly anti-communist factions such as the Kishi-Fukuda faction and the Kawashima faction accounted for more than another 25% of the total membership.[51] In 1969, the A-Ken solidly supported Sato's intention to co-sponsor the "important question" with

the U.S.in the U.N.[52]

The conservative forces within the LDP continued to determine the direction of Japan's foreign policy in the following years. In July 1971, Takeo Fukuda left the post of Minister of Finance to become the head of the Ministry of Foreign Affairs when Sato reshuffled members of his cabinet. Since Fukuda was a ranking leader of the Kishi-Fukuda faction, the Sato government's pro-Taiwan posture was further strengthened. Sato's powerful influence within the LDP was best illustrated by his decision to co-sponsor the "reverse important question" with the U.S. in the U.N. at a time when the LDP was most adversely split. The anti-mainstream factional leaders such as Takeo Miki, Masayoshi Ohira, and Yasunari Nakasone expressed their clear opposition to co-sponsoring the resolution in public. Within the Cabinet, Minister of Justice Maeo, and the Minister of Agriculture also voiced criticism. But none of these criticisms shook Sato's determination to follow U.S. policy.[53]

After Kakuei Tanaka was elected Prime Minister, the balance between pro-China and pro-Taiwan forces displayed a reversed pattern. Because of the newly-born Tanaka faction's coalition with the Ohira and Miki factions, the pro-China policy became the predominant and powerful mainstream policy. Prior to the general election in 1972, Tanaka decided to split with the Sato faction and established his own faction. As the heat of the election soared, the consensus for normalizing

relations with China became a common thread linking the Tanaka, Ohira and Miki factions to form an anti-Fukuda coalition. It was also agreed within the coalition that the issue would be given top priority once the election was won. When Fukuda, who was widely assumed to be the apparent successor to Sato, was defeated in the election by the pro-China coalition, this new China policy line espoused by the new Prime Minister naturally became the mainstream policy of the LDP supported by the majority of LDP members, notwithstanding the continuing resistance from the pro-Taiwan forces.[54] In fact, now the LDP's pro-Taiwan forces could only garner less than 40% of LDP dietmen to support their pro-Taiwan stance.[55]

It appeared that the creation of the Council for the Normalization of Japanese-China relations was more a matter of formality or an attempt by Prime Minister Tanaka to ward off the criticism of being too manipulative than a real mechanism of reconciliation. This could be seen from the careful selection of the chairman and the twelve vice chairmen of the Council. The Chairman of the Council, Zentaro Kosaka, was a member of the Ohira faction. Seven out of the twelve vice chairmen came from either the Tanaka, Ohira or Miki factions, all of which had already taken a strong pro-normalization stance prior to the election of 1972.[56] Furthermore, the Council's meetings started with the premises that Japan would normalize relations with the PRC, and that Tanaka would visit

Beijing. Even the terms of normalization with China which were supposed to be the main subject of the Council were imposed by the Tanaka Cabinet. Before they were endorsed by the Council, Foreign Minister Ohira had already made the statement that Japan was ready to accept the PRC's three principles and that relations between Japan and Taiwan would be severed and had instructed the Ministry of Foreign Affairs to prepare accordingly.

This is not to say that there was no concessions to the LDP's pro-Taiwan forces on the part of the pro-Beijing forces. The LDP's Council for the Normalization of Japanese-China Relations had convened several times in order to reconcile the conflicting opinions within the LDP. The most serious challenges, as before, came from several hawkish members of the pro-Taiwan faction, including Okinori Kaya, Naokichi Kitazawa, Kazuo Aoki, Hisanari Yamada, Masaaki Nakayama, Michio Watanabe and some others. Their common demand was to proceed with normalization with China without severing the diplomatic relationship with Taiwan and without the termination of the peace treaty with Taiwan that had been signed in 1952.[57] When Ohira stated in early August of 1972 that the government of Japan "fully understands" China's three principles and was prepared to discontinue its formal relationship with Taiwan, these LDP pro-Taiwan members fiercely attacked Ohira for being submissive and surrendering to the PRC.[58] In a Council meeting held in August 31, 1972,

the pro-Taiwan faction vehemently opposed the draft of the agreement on China. They even introduced a motion calling for the maintaining of Japan-ROC relations and a separate motion for a non-confidence vote against Council Chairman Kosaka, and the vice Chairmen.[59]

Because of the strong backing from new Prime Minister Tanaka, the opposition waged by the relatively small pro-Taiwan forces within the Council was eventually overcome with the approval of the five-point agreements by the Council and the LDP Executive Council. But the pro-Taiwan forces did get some nominal concessions from the Tanaka cabinet. In the preface of the five-point agreement, the pro-Taiwan LDP members successfully inserted a statement that the Japanese government must conduct negotiations with China in such a way as not to sacrifice its diplomatic relations with Taiwan. But as it was evident later, this statement was not taken at its face value.

Because of the intense competition within the LDP for power and influence, most of time, foreign policy debates such as the China issue among factions tended to serve as an instrument of interfactional rivalry rather than anything of policy substance.[60] Thus, the factional struggle within the LDP alone was not enough to determine the direction of Japan's new China policy.

The Impact of the Chinese Pressure

To be sure, China's united front strategy had, to some extent, achieved the intended result of intensifying ideological cleavages between the LDP and the opposition parties as well as splitting the LDP. As early as 1961, Mao Tse-Tung had personally identified the JSP and the Japanese Communist Party (JCP) as "direct allies" in Japan and the pro-China LDP diet members such as Tanzan Ishibashi, Kenzo Matsumura, Takao Miki, and Tatsunosuke Takasaki as "indirect allies".[61] Kenzo Matsumura's visit to Beijing and meeting with Chou in September 1962 had paved the way for the first signing of a long-term trade memorandum between China and Japan in 1963, and its subsequent renewal.[62]

In the late 1960s, China gradually began to scale up its attack on Sato's China policy through various channels. The Furui-Liu trade memorandum signed in 1970, which criticized Sato's militarism and called for the normalization of Japan-China relations, had served as a powerful tool to drive a wedge between opposing factions of the LDP. The fact that Furui was a LDP dietman made this bombshell even more powerful. In the meantime, China's informal alliance with the JSP and the CGP, evident in the signing of several communiques, also had the effect of exerting strong pressure on Sato's China policy. Nonetheless, China had failed to force changes in Sato's fundamental China policy, notwithstanding

minor changes.

After Tanaka came to power, the Chinese softened their approach by wooing, instead of attacking, the Tanaka government. Even so, the effectiveness of Beijing's new approach was rather modest in changing the course of Japan's China policy. The changes in Japanese domestic politics as a result of Tanaka's surprising victory in the election had been such that the normalization with China in fact became the main-stream LDP policy. The China policy served as a catalyst in bringing about the change within the LDP which dominated policy making in Japan. This policy swing within the LDP had much more to do with changing U.S. policy marked by Nixon's secret China diplomacy than with China's "people's diplomacy" through its connection with the Japanese opposition parties and left-wing LDP members, whose influences in Japan's mainstream policy were limited. Evidently, the consolidation within the LDP and the implicit consent of the U.S. were the two main hurdles that Tanaka needed to overcome in order to normalize relations with China. The sweeping international recognition of China had enabled Tanaka to overcome these two major roadblocks with relative ease.

Nonetheless, the effectiveness of Chinese pressure was more visible in the process and the final outcome of the bilateral normalization negotiations after the Tanaka government decided to accept Beijing's "Three Principles" for normalization. Overall, the result of the Chou-Tanaka

communique was more favorable to Beijing than to Tokyo. This was because Tokyo was in a relatively weak bargaining position as a result of its military dependence on the U.S. which Beijing successfully exploited.

U.S.-Japanese Cooperation on China Policy

After the signing of the San Francisco Treaty in 1951, the U.S. had consistently discouraged Japan from pursuing diplomatic relations with the PRC. The 1952 peace treaty between Japan and Taiwan was a natural product of the U.S. heavy-handed approach. The Taiwan clause in the 1969 Nixon-Sato communique had created further complications in the prospects of Japan's diplomatic normalization with China. The U.S. had reasons to know whether or not Sino-Japanese normalization would affect Japan's willingness to allow the U.S. to use its military bases against China if armed conflicts arose in the Taiwan strait.

The U.S.-Japan relationship remained fundamental to Japan's economic development and its foreign relations in the late 1960s and the early 1970s because of Japan's continued dependence on the U.S. for security and trade. Therefore, Sato could not help but to give top priority to honoring Japan's international commitment exemplified by the U.S.-Japan Security and the Japan-ROC peace treaty imposed by the United States. Furthermore, Sato also had an immediate

interest in avoiding the alienation of the United States.

Sato was preoccupied by the reversion of Okinawa to Japan. Anything else would have to be subject to the fulfillment of this overriding objective.[63] The China issue was one that he thought he could postpone. With the reversion of Okinawa in mind, it would not be wise for Sato to jump ahead of the U.S. in the China issue and to irritate the U.S. Consequently, despite the bitterness Sato felt over Nixon's secret China diplomacy, he chose once again to follow the U.S. faithfully in October 1971 by co-sponsoring the "reverse important question" resolution with the U.S. in the U.N.

The Nixon-Sato Summit took place in San Clemente, California on January 6-7, 1972, whereby President Nixon finalized the reversion of Okinawa to Japan by May 15, 1972. The reversion of Okinawa alone would have been more than enough to please Sato, since it symbolized the end of the U.S. occupation of Japan. But Sato also obtained important assurances from President Nixon. Before coming to San Clemente, Sato had two major concerns about President Nixon's upcoming visit to China. First, having been stung by the so-called "Nixon Shock", he was anxious to find out what compromise Nixon would make to the PRC in terms of U.S. Taiwan policy when he went to Beijing in the coming spring, lest Tokyo be left in the dark once again. Second, he was also very concerned that U.S.-Sino rapprochement might undermine the U.S.-Japan mutual security treaty which was so essential

to Japan. Nixon's new China policy had made some Japanese think that the U.S. would abandon Japan and embrace the PRC as a new strategic foothold for the U.S. in Asia. To the delight of the Japanese, President Nixon firmly assured Prime Minister Sato that the U.S. would continue to maintain its diplomatic relations and the military commitment with the ROC, and that the U.S. continued to hold the view that "the maintenance of cooperative relations between Japan and the United States is an indispensable factor for peace and stability in Asia." The U.S. also stressed the importance of continuing consultation with each other on Asian policy, mostly China policy.[64]

In return, Sato pledged not to abrogate the Japan-ROC Peace Treaty when negotiating with the PRC and to continue to uphold a "two China" policy in order to keep in line with the U.S. policy. He further pledged to correct the $3 billion trade surplus with the U.S. Thus, the San Clemente summit was simply the occasion whereby, "in what was surely the last of his major international engagements, Prime Minister Sato once again committed his country to the whim of Nixonian China policies."[65]

When Tanaka was elected Prime Minister of Japan, the Japanese-U.S. relationship had changed somewhat. One of the major reasons Sato could not leave the U.S. orbit was because of his preoccupation with the reversion of Okinawa. The international situation had changed so drastically that the

PRC had become a permanent member of the U.N. Security Council. Now that Okinawa had reverted to Japan as of May 15, 1972, the new Tanaka government seemed to have a freer hand in terms of its China policy. However, quite to the contrary as we shall see, the U.S. influence on Japan did not dwindle.

When it became clear that Tanaka was ready to seek radical change in Japan's China policy, the U.S. stepped up its pressures. In mid August 1972, US presidential special assistant Kissinger, on his way home from Paris after negotiations with the North Vietnamese, stopped by Tokyo and met with Prime Minister Tanaka and Foreign Minister Ohira. Aside from briefing the Japanese on the prospects of the negotiation with North Vietnam, Kissinger's other important mission was to probe the direction and the pace of the new Japanese government's China policy. Apparently, the U.S. began to be concerned with the quick tempo of Japan's normalization process with China. It was reported that the new Japanese leaders assured Kissinger that U.S.-Japanese relations would not be impaired by the future Sino-Japanese normalization.[66] Presumably, a meeting between the newly elected Prime Minister Tanaka and President Nixon was also hastily scheduled during Kissinger's trip to Japan. The objective of the meeting might obstensibly be to have the new Prime Minister explain his new China policy to the United States. Prior to the election, the U.S. had been assured by then Prime Minister Sato that Takeo Fukuda was his most likely successor. It was well known within

Washington that Fukuda had followed Sato very closely in his China policy, namely, to place the U.S.-Japan security treaty as its top priority. But Tanaka was notable for his maverick style. The surprising victory of Tanaka had made Japan's future foreign policy somewhat more unpredictable. Hence, the necessity of explanation of his policy line in person.

However, it was one thing to be concerned with Japan's new China policy and, it was quite another thing to disapprove of what Japan was about to do. From the very beginning of the Sino-U.S. rapprochement, the U.S. government had not appeared to be opposed to the normalization of Sino-Japanese relations. Quite to the contrary, the U.S. seemed to anticipate the potential shift of Japan's China policy as a result of President Nixon's secret China diplomacy. When Kissinger was asked by Chou of his attitude toward the issue during his secret trip to Beijing, he was quoted as saying, "far from opposing the restoration of Japan-China diplomatic relations, I will support the promotion of restoration of diplomatic relations between them."[67] Obviously, at the time this message had not gotten to the Japanese government.

Right before the Tanaka-Nixon summit in Honolulu in August 1972, Secretary of State Rogers reiterated the U.S. position that Japan's new China policy would not interfere with U.S. security policy in East Asia. He said that "we do not believe that there is any reason why the Japanese desire to improve their relations with the People's Republic of China should in

any way conflict with the policy that we have been following." Furthermore, he stressed that the purpose of this meeting was "to avoid any possible differences that might cause any trouble in our relations."[68] In other words, the U.S. would not object to Japan's move toward China. Then why was the summit meeting necessary? Why did President Nixon so hastily schedule this trip when the 1972 election was pressing so closely?

It was natural that President Nixon was eager to find out what the new Prime Minister would offer to Beijing and to seek assurances from the Japanese government that the Tokyo-Beijing deal would not jeopardize the U.S.-Japan security treaty and U.S. security interests in the Far East, particularly Taiwan.[69] However, for President Nixon, this did not seem to be the only major issue to be discussed at the summit. In contrast to Tanaka who wanted the China issue to be the major topic of discussion at the summit, the U.S. government seemed to be more preoccupied by bilateral issues such as the trade imbalance and the reform of the international monetary system.[70] As the election date approached, the U.S.-Japan trade deficit became a thorny political issue standing in the way of President Nixon's reelection and it was heavily exploited by his Democratic rivals. According to MITI's own estimate, Japan's trade surplus in 1972 would reach $8.5 billion, of which the surplus with U.S. would amount to no less than $4 billion.[71]

The content of the Nixon-Tanaka Communique did not indicate the wariness of the U.S. government about the upcoming Sino-Japanese normalization. The communique stressed that "both leaders reaffirmed the intention of the two governments to maintain the Treaty of Mutual Cooperation and Security between the two countries" and to ensure the smooth execution of the treaty. The only statement relevant to Tanaka's upcoming trip to Beijing in the Communique read: "they shared the hope that the forthcoming visit of the Prime Minister to the People's Republic of China would also serve to further the trend for the relaxation of tension in Asia." [72] Later when asked about the "Taiwan Clause" at a press conference, Under Secretary of State Alexis Johnson added that "we are entirely satisfied that Japan has no intention of acting in any way contrary to our mutual security interests."[73] In response to a question at his press conference right after the conclusion of the summit, Prime Minister Tanaka said, "situations which will cause anxiety [meaning armed conflicts in the Taiwan Strait] will not arise in the Taiwan Straits or in other places. Consequently, there will be no obstacle to the operation of the Security Treaty concluded between Japan and the U.S."[74] Thus far, it appeared that there was solid evidence to suggest that the U.S. was strongly opposed to Japan's pursuit of a new China policy. The reason for this seemed to be that both leaders shared the belief that armed conflict in the Taiwan strait was very

unlikely. However, this agreement did not mean that Prime Minster Tanaka got a good bargain from the U.S.. In contrast, by approving Japan's attempt to mend its fences with China, it appeared that President Nixon wanted and had succeeded in securing certain concessions from Prime Minister Tanaka to reduce the trade deficit in exchange for his approval of Japan's new China policy.

Aside from Tanaka's pledge to scrap import barriers, one notable agreement to correct the trade deficit was that Japan would purchase $1 billion in U.S. goods and services with advanced payment (meaning payment before goods and services were bought and delivered). Finally, Prime Minister Tanaka also expressed his support for President Nixon's efforts to reform the international monetary system. The international monetary system had become very unstable after President Nixon suspended the dollar-gold conversion in 1971. It was widely suspected that President Nixon intended to push reform in the international monetary system through the IMF as the major pillar of his international economic policy during his second term. Securing Japan's support was an important part of this international cooperative effort.[75]

In a press conference after the meeting, Prime Minister Tanaka clarified his concessions on the trade deficit. "Roughly speaking, we would like to hold down, during the coming three years, the surplus balance in our current accounts to one percent of our GNP."[76] Thus, Tanaka now set

himself a deadline of three years to solve the bilateral trade deficit. Only a week after the summit, the Prime Minister hurried to brief the nation's top business leaders on his summit with President Nixon. One of the most urgent messages was that it was time to address the issue of the trade surplus. He was quoted as saying "it is absolutely necessary to give thought to the External Economic Adjustment Law bill," and "it is more desirable to go by voluntary export restrictions as far as possible, but there is the promise to the U.S. to reduce the trade surplus balance within two or three years."[77]

It is also important to note that the Nixon-Tanaka summit did not reveal any Japanese intention to break away from its overall dependent relationship with the U.S. As Foreign Minister Ohira stressed at the press conference following the Honolulu summit, "America's Asian policy stands on the way of thinking that through the upholding of its commitments toward nations friendly toward it, tension in Asia can be eased and order can be defended. Consequently, the realistic way for our country's Asian policy and its normalization of Japan-China relations is to stand on the basis of an understanding of this American policy."[78]

The U.S. government's subsequent response to Japan seemed to confirm that the U.S. was still more preoccupied by bilateral issues than the China issue and had determined to use the China issue to extract more concessions from Japan.

On September 9, 1972, a week after the Nixon-Tanaka summit, at a hearing of the Overseas Activities Sub-Committee of the U.S. House Ways and Means Committee, Defense Secretary Laird asserted that the U.S.-Japan Security Treaty lacked "reciprocity"; hence, there was a need to request an increase in the use of Japanese bases and supply activities by the U.S. 7th Fleet, and also a possible Japanese military role in the Indian Ocean to secure its own oil supply routes in the future.[79] Because of the U.S.government's previous acquiescence, when Tanaka completed his historic trip to Beijing in late September 1972, the U.S. government's public reaction was low-key. On September 29th, a U.S. State Department spokesman, when referring to the Sino-Japanese Joint Communique, stated that "this is a bilateral problem from the start, and it is appropriate that third countries should not comment on historically complicated relations like the relations between Japan and China.[80]

In October 1972, Foreign Minister Ohira came to the U.S. to explain Japan's positions in the Sino-Japanese normalization. He had talks with both President Nixon and Secretary of State Rogers. During the meetings, the U.S. demanded strongly that Japan correct its trade imbalance with the U.S., which was not the main purpose of Ohira's coming to the U.S.. He certainly was surprised by the introduction of unanticipated subjects. Secretary of State Rogers went even further to demand another revaluation of the yen, in addition

to the Japanese promise of correcting the trade surplus with the U.S.[81] During the Nixon-Tanaka summit back in August, Ohira reportedly said at a press conference that both nations had agreed to take necessary measures to avoid another upward revaluation of the yen.[82] Then, why did the U.S. suddenly change its attitude toward revaluation of yen? With the November election approaching, and the Vietnam War reaching its final stage, the trade deficit with Japan became the biggest remaining foreign policy issue standing in the way of President Nixon's reelection. Thus, the U.S. probably wanted to use the China issue to extract as many concessions as possible from Japan to help Nixon in the coming presidential election.

In summary, the U.S. government exerted great influence over Japan's China policy during the Sato and the Tanaka governments. This was because of Japan's continued dependence on the U.S., mainly for security and export markets. While the Sato government openly followed U.S. China policy, Tanaka's reliance on U.S. approval for his China policy was more subtle.

Conclusion

Throughout the period examined in the this chapter, the U.S.-Japan relationship always loomed largest in the making of Japan's new China policy. The necessity of defering to U.S.

policy objectives always prevailed over the interests and policy preferences of the domestic opposition, be they the left wing forces who opposed Sato's policy or right wing forces who opposed Tanaka's decision of normalization, when conflicts arose. During the Sato government, because of Sato's preoccupation with the reversion of Okinawa, he placed highest priority on preserving sound U.S.-Japanese relations and fiercely resisted the bulk of opposition pressures for Japan-China normalization. Likewise, the Tanaka government was able to bypass the strong opposition of the pro-Taiwan conservative LDP members and went ahead in normalizing relations with China, thus making Japan's policy more in line with that of the United States. Bold though it might seem, Tanaka's decision to normalize Japan's relations with China merely followed in the footsteps of the U.S. Without the shift of U.S. China policy, the pressure coming from both the LDP left-wing force and the opposition parties as well as China could not have generated enough momentum for Prime Minister Tanaka to complete the normalization of Japan-China relations. Despite his desire to seek an autonomous China policy, Tanaka found himself trapped by Japan's continued dependence on the U.S. The Nixon-Tanaka summit in Honolulu clearly indicated that "even post-Sato Japan cannot evolve a China policy without the consent and approval of Washington."[83]

Domestic politics affected Japan's China policy making to

the extent that the Prime Minister of Japan needed a strong power base within the LDP to support his policy initiatives. Both Sato and Tanaka had strong power bases in the Parliament and were able to maintain majority support within the LDP even when the worst split occurred, such as the non-confidence resolution against Foreign Minister Fukuda. As long as the new policy was not in direct conflict with the overriding objective of preserving U.S.-Japanese relations, they were able to take advantage of their powerful political bases to circumvent the opposition.

It appeared that China could exert some influence on Japan's policy direction through allying with Japanese opposition parties and the LDP left-wing forces during the course of the diplomatic normalization. However, China's ability to influence Japan's policy direction was rather limited. When China's pressure on Japan for policy change was at odds with maintaining a good U.S.-Japanese relationship, China's pressure were largely ignored during the Sato government. The impact of Chinese pressure increased when the U.S.-Japanese relationship was not standing in the way of normalization. Only then could the Chinese pressure be effective in shaping the final outcome of Japan's China policy as embodied in the Chou-Tanaka Communique.

In short, it is not exaggerating to say that the U.S. influence was the most important source of Japan's China policy. The pattern of Japan's China policy making process

during the period examined fits into what one scholar called the "reactive state." Japan was a "reactive state" during this period of time because it "fail[ed] to undertake major independent foreign economic policy initiatives when it has the power and national incentives to do so"; Second, "it respond[ed] to outside pressures for change, albeit erratically, unsystematically, and often incompletely."[84]

The U.S.-Japanese regime on China policy underwent substantial transformation during the course of Japan's diplomatic normalization with China. The U.S.-Japanese regime on China policy had been an order imposed by the U.S. hegemony since its inception. Until the 1972 normalization, bilateral cooperation had been very unequal, with Japan's China policy subjugated to policy objectives of the United States in the Far East. The course of Japan's diplomatic normalization with China in the early 1970s reaffirmed the unequal nature of cooperation between the United States and Japan on China policy; Japan's China policy remained subordinate to the interests and policy preferences of the United States, especially prior to the 1972 normalization. Nonetheless, the 1972 normalization marked the beginning of the transition of this imposed order toward a more balanced one.

The changes that occurred in the China policy regime were evident in three defining characteristics of international regime.

First of all, the strength of the China policy regime dissipated to a certain extent as a result of Japanese diplomatic normalization with China. The unequal nature of the regime had started to change. Compared with U.S.-Japanese relations in the 1950s, the normalization brought an end to Japan's subservience to the U.S. in its China policy and paved the way for Japan to assert its own national interests, both economically and politically, with regard to China both in the coming years. Moreover, it gave added leverage to Japan's dirve for an independent diplomacy in Asia. The severance of Japan's long-time relationship with the Republic of China and the abrogation of the "Taiwan Clause" meant that the constraints which the United States had hitherto imposed on Japan's China policy had substantially weakened

Nonetheless, Japan's normalization with China should not be construed as a challenge to its dependent relationship with the U.S. Characteristics of an imposed regime persisted. First, Japan continued to show its deference to the United States in China policy prior to, and in the course of, diplomatic negotiations with China. Prior to the normalization, Japan's compliance with the China policy regime remained strong as demonstrated by Sato's resistance to growing domestic pressure for change in his China policy and his continued support for the U.S. two-China policy in the U.N. through co-sponsoring the "reverse important issue" resolution. Tanaka's continued deference to the United States

was evident in his repeated policy consultation with the United States and in his reassurances of Japan's commitment to the maintenance of close U.S.-Japanese relations. Moreover, after all it was President Nixon who initiated detente with China. Tanaka's decision to befriend China was simply an outgrowth of new U.S. Asian policy aimed at easing tensions in the region. The timing of Japan's normalization with China attested to the fact that Tokyo's deference to U.S. China policy remained strong. Moreover, the conflict of interests between the two countries with regard to China policy should not be exaggerated. There had been no clear indication that the U.S. had sought to obstruct Tanaka's deal-making with China. To the contrary, that President Nixon attempted to use the shift of Japan's China policy to serve his domestic politics suggested that the U.S. was not concerned about Japan's normalization with China. Nor did Japan have the capability and willingness to pursue its own independent foreign policy at the time. As Foreign Minister Ohira admitted upon his return from the United States and the Soviet Union to explain Japan's new China policy, "the position of Japan from now on will be difficult. We are still far from conducting spectacular multi-polarized diplomacy."[85] Bilateral cooperation on China policy between the United States and Japan at the time of the normalization, albeit moving toward equality, remained unequal. The primary reason was that the U.S. still was the hegemonic power in the Western

world. This U.S. hegemonic power was embodied in Japan's continued dependence on the U.S. for security and export markets, both of which were so essential for Japan's survival and prosperity.

Second, the scope of the regime diminished somewhat. The old issues were eclipsed by the new ones. Nonrecognition of mainland China, which was the most important issue of the unequal regime between U.S. and Japan, had disappeared. The "Taiwan Clause"--supporting U.S. military action in Taiwan strait--lost its relevance with the advent of new Sino-Japanese relations and the severance of Japan-ROC relations. The issue of China's membership in the United Nations was resolved after China was admitted into the U.N. On the other hand, signing a peace treaty with China now became a new issue in the Japanese agenda, and would become a major issue for the U.S.-Japan cooperation on China in the coming years. Furthermore, Japan's role in U.S. security policy in Asia, the fundamental element of U.S.-Japanese cooperation on China policy, would come under question, as China's importance as counterweight to the Soviet Union gained importance in the coming years.

Third and finally, with the rapidly changing international balance of power, the legitimacy of the underlying principle of the China policy regime--China was a military threat and U.S.-Japan cooperation on China policy would enhance national security of the two countries--was undermined. Major changes

in international relations in the late 1960s and the early 1970s substantially altered the Japanese perception of the Chinese military threat. Among the major changes were the emerging detente between the U.S. and the Soviet Union, the ending of the Vietnam War, growing international recogition of the People's Republic of China and the sudden Sino-U.S. rapproachement. The sudden announcement of President Nixon's trip to China further put the underlying principle to the tests. With Japan's subsequent normalization with China in October 1972, the China policy regime imposed by the U.S. hegemony was slowing transitioning toward a more equal one.

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Chapter 4. The Road to the Peace Treaty with China

After the Chinese communists took over China, Prime Minister Yoshida had hoped to conclude a peace treaty with the government of mainland China and end the state of war with China in the near future. The outbreak of the Korean War and the shift of U.S. strategic policy in Asia made a peace treaty with China impossible. As a result of heavy U.S. pressure, a peace treaty was instead concluded between Japan and the nationalist government in Taiwan. However, Tokyo continued to harbor the desire of signing a peace treaty with the government of mainland China, which was thought to legitimately represent China both in name and in reality.

The Sino-Japanese normalization in 1972 gave Japan more latitude and freedom to manoeuvre in foreign affairs. In a sense, it paved the way for the ensuing Japanese thrust for diplomatic autonomy in East Asia. Moreover, the 1972 normalization opened up the opportunity for Japan to conclude a peace treaty with China, which it had long desired.

Despite many ups and downs during negotiations, the Peace and Friendship Treaty was finally concluded between Japan and China in 1978. The signing of the peace treaty signified a major move forward for Japan's drive for diplomatic autonomy. It suggested that Japan was becoming more willing and confident to assert itself when its national interests were at stake.

However, Tokyo's thrust for diplomatic autonomy had its limits. Because of its continued economic and military dependence on the United States, Japan could only assert its own foreign policy interests to the extent that those interests fell within the general framework of U.S. foreign policy in East Asia, that is to contain communism in East Asia. As long as its interests were compatible with those of the U.S., Tokyo set out to pursue them as assertively as possible. But when conflicts of interests arose between the U.S. and Japan, Tokyo continuously and willingly subordinated its China policy to the general objectives of U.S. policy in Asia.

This chapter will focus on the decision-making process in Japan during treaty negotiations with China. It will attempt to examine how Tokyo came to terms with treaty negotiations with China in light of the changing international environment and how U.S.-Japanese relations shaped the process and outcome of treaty negotiations.

Japan's Diplomatic Activism After the 1972 Sino-Japanese Normalization

The normalization with China in 1972 signaled the beginning of Japan's diplomatic activism known as "equidistant" or "omnidirection" policy, the purpose of which was to bring an end to its international isolation and to seek

diplomatic autonomy. As the 1973 Diplomatic Bluebook explained:

> ...it [Japan] is now developing a multilateral diplomacy to play an international role befitting its stature as a member of the world community. In a diversified and fluid international situation, Japan must take diplomatic measures to broaden the foundation for its own survival and prosperity by promoting a dialogue with other countries of the world, pursuing common interests while respecting each others' basic stand, and broadening fields of cooperation.[1]

To secure its oil supplies, Tokyo shifted from its long-time pro-Israel policy and threw its support to Arab states in 1973. Elsewhere, Tokyo intensified its diplomatic initiatives toward Asian and European countries. The most conspicuous diplomatic initiative was Prime Minister Tanaka's visit to Moscow in the fall of 1973. It was the first time a Japanese Prime Minister visited the Soviet Union since Hatoyama's 1956 trip, which resulted in the normalization of diplomatic relations. The 1956 normalization with the Soviet Union did not settle the bilateral disputes over the Northern Islands which had been occupied by the Soviet Union since the end of World War II. The uncompromising attitudes of the countries towards the territorial disputes eventually stalled the signing of a bilateral peace treaty. After the diplomatic success with China in 1972, Tanaka began to approach Moscow in the hopes of a diplomatic breakthrough with Moscow leading to the conclusion of a peace treaty. His trip to Moscow in the fall of 1973 culminated in the signing of the Japanese-Soviet Communique. The leaders of the two countries expressed

interest in reopening talks on a peace treaty. The Communique stated that "both sides confirm that the settlement of outstanding questions left over since World War II and the conclusion of a peace treaty would contribute to the establishment of good-neighbor relations."[2] Although the two countries made little progress on the subsequent negotiation of the peace treaty, the communique did bring about cooperation between the countries on energy exploration in Siberia with Japanese contributing capital and technology. Soviet-Japanese relations were far from malevolent in the 1970s.

Nonetheless, the objective of this activism was not to achieve total diplomatic independence from the United States since Japan had not grown to a full-fledged major power. Japan was not yet able to walk out of the U.S. shadow. The U.S.-Japanese security relationship remained the foundation of Japan's "omnidirection" diplomacy. Its China policy and Soviet policy were extensions of the U.S. "equidistant" policy toward China and the Soviet Union. As its Diplomatic Bluebook acknowledged:

> Japan's firm relations of friendship and cooperation with the United States form the basis for the implementation of a broad and multilateral diplomacy. It is a reality that multilateral diplomacy works effectively in the international arena only when it is based on a solid foundation. Relations of friendship and cooperation between Japan and the United States, with the Japan-U.S. Security Treaty as the axis, also play an important role in the peace and stability of Asia and the Pacific region, including Japan.[3]

The signing of the Chou-Tanaka communique in 1972 opened a new era for Japanese-Sino relations. Prior to the end of World War II, resource-rich China was indispensable for and integral to the Japanese war-time economy. Though Japan was on the way to becoming a major economic power, its dependence on external resources and external markets had hardly changed. This was evident when Prime Minister Yoshida Shigeru had tried assiduously to establish diplomatic relations with the newly-born People's Republic of China in the early 1950s, only to find that he had to accede to the U.S. demands. Now that China and Japan had ended its long standing feud, the political roadblock in the way of Sino-Japanese trade disintegrated rapidly. Another Memorandum Trade Agreement was signed shortly in November after Tanaka's visit to Beijing. On December 1972, the Japanese government partially sponsored the creation of a Japan-China Economic Association in conjunction with the private business community in order to promote bilateral trade. Early in 1973, the Japanese government lifted previous restrictions on credit financing by the Japanese Export-Import Bank to China. But the restrictions imposed by the Coordination Committee on Multilateral Export Controls (CoCom) were still in place. On January 6, 1974, a three-year trade agreement was negotiated between the two countries, which included a variety of

tariff concessions and technological exchanges. Not surprisingly, bilateral trade had increased at a notable pace after 1972. Prior to 1969, the annual total volume of bilateral trade stayed at around $300 million. In 1972, the total bilateral trade volume surged upward to $1.1 billion. In 1974, it jumped to nearly $3.3 billion, surpassing Japan's bilateral trade with Taiwan in the same year ($3.0 billion). Nearly half of Japanese exports consisted of steel and chemical fertilizers, whereas one-third of Japanese imports from China consisted of petroleum. Subsequently, Japan and China signed a navigation pact, a civil-aviation pact and a three-year Fisheries Pact.

Treaty Negotiations Under the Miki Government

Article 8 of the Chou-Tanaka Communique stipulated that Japan and China would conclude a peace and friendship treaty at an appropriate time in the future to consolidate their bilateral relationship. Peace treaty negotiations between the two countries became the focal point of the bilateral relations following 1972. In November 1974, while attending the ceremony of concluding the bilateral navigation agreement in Tokyo, the Chinese Vice Minister of Foreign Affairs Han Lien-Long proposed the opening of preliminary negotiations on a peace treaty to the Japanese government. Tokyo for the most part accepted the proposal.

The signing of a peace treaty appeared to have some important benefits for Japan. First, coupled with the normalization in 1972, a peace treaty would formally close the chapter on four decades of enmity and further strengthen ties between Japan and China, two major powers in the Far East, thus, contributing to peace and stability in the region. Second, it would secure invaluable economic opportunities, such as export markets and energy resources, both of which were essential for Japan's continued prosperity. Since the 1972 normalization, bilateral trade had grown steadily. While China was increasingly turning to Japan for its technology, it also presented itself to Japan as a source of needed raw material and energy. A peace treaty would help to secure Japan's economic interests in China. Third, the signing of the peace treaty appeared consistent with Tokyo's "omnidirection" foreign policy. It would enhance Japan's international prestige and influence as an emerging political power in East Asia commensurate to its economic superpower status, provided these interests were compatible with those of the U.S., which they indeed were as we shall see.[4] Finally, Tokyo had been eager to settle the Northern Islands dispute with the Soviet Union. A peace treaty would help Tokyo to exert pressures over Moscow, which had hitherto refused to include the Northern Islands in the peace treaty negotiations.[5]

When Takeo Miki succeeded Tanaka in December 1974, he inherited the spirit of "equidistant" diplomacy. He vowed to

pursue peace treaties with the Soviet Union and China separately. In January 1975, Prime Minister Miki sent then Foreign Minister Miyazawa to Moscow to probe the Soviet mood on the peace treaty between Japan and the Soviet Union. Previously, the peace treaty talks had been stalled by the territorial questions in the Northern Islands. About the same time, Hori Shigeru was sent to Beijing. The next day, preliminary negotiations on Sino-Japanese peace treaty were opened in Tokyo.[6]

In February 1975, the two governments exchanged the draft of the peace treaty. The Chinese government suggested that article 7 of the Chou-Tanaka Communique be incorporated into the peace treaty under negotiation. Article 7, later known as the "anti-hegemony" clause, stated that neither country would seek hegemony in East Asia and were uniformly opposed to a third country establishing hegemony in the region. But the Japanese government balked at this Chinese proposal.[7]

Officially, the Chinese reasoned that since the 1972 Communique had this anti-hegemony clause, it would be natural to incorporate it into the new peace treaty. There was, however, more to China's claims to include the "anti-hegemony" clause into the treaty.

The emergence of the Cold War with the West led by the United States in the late 1950s and 1960s, and the subsequent ideological conflict with the Soviet Union, had forced China into international isolation. In order to escape this,

Beijing saw it necessary to court the developing countries and the states newly independent from European colonialism to form a third international force independent of the two super powers. This was what came to be known as the Chinese revolutionary foreign policy, objectives of which were to support "war of national liberation" and "armed struggle" against imperialism in the Third World. The Cultural Revolution had temporarily disrupted China's relations with the outside world. As the Sino-Soviet ideological split turned into a bloody border war in 1969, China's foreign policy began to turn from revolutionary fervor to pragmatism. Its singular foreign policy objective then became to oppose Soviet hegemonism, which posed a grave security threat to China. The Sino-U.S. rapprochement and Sino-Japanese diplomatic normalization stemmed from this Chinese foreign policy pragmatism.[8]

China's continued interests in the developing world led to Mao's formation of the Three World Theory, which would guide much of China's foreign policy in the years to come. According to this theory, the world is divided up into three spheres. The United States and the Soviet Union, being superpowers, are the first world. The developing countries and the newly independent states, including China, belong to the third world. Between the first world and the third world nestled the second world, which is composed of the developed European countries and Japan. Mao believed the third world

countries, if united, could be the main force in opposing imperialism and hegemonism. The second world oppresses the third world, but is itself being exploited by the two superpowers. Therefore, the second world could be won over in the common war against "hegemonism"--namely the two superpowers.[9]

China's desire to negotiate the peace treaty and its insistence on inserting the "anti-hegemonsim" clause was mainly guided by the Three World Theory. China saw Japan as a victim of Soviet hegemonism. After the 1972 normalization, China began supporting Japan to reclaim the Northern islands from the Soviet Union and hoped to draw Japan into China's anti-Soviet united front.[10] Beijing's official press release at the time stated:

> The Soviet revisionists have made gigantic efforts to promote hegemonism and carry out aggression and expansion in Asia in a most unbridled way...The Soviets revisionists have also forcefully occupied the territory of other nations and regarded it as their own. The four northern islands of Japan are a good example. While stubbornly refusing to return these four Japanese islands, the Soviet revisionists have also established naval and air bases there, frequently intruded upon the territorial airspace and waters of Japan, and conducted ruthless activities against Japanese fishermen.[11]

The Japanese government was well aware of its precarious position caught between the Sino-Soviet rivalry in East Asia and wanted to avoid being entangled in this rivalry. Therefore, Tokyo wanted to separate the negotiation of these two peace treaties as far apart as possible. To the Japanese,

the inclusion of the "anti-hegemony" clause in the peace treaty with China would make the peace treaty look like an quasi Sino-Japanese alliance directed against the Soviet Union, which would jeopardize not only treaty talks with the Soviets, but also overall bilateral relations. Thus, the Japanese rejected the "anti-hegemony" clause outright.

The negotiations were stalled because of the diametrically opposing views between Japan and China on the "anti-hegemony" clause. Two important factors worked together to constrain Miki's ability to make compromise with the Chinese on the "anti-hegemony" provision. First, Tokyo's physical vulnerability constrained the extent to which Japan could maneuver its independent diplomacy. Japan's security dependence on the United States continued to be the foundation of Japan's foreign policy. Despite Tokyo's fervor for autonomous diplomacy, it could not drift away from the general policy objective of the United States in Asia. Second, Miki's weak political power base enabled his political opponents to utilize the reality of Japan's physical vulnerability and dependence on the U.S. nuclear umbrella to their advantages. To them, a political tilt toward China would strain Japan's relations with the Soviet Union, the consequence of which could possibly jeopardize its relations with the United States and place Japan in a vulnerable situation.

<u>U.S. Constraints on the Miki Government's China Policy</u>

The Japanese government had taken note of the uncertainty created by the U.S. withdrawal in Southeast Asia. Some in Japan saw the withdrawal of U.S. troops from Southeast Asia as indicative of declining U.S. hegemony. Others saw the U.S. disengagement from Vietnam as another opportunity to seek an independent foreign policy and assert its interests in the region. As early as the signing of the Paris accord in 1973, Tokyo announced its intention to provide economic aid to North Vietnam. Now the conclusion of a peace treaty with China would enhance Tokyo's credibility as an emerging independent political force in East Asia.

Despite the new fervor for autonomous diplomacy, Prime Minister Miki's "equidistant" foreign policy could not escape the shadow of U.S. Asia policy. Japan's continued to depend on the U.S. nuclear umbrella in the form of the Security Treaty. The fall of Saigon and the withdrawal of U.S. troops from Southeast Asia created enormous uncertainty in the region. Tokyo was anxious to know whether or not the United States would continue to honor the security treaty in light of the declining presence of U.S. troops in Asia embodied in the new Asia policy.

In his foreign policy speech at a joint session of both Houses on April 10, 1975, President Ford outlined his New Pacific Doctrine. It included two major points: first, the

U.S. military was ready to pull out of Southeast Asia completely; second, the U.S. defense perimeter in East Asia would retreat to the line linking Guam, South Korea, and Japan. This would make the U.S.-Japan Security Treaty a cornerstone of the new U.S. Pacific security strategy.

While President Ford was delivering his speech on the new policy, Foreign Minister Miyazawa flew to Washington. His mission had two major objectives. For one, he was hoping to discern the new U.S. policy at first hand amidst grave uncertainty of U.S. post-Vietnam policy in Asia. His second objective was to determine the role of Japan in this new U.S. policy. The Japanese government was anxious to find out if the post-Vietnam situation would play down the U.S.-Japanese Security Treaty. Miyazawa was reassured of Japan's new importance in the post-Vietnam era by President Ford's new policy speech and by his meeting with Secretary of State Henry Kissinger. In return, Miyazawa pledged to Secretary of State Kissinger that the Japanese government was still committed to the "ROK clause" in the 1969 Nixon-Sato Communique, which stated that "the security of the ROK is important for Japan."[12] At the meeting between Miyazawa and Kissinger in April 1975, Miyazawa also urged the U.S. to recognize the irreversible tide of the national independence movement in Southeast Asia, a move that was later interpreted as Japan's desire to seek autonomous diplomacy from the U.S. in Southeast Asia.[13]

In the summer of 1976, there were signs that the U.S. was contemplating the diplomatic recognition of the People's Republic of China. Moreover, the U.S. was said to intend to to use the "Japanese Formula" to settle the Taiwan issue. The "Japanese Formula," which was used by Tanaka in 1972, consisted of abrogation of the Japan-Republic of China (ROC) treaty, severance of official diplomatic relations, and maintenance of unofficial relations. Conceivably, Tokyo was very concerned about the implication of U.S. military withdrawal from Taiwan for Japan's physical security. In July 1976, Foreign Minister Miyazawa confided to visiting U.S. Senator Mike Mansfield that his government did not want to see a sudden normalization of U.S-Sino relations. Miyazawa's official reasons for opposition were that U.S-China normalization would lead to abrogation of the U.S.-Taiwan defense treaty, which would cause security problems for Taiwan. Furthermore, the abrogation of the U.S.-Taiwan security arrangement would likely create a power imbalance in East Asia and render Japan vulnerable. But Miyazawa's comments also conveyed two unspoken points: First, the Japan-China peace treaty talks were not going well; Second, he seemed to fear that Sino-U.S. normalization might in fact reduce Japan's importance as the cornerstone of U.S. Asian policy, thus affecting Japanese security in the face of unstable Japan-Soviet relations. Mansfield once again reassured Miyazawa of continued U.S. commitment to Japan and the importance that the

U.S. attached to U.S.-Japanese relations.[14]

The repeated U.S. reassurance of the importance of the Japan-U.S. Security Treaty appeared to have had an impact on Miyazawa's thinking about the Japan-Sino peace treaty. First, Japan's physical security now was more secure than ever, as a result of the strengthened U.S. security commitment to Japan. Second, from his conversation with Kissinger, Miyazawa also sensed that the U.S. continued to favor a "equidistant" policy toward China and the Soviet Union, and was not anxious to normalize its diplomatic relations with China, which might come at the expense of Japan. Without U.S.-Sino diplomatic normalization, Japan's growing role in East Asia in the general framework of U.S. Asian policy would not be challenged by China, and Japan's role as the cornerstone of U.S. Asia policy was more secure than ever before. Therefore, Miyazawa and his foreign ministry staffs presumably concluded that now there was no need for hurrying the peace treaty talks with China. In any case, Japan had a better bargaining position than before. Hence, Japan became less compromising in regards to the anti-hegemony clause.

Domestic Political Constraints on Miki's China Policy

Miki's weak power base within the LDP had constrained his resolve to negotiate the treaty with the Chinese to his liking. As the Miki cabinet was about to be inaugurated, the

Asian Problems Study Group (APSG) or Ajia Mondai Kenkyu Kai (known as A-Ken) within the LDP, headed by LDP conservative Hirokichi Nadao, moved to reorganize itself in the hope of monitoring the new Government's China policy with respect to the peace treaty talks and the use of Export-Import funds for Japan-China trade. Now that the new Miki government had indicated a desire to court the communist bloc countries, it was feared within the A-Ken that the Miki government's diplomacy would be a pro-communist one. After the reorganization, the A-Ken would include former A-Ken members, Seirankai (the Blue Storm Society), Soshinkai (the Plain Heart Society), and the Japan-ROC related Dietmen's Consultative Council. The Seirankai was created shortly after the Sino-Japanese normalization by some young right-wing LDP members such as Ishihara Shitaro and Watanabe Michio, mainly to put a check on the government's China policy. Thus, the new A-Ken had effectively become a big roadblock in the Miki government's China diplomacy whose influence could not be ignored.[15]

The strong Soviet reaction to the opening of the Sino-Japanese peace treaty negotiations had provided important ammunition to the A-Ken members within the LDP, which continued to resist the idea of a close Japanese-Sino relationship at the expense of Taiwan. On February 3, 1975, soon after the opening of preliminary talks on the Japan-China treaty, Oleg Troyanovsky, the Soviet Ambassador to Japan, met

with then LDP vice president Etsusaburo Shiina and told him that the Sino-Japanese treaty had the dangerous side-effect of alienating the Soviet Union. In the same month, in a personal letter to Prime Minister Miki, Soviet Communist Party General Secretary Brezhnev hinted that Sino-Japanese peace treaty might impede the Soviet-Japanese peace treaty. Yet he added that he still hoped to quicken the pace of Soviet-Japanese peace treaty negotiations.

The Chairman of the LDP's Asian Problem Study Group (A-Ken), Hirokichi Nadao, asserted bluntly that the inclusion of the anti-hegemony" clause in the treaty would inevitably involve Japan in the Sino-Soviet power rivalry, and would not only contradict Japan's current "omnidirection" policy and national interests, but also exacerbate tensions in East Asia. Members of the LDP right-wing group, Seirankai (The Blue Storm Society), were also straight-forward in their opposition. The Seirankai proposed four pre-conditions for Japan to move forward with its treaty talks with China: (1) The conclusion of the treaty should not sacrifice the interests of the Republic of China (Taiwan); (2) The "anti-hegemony" clause is not acceptable, and the Japanese government should not compromise on this issue; (3) Japanese sovereignty over Senkaku island, which is located north of Taiwan island, should be clarified before the conclusion of the treaty (the issue of Senkaku island was shelved during the normalization negotiation); (4) China should denounce the validity of the

"anti-Japanese" clause in the 1950 Sino-Soviet Friendship and Alliance Treaty, which was about to expire in 1979. Otherwise, Japan should not sign a peace treaty with a country which had an alliance treaty directed against Japan.[16]

Within the Japanese foreign ministry, some officials supported the position that China should clarify the anti-Japanese provision contained in the Sino-Soviet Friendship and Alliance Treaty signed in 1950, even though the treaty had in effect lost its relevance because of the Sino-Soviet military confrontation.[17]

The official Japanese reasons for opposing the inclusion of the clause were as follows. First, the hegemony that both nations were supposed to oppose obviously referred to the Soviet Union. Thus, the inclusion of the clause would be interpreted by the Soviets as a Sino-Japanese alliance against the Soviet Union, which would cause tremendous problems for Japanese efforts to improve its relations with the Soviet Union. Second, the inclusion of the clause was also incompatible with Japan's pacifist foreign policy mandated by its constitution. Having renounced the use of armed force, Japan was in no position to oppose any hegemony. Third, the Japanese insisted that a bilateral treaty such as the Sino-Japanese peace treaty should not contain any clause directed against a third nation. [18]

The Miyzawa Four Principles

Prime Minister Miki remained interested in resuming the treaty talk with China, hoping that the treaty would boost his domestic political standing. However, to the extent that the compromise would not jeopardize U.S.-Japanese relations and his domestic political standing, Miki wanted to negotiate with the Chinese. In June 1975, in an attempt to break the deadlock, Prime Minister Miki conveyed a message to PRC Premier Chou En-lai indicating that the "anti-hegemony" clause might be acceptable to the Japanese if it could be interpreted as part of the universally accepted principles regarding peace, sovereignty and territorial integrity as incorporated in the UN chapter. However, the Chinese demurred.[19]

In September 1975, Miki instructed Foreign Minister Miyazawa Kiichi to approach the Chinese delegation in the coming session of U.N. General Assembly. On September 24, 1975, Miyazawa held a meeting with his Chinese counterpart Chiao Guan-hua in New York. This was the first talk on the peace treaty on the foreign minister level. Miyazawa laid out the official Japanese positions with regard to the peace treaty, which came to be known as the "Miyazawa Four Principles." They were as follows: (1) Japan's opposition to hegemony was not confined to Asia, but extended to the rest of the world; (2) The anti-hegemony clause would not be targeted toward any specific country; (3) The anti-hegemony clause would not imply concerted actions between the two countries; (4) The anti-hegemony clause would be consistent with the

spirit of the U.N. charter.[20]

It was clear that Miyazawa's Four Principles were meant to serve as a disclaimer that the anti-hegemony clause was not aimed at the Soviet Union. Therefore, they were at odds with Beijing's anti-Soviet overture. Conceivably, China rejected Miyazawa's Four principles. Miyazawa's Four Principles showed the limits that Miki could go to in the pursuit of Japan's international prestige and his own political standing at home.

The year of 1976 saw political turmoil in both countries. The Miki government was plagued with the Lockheed scandal which involved high ranking officials taking bribes from the Lockheed Corporation. China was thrown into a period of political chaos and power struggle after the deaths of Mao Tse-tung and Chou En-lai. There was a period of confusion over the succession of leadership as evidenced in the arrest of the "Gang of Four." The viability of governmental functions became questionable to the outside world. The treaty negotiations made even less headway before Miki's departure.

The Conclusion of the Peace Treaty under the Fukuda Government

Post-Mao China was moving toward pragmatism after the power consolidation of the Communist Party under the new leadership of Hua Guofeng in late 1976. Economic development began to take policy priority over the endless talk of class

struggle common during the Mao era. The "four modernizations"--defense, agriculture, industry and science--which were pronounced in 1975 by Chou En-lai--were reaffirmed as national goals in the Fifth National People's Congress in 1977. Now the government was calling for the introduction of foreign advanced technologies for modernizing its economy. A new "Hundred Flowers" policy to allow blossoming in art, science and economy was reinstated in the new constitution. Personality cults, which were rife during the Cultural Revolution, were formally repudiated. Moreover, Deng Xiaoping, who was purged twice in the past, was rehabilitated to assume the post of vice-premier in July 1977. To many foreign countries, China's new political stability offered both diplomatic and economic opportunity.

Japan's new leader Takeo Fukuda was greatly encouraged by the emerging political stability and the policy emphasis on economic modernization in China. After replacing Miki in December 1976, he also hoped that reopening the peace treaty with China would boost his political standing at home and overseas. Moreover, he saw the signing of the peace treaty would strengthen Japan's international image as a nation capable of pursuing an independent foreign policy. Finally, the signing of the peace treaty would bring about business opportunities for Japanese firms, now that the new leadership was embarking on a new modernization course and was interested in importing foreign technology.

On January 18, 1977, the day before Komeito's Secretary General Takeiri Yoshikatsu left for Beijing, Prime Minister Fukuda met with him and asked him to convey to the new Chinese leader Hua Guofeng his desire to conclude the peace treaty as soon as it was feasible. At the same meeting, Mr. Sonoda, the Cabinet secretary general even went as far as saying that the so called "Miyazawa Four Principles" were not binding preconditions for the peace treaty for the Japanese government; they were simply Mr. Miyazawa's own personal opinion.[21] In his new policy address in the parliament on January 31, 1977, he stated that Japan's solid relationship with China was important for the stability of East Asia, and that he would attempt to conclude the peace treaty with China.[22]

This new policy gesture by the new prime minister prompted some sharp criticism from the right-wing LDP members as well as from the Foreign Ministry. Unlike Miki, Fukuda's power base was closely linked with the pro-Taiwan groups within the LDP mentioned earlier; therefore, the pro-Taiwan groups had unique access to influence Fukuda's China policy. Members of the pro-Taiwan conservatives charged that the Cabinet secretary was meddling with foreign policy issues. The officials of the foreign ministry contended that the "Miyazawa Principles" were not merely Miyazawa's personal opinion, rather the position of the foreign ministry, crystallized by then foreign minister Miyazawa. Thus, they should not be casually discarded. Some

in the Foreign Ministry felt particularly bitter about the fact that Prime Minister Fukuda chose the opposition party leader to deliver the message to the Chinese leader rather than using the normal diplomatic channels.[23]

In the meantime, the LDP pro-Beijing forces, mainly the Asia-African Problem Study Group (Ajia to Afurikan Mondai Kenkyukai, or the AA-Ken) had joined the opposition parties to step up its efforts and push for the reopening of the treaty talks. On March 31, 1977, the non-partisan Dietmen's League for promoting Japanese-Sino Relations convened and decided to send its own delegation to Beijing for promoting the early conclusion of the treaty.[24] On October 20, 1977, more than one hundred pro-Beijing LDP and opposition parties dietmen, as well as industrialists and private citizens, formed the Consultative Committee for Promoting The Japanese-Sino Peace Treaty, and elected Kosaka Zentaro as the Chairman.[25]

Strong support for the peace treaty also came from the Keidanren, the paramount power of the Japanese business community. Leaders of the Keidanren were convinced that China had achieved political stability and the new leaership's resolve to modernize the Chinese economy presented an unprecedented business opportunity for Japan. They saw the peace treaty as a necessary precursor to an expanding Sino-Japanese economic relationship. Therefore they expressed wholehearted support for expediting peace treaty negotiations with China.[26] Toshio Toko, Chairman of the Keidanren, visited

China and met with the new leader Hua Guofeng in April 1977. Chairman Hua openly asked Japan to assist China's new policy of "Four Modernizations" by providing technology and loans. Chairman Hua's sincerity convinced Toko that Japan could do more to help Chinese modernization both for stability in Asia and for Japan's own economic interest. A peace and friendship treaty was necessary in the interests of both the Chinese and the Japanese.[27] The business community's fervor for close China-Japanese economic relations culminated in the conclusion of the China-Japanese Long-Term Trade Agreement in February 1978.

However, as Moscow's anxiety about an anti-Soviet bilateral alliance grew, opposition to the Sino-Japanese treaty in Japan likewise increased. The LDP's pro-Taiwan factions remained worried about Japan's vulnerability in the face of a provoked Soviet Union.[28] In May 1977, conservative LDP members contended that the current fervor in Japan for the Japanese-Sino treaty had contributed to the unfriendly behavior of the Soviets at the bilateral talks for the fishery agreements and to Moscow's increasing military exercises near the Northern Islands. They asserted that the Sino-Japanese peace treaty could not be concluded at the expense of Soviet-Japanese relations. Furthermore, they contended that, if the "anti-hegemony" clause were to be included in the treaty, the Chinese government should openly renounce provisions directed against Japan in the 1950 Sino-Soviet Friendship and Alliance

Treaty. Not surprisingly, the position of the pro-Taiwan faction had the full backing of the senior LDP conservatives including Kishi Nobusuke, Funatanaka, Shiina, all of who had previously used their powerful influence to obstruct the normalization of Sino-Japanese relations prior to the 1972 Chou-Tanaka Communique.[29]

It was true that Fukuda had to reconcile with the powerful pro-Taiwan force within the LDP on which his power was based, but Fukuda seemed less constrained by the opposition to the peace treaty than the Miki government. It was much easier for Fukuda to build a consensus within the LDP than Miki. There were several reasons. First of all, Fukuda's inclination to sign the peace treaty had the political backing of powerful pro-Beijing factions such as the Ohira and the Tanaka factions. The birth of the Fukuda government was a product of an unusual alliance between Ohira's faction and Fukuda's faction in late 1976. With the support from the Tanaka faction, the Fukuda-Ohira alliance was able to outmaneuver the Miki faction, and organize the government under Takeo Fukuda with the condition that in the next LDP election Fukuda would support Ohira's bid for LDP president.[30] Since the inauguration of the Fukuda cabinet, the pro-Beijing Tanaka and Ohira factions had exerted strong pressure on Fukuda to resume the peace treaty talks with China.

Moreover, Prime Minister Fukuda had close ties with the LDP pro-Taiwan forces and the senior conservatives, many of

whom were either from the Fukuda faction or were standing side by side with Fukuda in opposing Tanaka's rapid normalization of Japan-China relations in the early 1970s. There were no ideological cleavages between Fukuda and the pro-Taiwan factions. Third, many pro-Taiwan LDP members objected to the rapid reopening of the treaty negotiations out of concern that Japan's China's policy might outpace U.S. China policy, thus, risking the alienation of the United States. Once they were assured about the U.S. support for the treaty, their opposition ceased to exist as an obstacle to the treaty negotiations.

Finally, support for and opposition to the reopening of the treaty talks with China was about even. On April 12, Asahi Shimbun interviewed most of the LDP members both in the lower House and upper House to try to find out the LDP politicians' stance on the peace treaty with China. There were 169 LDP Diet members who said there was "no hurry" for the treaty, and there were 148 who said that either there was a great need for hurrying the peace treaty or the time was ripe for the treaty. Because of the political standoff between pro-Taiwan factions and pro-Beijing factions within the LDP, the U.S. policy direction with regard to China became all the more important in setting Fukuda's pace in negotiating with the Chinese. Indeed, as we shall see, it was the changing U.S. China policy under the Carter administration that set into irreversible motion the conclusion of the Sino-Japanese treaty

on the Chinese terms.

Growing Soviet Expansion and Its Impact on the U.S.-Japanese Relations

Policy coordination with the United States continued to be the primary factor that Fukuda had to reckon with in the treaty negotiations with China. In March 1977, the anxious new Prime Minister traveled to Washington. Fukuda had several objectives for this trip. For one, he wanted to probe the Carter administration's new Asian security strategy in the wake of faltering detente. Prior to the election, Carter made human rights his major campaign platform and intended to withdraw the U.S. military from South Korea as retribution for the South Korean government's human rights violations. There remained uncertainty as to what President Carter's new Asian security policy would be if U.S. troops were withdrawn from South Korea, and to what extent the troop withdrawal would affect the U.S.-Japanese security arrangement. Second, the new U.S. administration's China policy was ambiguous at best. Fukuda wanted to probe the pace of U.S.-Sino normalization in order to determine the best timing for reopening treaty talks with China.[31] During the trip, he did not discern that the U.S. was about to change the "equidistant" policy toward the Soviet Union and China. He was satisfied by the assurance from President Carter that the reduction of troops would not affect

the U.S.-Japan security arrangement and the peace and stability of the region. In the bilateral Communique, both leaders "expressed their conviction that the firm maintenance of the Treaty serves the long-term interests of both countries." Because of Fukuda's concern about U.S troop withdrawal from the region, President Carter also pledged "the United States will honor its security commitments and intends to retain a balanced and flexible military presence in the Western pacific." With respect to troop reductions in South Korea, President Carter pledged that it would be done "after consultation with the Republic of Korea and also with Japan."[32] Although there was no explicit statement about the China issue, Fukuda was informed that the U.S. had no immediate plan of normalizing its diplomatic relations with China because of the complexity of the Taiwan issue.

Fukuda seemed to conclude from the summit that there was no urgency in the reopening of Sino-Japanese treaty talks.[33] On March 30, 1977, when JSP Secretary General Narida sent a memorandum to Fukuda demanding immediate reopening of treaty talks with China and the inclusion of the "anti-hegemony" clause in the treaty, Fukuda replied that it was impossible to conclude the treaty during this session of the Diet.[34] In October 1977, sources close to Prime Minister Fukuda indicated that the lack of progress in U.S.-Sino normalization was one of the major factors that contributed to Fukuda's hesitancy in resuming the treaty talks with China. More than anything

else, the pace of U.S.-Sino normalization appeared to be the main factor in shaping Fukuda's agenda to negotiate the treaty with Beijing.

There were several reasons to account for Fukuda's decision to tie the treaty negotiation to the pace of U.S. diplomatic recognition of China. First, the faltering detente reminded Tokyo of Japan's vulnerability and the importance of U.S. military protection for Japan. To reopen treaty negotiations without knowing the U.S. stance on the treaty and the prospects for U.S. new China policy would risk alienating Washington. In fact, the U.S. State Department was opposed to signing the peace treaty presumably out of fear of provoking the Soviets.[35] Second, as long as Washington was not anxious to normalize diplomatic tie with China, Japan did not need to worry that U.S. business competition in China might soon challenge Japan's business interests there.

In the mid 1970s, the fragile detente between the U.S. and USSR appeared to falter. The Soviet Union went on the offensive globally. The Soviets had started to gain a foothold in the horn of Africa by taking advantage of the hostilities between Ethiopia and Somalia. Moscow also scaled up its military buildup in Eastern Europe and intensified its involvement in the Middle East. Fearful of the possible U.S.-China normalization and the signing of the Japan-China peace treaty, Moscow moved to strengthen its strategic and tactical forces in the Far East. A separate Far East naval theater

command was created subsequently in 1978. In Indochina, the withdrawal of U.S. military forces had left a power vacuum to be filled gradually by the Soviet Union. The relationship between China and Vietnam had begun to turn sour after the fall of Saigon. On June 29, 1978, Vietnam surprisingly announced its decision to join the Soviet-bloc Council on Mutual Economic Assistance (CMEA). At approximately the same time, skirmishes on the Vietnamese-Kampuchean border flared up, eventually resulting in the Vietnamese invasion of Kampuchea at the end of 1978. Overall, it appeared that the USSR was determined to challenge the United States.

As Moscow stepped up its global expansion, the Carter administration appeared ready to shift its China policy. In contrast to the "equidistant" policy pursued by the Ford administration, which continued to perceive PRC as a potential threat, the Carter administration now saw the PRC as a potential counterweight to Soviet global expansion. Thus, the normalization of U.S.-Sino relations would be a necessary step in realizing this new strategic thinking. The Pentagon's annual report published in 1978 stated:

> Effective relations with the People's Republic of China (PRC) are important not only because China is a strategic counterweight to the Soviet Union, but also because such relations will strengthen the interest of the PRC in regional stability. Accordingly, the normalization of U.S.-P.R.C. relations in accordance with the principles of the Shanghai Communique remains a major goal of this administration.[36]

The utility of a strategic alignment between U.S. and

China was predicated on the Soviet-Sino confrontation. Forming an alliance with China would ease up the pressure NATO was facing on the European front by tying down a significant number of Soviet troops along the Sino-Soviet border. Psychologically, Sino-U.S. amity could also give U.S. more bargaining leverage for the negotiation of SALT II with the Soviet Union. In Southeast Asia, Sino-U.S. amity was seen as a substitute for the U.S. troop withdrawal in Southeast Asia and served as a counterbalance to the Soviet inroads in Indochina.

The shift of U.S. China policy became apparent when Zbigniew Brzezinski, the President's Special Advisor on National Security visited Beijing in May 1978. Brzezinski explained to his Chinese hosts the objectives of new U.S. China policy with a clear pro-China and anti-Soviet tone. He stressed that the U.S. was resolute in countering Soviet expansion, and that the two countries shared three basic beliefs: 1) a close U.S.-Sino relationship was vital to world peace; 2) it is in the interests of the United States to see a secure and powerful China; 3) a powerful and confident United States was consistent with China's security interests.[37]

It was against this changing international backdrop that the United States started to place U.S.-Japan relations into its global policy of countering Soviet expansion. U.S.-Japan security cooperation was to serve as a bulwark against the

Soviet expansion in the Far East. On April 27, 1978, Zbigniew Brzezinski delivered a speech at the Japan Society in New York, calling for the expansion of U.S-Japan cooperation. The U.S.-Japanese relationship was now characterized as a global "partnership" and "mutually dependent." He pointed out that "[C]lose partnership between the United States and Japan is a vital foundation for successful pursuit of America's wider objectives in the world." He called for Japan to "play a more active political role in dealing with" matters such as Asian affairs, the North-South dialogue, and U.S.-Japan's common approaches toward the major communist powers. In particular, Brzezinski stressed the importance of military cooperation between U.S. and Japan through the Treaty of Mutual Cooperation and Security. He urged Japan to increase military expenditures and upgrade military capability which were deemed neccessary for the expansion of the U.S.-Japanese cooperation. He said "[f]or the United States, alliance with a Japan steadily improving its self-defense capabilities provides the anchor for our position in East Asia and extends the reach of our strategic and political influence in the Pacific." He also called for Japanese security cooperation with the U.S. to evolve further.[38]

The Pentagon struck a similar tone. It also stepped up pressures on Japan to play a greater defense role. In a report to Congress, Defense Secretary Harold Brown stressed the importance of Japan as a U.S. naval base in Northeast

Asia. He called Japan the "front line of the defense of the U.S." and the "anchor in the north." He wanted Japan to increase defense spending and to secure its sea lanes around Japan. Specifically, the United States wanted the Japanese Maritime Self Defense Force (MSDF) to upgrade its anti-submarine capabilities and participate in the defense of Japan in case of emergency.[39] In early 1978, the U.S. and South Korea deployed more than 100,000 soldiers in a joint military exercise known as "Team Spirit '78" in order to demonstrate the U.S. resolve to intervene in Asia in case of a Soviet invasion.

Fukuda had taken note of the changing international situation in East Asia and the subtle changes in U.S. China policy. On the one hand, Fukuda worried that a rapid U.S.-Sino diplomatic normalization and close U.S.-Sino cooperation would lessen Japan's strategic importance for the United States, thus reducing Tokyo's bargaining leverage with the United States. Therefore, Tokyo would not want to see U.S. move quickly to befriend China. On the other hand, Fukuda did not want to be out of sync with U.S. China policy because of the special importance of U.S.-Japanese relations, if U.S.-Sino normalization were inevitable.

Therefore, both Brzezinski's and Brown's assurances of Japan's new importance in Asia appeared to strengthen Fukuda's resolve in pushing for an early conclusion of the peace treaty. In November 1977, Prime Minister Fukuda began to

contemplate a new compromise proposal in the treaty negotiations. His position was to include the "anti-hegemony" clause in the main text of the treaty, with the condition that a separate clause be inserted in the treaty stating that the "anti-hegemony" clause is compatible with the spirit of the UN chapter and is not directed toward any specific third party.[40]

In a policy speech to the Japanese Diet in early February 1978, Prime Minister Fukuda formally remarked that the time was ripening to reopen treaty talks with the Chinese.[41] Also in February, the Ministry of Foreign Affairs (the Gaimusho) published a report entitled "Nitchu Heiwa Yuko Joyaku Ikisatsu" (On Sino-Japanese Peace and Friendship Treaty) which elaborated the Gaimusho's positive position on the reopening of the peace treaty negotiations. The report stressed that the peace treaty would stabilize Sino-Japanese relations, settle issues pertaining to the bilateral relationship, and contribute to peace and stability in Asia. The report also stressed the significance of the peace treaty for pursuing autonomous diplomacy in Asia.[42] In March, under Fukuda's instruction, the new Secretary General of the Japanese Socialist Party Junya Yano headed a delegation to Beijing to convey the prime minister's desire to reopen the treaty talks. After meeting with the then Vice Premier Deng Xiaoping, the Yano mission returned to Tokyo with the Chinese message that the Chinese position regarding the "anti-

hegemony" clause was firm and that Fukuda's disclaimer provision was not acceptable to them.[43]

The Chinese appeared to be alarmed by the growing Soviet presence in Indochina and increasingly strained Sino-Vietnamese relations. For them, the inclusion of the "anti-hegemony" clause in the peace treaty would reinforce China's United Front against the Soviet Union. Thus, they were not ready to compromise. In April 1978, Chinese Vice Minister of Foreign Affairs Yu Zhan elaborated four reasons why the inclusion of the anti-hegemony clause in the peace treaty was beneficial to both China and Japan:

(1) The clause would clarify China's intent of not undertaking acts of hegemony, even after the success of its modernization;

(2) Japan would get along better with neighboring countries in Asia by disclaiming any intention to seek hegemony;

(3) The anti-hegemony clause would contribute to the reversion of the northern islands from the Soviet Union;

(4) China and the United States had declared their opposition to hegemony in the Shanghai Communique of 1972, so the inclusion of the anti-hegemony clause would not be in conflict with Japan-U.S. relations.[44]

The pro-Taiwan forces within the LDP continued to urge restraints on the treaty negotiations. They warned about ominous consequence of the Soviet reactions to the treaty.

Moreover, they pointed to possible conflict between the Japanese-Sino treaty and U.S. foreign policy in Asia. But the Fukuda government was convinced that that the peace treaty was consistent with U.S. policy objectives in Asia, now that the balance of power in Asia was changing rapidly. In a meeting with the LDP's Foreign Affairs Research Council in February 1978, Foreign Minister Sunao Sonoda was urged to proceed with the Tokyo-Beijing treaty talks with caution, in order not to impair U.S.-Japanese relations. The Foreign Minister contended that the Japan-China pact would conform to U.S. foreign policy, particularly its security policy in East Asia.[45] While it was not clear as to whether or not Sonoda was aware of the emergence of a new U.S. China policy initiated by National Security Advisor Brzezinski at roughly the same time, it was evident that coordination with the U.S. in terms of China policy was still the important objective in the minds of both Prime Minister Fukuda and Foreign Minister Sonoda.[46]

The reopening of the treaty talks was temporarily delayed by the Senkaku Island incident on April 12, 1978 when a large number of Chinese fishing boats were found near Senkaku island, the focus of the bilateral territorial dispute. This dispute over Senkaku island stood in the way of normalization talks in the early 1970s until both sides agreed to put it aside for the time being. The Japanese side considered this incident an open invasion of Japanese territory and protested

officially. The Chinese government then acknowledged that it was a result of inadvertence on the part of the fishermen and the fishing boats retreated.

Fukuda's final decision to resume treaty talks with China at the end of May 1978 came as a result of a flurry of diplomatic activities across the Pacific in the early Summer of 1978. On May 3, 1978, Prime Minister Fukuda met with President Carter in Washington. This was the second summit between the two leaders following the summit in March 1977. The summit finally assured Fukuda of Washington's intent to move ahead with its normalization with China, and of U.S. support for the peace treaty. Although the summit only lasted a few hours, the leaders touched on some important issues of the mutual concerns such as continuing close cooperation for stability and prosperity in Asia. With respect to Japan's peace treaty with China, President Carter expressed his support for Japan's policy and his best wish for Prime Minister Fukuda's success in the negotiations with China.[47]

Finally, Zbigniew Brzezinski's meeting with Prime Minister Fukuda and Foreign Minister Sonoda on May 24 on his way back from China seemed decisive in strengthening Fukuda's resolve to conclude the treaty as soon as possible. Brzezinski told Fukuda that U.S.-Soviet relations were still tense at best despite their common desire of maintaining detente, and he also stressed the importance of future normalization of Sino-American diplomatic ties, hinting at the coming of the

normalization.[48] Furthermore, according to Brzezinski's own account, the U.S. position regarding the Japanese-Sino peace treaty had a lot to do with Fukuda's final decision. Brzezinski confided in his memoir that he had urged Prime Minister Fukuda and Foreign Minister Sonada to conclude the peace treaty with the inclusion of the anti-hegemony clause. Brzezinski wrote:

> I made it a point to urge both him (Fukuda) and Foreign Minister Sonoda to go ahead with the treaty, with the clause included in it....More important, I made it clear to them that the United States did not object to the inclusion of that clause and that it favored an expeditious conclusion of the treaty. I believe this statement, including more than subtle encouragement, did impress the Japanese, and shortly thereafter they acceded to the treaty, with the clause included in it."[49]

The changing U.S. Asian policy had left a clear mark in Fukuda's attitude toward the negotiation of the Japan-China peace treaty. His confidence in Japan's expanding political role in Asia was greatly strengthened, now that U.S. was encouraging the deepening of U.S.-Japan cooperation, particularly in the security realm. Without a doubt, President Carter's encouragement and subsequently Brzezinski's open support for the "anti-hegemony" clause helped to convince Fukuda to reopen the treaty talks with China as soon as possible, and to accept the inclusion of the anti-hegemony clause. Economically, the imminent normalization between the United States and China implied the expansion of the bilateral trade relations as well. For Japan not to push ahead with the peace treaty would mean a potential loss of business

opportunities in China to the United States, now that the Sino-U.S. normalization would set the stage for Japan-U.S. economic rivalry in China.

On May 21, Fukuda instructed Chief Cabinet Secretary Abe and Foreign Minister Sonada to prepare for the reopening of the treaty talks. In the meantime, Fukuda himself had taken up the task of reconciling with the die-hards of the pro-Taiwan forces. On May 21, he invited several key members of the pro-Taiwan Seirankai, Ishihara Shitaro, Nakao Eiichi, Watanabe Michio, and others to his residence to alleviate their anxieties over the peace treaty. Again on May 24, he invited several senior LDP conservative politicians, Kishi Nobusuke, Shiina and Maeo, to his residence to seek an understanding from them for the reopening of the treaty talks. Eventually, Fukuda cleared up the domestic roadblocks in the way of reopening the peace treaty talks.[50]

At about the same time, Chief Cabinet Secretary Abe quickly hammered out the Japanese government's general policy line for the coming treaty talks and it was soon approved by the LDP leadership. The policy guidelines included:

--In the following week, the government of Japan would propose to China its desire to reopen the treaty talks.

--the reopening of the talks and the conclusion of the treaty would be linked.

--Senkaku island is Japanese territory historically.

--the anti-hegemony clause would not be directed against

any third party, nor would it be directed against the Soviet Union or the United States.

--Although the Sino-Soviet Friendship and Alliance Treaty had lost its effectiveness, the reopening of the Japanese-Sino talks would seek clarification from China.[51]

A week later on May 31, the government of Japan moved swiftly to propose the official resumption of the treaty talks to the Chinese government. On June 14, the Chinese formally accepted Tokyo's request.

In the meantime, the U.S. continued to send signals of encouragement for the treaty negotiation. On June 18, Richard Holbrooke, Assistant Secretary of State for East Asian and Pacific Affairs, remarked publicly that "although important differences remain with Peking, it is fair to say that the United States, China, and Japan share an interest in maintaining that stability [countering the Soviet expansion in the Pacific]--a significant and hopeful change from the past half century in which U.S. Far Eastern policy constantly required us to choose, in effect, between China and Japan."[52]

On July 21, 1978, Japan and China formally reopened treaty negotiations.[53] In early August, the negotiations between the two countries were once again bogged down over the "anti-hegemony" clause.[54] The Chinese compromised by agreeing to include the disclaimer provision into the main text of the treaty but insisted that the "anti-hegemony" clause and the disclaimer clause should be separated by other provisions. The

Fukuda government's reaction to Beijing's concession was favorable. To expedite the peace treaty negotiation, Fukuda made the second concession by agreeing to the separation of the disclaimer clause and the "anti-hegemony" clause. Consequently, the disclaimer did not serve the intended purpose. Thus, the Chinese finally achieved their intended objective of including the "anti-hegemony" clause and scored another diplomatic victory in their anti-Soviet campaigning strategy. The treaty was signed on August 12, 1978.

The signing of the treaty not only completed a de facto US-China-Japan tripartite alliance against the USSR; it also signaled changing U.S.-Japan relations from one-sided toward a more equal partnership. The reasons were two-fold: First, a closer Sino-Japanese relations symbolized by the peace and friendship treaty gave more credibility to Japan's drive for diplomatic independence, adding more weight to Japan's bargaining positions vis-a-vis the Soviet Union. Second, the signing of the peace treaty at the same time also heightened Japan's importance as a political ally of the United States through strengthening U.S.-Japanese security cooperation in the Far East. Politically, Japan was elevated from a junior partner of the U.S. to a senior partner in the containment of communism.

Impact of the Japanese domestic politics

Domestic politics in Japan also played some role in the

conclusion of the peace treaty with China. At times, Tokyo skillfully utilized the domestic political situation as a meaningful vehicle to advance its foreign policy interests. At times, the reverse situation surfaced; It used international politics as ammunition for gaining advantages in the factional struggle at home. As one Japanese ambassador to a European country once commented, "In Japan, a foreign policy problem often evokes a fierce confrontation between the ruling party and the opposition and even threatens to virtually split the ruling party." He added, "the disunity of the Japanese people, particularly that noted within the ruling party, over diplomatic issues has frequently forced Japan to a disadvantageous position in diplomatic negotiations."[55] He was accurate in pointing out the impact of societal division on Japan's diplomacy. However, domestic politics facilitated or slowed down the negotiation of the Sino-Japanese peace treaty, but never played a decisive role in the course of treaty negotiations. Domestic politics affected decision making to the extent that it did not conflict with the foundation of Japan's foreign policy--the U.S. nuclear umbrella for Japan. It was U.S.-Japanese relations and Japan's sense of physical vulnerability that ultimately shaped Tokyo's policy regarding treaty negotiations and the conclusion of the peace treaty with China.

Conclusion

Japan's peace treaty with China in 1978 was a new chapter of Japan's successful diplomatic activism. With its dependence on the United States lessening, the signing of the peace treaty demonstrated that Japan was increasingly becoming more assertive in seeking its own national interests, be they economic or strategic, or even if it meant standing up against the Soviet superpower. As the treaty was signed, the U.S.-Japanese regime on China policy was being transformed into an equal partnership. The transformation of the regime can be seen in all three defining characteristics of regime.

First, the strength of the China policy regime imposed by the United States in the early post-War era had shown further signs of weakening. The United States had shown no intention to dictate the terms of Japan's China policy as it did in early 1970s, nor did the U.S. interfere with Japan's treaty negotiations with China as it did with Japan's treaty negotiations with the nationalist government in Taiwan in the 1950s.

Compared with the 1972 normalization, the signing of the peace treaty signified a bolder and more assertive Japan in pursuing its national interests with regard to China. The signing of the treaty was in Japan's national interests because of the following reasons. First, it would strengthen Japan's relationship with China, contributing to peace and

stability in the region, and securing its economic interests in China. Second, it would boost Japan's political prestige in the region, reducing dependence on the United States and giving credibility to Japan's search for diplomatic independence. Finally, the treaty would give Japan some bargaining leverage over the Soviet Union in the course of seeking the reversion of the northern islands to Japan. With the signing of the peace treaty, the China policy regime characterized by its inequality was weakening. The regime was evolving toward an more balanced or "negotiated" order, and away from an imposed order.

Despite the increased diplomatic autonomy for Japan, the signing of the peace treaty nonetheless demonstrated that the United States continued to act as a senior partner in the China policy regime, with Japan playing a junior role. During the course of the peace treaty negotiations, it was also clearly evident that Japan's drive for autonomous diplomacy had its limits. Many of Japan's initiatives on the peace treaty were heavily constrained by its continued security dependence on the United States. As long as Japan's national interests were compatible with those of the United States, Japan had a free hand to pursue an independent China policy. However, when the compatibility of national interests, especially strategic interests, between the United States and Japan was called into question, Japan's deference to the United States continued to take first priority.

When it came to substantive issues as important as the China policy, Tokyo found itself continue to be constrained by the United States. From the very start of negotiations to the conclusion of the treaty, the United States had been the primary factor in determining the Japanese pace in treaty negotiation with China. Throughout the period, Tokyo had kept a watchful eye on Washington's reaction to the treaty, worrying that the signing of the treaty with China would be out of the step with the U.S. China policy at the time. Tokyo linked Sino-U.S. normalization to its peace treaty negotiation with China. As long as the U.S. had no intention to normalize its diplomatic relations with China, Tokyo was in no great hurry to conclude the treaty and wanted to push its demands on Beijing as far as possible. This explained why the treaty negotiation fell into limbo during 1975-1977 despite the strong Chinese interests. Tokyo's final decision to sign the treaty came after repeated assurances from the United States that Sino-U.S. diplomatic normalization was imminent and that the U.S. was not opposed to the Sino-Japanese peace treaty. The special importance Tokyo attached to the U.S. in its China policy was again illustrated when Tokyo made final concessions to China which it had thus far refused to make. The urgency of concluding the treaty arose when Fukuda learned of the U.S. determination to go ahead with normalization with China in the spring of 1978. The timing of Fukuda's firm decision to resume the treaty talks could not be accidental. The fact that

it followed closely with the Carter-Fukuda summit in Washington, Brzezinski's trip to China, and Brzezinski's meeting with Fukuda in Tokyo on his way back from Beijing, clearly indicated that the U.S.-Japanese relationship continued to be a determining factor in Japan's drive for an autonomous China policy.

Second, the scope of the China policy regime continued to narrow since the 1972 diplomatic normalization. Many of the complex issues that confronted the Japanese government prior to the 1972 normalization had become virtually eclipsed. The conclusion of the peace treaty with China further closed up an issue that had plagued Japan, China and the U.S.-Japanese relationship since the early 1950s. There remained few existing issues in the China policy regime, with the exception of export controls through CoCom. There were, however, a couple of new issues cropping up after 1972, especially after the signing of the peace treaty in 1978. First, to what extent would the changing U.S. China policy affect Japan's role as an U.S. strategic ally? Second, to what extent should Japan be involved in assisting China's economic modernization without jeopardizing U.S. economic and political interests in China? This issue would prove to be a major and lasting issue for the China regime in the coming years. Nonetheless, the overall scope of the China policy regime is narrowing as the regime underwent transformation.

Third and finally, the underlying principle of the China

policy regime--reducing the China threat through U.S.-Japanese policy cooperation--continued to erode with the signing of the peace treaty between Japan and China. But the declining importance of the underlying principle for the China policy regime was offset by the new objective of countering the Soviet threat shared by the United States and Japan. This new common objective helped maintain the cohesion of the regime, thus, sustaining the strong momentum for U.S.-Japanese cooperation on China policy. The 1978 peace treaty marked the beginning of an era where, instead of being a military threat and the primary target of the U.S.-Japanese China policy regime, China was to become an major ally for both the U.S. and Japan in countering the Soviet military threat in East Asia. The importance of U.S.-Japanese cooperation on China policy increased as the Soviet threat grew. With this new shared objective serving as a substitute to maintain the cohesion of the regime, U.S.-Japanese cooperation on China policy was being transformed into a more equal regime, or "negotiated order."

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Chapter 5 Economic Diplomacy In China

Sino-Japanese economic relations have expanded in all dimensions during the past two decades because of mutual economic needs for each other. Whereas Japan perceived China as a viable alternative for its economic dependence on the West, China has increasingly relied on Japan for advanced technologies and capital in its effort to modernize its economy. Economic interdependence between the two countries is now gradually emerging as China deepens the opening of its economy to the outside world.

Nonetheless, economic convenience alone does not seem to explain the whole picture of Japan's economic policy toward China. Since the second half of the 1980s, Japan's economic policy toward China has been tinged with political interest defined as achieving a solid and stable bilateral relationship. Without a viable military instrument, Tokyo has come to rely on its Official Development Assistance (ODA) as a substitute to pursue its political and strategic interests. Needless to say, Japan's ODA has played an indispensable role in its increasingly assertive economic policy toward China.

To be sure, Japanese economic relations with China have experienced many twists and turns since the 1972 diplomatic normalization. U.S.-Japanese relations continued to shape the direction and the pace of Japan's economic relations with China. The fluidity of the Chinese political system added one

more factor to influence the Sino-Japanese economic relationship. With the rapidly changing international balance of power in the late 1980s, Japan's economic policy toward China has become more assertive. Increasingly, Japan has shown its willingness to openly challenge U.S. policy objectives in China when conflict of interests arises.

This chapter will examines the evolution of Japan's economic policy toward China in the past two decades to determine how changing U.S.-Japanese relations shaped Japan's economic policy toward China during the same period.

Japan's Trade Relations with China

Objectives of Japan's Trade Policy

The conduct of Japan's economic diplomacy with China in the 1970s was in large part motivated by its economic interests. The formation of Japan's economic policy toward China during this period could not be separated from the several significant changes of international economic relations that have had profound impact on the Japanese economy. First, starting in the late 1960s, the U.S.-Japanese economic relations was undergoing great difficulties, culminating in the dispute over Japanese textile imports into the United States. The dispute then prompted President Richard Nixon to contemplate the use of the Trading With Enemy Act

against Japan's recalcitrant stance on the textile issue. The deterioration of U.S.-Japanese economic relations had alarmed the Japanese government and business community of the danger of over-dependence on the U.S. for its export market. Second, the 1973 oil crisis and the subsequent worldwide recession further fueled Japanese concern about their economic vulnerability to the outside world. Hence, the diversification of Japan's raw material imports and export markets became the main strategy to cope with these two problems.

Naturally, Japan's China policy was incorporated into the overall scheme of its foreign economic policy. Prior to the establishment of the bilateral diplomatic relations, some big Japanese trading companies were already convinced that China needed Japan's technology and capital, no less than Japan desired to diversify its imports of raw materials and its export market. They painted a rosy picture of future Japanese-Sino trade relations after diplomatic normalization. For instance, Mitsui had forecast in 1972 that Japan's trade with China, then at $1 billion, would expand five-fold to $5 billion in five years and reach $10 billion in ten years.[1]

Economic interest was an important motivation in Tokyo's hastened diplomatic recognition of China in September 1972. Evidently, Japanese mainstream businesses such as the powerful Keidanren had played an essential role in pushing Prime Minister Tanaka to befriend China. In August 1972, a Japanese trade mission headed by Yoshihiro Inayama, president

of Nippon Steel, visited Beijing. In addition to serving as a political messenger for Prime Minister Tanaka, Inayama also secured some favorable pledges from China regarding the terms of trade after the diplomatic normalization. These terms included Chinese consideration of Japanese participation in oil exploration, export of oil to Japan, and import of steel and heavy electrical equipment from Japan. These promises had reinforced the support for the diplomatic normalization from the Japanese business community.[2] As one scholar stated, "the globlization of Japan's economic interests and the key importance of a national resources policyare essential elements in the equation of Japan's trade with China."[3]

The Soviet invasion of Afghanistan in 1978 and its military buildup during the late 1970s dramatically shaped the Japanese perception of the nature of international security. The second oil shock of 1979 and the subsequent world recession clearly eroded the U.S. economic capability as a world leader. The Soviet invasion of Afghanistan and the Vietnamese invasion of Cambodia further revealed the military facet of declining U.S. hegemony to the Japanese. The once unequivocal U.S. global hegemony seemed to be on the defensive, and the economic facet of national security loomed larger and larger. There was growing anxiety within the Japanese government to search for an independent role from the U.S. in order to protect its own economic interests.

Soon after Prime Minister Masayoshi Ohira came to the

office in 1978, he ordered the establishment of a study group composed of leading scholars and bureaucrats in the nation. The main objective of the Study Group was to grasp the changing nature of the security threat and to come up with a new vision to cope with it in light of Japan's lack of an independent military instrument. As the Report on Comprehensive Security that came out of the so-called the Ohira study group recognized, "[i]n considering the question of Japan's security, the most fundamental change in the international situation that took place in the 1970s is the terminating of clear American supremacy in both military and economic spheres....As a result, U.S. military power is no longer able to provide its allies and friends with nearly full security."[4] As one scholar puts it,"the definition of a security threat came to include such eventualities as an interruption in the supply of raw materials, particularly oil, sudden price rises and food embargoes. Such threats can occur even in peace time."[5] The report advocated stronger military ties with the United States, an increase of Japan's military strength within the limits of the Constitution, and the use of economic means, to achieve comprehensive security. Needless to say, the use of economic means was considered the most important. The report issued by the Study Group proposed countermeasures that included diversifying sources of raw materials, stockpiling oil and economic aid programs to Third World countries.[6]

That Japan's economic policy toward China was an integral part of Japan's drive for economic security remained unchanged in the late 1970s and early 1980s. Mutual needs between the two countries were transformed into the concept of "economic complementarity," which was exemplified by the signing of the trade agreement between the two countries in 1978. The agreement in essence set targets for the export of China's crude oil in exchange for Japan's export of machinery.

Former MITI vice minister Keiichi Konaga once made the objective of Japan's economic policy toward China plainly clear. He said the major reason why there had been so much tension in the U.S.-Japanese bilateral economic relations was the excessive dependence of Japanese exports on the U.S. market (40% in 1987). He asserted that, to reduce over-dependence and tension, it was advisable to move Japan's economic pivot a little closer to Asia from North America without jeopardizing bilateral U.S.-Japanese relations. Because China was a huge market and has a lot of potentials in human resources, a close Japanese-Sino relationship presented to Japan a potential solution to the dilemma of over-dependence on the United States.[7]

Currently, the drive for market diversification continues to be a major objective of Japan's economic diplomacy in China. MITI's general trade policy guidelines for 1991 described three major policy objectives toward China: to intensify bilateral trade relations and cooperation; to ensure

that China remains an important source of Japan's energy supplies and an important export market for Japan; and to avoid isolating China in order to preserve peace in East Asia.[8]

The Maturing of Japanese-Sino Trade Relations

Japan's trade policy toward China appears to be an integral part of Japan's drive for economic security. Prior to the 1972 diplomatic normalization, many Japanese business leaders and pro-China politicians alike had tried hard to expand Sino-Japanese trade relations. The 1962 Liao Chengzhi-Takazaki Tatsumosuke agreement (known as the L-T trade agreement) set up a five-year trading arrangement between the two countries. In 1967, the L-T Trade agreement was extended and became the "Memorandum Trade."

After the normalization of the bilateral diplomatic relations in late 1972, Sino-Japanese trade relations expanded in all dimensions. In 1972, Japan lifted restrictions on loans to China made by the Export-Import Bank of Japan (Exim Bank). In 1973, China began to export oil to Japan. A formal trade agreement was signed by the two countries in 1974. Bilateral agreements on fishery, aviation, and navigation were subsequently completed in 1973 and 1974. In February 1978, a long-term trade agreement was signed between the two countries, which would cover the period of 1978-1985. Since

1980, Japan has granted China preferential tariff treatment for its exports to Japan, hoping that increasing Chinese exports would in turn stimulate Japan's exports to China.[9]

The trade agreement of 1978 exemplified the so called "economic complementarity" between Japan and China. Based on the agreement, China would cultivate its abundance of resources by exporting $10 billion worth of oil to Japan in the 1979-1985 period. In return, Japan would utilize its comparative advantage in advanced technologies by exporting approximately the same amount of machinery to China. However,because of the increasing domestic demand for petroleum and the plunge of world oil prices, China's petroleum exports failed to meet the targeted quotas set by the agreement. The long-term trade agreement of 1978 was extended from 1985 to 1990.

Throughout the years, bilateral trade has been heavily influenced by the Chinese political climate and the general economic policy directions pursued by the Chinese government. During the turbulent year of 1976, bilateral trade shrank 20% from the previous year's level. After the political turmoil of 1976, new Chinese leadership under Hua Guofeng became more receptive to foreign technology. At the third plenum of the 11th Chinese Communist Party Congress, economic construction and modernization replaced the slogan of "class struggle" as the main party line. The ambitious "ten-year economic development plan" drawn up in 1978 called for the importation

of large amounts of machinery from the West, especially Japan. In the early 1980s, Beijing's concern that excessive imports could drain its limited foreign reserves led to the abrupt cancellations of many plant contracts with Japanese companies. The cancellation, which caused large losses for Japanese companies, cooled down the Japanese fervor for doing business in China. Since then, many Japanese companies have remained wary of China's political climate.[10]

Over the years since 1972, total bilateral trade has come a long way. In 1972, it barely passed $1 billion. By 1981, bilateral trade surpassed $10 billion, and in 1989, reached a historical height of $19.6 billion. Moreover, since the late 1980s, Japan has run a sizable trade deficit with China. This trade deficit with China can be attributed to two factors. First, growing foreign direct investment, especially from Hong Kong and Taiwan, has helped strengthen Chinese export capability. Second, the deflationary policy which China adopted in the late 1980s in the wake of an overheated economy also led to the shrinking of Chinese imports from Japan.[11]

Over the years, changes in Sino-Japanese trade relations not only occurred in the total volume of bilateral trade, but more importantly, in the structure of bilateral trade. In the 1970s, bilateral trade can be largely characterized as China exporting energy resources in exchange for Japanese machinery and metal articles. In the 1980s, bilateral trade has

exhibited an increasing degree of diversification and sophistication. Japan's exports of machinery and metal articles to China started to decline, with imports of textile and other manufactured goods from China increasing rapidly. Japanese exports of metal articles as a percentage of total bilateral trade constituted as much as 33% in 1980, but it decreased drastically to 18% in 1989. On the other hand, Japan's import of China's energy supplies, which constituted 55% of total Japanese imports from China, fell to only 17% in 1989. At the same time, China's exports of manufactured goods to Japan has quadrupled, rising to as high as 53% in 1989 from 22% in 1980 (see Table A in Appendix).

Conceivably, trade interdependence between Japan and China has been very uneven. Japan is currently the second largest trade partner for China following Hong Kong. The importance of Japanese technology for the Chinese is evident. Whereas China's share of Japan's import market fluctuated around 5%, Japan's share of China's import market reached as high as 35% in 1985, and then declined to 17.8% in 1989. While some 15-20% of China's exports have gone to Japan over the years, Japan's exports to China only constituted 3% of total Japanese exports in 1989.

Japanese Direct Investment in China

Foreign direct investment in China has been a fairly

recent phenomenon. The decade-long preaching of self-reliance in China had effectively shut the door to foreign advanced technology and capital. The 1978 open door policy called for the utilization of foreign capital and advanced technology. But political uncertainty brought about by leadership change in China in the late 1970s significantly hindered inflows of foreign direct investment.

Like trade, Japanese direct investment was shaped by the political climate in China. Prior to 1983, Japanese businesses were extremely cautious about investing directly in China, mainly because of political uncertainty there. Lack of adequate infrastructure, investment regulation, and a convoluted bureaucratic system also contributed to the slow start-up of Japanese investment in China. In the second half of 1983, a bilateral tax treaty aimed at avoiding double taxation was signed. This had the effect of improving investment environments in China.[12] After 1983, the Japanese government discerned more signs of political stability and a gradual improvement of China's investment-related regulations. In November 1985, MITI began providing trade insurance to Japanese direct investment in China, a sign of encouraging direct investment in China.[13] MITI's trade insurance serves as collateral for obtaining Exim Bank's loans for exports and overseas investment. Likewise, private financial institutions also used MITI's trade insurance as collateral to make their lendings to Japanese companies investing overseas.[14] Thus,

MITI's trade insurance could be an effective way of channeling Japanese direct investment.

The 1985 revaluation of the yen against the dollar was a turning point for Japanese overseas investment. Under MITI's guidance, Japanese firms that had hitherto relied on exports to thrive were forced to look out for overseas investment opportunities in order to cope with an expensive yen. Although the bulk of Japanese investment has gone to North America, ASEAN and the Newly Industrialized Countries in Asia also became important destinations for Japanese foreign direct investment.[15] Small to medium-size Japanese firms were especially interested in investing in China. According to a survey conducted by Japanese Overseas Trade Development Association, among 129 small to medium manufacturing firms that have decided to invest in Asia, 29 firms had plans to invest in China, or approximately 22%.[16]

However, the amount of Japanese direct investment in China has been minute relative to its total overseas direct investment, and fallen short of China's rapid demand for foreign capital. According to the Japanese Ministry of Finance's own data, Japan's direct investment in China accounted for only 1.1% of the total Japanese overseas direct investment in 1985. Accumulated Japanese direct investment in China totaled a mere $2.8 billion by 1990, a very small fraction of total Japanese overseas investment (see Table 1). From time to time, Beijing would complain that Japanese direct

investment in China was passive and minuscule compared with its investment in other countries. Tokyo contended that the Chinese economic climate and conditions were not conducive to foreign investment, and that inadequate investment incentives as well as protection had led to a lack of enthusiasm on the part of Japanese investors. The examples they frequently pointed to included: that Chinese regulation of foreign investment and joint-ventures did not follow international business practices; that manufacturing supplies were hard to obtain because of the nature of the Chinese centrally planned economy; and that China's foreign exchange rate regulations were too restrictive. The Chinese complained that Japanese technology transfer was slow and reserved, because of the fear of a boomerang effect. The Japanese side argued that because of the shortage of Chinese foreign reserves, China often partially imported Japanese technologies and replaced the rest of them with domestic parts. The Japanese side argued that this Chinese strategy tended to cause problems in the transfer of technology.[17]

Bilateral trade frictions on foreign direct investment gradually subsided by the late 1980s as a result of genuine efforts made by the two governments. In August 1988, Japan and China signed the Investment Protection Treaty when Prime Minister Takeshita visited China. Provisions of compensation and terms of payment for Japanese investment in China in the event of nationalization or state confiscation were stipulated

in the treaty. Moreover, in the treaty China agreed to accord the so-called national treatment to Japanese business entities operating in China. The provision had been sought by the Japanese business community for a long time. The two sides started negotiations on the treaty in 1981 but became bogged down on the issue of granting national treatment clause to Japan.[18] To speed up the pace of foreign direct investment in China, the Japanese business community, along with the government, established the Institute for Promoting Japanese Investment in China in March 29, 1990.[19]

Table 1. Japanese Direct Investment In China During 1979-90 (in millions of dollars and by cases)

year	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Total
Case#	6	9	4	5	66	118	85	101	171	126	165	859
Amount	12	26	18	3	114	100	226	1,226	296	438	349	2,823

Source: Ministry Of Finance, Zaisei Kinyu Tokkei Geppo, December 1991, No.476.

Table 2. U.S. Direct Investment in China During 1982-91 (in millions of dollars)

Year	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Total
Amount	49	100	209	242	167	207	307	364	300	350	2,295

Source: U.S. Department of Commerce, Survey of Current Business, August 1992, p.142.

While U.S. direct investment in China started much faster than Japanese investment before the mid 1980s, the pace of Japanese direct investment in China quickened in the late 1980s, especially in 1987 and 1988. Japan now is steadily catching up with the United States in terms of accumulated direct investment in China (see Table 1 and 2). The amount of Japanese investment in China totaled $1,226 billion by 1987, a more than five-fold increase from the 1986 level. Annual cases of Japanese direct investment in China increased to 171 in 1988 from 101 in 1987. Japanese direct investment in China 1989 was dampened in the wake of the Tiananmen incident. But in 1990 foreign direct investment from Japan rebounded to 165 cases, approaching the 1988 level.

Table 3. Summary of Japanese Investment In China By Sectors (by cases)

Industries	1982	1984	1986	1988	1990	Total
Food	0	9	14	20	8	79
Textile	0	4	5	23	40	108
Chemical	0	1	4	8	6	47
Engineering	0	2	2	11	6	37
Electric Engineering	0	2	3	15	11	64
Fishery	0	0	5	11	4	36
Mining	0	0	2	0	7	11
Construction	0	3	0	0	1	13
Finance	0	0	1	0	1	3
Service	1	16	20	20	25	149
Transportation	0	3	1	0	1	13
Real estate	0	3	3	3	3	29
Others	3	23	25	69	62	270
Total	4	66	85	171	165	859

Source: Ministry of Finance, Zaisei Kinyu Tokkei Geppo, December 1991, No.476.

Over the years, as China deepens its economic reforms, Japanese direct investment in China has displayed some structural change. Traditionally, Japanese private capital was centered around a handful of low-risk and labor-intensive industries in China, which included food, textiles, hotels, consumer electronics. Now Japanese investors have started to make inroads into relatively high-risk and capital-intensive sectors, such as banking, real estate, transportation, mining and automobiles (see Table 3).

Deng Xiaoping's tour in Southern China in January 1992 spurred a new round of economic liberalization throughout the country after the 1989 Tiananmen Incident. The recent conclusion of the 14th Party Congress further assured the world that its leaders remain committed to the continuation of economic reforms. For the first time since 1949, two stock exchanges, one in Shanghai, one in Shenzhen, were sanctioned. A special category of stock, known as B-share, was created for foreign investors, who are now rushing into the Chinese stock markets to take advantage of a bullish atmosphere. Following Shanghai and Shenzhen, other major coastal cities have taken steps to liberalize financial markets by allowing foreign banks to open branches. Japanese major corporations are eager to take advantage of this new wave of economic reforms in China. Furthermore, the influx of overseas Chinese capital from Hong Kong, Taiwan and Southeast Asia has fueled Japanese firms' worry about being left out in China. China is becoming a site of attraction for Japanese capital. A recent survey by the Export-Import Bank of Japan ranked China as the first choice for new Japanese direct investment this year.[20] The Bank of Tokyo has been approved to establish a branch in Dalian. The Sumitomo Bank will soon open a branch in Guangzhou.[21] China's transportation system is also opening up to foreign investors. A major Japanese firm has signed an agreement with the provincial government of Fujian to build the first bullet train system in China. The railroad will

connect Xiamen and Fuzhou, two booming coastal cities in Fujian. The Japanese carmaker Daihatsu is considering expanding its joint-venture with Tianjin Automobile Industry Corp. to include the production of passenger cars. Previously, Daihatsu joint venture, as the first Japanese automaker to produce cars in China, has been confined to the production of commercial-use vehicles.[22] In short, Japanese direct investment will likely play an increasingly important role for China's economic modernization as China liberalizes its economic system.

Japan's Yen Diplomacy In China

Changing Objectives of Japan's Economic Policy Toward China

Starting in the late 1970s, the objectives of Japan's economic policy toward China were no longer confined to pure economic interests, evidenced in the rhetoric of "economic complementarity." Instead, Japan's objective of economic policy has obtained a strong coloring of political interests. It has served to maintain a politically stable, economically sound China, and therefore contributed to peace in East Asia. Assisting China's economic modernization now became imperative in order to achieve the objective of maintaining a politically stable China. Given Japan's constitutional limitation on the use of force, its foreign economic policy now serves as an

essential means to advance its political objectives in China.

As one Japanese scholar wrote in 1980, Japan's economic cooperation with China should also take into consideration political stability in China when assisting China. As experience of most developing countries has revealed, if a developing country embarks on an unreasonably high speed of industrialization, the likelihood of having political instability is high. Though political instability may be inevitable in the short-run in China, Japan should avoid measures that might exacerbate political instability. Therefore, Japan should take these political factors into consideration when making economic policy toward China.[23]

Similarly, Hiroshi Fukuda, the then Deputy Director General of Asian Affairs Bureau, Ministry of Foreign Affairs, once asserted that the sustaining of the Chinese open door policy to modernize its economy is essential for peace and stability in Asia. Hence, the objective of Japan's China policy should aim at supporting Chinese modernization efforts by all means.[24]

The same theme was also echoed in the official Japanese publication, the Diplomatic Bluebook. The 1984 diplomatic bluebook stated that:

> Realizing that good and stable relations between Japan and China contribute not only to the two countries themselves but to the peace and stability of Asia and the world, Japan will continue to cooperate positively with Chinese efforts for economic construction.[25]

The importance of Japan's ODA as an instrument of its

China policy seemed to stem from two underlying assumptions. First, China is the most populous country in the world. China's endeavors for rapid economic modernization could breed political instability, which would possibly lead to massive exodus to its neighboring countries. Japan surely would bear the brunt of massive exodus. Through its economic assistance, Japan could help maintain a politically stable, economically sound China, and therefore contribute to peace and stability in East Asia. Second, a strategic dimension might have entered Tokyo's equation when allocating its ODA to China during the heyday of the Cold War in Asia. China is militarily strong but economically backward. An economically strong China could sustain China's counter-weight to the Soviet threat in Asia. This policy objective was also consistent with U.S. China policy at the time. Thus, it is in Japan's strategic interest to help China's modernization. Given Japan's constitutional limitation on the use of force, its foreign aid could serve as an essential means to advance its political objectives.

In the late 1980s, as the Soviet threat was diminishing as a result of Gorbachev's reform programs, Japan rose to the status of an economic superpower simultaneously. Japan now is aspiring to seek a political role on the global scale commensurate with its economic superpower status. Prime Minister Takeshita delivered a speech in London on May 1988, which marked a turning point of Japan's new global diplomacy.

> It is the responsibility of Japan, as a major industrialized democracy, to play a positive role, commensurate with its increased national strength, in order to maintain peace in the world and to secure the prosperity of the international community. Based on this conviction, I would like to take this opportunity to announce to the world Japan's "International Cooperation Initiative," which is comprised of the following three pillars. First, the strengthening of cooperation to achieve peace. Second is the strengthening of international cultural exchange. Third pillar is the expansion of Japan's official development assistance [26].

In June 1988, at the G-Seven Summit in Toronto, Prime Minister Takeshita overshadowed President Reagan and Prime Minister Thatcher by proposing to spend $50 billion for ODA over five years. This would be Japan's fourth aid-doubling terms since 1978.[27] Japan's ODA has now become the major instrument of Japanese foreign policy that aspires to global prestige and influence. In addition, as a rising economic superpower, Japan has also committed itself to solving prominent global problems such as environmental pollution and third world debts.[28] Partly due to criticisms from other industrialized countries, environmental protection, an area where a rich and technologically sophisticated Japan could contribute to the world and enhance its global prestige and influence, has gradually emerged as a major part of Japan's drive for a global role. Besides, as a relatively newer developed country, Japan has had extensive experience in coping with environmental issues in the course of industrialization. Japan has increasingly demonstrated its willingness to take initiatives in environmental issues. In 1988, Japan spent one-fifth of ODA grant aid and close to one-

tenth of ODA direct loans on environmental-related programs such as upgrading living conditions (water supply, waste disposal), pollution control, environmental conservation in developing countries.[29] In 1989 at the Paris Summit where environmental protection was one of the key issues discussed, Tokyo vowed to increase its contribution to global environmental protection through ODA and pledged to increase its ODA for environment protection to around Y 300 billion during 1989-1992.[30] At the June 1992 Rio Earth summit, once again Japan attempted to play the role of the "environmental superpower" that the world was demanding it to be. At the Conference, Japan pledged to offer $1-1.5 billion annually to developing countries in solving environmental problems such as global warming and pollution.

Against the backdrop of this changing international situation, Japan's China policy underwent further change. Japan's China policy now is added with another dimension, the desire to play a global role and to shoulder global responsibility. Japan's China policy has become increasingly assertive in the midst of searching for diplomatic autonomy. Consistent with this new assertiveness, Japan's ODA to China is increasingly becoming the most important instrument of Japan's economic diplomacy in China. Issues such as the improvement of life quality, and environmental pollution in China have received more attention from Japan than ever before.

Japan's ODA Policy Toward China

In the early days of the post-war period, under agreements with its former colonies in Southeast Asia, Japan had used its Official Development Assistance (ODA) as a substitute for war indemnities. Intentionally or not, Japan's ODA had effectively contributed to promoting its economic interests in the region. Gradually, ODA has become an important instrument of Japanese foreign policy. In 1989, Japan replaced the United States as the largest ODA donor in the world.

Japan's ODA has four major characteristics. First, compared with other international donors, a large proportion of total ODA is direct loans, hence, the proportion of grant aid is relatively small. Second, the bulk of loans are tied aid (loans that are linked to purchase of Japanese goods and services) in comparison with OECD's other major foreign aid donors. Third, by sectoral distribution, Japan's ODA is highly concentrated on the building of infrastructure such as roads, bridges, port facilities, power stations and energy exploration, which fit well into Japanese economic interests.[31] The proportion of ODA loans allocated to building recipient countries' infrastructure constituted as high as 72% in fiscal year 1987, and then declined to 50% in FY1989.[32] Fourth, by regional distribution, Japan's ODA is highly

targeted toward Asia. Every year, about 60%-70% of Japan's total ODA is allocated to Asia.

Table 4. Japan's ODA To China, 1979-1990 (Actual Figures, in millions of dollars)

	1979	1980	1981	1982	1983	1984	1985
Grant aid	2.0	3.4	12.1	38.6	51.1	41.5	42.7
Technical Assistance	2.6	3.4	9.6	13.5	20.5	27.5	31.2
Direct Loans		0.9	15.6	330.2	299.1	347.9	345.2
Total(aid+Loans)	2.2	4.3	27.7	368.8	350.2	389.4	387.9

	1986	1987	1988	1989	1990	Total
Grant aid	86.7	130.3	154.7	164.1	201.3	929.2
Technical Assistance	61.2	76.0	102.7	106.1	163.5	617.3
Direct Loans	410.1	422.8	519.0	668.1	521.7	3,880
Total(aid+loans)	497.0	553.1	673.7	832.2	723.0	4,809

Source: Ministry of Foreign Affairs, Japan, Japan's Official Development Assistance, 1985, 1987, 1991.

The conventional view that Japan's ODA serves to promote its economic interests does not seem to explain the whole picture of Japan's ODA to China. For instance, while Japan's ODA has been criticized for its relatively low ratio of untied loans, its ODA to China is almost 100% untied and on average Japanese firms received only about 20% of Japan's ODA projects in China. Moreover, China has enjoyed quite a lot of say in selecting contract bidders for ODA projects.[33]

In 1978, the newly-consolidated Chinese government under the leadership of Hua Guofeng and Deng Xiaoping began to turn to the Japanese government for supporting China's economic modernization program. The Japanese government as well as the business community saw that the new economic modernization policies and increased political stability in China presented opportunities for close economic and political cooperation between the two countries. Following the signing of the Long-Term Trade Agreement in February 1978, a bilateral peace treaty aimed at reinforcing bilateral political relationship was concluded in August 1978. In December 1979, Prime Minister Masayoshi Ohira put forth Japan's first yen loan to China, which totaled Y330 billion (about $1.3 billion). The yen loan was concessional, carrying a low interest rate of 3.125% with a relative long maturity term and a ten-year moratorium for repayment. It was the first time that China

ever received foreign official assistance. To accommodate concerns of the United States and ASEAN countries, Ohira announced a policy guideline for Japan's ODA to China known as the "Ohira's Three Principles," which will be discussed later.

It appeared that, aside from helping Chinese economic modernization, Japan's first yen loan to China also served Japanese business interests. The bulk of ODA loans approved went to finance projects, either directly or indirectly related to Japanese imports of Chinese energy supplies stipulated in the long-term trade agreement of 1978. For example, infrastructure improvement in Port Shijiusuo and Port Qinhuangdao were two major projects funded by the first yen loan. Both ports were to be used to ship the bulk of Chinese coal exports to Japan. Another major project funded by the yen loan, the Wuqiangxi hydroelectric power plant, was designed to help develop China's non-ferrous metals supplies. Non-ferrous metal supplies were considered a big item of Chinese exports to Japan for purchasing Japan's high technology at the time. The other two hydroelectric projects that were denied loans did not have any direct linkage to China's exports to Japan.[34]

It is also interesting to note that two major participating ministries of Japan differed in their objectives in extending loans to China. On the one hand, MITI was more concerned with promoting Japan's economic interests in China and advocated tied loans to China in order to strengthen the

presence of Japanese business in China. On the other hand, the Ministry of Foreign Affairs led by Minister Sunao Sonoda believed that the yen loan should be used deliberately to support the Hua-Deng pragmatist approach and thus stabilize the political situation in China at a time when this new leadership was still very fragile after the ousting of the Gang of Four. Some even speculated that the Ministry of Foreign Affairs wanted to use the yen loan to dash the prospects of a renewed Sino-Soviet alliance when it expired in 1979. The final result of project-building in China was a compromise between the two major ministries.[35]

During his official visit to China in March 1984, Prime Minister Yasuhito Nakasone announced that Japan would extend its second yen loan to China, which totaled Y470 billion (or $1.9 billion). An article in the Asahi Shimbun hailed that the second yen loan might accomplish two objectives for Japan. For one, the growing Soviet military presence in the Far East and the uncertainty of the pending negotiations on the Intermediate Nuclear Forces (INF) between the U.S. and the USSR aroused Japanese concern about their national security. Having a close ally such as China would allay Japanese fear of the Soviet military threat. Japan's economic assistance to China seemed capable of strengthening China's ability to counter the Soviet military threat in the Far East. Second, continued economic modernization in China has reinforced the belief of the Japanese business community that they could not

afford to ignore the potential size of the Chinese market. The yen loans were deemed necessary to strengthen Japanese business presence in China as well as meeting the Chinese needs for capital.[36]

While visiting China in 1988, Prime Minister Noboru Takeshita announced Japan's third yen loan to China, which totaled Y810 billion. Takeshita also promised Japanese grants for improving China's environmental protection.[37] The third yen loan package was later suspended in the wake of the Tiananmen Incident in 1989.

As environmental protection looms large as a major issue in Japan's "global diplomacy," China now is to become one of the major beneficiaries for this new Japanese policy. In August 1991, MITI announced its plan to transfer de-sulfurization technology to China as part of its action programs to implement the so called "earth recycling plan" proposed in the 1990 G-7 Summit.[38] Moreover, the International Center for Environmental Technology Transfer (ICETT), which was established by MITI in 1989 to train technical personnel from developing countries, will soon open an overseas office in China.

Against the backdrop of the thawing Cold War and the emergence of Japanese economic superpower in the late 1980s, Japan's China policy appeared to have become an important part of Tokyo's striving for "global diplomacy." The political dimension of its policy objectives toward China loomed large.

Tokyo's forceful resumption of its yen loan to China at the Houston G-7 summit in the summer of 1990 exemplified this growing assertiveness of Japanese foreign policy toward China. At the summit, Japanese Prime Minister Kaifu took a bold step to declare that Japan would resume its third yen loans to China. Japan's surprising move incurred overt criticism from the leaders of West Germany, France and Canada at the summit as well as from many in the U.S. Congress, who charged that Japan was seeking its economic interests in China at the expense of higher moral causes, such as human rights. Moreover, Prime Minister Toshiki Kaifu objected to the wording of part of the draft declaration for the summit that overtly criticized China's human rights record. The wording was eventually changed to a milder one.[39] In November 1990, four months after the Houston Summit, Japan formally resumed its third yen loan to China. The loan for the year of 1990 totaled Y36.5 billion.[40]

Japan's decision was an open departure from industrialized countries' concerted sanctions against China in the wake of the Tiananmen Incident. As the Japanese Diplomatic Bluebook clearly noted, the decision "was symbolic of the present era that Japan decided to act on Asia-Pacific issues on its own initiative and responsibility and that the other leaders there respected this decision."[41] When explaining Japan's resumption of yen loans to China, Sakutaro Tanino, Director General of the Asian Affairs Bureau, Japanese Ministry of

Foreign Affairs, wrote in Japan Review of International Affairs that:

> Japan recognizes that China's domestic stability and its readiness, based on such stability, to pursue its reform and open-door policies will not only benefit China itself but serve as a particularly important element in peace and stability of Asia-Pacific region and of the world as a whole. It is the basis on which the Japanese government has promoted its ties with China and has in particular supported that country's modernization efforts. It is also the basis for the government's provision of development assistance to China, a policy that has enjoyed wide support among the Japanese people...
>
> Faced with this sort of trouble (the Tiananmen Incident) in relations between China and the West, Japan feels that it is its role, as a country that is both Asian and a member of the Western bloc, to find ways to let China assume a stable position in the international community. This means, in other words, that Japan may have to move a step or two ahead of other Western nations. [42]

Japan's decision at the Houston Summit marked a significant departure from Japan's previous ODA policy toward China. It was a far cry from the "Ohira's Three Principles" announced in 1979 which stated that Japan would seek to coordinate its aid policy to China with other industrialized countries.

The Gulf War of 1991 had a profound impact on the Japanese foreign policy outlook. It galvanized the conflict between Article 9 of the Constitution, which prohibits the sending of Japanese troops overseas, and Tokyo's aspiration for a greater role in world politics. The importance of Japan's ODA as a foreign policy instrument was elevated to a new height, since it serves to balance these two seemingly

irreconcilable objectives. In April 1991 after the end of the Gulf war, Tokyo put forth the "Four Principles for ODA" in an attempt to offset its image of non-engagement in the Gulf War. The "Four Principles for ODA" stated that future Japanese ODA allocation will take into account policies of ODA recipient countries in terms of: (1) the ratio of military expenditure as percentage of the economy; (2) the procurement of destructive weapons; (3) arms export policy; and (4) the pace of democratization and economic liberalization. Conceivably, the implementation of these four principles will give Japan more discretion in selecting ODA recipients and determining the amount of assistance to be given, thus, enabling Tokyo to exert influence on the policies of its ODA recipient countries.

Whether or not Japan's new ODA policy can exert influence on China remains to be seen. Currently, China is actively engaged in arms exports to third world countries. During his visit to China in August 1991, Prime Minister Kaifu appealed to China to endorse the Nuclear Non-Proliferation Treaty (NPT). At the end of the visit, Kaifu announced that a total of Y129.6 billion loan would be given to China for the fiscal year 1991 as part of the pledged third yen loan.[43] In addition, Prime Minister Kaifu indicated that he intended to resume the third bank loan to China (about Y700 billion), which also was suspended in the wake of the Tiananmen Incident. It is unclear whether or not Kaifu's appeal has had

any impact on Beijing's subsequent promise to endorse the NPT.[44] However, Kaifu's visit suggested that the two countries have come to realize the importance of bilateral consultation on issues like the NPT and that cooperation on international affairs between the two countries is possible.

During Kaifu's visit to China, a new way of allocating ODA to China was contemplated. The past three yen loans were allocated on a five-year cycle in accordance with China's official five-year economic plan. Now Tokyo wants the amount of yen loans to China be allocated on a yearly basis instead of on a five-year cycle. This aid distribution system proposal will surely make Japan's ODA more closely linked with China's economic modernization endeavors.

Currently, as China deepens its economic modernization, Japan's ODA is becoming all the more important in strengthening its bilateral relationship with China. In 1991, Japan's Overseas Economic Cooperation Funds (OECF) and the Chinese city of Dalian agreed to develop an industrial park in Dalian aimed at attracting foreign investment there. In contrast to direct loans, this is the first time that Japan's OECF ever participated in a direct investment venture in China. In November 1991, a report prepared by the Study Group On Assistance To China (a private organization headed by former Foreign Minister Saburo Okita) called for the continued strengthening of Japan's support for China's modernization through its ODA. The report implicitly warned that Japan's

aid policy toward China should not be unduly concentrated on high technology transfer to China while neglecting basic human needs and infrastructure-building. The report recommended a different kind of "Four Principles" upon which Japan's conduct of economic diplomacy toward China in the near future should be based. These four principles are: (1) close Sino-Japanese relations are essential for world peace; (2) Japan should respect and support China's economic reforms; (3) Japan should take into consideration imbalance of China's economic development between well-off coastal regions and backward interior regions when making ODA policy toward China; (4) Japan should also take into account China's population and territorial issues when making ODA policy toward China.[45] The Okita report did not depart from the basic tenets of Japan's previous China policy in the sense that the objectives of maintaining close Sino-Japanese relations and of supporting Chinese economic reform continue to figure prominently. What has changed in the report seems to be the approach to achieving these objectives.

The Okita report articulated a new element of Japan's new ODA policies that has quietly surfaced in its recent ODA to China--that is, the importance of basic human needs as a criterion for granting ODA to China. Over the years, the patterns of Japan's ODA projects in China have displayed a notable shift. While the first yen loan targeted projects that were directly linked to Japanese economic interests in

China such as building infrastructure, the projects funded by the second and third yen loans have shown more diversity in sectors and geographical locations. They ranged from energy, transportation and communications systems, to agriculture (fertilizer factories, irrigation systems), upgrading living standards (utility gas supply, water supply), and environment protection (sewage systems). In the third yen loan, a large portion was used to finance projects that were designed to improve living standards and environments such as water supply and waste disposal systems.[46] This environmental component, which was not emphasized in the first two yen loans, was consistent with Tokyo's intent to seek political prestige through financial and technological contribution to global environmental protection.

Because of China's unique position in East Asia, Japan's ODA to China holds special importance in Japan's overall ODA policy. Since 1979, Japan's ODA has gradually replaced bilateral trade and direct investment to become the most important policy instrument for its China policy. Between 1982-1986, China had been the largest recipient of Japan's ODA. Since 1987, Indonesia has overtaken China as the largest recipient of Japan's ODA, but China has remained in second place. By 1990, Japan has in total provided $4.81 billion worth of ODA to China, accounting for 63.1% of total bilateral ODA contribution China has received from all over the world. Japan's ODA direct loans to China reached $3.36 billion by

1989, which accounted for 70% of total bilateral ODA direct loans to China.[47]

Borrowing from Japanese private sources was another major channel whereby China acquired needed capital for economic modernization. Japan's Exim Bank has underwritten three private bank loans to China since 1979. The first two bank loans totaled about $4.4 billion, most of which has been designated for the exploration of energy resources. Following the Houston summit in 1990, Japan also resumed its third bank loan to China, which totaled Y700 billion. Moreover, since 1982, various Chinese government financial entities have entered the Tokyo capital market to raise funds for China's economic modernization. In 1989, China's total foreign debt was recorded as $43 billion by the World Bank; close to 50% of the total foreign debt came from Japanese sources.[48]

Despite China's special place in Japan's ODA policy, Japan's total ODA to China by 1989 accounted for little more than 1% of China's total fixed assets investments. It is clear that China is not dependent on foreign ODA for its economic modernization. But the significance of foreign ODA cannot be dismissed lightly. Foreign ODA loans have provided a noticeable portion of capital denominated in foreign currency which can be readily used to acquire home foreign technologies needed for economic modernization. It is in the area of industrial projects and technical assistance where Japan's ODA contributes to China's economic modernization. In

short, over the past decade, economic interdependence between China and Japan is gradually emerging with Japan's ODA playing an important role.

U.S.-Japanese Relations and Japan Economic Diplomacy Toward China

Until the 1972 diplomatic normalization between Japan and China, Tokyo had deferred to the United States for its China policy because of its security dependence on the U.S. The current Japanese economic diplomacy in China has come a long way from the 1950s when Washington forced Tokyo to forgo diplomatic relations with the People's Republic of China. Nonetheless, Japan's current China policy continues to be influenced by the ebbs and flows of U.S.-Japanese relations. Until recently, as a free world leader, the main U.S. concerns in the Far East have been strategic and political, whereas Japan's objectives have been limited to economic interests. This division of interests in the region made it easier for the two countries to cooperate with each other. With the decline of the U.S. as an economic superpower and Japan gradually rising to replace the U.S. as the largest aid donor in the world, the demarcation of the two countries' interests has blurred. While the United States has become increasingly interested in promoting its economic interests in East Asia, Japan now is seeking a global role to play. The gradual

convergence of their interests has created both opportunity for cooperation and conflicts in East Asia. Recently, the emergence of human rights as a major issue in U.S. China policy further complicated Japan's China policy. Foreign aid to China and the regulation of the Coordinating Committee on Multilateral Export Controls (CoCom)) with respect to China exemplify how changing U.S.-Japanese relations are affecting Japan's China policy.

Since 1978, Japan and the United States have engaged in official dialogue on aid to developing countries. On several occasions, the U.S. government requested Japan to increase its contribution of foreign aid to developing countries, especially to those the United States perceived as strategically important but lacked enough resources to assist significantly. Southeast Asian countries have fallen into this category. Thus, the bilateral talks on aid have functioned as a forum to coordinate aid policies in a way as to fit into the general framework of U.S. Asia policy.[49] Cooperation and coordination for strategic aspects of aid was part of the 1985 Reagan-Nakasone summit held in Los Angeles. In 1988, a meeting between the two countries was held in Honolulu to coordinate joint projects in India and Indonesia.[50]

However, when it comes to foreign aid to China, coordination has seemed difficult. Unlike Japan's, current U.S. economic assistance to China is limited to Exim Bank's

commercial loans to U.S. companies doing business in China. In 1979, some in the U.S. raised concerns that Japan was going to use its massive yen loan to expand its economic presence in China. They disagreed with Tokyo on the terms of Japan's export credits to China. Japan wanted a lower interest rate for China's repayment, whereas the United States insisted that Japan should set a minimum interest rate of 7.5% when the loan maturity was longer than five years. But Japan rebutted the U.S. request and eventually chose a lower interest rate for export credits to China.[51]

To dispel these U.S. concerns, the Ohira government spelled out its new China policy guidelines unequivocally, which were later referred as the Ohira's Three Principles. They included: (1) Japan's China policy will be in tune with those of Western nations, especially; (2) Japan's trade relations with China will not sacrifice its relations with the ASEAN nations; (3) Japan will not engage in military trade with China.[52]

In the aftermath of the Tiananmen Incident, Japan's aid to China became a touchy issue in U.S.-Japanese relations. At the 1989 Paris Summit, Japan resisted pressures from the U.S. government to condemn China's action in the Tiananmen Incident. Due largely to the Japanese resistance, the final outcome of the G-7 summit did not result in any concerted sanctions against China. Nonetheless, in order not to complicate U.S.-Japanese trade friction, Japan was cautious

not to antagonize the United States in the face of intense criticism from U.S. Congress.[53] Japan's unilateral resumption of yen loans to China at the 1990 Houston G-7 Summit prompted strong criticism from some in the U.S. government, and especially from the U.S. Congress. They charged that Japan was pursuing selfish economic interests at the expense of high moral principles such as human rights. In contrast to the previous circumstances, Tokyo did not accommodate to pressures from the U.S. and other western countries and went its own way in resuming the third yen loans to China. Currently, the concern in the U.S. that Japan is using its ODA to dominate the Chinese market continues to linger. Some even pointed out that Japan has gained its market advantage in China at U.S. expense because China's increasing trade surplus with U.S. is partly supported by Japan's ODA.[54]

Trade with China is another area where the interests of Japan and the U.S. have converged and sometimes clashed. China's efforts to embark on economic modernization have opened windows of exporting opportunities for industrialized countries. Both Japan and U.S. have managed to become among the largest trading partners with China. At times, China was able to play Japan and the United States against each other when importing advanced technologies.

The implementation of CoCom is a major source of conflict between the two countries in their trade relations with China whereby the United States has hitherto been able to exert

influence over Japan. CoCom was established under the U.S. auspices in 1949 to regulate the Western countries' trade with the communist bloc in technologies that might be used for military purpose. Japan has been a member of CoCom since its inception.

Throughout most of the 1980s, CoCom under U.S. leadership was relaxing its control on China. This was because the U.S. viewed China as a counterweight to the former Soviet Union. But CoCom's export control on the former Soviet Union and Eastern Europe remained very restrictive. In recent years, especially after the collapse of the former Soviet Union, CoCom's policies toward China and the former Soviet Republics have displayed a reverse pattern. China's suppression of the democratic movement in 1989 and its recent missile exports to Pakistan and Saudi Arabia angered the U.S. government, especially the Congress. Besides economic sanctions immediately after the Tiananmen Incident, the U.S. imposed special restrictions on supercomputer and satellite technology exports to China. The restrictions were reversed in February 1992, after receiving a Chinese official pledge to adhere to the Missile Technology Control Regime (MTCR). However, in June 1992, when CoCom took measures to relax its control on telecommunication technology trade, China was not included among the main beneficiaries. At the same time, CoCom member countries voted to establish a new CoCom cooperating council which included former USSR republics and Eastern Europe, but

China again was excluded.

Until recently, Japan's technology trade with the Soviet bloc and China has followed Cocom rules very loyally. Therefore, Japan's adherence to CoCom regulations has become a source of conflict in Sino-Japanese trade relations. The export of high-speed computers to China by Hitachi Ltd. in 1979 was a case in point. In order to obtain U.S. approval for the sale, Hitachi was forced to reduce the memory capacity of the computers, and to establish a safeguard measure and an inspection system to prevent the technology being converted into military use by China.[55] In 1987, MITI deferred to the U.S. government's charge that the Toshiba company violated CoCom regulations in its exports to the Soviet Union and suspended Toshiba's rights to trade with communist countries for a year. As a result, $900 million worth of Toshiba's contracts with China were canceled.

Over the years, CoCom has come under pressures from member countries to relax its export restrictions. Because of the special importance of Sino-Japanese economic relations, Japan has had a major interest in loosening CoCom restrictions. Increasingly, conflicts arise between Japan and the U.S. with regard to CoCom restrictions on China. Japanese firms have often criticized that the U.S. government applied a double standard to U.S. firms with respect to CoCom rules in order to promote its own economic interests in China. As a result of pressures from Japan and other member countries, CoCom relaxed

its tight control on technology trade with China in July 1988 and again in January 1989. In the CoCom meeting held in June 1992, Tokyo opposed the exclusion of China from benefiting from the loosening of Cocom restrictions on technology exports. But Tokyo's position was turned down by the United States because of China's human rights record.[56] To be sure, the scope of CoCom restrictions on China will remain a source of trade frictions between the U.S. and Japan as both countries continue to place emphasis on their trading relations with China.

Conclusion

Recent Japanese economic diplomacy in China suggests that the U.S.-Japanese regime on China policy has been in great distress. Discord in the regime is rife. All three major defining characteristics of the regime have displayed major signs of change, indicating that perhaps its disintegration is well underway.

First of all, the increasing assertiveness of Japan's economic policy toward China in the past two decades has contributed to the substantial weakening of the U.S.-Japanese regime on China policy. The constraints imposed on Japan by the China policy regime and the United States have diminished and Japan's deference to the United States has dissipated quickly, especially after the second half of the 1980s. The

increasing assertiveness of Japan's economic diplomacy toward China in the past two decades can be seen in two aspects. In the first place, in stark contrast to the 1950s and 1960s when Japan's trade relations with China were greatly constrained by the U.S.-imposed regime, Tokyo now has had a free hand to pursue its economic interests in China and its economic presence in China is heightening. In the 1970s and the early 1980s, coincident with China's heavy needs for machinery imports, the objectives of Japan's economic diplomacy in China were mainly confined to promoting bilateral trade and export diversification. These Japanese economic interests, along with China's needs for Japanese technology, were often embodied in the rhetoric of economic complementarity between the two countries. As Japan became an major capital-exporting country in the mid 1980s, the pace of Japanese direct investment in China quickened. China has become one of the major recipients of Japanese ODA since the early 1980s. The economic importance of Japan for China figured even more prominently after China deepened its economic reforms in the late 1980s. Bilateral trade volume quadrupled and Japanese direct investment in China surged notably. Japan's ODA has recently constituted an important source of capital for China's economic modernization. Currently, with China accelerating its economic modernization and Japan increasingly turning to Asia in the face of the rising regionalism, economic interdependence between the two countries will

inevitably deepen.

Moreover, during the past two decades, Japan's economic policy objectives toward China have gradually been tinged with political interests, defined as stabilizing the bilateral relationship as Japan strives to gain diplomatic autonomy. Japan's compliance with the economic rules of the China policy regime has lessened as the importance of political interests looms larger in Japan's economic policy toward China. For much of the 1970s, Japan's economic diplomacy in China was defined parochially in terms of economic interests. In the late 1970s and the early 1980s, Soviet military expansion in the Far East drew Japan and China much closer than before. The concern for national security appeared to shape Japan's economic policy toward China in following years. One of the significant change was the growing importance of political and security dimensions in the objectives of Japan's economic policy toward China. Japan's ODA has gradually emerged as an important policy instrument in solidifying its political relationship with China.

With the thawing of the cold war and the emergence of Japan as an economic superpower in the late 1980s, the objectives of Japan's economic policy toward China entered a new phase. There is growing aspiration within the Japanese government to seek a global role commensurate with its economic might. As trade frictions between the United States and Japan worsen and the world order is in transition, the

political dimension of Japan's economic policy toward China--achieving a solid and stable bilateral political relationship--becomes all the more important. Tokyo has increasingly asserted itself in its China policy, even if it means conflicts with the United States. The growing assertiveness of Japan's China policy has been well illustrated by Japan's resumption of its ODA to China in the aftermath of the 1989 Tiananmen Incident against the U.S. policy objectives and its increasing pressures on CoCom for change. The strength of the regime has greatly weakened as Tokyo becomes more willing to challenge and defy, rather than comply with, the economic rules and norms of the China policy regime amidst searching for diplomatic autonomy.

Second, the scope of the China policy regime continued to narrow as more issues related to Japan's economic relations with China were dropped. The 1972 diplomatic normalization has given Japan almost a free hand in pursuing its economic interests in China. Except for CoCom rules, the rules that had thus far constrained Japan's trade relations with China have been abandoned. After the diplomatic normalization, Japan lifted the ban on loans to China through its Export-Import Bank loans. Most-Favored-Nation trade status was granted to China. As a result, Japan's trade relations with China expanded in all dimensions. But new issues, such as Japan's foreign aid to China, did come up. This issue was largely unframed in the China policy regime when it first surfaced in

1979. Conflicts erupted between the U.S. and Japan as to what extent Japan should provide economic assistance to China without jeopardizing U.S. economic and political interests in China. The announcement of the "Ohira's Three Principles" quickly reassured the United States of Tokyo's continued deference to the United States for its foreign aid to China and eliminated a new source of potential conflict between the U.S. and Japan until it resurfaced in 1990. Currently, with the exception of CoCom's export control, which Japan is pressuring for change, all the major issues within the China policy regime have virtually faded away. As a result, the scope of the U.S.-Japanese regime with regard to economic policy toward China has narrowed considerably.

Third and finally, the continued decline of the importance of the underlying principle for the China policy regime--reducing the China threat through U.S.-Japanese cooperation--is compounded by the gradual thawing of Cold War tensions between the U.S. and the Soviet Union. Consequently, the China policy regime is increasingly under pressure to disintegrate as the momentum to sustain U.S.-Japanese cooperation on China policy is lost.

During the 1970s and the first half of the 1980s, the underlying principle of the regime, albeit declining, was offset and gradually replaced by the new objective of countering the Soviet threat shared by the United States and Japan; therefore, the momentum of bilateral cooperation on

China policy was sustained. With the changing international balance of power, the unequal China policy regime was gradually transformed into a "negotiated order" in the wake of Japan's diplomatic normalization with China in 1972 and the signing of the peace treaty with China in 1978. This new regime was characterized by increasingly equal cooperation on China policy between the United States and Japan. The regime had become a relatively balanced one because Japan has gained a freer hand in pursuing its own national interests in the course of coordinating with the objectives of U.S. China policy. Increasingly its foreign aid was to serve as a major foreign policy instrument for this new assertive China policy. Tokyo's first yen loan to China in 1979 partially conveyed its intention to pursue an assertive China policy which could serve to ward off the growing Soviet threat in Asia. On the other hand, the announcement of the "Ohira's Three Principle," which sought to avoid conflicts with the objective of U.S. policy, illustrated the fact that Tokyo continued to attach special importance to cooperation with the United States.

Since the late 1980s, the thawing of the Cold War and the eventual collapse of the Soviet Union have made U.S.-Japanese cooperation on China policy difficult to sustain. The China policy regime itself has become an obstacle to Tokyo's pursuit of national interests in China. Tokyo has shown more willingness to challenge and defy the remaining rules of the China policy regime imposed by the United States. Conflicts

of interest between the United States and Japan in regard to China policy have intensified, as evidenced in the resumption of Japan's third yen loan to China and in its pressure for change in CoCom rules. Compromise and coordination have been sought. But more often than not, policy adjustments are hard to come about and discord persists. The strength of the regime has greatly weakened and the scope of the regime has continued to narrow. Without a justifiable underlying principle to sustain bilateral cooperation on China policy, the China policy regime appears for heading for demise.

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Chapter 6. Return to Asia: Sino-Japanese Relations and Japan's Growing Political Influence in East Asia

For more than a century since the Meiji Restoration, Japan has wrestled with the dilemma of having to choose between Asian neighbors and Western countries. The compromise has not been easy. The signing of the 1951 Mutual Security Treaty with the United States marked the beginning of Japan being incorporated into the Western alliance with its export-oriented economy and security heavily dependent on the United States. For the past four decades, Japan has succeeded in earning a niche in the affluent Western club, albeit with a price.

Since the early 1970s, Asia has received more and more attention in Japan's foreign policy. In the late 1980s and early 1990, the importance of Asia for Japan figures prominently as Japan aspires to political influence and prestige commensurate to its rising economic power. Economically, Japan's interdependence with Southeast Asia has intensified all the more. Japan has replaced the United States as the economically dominant power in the region through its massive pouring of official aid and investment. The growing economic importance of Asia for Japan is evident in several ways. In 1980, U.S. cumulative direct investment in Asia was $16.7 billion, compared with Japan's $9.8 billion. In 1989, Japan's cumulative direct investment in Asia left that of the

United States far behind, $54.4 billion vs. $36.7 billion.

Japan's trade with Asia has also grown very rapidly. Between 1980 and 1989, its exports to Asia more than doubled to $92.4 billion in 1989 from $40.8 billion in 1980. Since 1970, between 60%-70% of Japan's total ODA has gone to Asia every year.

Strategically, Japan's security is intricately linked to peace and stability in the Korean peninsula and Indochina, and the maintenance of stable Sino-Japanese relations. In the 1990s, Asia is becoming all the more important for Japan's search for a global role in the face of worsening U.S.-Japanese trade frictions and the rise of regional protectionism. As early as in the 1960s, Prime Minister Ikeda Hayato envisioned that "Together with Asia, Japan could be one of the three pillars of the free world."[1] The day Prime Minister Ikeda envisioned may be coming.

Japan's growing appreciation of the importance of Asia has embodied an important characteristic, Japan's increasing emphasis on the special importance of Sino-Japanese cooperation. It contrasts with Japan's Asian policy in the 1960s and 1970s when Tokyo was single-mindedly concentrated on developing its economic relationship with Asian countries, notably ASEAN members. With the growing aspiration for a political role in Asia, Tokyo has come to realize that Sino-Japanese cooperation is indispensable for Japan's full engagement in Asia.

U.S.-Japanese Alliance Under Stress

The deterioration of trade frictions between the United States and Japan has been symptomatic of the rapid growth of the Japanese economy. Prior to the end of the Kennedy Round of multilateral trade negotiations in 1967, Japan was an insignificant participant in the world economy in the eyes of the U.S. leadership. After the end of the trade negotiations, "[t]he notion of a small, import-dependent, trade-deficient Japan finally was seen to have lost its substance."[2] The Japanese trade surplus was becoming more sizable, and the staggering growth of its trade showed no sign of slowing down. Beginning in the late 1960s, textile import disputes between U.S. and Japan had reached an intractable point. Only when President Nixon threatened to use the Trading with Enemy Act against Japan did the Japanese government agreed to make some concessions.[3] Subsequently, the U.S. market was increasingly flooded with Japanese shoes, steel products, color TVs, and finally automobiles. The outcome of negotiation was no longer a one-sided tilt toward U.S. preferences. Likewise, this growing assertiveness was also evidenced in Tokyo's reluctance to liberalize its tariff and nontariff barriers in the face of growing U.S. displeasure.

With the decreasing U.S. presence in Asia and rapid expansion of the Soviet influence in the region, the 1980s saw the increasing assertiveness of Japanese foreign policy in

political and security affairs. Starting in the mid-1970s, the Soviet Union escalated its military presence in East Asia in the face of a potential U.S.-Japan-China triple alliance. The Soviets deployed a number of SS-20 nuclear missiles, increased its troops along the Sino-Soviet from 15 divisions in 1969 up to 45 divisions in 1978, established a Far East command theater, and expanded its Pacific Fleet to make it the largest of the four Soviet fleets[4]. In 1978, Moscow signed a mutual defense treaty with Vietnam, which then triggered the Vietnamese invasion of Cambodia. Consequently, Moscow had stepped up its military presence in Indochina as a part of its strategy to encircle China.

In response to the Soviet challenge, the United States gradually shifted its Asia policy from relying on strategic alignment with China to relying on U.S.-Japanese security cooperation. Prior to 1980, China occupied a significant position in U.S. security policy in Asia as a strategic counterweight to the growing Soviet threat in Asia. In the late 1970s, the idea that Japan could be of strategic value to the United States surfaced, when many in the Washington policy making circle began to question China's eventual political stability and military capability as a strategic ally of the United States.[5] The U.S.pressure for stepping up Japanese military spending heightened when Secretary of Defense Harold Brown visited Japan in January 1980.[6]

After he took office, President Reagan shifted the U.S.

Asia policy by viewing Japan as the "pillar of American policy in Asia."[7] Subsequently,the United States repeatedly pressured Japan to expand bilateral security cooperation so as to offset the Soviet military expansion in the Far East.

The U.S. rationales were twofold. First, Japan's geographical presence in Northeast Asia itself could serve as a natural barrier blocking the Soviet naval forces from entering the Pacific Ocean. Japan could achieve this objective by upgrading its naval and air force capability to control the straits around the Sea of Japan and the Sea of Okhotsk, where the large Soviet pacific fleet was based. Second, Japan is a democracy and free-market economy. The economic interdependence between the two countries has made Japan of vital interest to the United States; thus, Japan shares more fundamental political values and economic interests with the United States than does China.[8]

From the Japanese viewpoint, the 1970s witnessed the beginning of the decline of Pax Americana. The U.S. debacle in Vietnam and the U.S-Sino diplomatic normalization in 1979 confirmed the decline of U.S. hegemonic power in Asia. Growing U.S. strategic interests in Japan were another sign of the growing U.S. dependence on Asian allies to implement its Asia strategy.

This changing international balance developed against the backdrop of a rapidly growing economy in Japan in which self-confidence of the people was riding high as a result. The

decline of U.S. presence in Asia suggested to many Japanese that Japan could no longer take U.S. security commitment to it for granted and the days that Japan could concentrate on its economic catch-up with the West while letting U.S. mind the world politics might be gone. The time might be ripe for Japan to play a more assertive role to look after its own economic interests.

While leaders of the two countries all agreed and desired a bigger role for Japan to play in a rapidly changing world, the disagreement over what approach, economic or strategic, to embrace in bilateral cooperation divided the United States and Japan in the late 1970s and early 1980s. To most Japanese senior leaders, the U.S. demands on Japan to play a more active international role are welcome recognition of Japan's recent economic achievement. But the U.S. strategic interest in Japan was wrong-headed, because Japan is not a military power as prescribed by its constitution. The U.S. security demands on Japan were obviously antithetical to the "Yoshida Doctrine," which most of the successive Japanese cabinets have faithfully carried out. To accommodate to the U.S. demands would mean to abandon the "Yoshida Doctrine" and possibly to revise the Constitution, which were not acceptable to many Japanese. Moreover, a strategically active Japan will also cause jitters among its Asian neighbors, whose memories of Japan's aggression during World War II were still fresh. Therefore, most Japanese leaders felt that Japan should

contribute to peace and stability in the region and the world through utilizing its economic strength, rather than military prowess. It was to allay Asian countries' concern about Japan's growing military strength that Prime Minister Miki put an unofficial cap of 1% of GNP on Japan's military budget in 1976.

When Prime Minister Masayoshi Ohira took office in 1978, he recognized that Japan was at a historic crossroad. He believed that it was time for Japan to contribute to the world not only because it was called upon to do so, but also because Japan had the obligations and capability to contribute to maintaining global free trade system and peace and stability which are so essential to its survival and prosperity.[9]

Nonetheless, Ohira believed Japan should confine itself to economic terms in seeking a major political role and meeting responsibilities of the world, while strategic issues should remain in the domain of the United States, which was still able to provide global leadership. Therefore, Prime Minister Ohira and Foreign Minister Okita consistently resisted the U.S.pressure for increasing the Japanese defense budget.[10] In response to the U.S. request, Foreign Minister Saburo Okita remarked in the fall of 1979: "I want to see Japan take a step forward in contributing to world prosperity by assuming responsibility commensurate with its economic power." The same economics-oriented philosophy that prompted Ohira to propose a Pacific Basin economic community a few

month later as the basis of Japanese diplomatic initiatives in the 1980s.[11]

Shortly after taking office, Ohira had assembled a research body composed of some 200 leading intellectuals and bureaucrats in the nation in an attempt to construct a new vision for Japan's future. The research body was divided into nine groups, each of which was to focus on a specific policy subject deemed important for the nation. A main theme appeared in the research group's report on Comprehensive National Security, namely that the

> Days are gone when Japan could count on [an international] system maintained single-handedly by the United States, be it in terms of military security, politics and diplomacy, or the economy. Japan must contribute to the maintenance and mangement of the system as an influential member of the free world. There has been a shift from a world of "Pax Americana" to the world of "peace maintained by shared responsibilities.[12]

One of the main aspirations of the Ohira Report of 1978, amidst the chaos and upheavals and the U.S. inability to manage world affairs, was to carve out a special but leading role for Japan in global affairs. As the Report explicitly stated, "Japan's world historic mission is to play a leading role in creating an order between the North and the South." The North has great stake in maintaining a healthy economic environment in the South lest chaos and disorder occur.

The same report advocated a concept of "comprehensive security" for Japan, which suggested that potential threats to Japan stemmed from not only from external military aggression,

but also from economic and social disorder, and natural disaster, or the breakdown of international trading system. Economic security was considered central to national security because of Japan's dependence on the international trading and monetary systems and external resources.[13] While the report acknowledged the need for military ties with the United States and an increase of military budget within the limits of the Constitution, it perceived the gradual decline of the importance of the military in a world of growing economic interdependence and stressed the use of economic means for Japan to achieve comprehensive security and contribute to peace and stability in the world. The countermeasures to enhance Japan's "comprehensive security" in the report included diversifying sources of raw materials, stockpiling oil, increasing economic aid programs to Third World countries, and contributing to the maintainence of an international free trading system.[14]

Prime Minister Suzuki shared much of Ohira's loath to an expanding Japanese security role in the Pacific. He faithfully used the concept of "comprehensive security" to soothe the U.S. displeasure. In the Reagan-Suzuki Communique signed in May 1981, Suzuki reluctantly agreed to expand Japan's military cooperation with the U.S. and to extend Japanese naval defense of sea lanes to 1,000 nautical miles from Japan, which would cover part of the Pacific Ocean north of Guam and the Phillippines. But intense domestic opposition against close

U.S.-Japanese security ties made Suzuki back off from his pledge to the United States. When asked by reporters to clarify the meaning of the word "alliance" used in the Communique, Suzuki disclaimed that the U.S.-Japanese relationship was a security "alliance."[15] Sensing that the Suzuki was about to renege on the security pledge, the U.S. Congress scaled up pressures on Tokyo. In the fall of 1981, Senator Jesse Helms proposed an amendment which called for renegotiation of the Security Treaty with Japan on a more reciprocal footing. In a separate amendment, Congressman Stephen Neal (Democratic, N.C.) urged Japan to share the U.S. burden by paying a 2% security tax. A letter signed by 68 congressmen urged Japan to abandon its limit of 1% GNP on the defense budget.[16]

The real turning point of Japanese international activism came after Yasunari Nakasone took office in late 1982. Nakasone had been critical of the "Yoshida Doctrine" when he was a young nationalist dietman in the 1950s. He has consistently espoused an autonomous and active foreign policy line for Japan and an independent military force capable of protecting herself. When he came to office, Nakasone believed that the "Yoshida Doctrine," being an early post-war product, no longer fit into the new international circumstances now that Japan had grown into a full-fledged international economic power. Nakasone vowed to "settle all accounts of the post-war political issues" (sengo seiji no

sokessan). He wanted to bring about a new international image of Japan, a Japan that was independent and self confident, able to shoulder major responsibility of the world alongside the superpower United States. The major theme of Nakasone's new vision required an revision of the "Yoshida Doctrine." As one scholar summarized, four major themes can be discerned in Nakasone's grand design for Japan:

1. Japan would no longer be a follower nation.
2. Japan would be prepared for global leadership by being remade into an international state.
3. A new liberal nationalism would be based on the concept of the country's national interests beyond traditional nationalism.
4. Japan would assume an active role in global strategic affairs.[17]

In January 1983, Prime Minister Nakasone agreed with the U.S. proposals to extend the Japanese naval defense range to secure ocean lines and communication, and to upgrade air defense capability so as to gain control over vital straits around Japan. Prime Minister Nakasone was by far most receptive to the U.S. requests. The Williamsburg Summit in July 1983 represented a new beginning of Japanese activism in security cooperation with the United States on a global scale. In response to the Soviet threat to deploy missiles closer to Western Europe, the United States wanted to use the Williamsburg summit as an opportunity to consolidate security cooperation among the Western countries. Prime Miniser Nakasone, determined that Japan play a major role in the Western alliance system, insisted on placing a statement in the joint communique which read, "The security of our

countries is indivisible and must be approached on a global basis." As one observer suggests, this "Japanese declaration of close adherence to the NATO military alliance was a symbolic step linking the U.S.-Japanese security arrangement in the Pacific and the US-European security system in the Atlantic." The declaration "represented a major departure from its previous position, in which (Japan's) security concerns had been confined to defense of the homeland."[18]

Nakasone further pledged to increase military expenditure, to upgrade Japanese air force defense capability and to step up military technological transfer to the United States.[19]

The advent of the Nakasone cabinet was all what the United States could hope for. His new vision of a globally active Japan and the stress on security coopertion with the United States coincided with U.S. strategic needs in Asia. The close bilateral cooperation between the U.S. and Japan in the mid 1980s was unparalleled in Japan's recent history. The advent of Japanese strategic activism in the mid 1980s was spurred by a generation of economic success and drive for new international recognition and respect. It was the beginning of the transformation of an unequal bilateral relationship toward a more equal footing.

Table 1. The Growth of Japanese Military Expenditure (in billions of yen)

	Defense Expenditure	GNP ratio
1975	1,327	0.84%
1980	2,230	0.90
1982	2,586	0.93
1984	2,935	0.99
1986	3,343	0.99
1987	3,517	1,004
1988	3,700	1,013

Source: Defense Agency, Boei Hakusho (Tokyo: Okurasho Insatsukyoku, 1988), p.332.

Consequently, Japanese defense expenditure has increased notably since the mid-1980s. Japan has consciously embarked on modernizing its military capability. The defense budget soared from Y 1093 billion to Y 3137 billion between 1974-1985. In 1987 the Nakasone government decided to rescind the 1% GNP cap on Japan's military budget. The impact of breaching this 1% GNP limit was more psychological than real, despite the sharp reactions from its Asian neighbors. In 1988, the Japanese military budget rose to Y 3700 billion (see Table 1). The 1988 defense White Paper called for more military spending in research and upgrading equipment because "the buildup of the Soviet military presence in the Far East is continuing and its military activity is increasing," in spite of Gorbachev's new initiative to reduce the number of Soviet troops in the Far East.[20] The defense budget for FY 1989 reached a record height of Y 3900 billion, ranking Japan as

the third largest military spender after the United States and Soviet Union.[21]

Widening Rifts in Recent U.S.-Japanese Relations

Current U.S.-Japanese relations, which have hitherto been based on the Cold War legacy, came increasingly under challenges as the former Soviet Union disintegrated.

Previous unequal bilateral relations, albeit fraught with trade conflicts, have been successful. This was because of the heavy dependence of Japan's economy and security on the United States. Both countries have benefitted tremendously from this bilateral relationship. The agonizing trade conflicts between Japan and the United States in the past decades have been a result of difficulties in the adjustment of an asymmetric economic partnership in the face of a growing Japanese economy. Increasingly, with Japan becoming more assertive in its own interests, bilateral discords are spilling into political and strategic realms. The uncertainty lies in how much Japan will rearm, rather than whether United States should encourage Japan to rearm.

Increasingly, Japanese officials are becoming more confident about Japan's growing role in world affairs and are seeking the readjustment of the U.S.-Japanese relationship in the post-Cold War era. Yukio Satoh, Director-General for Information Analysis, Research and Planning, Ministry of

Foreign Affairs, once reminded people of Japan's growing importance to the United States. He stressed that Japanese financial resources and technology are indispensable for a "global partnership" between the United States and Japan. Second, Japan contributed to the "enhancement of American deterrence" policy in Asia through "cost-sharing." Third, Japanese support through providing military bases is important to U.S. defense commitment to South Korea.[22]

Japanese assertiveness in the post-Gulf War era is evident. In criticizing the euphoria on the advent of the U.S. unilateral leadership after the collapse of the Soviet empire, Hisashi Owada, then Vice Minister of Foreign Affairs, wrote:

> The Crux of the issue will be who should exercise leadership, and in what form, in a new international order. Japan's own problem is closely related to this question... There is no denying that the United States is a much more powerful nation than any other, nor [can one deny] that the leadership of the U.S. played a very important part in the Gulf Crisis and is likely of great importance in the future. Some in the United States go further and argue that the United States will go on to lead the world not only militarily but politically and economically as well, as it did with supreme power shortly after the end of the World War II. Though the state of euphoria in the United States over its stunning victory in the Gulf War may give some ground to such belief, it is not only wrong but also a very dangerous idea...
>
> The only direction that an order for the transitional period could take seems to be that of the major nations working in concert.[23]

Realizing the changing nature of U.S.-Japanese relations in the post-Cold War era, Tokyo has become more willing to assume a bigger defense burden for U.S. troops stationed in Japan. Increasingly, Tokyo seems to see an increasing share of

defense burden with the United States as a necessary step toward eventual diplomatic autonomy. Former LDP Secretary General Ozawa once remarked:

> We think things are changing. We will have to put a lot of effort into taking over that part of burden that should have been ours all along, in a cooperative structure. America's role will not be the same, and neither will Japan's. We must change so that the relationship can remain the same.[24]

The Gulf War of 1991 have revealed to the Japanese the limitation of its yen diplomacy and the importance of seeking international prestige and influence through participation and engagement in global affairs. Tokyo is officially seeking to become a permanent member of the U.N. Security Council. Participation in U.N. peace-keeping activities is becoming a major avenue for Tokyo to gain global prestige and respect and influence. In June 1992, the Japanese parliament officially approved the dispatch of Japanese peace-keeping troops overseas after tense debates. For the first time, Japanese Self Defense Force (SDF) will be deployed on foreign soil since the end of World War II.

As Japan's policy focus shifted from the West to Asia with an increasing defense budget, U.S. security policy toward Japan after the mid-1980s appeared to change too. Instead of emphasizing the global partnership and criticizing Japan as a defense "free rider," the U.S. now expressed its Japan policy in a very cautious tone. Tensions over security between the two countries are lessening as the U.S. is becoming more circumspect about Japan's military strength.

The United States remains a formidable force in Asia through the web of its bilateral security arrangements and will continue to be a dominant Pacific power for years to come despite reducing its military bases in Asia. The current bilateral security arrangement between the U.S. and Japan seems to be the most preferable option for the United States. On the other hand, the U.S. military presence in Asia is likely to diminish. The withdrawal of U.S. bases from the Philippines in 1992 was a case in point. Domestic economic difficulties have become another major factor favoring the readjustment of U.S. policy in Asia. The curtailment of U.S. oversea commitments is an attractive solution to the gigantic U.S. federal deficits. "The U.S. is acting as if it's still the 1960s," complained Democrat Tim Wirth of the Senate Armed Service Committee, "We're stuck." Senator John Warner, former Navy secretary says: "It is time to reassess the magnitude of the commitments we have."[25]

The Bush administration was bogged down in a policy predicament. On the one hand, the domestic budgetary morass rendered U.S. military withdrawal from the Pacific an attractive option. The Defense Department's three-phase plan for gradual withdrawal of U.S. troops from East Asia has been underway, with the first phase encompassing a reduction of about 5,000 of the 40,000 U.S. troops in Japan. In 1990, under the Congressional pressure, the Bush administration announced the removal of as many as 7,000 troops from South

Korea out of 43,500. On the other hand, the administration is aware that a hasty U.S. military withdrawal from the Pacific will alter the Japanese calculus of their security and could trigger an arms race between Japan and China. U.S. defense secreatary Dick Cheney remarked in Tokyo in February 1990 that "there almost surely would be a series of destabilizing regional arms races [and] an increase in regional tension" if a total U.S. withdrawal is to be implemented. He added, "given these potential dangers to regional security, it should be clear that the United States could not ever think of a withdrawal from Asia."[26]

Washington has kept a leary eye on Japan's growing political influence in the region. Instead of chastising Japan as defense "free rider" and urging Japan to increase its military budget as it did previously, Washington has muted the defense issue lately. Some in the U.S. also worry about a potential Japanese military threat. As Paul Wolfowits, Undersecreatry of Defense, remarked pointedly, "if Japan spends about 5 percent of its GNP on defense, they would build up the kind of defense establishment that they don't want to have, and nobody in the region wants them to have."[27] An article in The Washington Post reported that U.S. Marine Corps Major General Henry G. Stackpole III remarked that U.S. troops might stay in Japan for an indefinitely long time because "no one wants a rearmed, resurgent Japan. So we are a cap in the bottle, if you will."[28]

Needless to say, Washington would like to see a Japan that will pay its defense dues when requested and continue to loyally follow U.S. policies as it did in the past. This is why Washington has neither suggested or encouraged that Japan dispatch peace-keeping troops overseas.[29] But gone is the day when Japan always followed U.S. policy faithfully.

The rift in security affairs between the U.S. and Japan is widening. Foreign Minister Nakayama's proposal for a security arrangement based on ASEAN at the July 1991 Post-ASEAN ministerial meeting is the latest challenge from Japan. The U.S. reaction to Nakayama's proposal was nonchalant, if not cynical. "An interesting idea," replied a senior U.S. State Department official. The unstated part was that the United States does not want to see its existing security structure altered or challenged. The creation of the regional collective security structure would undoubtably neutralize American influence in the region. For the same reason, the United States has consistently rejected a similar proposal by the former Soviet Union.[30]

The U.S. reaction to Japan's national debate on the Peace Keeping Organizations (PKO) bill was a cautious one. Publicly, the U.S. has not suggested or encouraged Japan's sending peace keeping troops overseas; privately, many government officials expressed misgivings about Japan's PKO bill, fearing it would unleash Japanese military revival.

The wariness of the United States about a militarily

strong Japan is growing. Many in the U.S. feel more comfortable seeing a Japan whose military power continues to be subordinate to U.S. leadership. A recent study on future Japanese defense policy by The Center for Strategic & International Studies concluded that:

> In virtually all areas of international affairs save military action--that is, in trade, diplomacy, peacekeeping, humanitarian operations, environmental protection, and drug interdiction, among others--Japan's participation in multilateral and unilateral efforts is likely to increase, although the pace, scope, intensity, and nature of this evolution remain undefined...
> ...Under the leadership of the United States or the aegis of the United Nations and as one member of a coalition of states, Japan could make an important contribution to a regional security dialogue or to other, more specific efforts...
> The most likely preferred road for Tokyo will be to keep its Self-Defense Forces subordinated to the alliance with the United States and to assume proactive roles only through multinational institutions such as the United Nations. [31]

The Soviet threat that had hitherto served as threads to bind the United States and Japan together has faded with the collapse of the Soviet empire. International politics is in flux. The new world order has become increasingly uncertain. U.S.-Japanese relations are currently under more stress than ever before. The 1991 economic recession in the U.S. further exacerbated trade conflicts. The world's most important partnership was suddenly colored with a sense of hostility during the 50th Pearl Harbor anniversary in December 1991 and during President Bush's visit to Japan in January 1992. Many Americans are concerned about the ever-growing trade deficit and charged Japan with practicing predatory trade. Some became

worried that the increasing presence of Japanese business was posing threats to U.S. economic security and national security. Currently, trade frictions between the two countries are being managed through a bilateral framework known as the "Structural Impediment Initiatives (SII)." But as the recent report on the second anniversary of SII indicated, there seemed to be very little accomplishment. Partly because of the current economic downturn in Japan, the U.S. trade deficit with Japan continues to soar. Many Japanese and American officials and business leaders alike have concurred that Japan is not entirely responsible for the trade imbalance, and that Japan's trade surplus is just going to stay.

Growing Japanese Political Influence in East Asia and Sino-Japanese Cooperation

Because of Japan's special geographical location, the most important changes of Japanese foreign policy, have occurred in its policies towards the Asian neighbors. Politically, Japan has heightened its vigorous pursuit of influence in the region. Foreign aid has become an effective instrument for Japan's assertive policy in the region. Japan also actively supported China and ASEAN countries in countering the Soviet military presence in Indochina and the Vietnamese invasion of Cambodia.

Japan's increasingly assertive China policy has come to be

an important pillar for Japan's policy shift toward Asia. Increasingly, Tokyo is placing more emphasis on Sino-Japanese cooperation because of China's special importance in the region. In recent history, the People's Republic of China used two important instruments to achieve its foreign policy objectives in Asia: Its ties with ethnic Chinese in the region; and its ties with the local communist rebels in the region. During the Cold War era, Beijing had earned political prestige and influence in Asia in its power competition with Moscow and its effort to thwart Hanoi's ambition to dominate Indochina through sustained assistance to the Khmer Rouge and two non-communist forces in Cambodia. China's long-lasting relations with North Korea also gave Beijing added influence in Asia. China's recent diplomatic relations with Indonesia and Singapore were indicative of Beijing's intention to keep close ties with Southeast Asia.[32]

Growing Chinese military power and influence in Asia and willingness to use military forces have caused uneasiness among Asian countries, particularly Southeast Asian countries. China's military clash with Vietnam over the Spratly Islands in 1988 further fueled Asian countries' worry about China.[33] There are rumors that China is now procuring an aircraft carrier from Ukraine.

Previous Sino-Japanese cooperation had been limited mostly to bilateral economic and technological exchange. The 1978 "Ohira Principles" were aimed at dispelling the

international concerns about close Sino-Japanese military cooperation. Since then the two countries have been cautious on the exchange of military personnel and information. In 1983, they began to expand bilateral cooperation on military matters, including exchange of military trainees. To alleviate misgivings from the neighboring countries, the Japanese Defense Agency announced in December 1984 that the Sino-Japanese military exchange would be limited to education, training and information without including military operation.[34] In terms of trade in military technology, Japan continues to adhere to CoCom regulations.

Recently, despite several difficulties, Sino-Japanese relations have gradually evolved toward a political partnership in Asia. Cooperation has gone beyond bilateral matters to include issues of regional importance. China's concern about growing Japanese influence in the region seems to have abated. Gradually, China has come to recognize the economic importance of Japan for regional economic development. Moreover, Beijing has acquiesced in a politically assertive Japan in the region, despite lingering distrust. Increasingly, the two countries have emphasized the sharing of common interests over conflicts.

Japan In the Cambodia Crisis

During the late 1970s and early 1980s, Soviet military

expansion in Asia dramatically transformed international relations in Southeast Asia. The Cambodia crisis became the locus of great power competition in Southeast Asia. Common interests in opposing the Soviet presence and Vietnamese ambition in Indochina drew China and the Southeast Asian nations together and helped heal China's relations with many Southeast Asian countries, jeopardized during the height of Chinese revolutionary fervor. Two ASEAN members, Thailand and Singapore, were very forthcoming in supporting China's hard-line position against the Vietnamese invasion of Cambodia. The bulk of China's arms assistance to Cambodia communist resistance force was shipped through the Thai borders [35]. Along with the United States, ASEAN members also shared China's non-recognition policy toward the Vietnamese-backed government in Cambodia and supported the seating of the Coalition Government of the Democratic Kampuchea (formed by the three resistant factions, Prince Norodom Sihanouk, Son Sann and the Khmer Rouge in 1982) in the United Nations [36].

With the memory of the Vietnam War still haunting, U.S. policy in the region had been reactive in nature. Washington was satisfied with going along with China and ASEAN as long as Soviet influence in the region could be kept minimal. Thus, for practical reasons, U.S. supported the seating of the Coalition Government of Democratic Kampuchea headed by Prince Sihanouk in the U.N. until 1990 when the United States decided to shift its policy toward Cambodia by asking to exclude

Khmer Rouge faction from the U.N. seat.[37]

Contrarily, Japan has shown greater enthusiasm in the region because of its proximity to the region and its strategic interest in Southeast Asia. With the encouragement of ASEAN countries, Japan began providing economic assistance to Vietnam right after the fall of Saigon in 1975. The objective of Japanese aid was to prevent Vietnam from undue dependence on the Soviet Union, a situation both Japan and ASEAN countries did not want to see happen.[38] The Vietnamese invasion of Cambodia in January 1979 brought about ASEAN countries' strong criticism against Japan's continued aid to Vietnam. Given the importance of ASEAN to Japan, Japan shifted its policy to supporting ASEAN's position against Vietnamese aggression in Cambodia. First of all, Japan announced that its aid to Vietnam would be suspended indefinitely until a satisfactory solution to the Cambodia crisis was found. Second, Japan began to endorse ASEAN's policy proposal to reach an early settlement for the Cambodia crisis. Moreover, Japan decided to support the seating of the Coalition Government of the Kampuchea Republic in the United Nations along with the U.S., China and ASEAN.

In June 1979 at the Bali ASEAN ministerial meeting, Japan called for an international conference on the crisis. It marked a beginning of Japan's quest for a political role in Southeast Asia [39]. In the wake of Vietnamese incursion into Thai borders in 1980, then Foreign Minister Okita strongly

denounced Vietnam at the Western Summit in Venice. He called for the establishment of a "demilitarized peace zone" to safeguard the Thai border and steady humanitarian supplies to Cambodian refugees in Thailand.[40] As part of Prime Minister Suzuki's pledge to ASEAN leaders during his January 1981 visit to ASEAN countries, Foreign Minister Sonoda was actively involved in lobbying for support for ASEAN's policy at the U.N. Conference on the Cambodia Crisis. He went further to propose a series of steps to settle this crisis, only to find that ASEAN leaders were not ready to accept Japan as a major player on the Cambodia issue.[41]

In July 1985, at ASEAN ministerial meeting in Kuala Lumpur, ASEAN leaders came up with a new proposal for the Indochina crisis, which called for Vietnamese withdrawal from Cambodia, a cease-fire and free election in Cambodia under U.N. supervision, and the establishment of a coalition government among the four warring factions. At the same meeting, Japan's Foreign Minister Abe, in addition to his whole-hearted endorsement of this new ASEAN initiatives, added that Japan would provide assistance to educate Cambodia refugees who fled to Thailand and would continue to support the seating of the Coalition Government of Democratic Kampuchea in the U.N.[42] At the request of the ASEAN countries, Japan also provided foodstuffs and medical aid to the two non-communist guerrila factions (Son Sann and Sihanouk) in Cambodia.[43]

Despite growing international attention, the Cambodia war continued to rage in 1987. Prospects of negotiation for an end to the war dwindled as Hanoi demanded the exclusion of the Khmer Rouge from the Coalition Government as a pre-condition for negotiations. In June, during the post-ASEAN ministerial meeting, Foreign Minister Kubanari reiterated Japan's support to ASEAN's solution to the problem in his four-point proposal: 1) Vietnam and the Coalition Government of the Democratic Kampuchea should start negotiations immediately without any conditions; 2) Vietnamese troops should withdraw from Cambodia and free elections should be held; 3) post-war Cambodia should be a neutral state, refraining from any form of alliance; 4) economic reconstruction should begin as soon as peaceful settlement was achieved. Kubanari also used carrots to lure Hanoi into negotiation by pledging financial support to assist the withdrawal of Vietnamese troops from Cambodia. Clearly, Tokyo saw its growing economic might as an indispensable instrument to achieve more political influence and prestige in Cambodia.[44]

In 1988, international relations underwent drastic change, Gorbachev's Perestroika and glasnost significantly reduced Cold War tensions. The Japanese government under Prime Minister Takeshita saw great opportunity to flex its economic muscle in a changing world. Takeshita launched the so-called International Cooperation Initiative aimed at making bigger contributions to the international community and

seeking more political influence. Takeshita's new diplomatic initiatives had direct impacts on Japan's policy toward Indochina. Up until then, Japan's Cambodia policy had been confined to passively supporting ASEAN's policy proposal on the settlement of the Cambodia problems. Its initiatives were formulated passively so as to avoid sidestepping ASEAN's position. Japan's policy instrument has been mainly economic. Now Japan wanted to take its own political initiatives in the settlement of the Cambodian problem and to expand policy instruments beyond financial ones. In July 1988, during the post-ASEAN ministerial meeting, Japanese foreign minister Uno struck a familiar chord of supporting ASEAN's call for U.N.-supervised cease-fire, withdrawal of Vietnamese troops and a free election in Cambodia. Moreover, to show the seriousness of Tokyo's commitment to peaceful settlement, Uno pledged to provide funding and to send Japanese civilian personnel to supervise the peace settlement in Cambodia when a cease-fire is achieved.

This new policy move marked a departure from Japan's previously reactive posture in the settlement of the Cambodia crisis. The objective of this new Japanese policy initiative was unequivocally ambitious. As Uno stated during the meeting, "Japan intends not only to expand its contributions in the economic field, but also to embark on new forms of contributions with a view of finding solutions to regional conflict and relaxing tensions."[45] For the first time, the

Takeshita government articulated its full support for Prince Sihanouk. In August 1988, Prince Sihanouk was invited to Japan to discuss the postwar settlement of Cambodia and to schedule the holding of an international conference in which Japan would be a major player.[46] Another indication of Japan's policy change was its position toward the Khmer Rouge regime. Whereas Japan quietly supported the three warring guerrilla factions and the Democratic Kampuchea's representation in U.N., now new Prime Minister Takeshita made it clear that his support for a Cambodia peace plan should exclude the participation of the Pol Pot regime. Instead, Japan now wants to back Prince Sihanouk.[47]

Moreover, Tokyo has worked assiduously in trying to get its voice heeded in the negotiations of the Cambodia settlement. The Tokyo International Conference on Cambodia in June 1990, mainly orchestrated by Japan, represented a genuine Japanese effort to seek more influence in finding a solution to the Indochinese problem. At the conference, Tokyo took advantage of its capacity as the conference host by actively advocating the creation of the Cambodian Supreme National Council (SNC) with equal representation from four fighting factions. But due to opposition from the Khmer Rouge, the creation of the SNC did not materialize. Nonetheless, the SNC was subsequently established at the Jarkarta Conference on Cambodia in September 1990 along the line proposed at the Tokyo Conference.[48]

Recently, Japan has advocated an ad hoc multilateral framework to resolve the conflicts in Cambodia whereby Japan would play a major role. As Yukio Satoh, Director General for Information Analysis, Research and Planning Bureau of Gaibumsho elaborated, "for restoration of peace in Cambodia, the four parties of Cambodia, ASEAN countries, Vietnam and Laos, P-5 states (Permanent Members of the U.N. Security Council), Japan and Australia are now forming a network of consultations and cooperation." Satoh also defined the role of Japan in the Cambodia as "to rely primarily on resources of economic and humanitarian nature within the framework of the comprehensive approach toward security. The Japanese physical contribution will increase. But it will be confined to such non-military areas as environmental protection, disaster relief, refugee protection and emergency medical services."[49]

Despite all the good efforts on the part of international community, a cease fire agreement has been hard to come along in Cambodia. The Phnom Penh government led by Hun Sen refused to endorse a preliminary peace agreement drafted by the five permanent members of the U.N. Security Council, which recommended the U.N. be responsible for the functioning of an interim government prior to a free election. The Phnom Penh government argued that such an arrangement would invite political chaos and give the Khmer Rouge undue influence.[50] On the other hand, the Khmer Rouge has indicated its reluctance to abide by a total disarmament proposal laid out

under the U.N. plan. Recognizing the danger of an impasse to peace settlement, Tokyo has lost no time in persuading the Phnom Penh government to accept the proposal that the U.N. play a major role in the Cambodian interim government. The extent of Tokyo's involvement in the negotiation can be demonstrated by the frequency of meetings between Japanese officials and officials from the Phnom Penh government and the Coalition Government. In February 1991, a mission led by Minister Imagawa visited Phnom Penh to explain Tokyo's views on the peace settlement to the Phnom Penh government. In March, Minister Ikeda led a Japanese delegation to visit Beijing and consult with the three factions of the coalition government on terms of negotiations. Again in March, Prime Minister Son Sann of the coalition government called on Prime Minister Kaifu and Foreign Minister Nakayama in Tokyo. In April, Foreign Minister Nakayama met with Prince Sihanouk in Beijing. In the same month, Prime Minister Hun Sen paid an unofficial visit to Foreign Minister Nakayama in Bangkok. In May, Prime Minister Kaifu met with leaders of the coalition government. In June 1991, Foreign Minister Nakayama met with Prime Minister Hun Sen in Houchimin City for the second time since March.[51]

The passage of the PKO bill in June 1992 finally cleared the constitutional roadblock to Japan's political contribution to the Cambodia settlement. The PKO law is a first and essential step for Japan's drive for political leadership in

the region. Japanese peace-keeping troops were dispatched to Cambodia in October 1992. Finally, Japan has an opportunity to convince the world that it is a trustworthy power.

Sino-Japanese Cooperation: Tokyo has come to believe that policy consultation and coordination between China and Japan are essential for the Cambodia peace settlement. Tokyo was convinced that Beijing, being a primary supporter of the Khmer Rouge, had the ability to influence the Khmer Rouge's behavior. During his visit to China in 1988, Takeshita attempted to persuade China to drop its long-time support for the Pol Pot regime in order to bring a quick end to the Cambodia war.[52] While Beijing has come to accept that Tokyo plays a constructive role in the Cambodia issue, Beijing saw the Japanese role lay primarly in providing economic assistance to the reconstruction of the post-war Cambodia. Chinese Premier Li Peng suggested to his Japanese host in April 1989 that Japan had an important role to play in economic reconstruction in post-war Cambodia.[53] During his visit to Japan in April 1992, China's Party Chief Jiang Zemin also told Prime Minister Kaifu that the world and all factions in Cambodia expect Japan to play a major role in rebuilding the Cambodia economy. But he added that Japan's desire to send peace-keeping forces to Cambodia is a very sensitive issue and should be handled with care.[54] Li and Jiang's comments echoed China's continued concern about Japan's bid for a political role in Asia.

Currently, the Khmer Rouge continues to obstruct the disarmament process agreed upon in the October 1991 Paris Peace Conference. Pol Pot is said to still exert effective control on the Khmer Rouge behind the scene. At the June 1992 Tokyo Conference on Cambodia, Tokyo urged China privately to pressure the Khmer Rouge to abide by the cease fire terms concluded in the October 1991 Paris Peace Agreement on Cambodia; China appeared to be very cooperative.[55] In August 1992, Chinese deputy Foreign Minister Xu Dunxin reportedly met with Khieu Samphan, the Khmer Rouge's formal leader in Bangkok, in the hope of persuading the Khmer Rouge to comply with the U.N.-backed proposal.[56]

Japan And the Korean Peninsula

The Korean peninsula is another vestige of the Cold War in East Asia which remains extremely volatile. Unlike the Cambodia crisis, which is coming to an end, this is one of the very few hot spots in the world where the major powers in the region have remained divided.

The Sino-Soviet military confrontation during the 1970s and early 1980s inevitably made itself felt in Northeast Asia. The result of this Sino-Soviet tangle is far more subtle than in Southeast Asia. Since the end of the Korean War, North Korea under its leader Kim Il-Song has been pursuing a foreign policy of self-reliance (Juche) and equal distance toward

China and the Soviet Union.[57] When the Sino-Soviet split occurred in 1960, however, Kim Il-Song decided to side more closely with China. The close Sino-North Korean relations remained unabated throughout much of the 1970s. Politically, China recognized North Korea as the sole legitimate government of Korea and chastised South Korea as "militarist-Fascist" government. China also supported North Korean proposals for reunification, demanded U.S. troops withdraw from the Korean peninsula, and refused to support the admission of the two Koreas into the United Nations.

Beginning in the late 1970s, the Soviets began to show their growing interest in North Korea, presumably to counter the encirclement by the alleged U.S., Japan and China alliance. The Soviets endorsed North Korea's strong anti-U.S. policy and increased their economic assistance to North Korea.

There were also negotiations for Soviet supply of advanced weapons to North Korea. In 1984, for the first time after two decades Kim Il-Song was invited to Moscow. This new Soviet policy toward North Korea coincided with Kim Il-Song's disenchantment with the increasing Sino-U.S. cooperation and China's open-door economic policy to the West. As a result, the Soviets received some special privileges from North Korea, including port-of-call for the Soviet Pacific Fleet in an ice-free North Korean port and overflight rights.[58] North Korea's decision to align with the Soviets more closely has inevitably strained Sino-North Korean relations. Nonetheless, Beijing

has continued to support North Korea's reunification proposal and non-recognition of South Korea, lest it further alienate North Korea.

On the other hand, three decade-long successful economic policies have turned South Korea into a newly industrialized democracy. The Republic of Korea's so-called "Nordpolitik"--improving relations with socialist countries--has proved to be successful. In June 1990, a summit meeting between Presidents Roh and Gorbachev finally was held in San Francisco. Subsequently, the two countries established diplomatic relations. South Korea's growing economic strength has attracted the attention of Chinese leaders who are currently modernizing the Chinese economy. The bilateral trade between two countries, albeit indirectly, has grown from non-existent to about $3 billion in the late 1980s.[59] Increasing contacts between China and South Korea culminated in the establishment of diplomatic relations between the two countries in August 1992.

Slowly it may seem, many changes are taking place in the Korean peninsula. There have been signs of economic reform in North Korea as a result of pressure from both Beijing and Moscow.[60] Economically exhausted by the four-decade arms race with South Korea, Pyongyang has proposed substantively new measures of arms control with South Korea. Pyongyang appeared to soften up its demands for the removal of U.S. nuclear weapons and troops as pre-conditions for negotiations

with Seoul. Instead, Pyongyang has suggested that U.S. troops can be withdrawn in stages. Pyongyang further proposed a three-to-four-year program, which will curtail troop deployment levels of both sides to 100,000. Currently, the South has 650,000 well-equipped troops supported by 55,000 US military personnel, whereas the North has about one million troops. [61] Numerically, the North appears to be superior to the South in terms of military strength, but in terms of actual fighting ability, some argued that the South has reached parity with the North.[62] The unprecedented official contacts at the premier level between the two governments took place in September 1990. But the substantial differences between the two Koreas remain.

The Korean peninsula is another potential hot spot where Tokyo has great interest in keeping peace and stability because of its geographical proximity and historical legacies. Historically, Japan's very physical existence is closely linked to security of the Korean peninsula. Korea was the bridge for Japan to absorb the continental culture. Korea was also a shield for Japan to deter conquest by imperial China. In recent history, Korea had been a locus of power contests between Japan and China. As a result of thiry-six years of colonization, the Korean animosity toward Japan has greatly limited Japan's influence in South Korea. After the end of the Korean War, the United States attempted to mediate the diplomatic negotiations between Japan and South Korea in the

hope of consolidating its anti-communist bulwark in the Far East, but did not succeed until 1965. The signing of the 1965 Basic Treaty between the two countries brought an end to the antagonistic nature of the bilateral relationship. Japan's war reparations for South Korea, as well as subsequent private capital, became an important source of capital for South Korea's rapid industrialization.[63]

Japan and South Korea are linked together through their bilateral security treaties with the United States. But until recently, there has been no direct security cooperation between Japan and South Korea because of the Japanese colonial legacy. For the first time, in what was known as the "Republic of Korea Clause," the 1969 Nixon-Sato Joint Communique stipulated that the "security of the Republic of Korea is essential to Japan's own security." In the Communique, Japan pledged to support U.S. military action in the event of armed conflict in the region.[64] The security of the Korean peninsula became the major topic for subsequent summit meetings between the United States and Japan.[65]

Officially, Japan has consistently supported the reunification of the two Koreas. But privately, Tokyo seems to prefer stability and the status quo to change. As one scholar summarized, a peacefully unified Korea, regardless its political system, would still retain strong anti-Japanese sentiments. With its total population equaling to half Japan's and the combination of the industrial strength of the South

and resources of the North, the new Korea could easily pose a military threat to Japan. Second, if reunification occurs by force, it is even less desirable for Japan. Although the U.S. would bear much of the fighting responsibility, it is inevitable that Japan would be forced to get involved in one way or another. To say the least, U.S. military bases in Japan would be a major part of fighting. Worst of all, tactical nuclear weapons may be introduced to thwart North Korea's offensive. Finally, Japan could face the prospect of refugees flooding into Japan in times of war.[66]

Japan's official Korea policy objectives have stressed the importance of maintaining peace and stability in the Korean peninsula, showing an balanced attention to both Koreas. The 1989 Diplomatic Bluebook of Japan stated: "It is needless to say that peace and stability of the Korean Peninsula is vitally important to the security of Japan. For this purpose, prosperity and stability of the Republic of Korea is of utmost importance."[67] Furthermore, Japan had consistently supported South Korea's call for separate admission of the two Koreas into the United Nations since President Park first proposed it in 1973.

Economically, although the South Korean economy is much larger than that of the North and trade with the South is much more profitable than with the North, Tokyo has not forfeited bilateral trade with Pyangyong. Japanis the largest trading partner for North Korea among its noncommunist trading

partners. The political significance of Japan's trading position has far exceeded what trade statistics suggest. To the extent that Tokyo has this even-handed approach, albeit in a low-key fashion, many South Koreans have been offended.

Although economic relations with South Korea always have a strategic dimension, that is not to say that Japan has no economic interests in South Korea. To the contrary, currently, South Korea is Japan's second largest trade partner only after the United States, so is Japan for South Korea, with bilateral trade reaching some $20 billion. Prime Minister Nakasone's visit to South Korea in January 1983 marked the beginning of new Japanese-South Korean relations. Prime Minister Nakasone chose South Korea as his first foreign visit after he took office, hoping to strengthen bilateral relations through overcoming the historical animosity. During the visit, Nakasone resolved the lingering issue of Japan's economic assistance to South Korea by approving $4 billion worth of economic aid to South Korea. The high-point of the visit was the announcement in the Nakasone-Park Communique, that maintaining peace and stability in the Korean peninsula was vital to national interests of both countries. Major Japanese newspapers hailed that the agreement was tantamount to a declaration of major bilateral cooperation, including security issues, between Japan and South Korea.[68]

Since the early 1980s, Japan has stepped up its efforts in trying to carve out a political niche in the settlement of the

Korean peninsula. Japan has consistently supported the U.S.-proposed policy of "cross recognition," namely, China and Soviet Union recognizing Seoul and U.S. and Japan recognizing Pyongyang. The "cross-recognition" appeared to form an important basis for Japan's diplomatic initiatives toward the Korean peninsula.

In recent years, Tokyo had made various friendly gestures to North Korea. Japan supported the participation of North Korea in the 1988 Seoul Olympic Games as a way to deepen dialogue and reduce tensions between the two Koreas. To boost the spirit of close bilateral cooperation between Japan and South Korea, Prime Minister Takeshita attended the opening ceremony of the Seoul Olympic Games in September 1988. In January 1989, Tokyo for the first time publicly called for improved bilateral relations between Japan and North Korea. The latter's reaction had been cool at best until late 1990 when North Korea responded positively to Tokyo's proposal. Since January 1991, the two countries have started formal negotiations on diplomatic normalization. Recognizing that Japanese foreign aid and investment could be an effective remedy for its crumbling economy as a result of decreasing Soviet aid, Pyongyang has shown eagerness to normalize its relations with Japan. However, Tokyo is taking a more cautious approach.

The first sticking point for the bilateral normalization is North Korea's demand for Japanese war reparations for World

War II. Second, North Korea's refusal to allow the International Atomic Energy Agency (IAEA) to inspect its nuclear facilities has become a major source of controversy for the normalization of Japanese-North Korean relations. North Korea endorsed the Treaty on the Non-proliferation on Nuclear Weapons in 1985, but it has yet to sign a safeguard agreement as part of the Treaty to allow the IAEA to inspect its nuclear sites. Pyongyang argued that the United States should remove its nuclear weapons from the Korean peninsula and make a legally binding pledge of no-first-use of nuclear weapons against North Korea before Pyongyang could endorse the IAEA rules. North Korea's uncompromising position has fueled international suspicion that Pyongyang is close to building an atomic bomb near the Chinese border and become a focus of international concern.[69] At the third Asia-Pacific Economic Cooperation conference held in November 1992 in Seoul, the prospect of a nuclear bomb in North Korea was a major topic. U.S. Secretary of State James Baker appealed to Japan, the former Soviet Union and China for concerted efforts in urging North Korea to halt its nuclear program and to adhere to the IAEA inspection requirements. Japan responded favorably to the U.S. call. While meeting South Korean President Roh Tae Woo, Japanese Foreign Minister Michio Watanabe assured President Roh that there would not be any breakthrough in its diplomatic normalization with North Korea unless the latter endorsed the IAEA inspection agreements and halted its nuclear weapon

programs.[70] During his visit to Japan in April 1992, Jiang Zemin, China's party secretary, told Miyazawa that China, while determined to maintain its long-lasting friendship with North Korea, will work with Japan in solving the sticky nuclear inspection issue in North Korea.[71]

Japan's security cooperation with South Korea may be in the making. The rumor that Japan and South Korea are considering to coordinating air defense strategy around the Tsushima strait attests to this speculation. Japan is now on the way to normalize diplomatic relations with North Korea, pending North Korea's good behavior toward the nuclear inspection issue. Japan's influence in North Korea is likely to grow rapidly through trade, foreign aid and private investment once the sticky diplomatic issues are cleared up.

Sino-Japanese Cooperation: Since the early 1980s, Tokyo has recognized the importance of cooperation with China amidst its search for a major political role in the Korean peninsula. China's long relationship with Pyongyang convinced Tokyo that cooperation with China should be an essential part of Japan's diplomatic initiative toward North Korea. Tokyo would like to see China use its leverage to pressure the radical regime in North Korea to embark on a moderate course and to reduce tensions in the peninsula. Moreover, China could serve as a mediator between Japan and North Korea in diplomatic negotiations on normalization.

This was just what Prime Minister Yasunari Nakasone said to the Chinese leaders during his two official visits to Beijing. In March 1984, Nakasone appealed to China to support the so called "four-country-dialogue" proposal. The proposal, originally initiated by the U.S., called for the holding of a conference on the Korean peninsula among the U.S., China and the two Koreas to defuse tensions in the area. Before Nakasone went to Beijing, he had sent a high-level official to Seoul to consult with the Korean government on China policy. In Beijing Nakasone conveyed to Beijing Seoul's desire to improve relations with China. For the first time, Beijing responded very favorably to the role of mediating between Japan and North Korea but politely rejected the idea of the "four-country-dialogue."[72]

In November 1986, the stability of the Korean peninsula once again was high on Nakasone's agenda when he made his second official trip to Beijing. Nakasone again conveyed Seoul's desire to hold a four-country meeting on the peninsula and to increase contacts with China in trade and sports and in other non-official capacity. He appealed to China to participate in the 1988 Seoul Olympic Games and stressed that China's participation would contribute to reducing tensions in the Korean peninsula.

Tokyo's diplomatic initiatives to North Korea and China were instrumental in pushing the separate admission of the two Koreas into the United Nations in September 1991. North Korea,

supported by China, had long opposed the idea of two Korean seats in the U.N., fearing that it would perpetuate the division of the peninsula. South Korea, along with the United States and Japan, have been receptive the idea. The separate admission of the two Koreas into the United Nations could proceed only if China agrees not to use its veto power in the Security Council.[73] While trying to persuade Pyangyong to accept the proposal, Tokyo also lobbied hard both in China and in the U.N. to garner international support for the idea.[74] Prime Minister Kaifu, while visiting China in August 1991, persuaded Beijing to endorse the proposal of admitting the two Koreas into the U.N. China eventually backed off from its longtime opposition, and thus cleared up the obstacles to admitting the two Koreas into the U.N.[75]

Sino-Japanese Cooperation on Multilateral Organizations.

In the late 1980s, as Japan strives to seek a political role commensurate to its economic superpower, Japan is increasingly assertive in defining its own national interests in China. The 1990 Houston summit, where Japan defied the wishes of other G-7 members in the resumption of its ODA to China, illustrated most vividly the rifts between Japan and the rest of G-7 members, especially the United States, in terms of China policy.

Sino-U.S. relations were seriously damaged by the

Tiananmen incident and have yet to recover. Human rights and forced labor issues have been roadblocks to good U.S.-Sino relations. The U.S. Congress continues to use the Most-Favored-Nation issue to pressure China for rapid change. China's missile sales to the Middle East and trade surplus with the United States have now added new twists to the soured U.S.-Sino relations. U.S. China policy became a partisan issue in the midst of the 1992 presidential election. The formation of the North American Free Trade Area (NAFTA) and an emerging Western European economic fortress, coupled with the likelihood of the failure of the Uruguay Round Negotiation, have fueled Japan and other Asian nations' worry about regional protectionism. Asian countries, including Japan and China, are under pressure to look inward and create a trade bloc of their own in order to minimize the effects of regional protectionism and to sustain economic growth. Nationalism in Asia and pan Asianism are on the rise. Rapid economic development and industrialization in Asia over the past decades have made Asians more confident about their ability to manage their own affairs without the involvement of Western countries. In December 1990, Malaysia Prime Minister Mahathir Mohamed's proposal for the formation of an All-Asian economic cooperation group, East Asia Economic Group (EAEG), excluding the United States, echoed the sentiment of Pan-Asianism. Mahathir further called on Japan to lead the group.[76] At the July 1991 ASEAN ministerial meeting, ASEAN countries for large

part embraced the idea of creating the East Asian Economic Group. The heads of ASEAN governments, convening in Singapore in January 1992, called for a common effective preferential tariff scheme (CEPT) among the six members. Beginning in 1993, tariffs would be cut on all to a maximum of 5% in a 15-year phase-in period.[77]

It is against the backdrop of this changing world order toward regionalism and an increasingly strained U.S.-Japanese relationship that Tokyo has come to realize the necessity of reappreciating the importance of Asia in its drive for diplomatic and economic autonomy. Moreover, Tokyo seems to believe that close Sino-Japanese cooperation can play an indispensable role in the pursuit of this new Asian diplomacy. In the past, Tokyo has categorically rejected the idea of an All-Asian Trade Bloc, fearing it would threaten its export markets in Europe and the United States and revive the memory of Japan's Greater East Asia Co-Prosperity Sphere during World War II. Nonetheless, rising protectionism in both Europe and North America has prompted Tokyo to reconsider the idea of an All-Asian economic integration. During his tour in several ASEAN countries in late April 1992, Prime Minister Kaifu called for stepping up the Japanese role in contributing to regional economic cooperation, and hinted that Japan would "consider appropriate ways" to support Mahathir's EAEG framework.[78] The United States, which objected to the idea of a non-white trading bloc previously, has appeared receptive

now that the process is in a irreversible course.

Increasingly, the importance of Sino-Japanese cooperation in multilateral institutions figures prominently in Tokyo's China policy. Tokyo has become an enthusiastic supporter of including China regional and global cooperative frameworks. Tokyo's goal appears to seek to incorporate China into the global economy and pave the way for closer Sino-Japanese cooperation in multilateral organizations. This objective was enunciated clearly by Prime Minister Kaifu well before the collapse of the former Soviet Union. As he wrote in Foreign Policy in explaining Japan's China policy in the wake of Tiananmen Square, "Maintaining and developing a good, stable relationship between Japan and China is important not only for our own country but for the peace and stability of the entire Asia-Pacific region. Our aim is for China to become an integral part of the regional framework of peace and prosperity."[79] The membership of China, Hong Kong, and Taiwan in Asia-Pacific Economic Cooperation (APEC) had been a thorny issue since the inception of the APEC. With support from Japan and South Korea, the issue was finally resolved when China, Taiwan, and Hong Kong were simultaneously admitted into APEC in 1991.[80]

Moreover, Tokyo currently perceives sino-Japanese cooperation as having a global dimension. In a speech entitled "The New World And Sino-Japanese Relations" delivered during his official visit to China in August 1991, Prime Minister

Kaifu repeatedly stressed the importance of Sino-Japanese cooperation for maintaining peace and stability in Asia and in the world. Peaceful settlement in Cambodia and North Korea's adherence to IAEA nuclear inspection were singled out as the most important facets of Sino-Japanese cooperation. In addition, Kaifu appealed to the Chinese leaders for understanding Japan's dispatch of mine sweepers to the Gulf and the pending PKO bill in the Diet, and pledged that Japan will never become a threatening military power.[81]

The winding down of the Cold War has convinced Tokyo that the time is ripe for Japan to play a security role in Asia. This was evident when Japanese Foreign Minister Taro Nakayama made a bold proposal at the annual post-ASEAN ministerial meeting in July 1991 to create an Asian version of the Conference on Security and Co-operation in Europe (CSCE). Nakayama wanted the regional security forum to be established on the basis of the existing ASEAN structure but to expand the scope to include security matters in the region.[82] China and Sino-Japanese cooperation are to play important role in this new scheme.

As Yukio Satoh, Director General for Information Analysis, Research, and Planning of Gaimusho elaborated:

> There is no doubt that fora for broader regional cooperation are important for the Asia and Pacific region... ASEAN countries, for example, have become increasingly explicit on political and security issues, on their own as well as through the mechanism of ASEAN-PMC(Post Ministerial Conference)...
>
> ASEAN-PMC, with participation of South Korea, can be an ideal forum for such a process (dialogue on regional

security issues). Chinese and Soviet participation in a process of political dialogue must not be excluded totally.[83]

Being the only industrialized country in Asia, Japan has long been determined to serve as a bridge between Asian countries and the West, and to represent Asian interests in the Western world. Now Tokyo seems to realize that its lone voice in the West-dominated rich men's club undercuts its bargaining power with other Western powers. Thus, Tokyo has begun to advocate a Chinese role in the West-dominated G-7 summit. In the summer of 1991, when the former Soviet Union was invited to attend the G-7 summit as an observing state, Tokyo raised the prospect of bringing China into the G-7 summit.[84]

Japan has pledged to support China's membership of GATT. When Jiang Zemin visited Japan in April 1992, Miyazawa not only reaffirmed Japan's commitment to supporting China's entry into GATT, but also supported the idea that China's entry preceeds Taiwan's entry.[85]

Emperor Akihito's visit to China in October 1992 was symbolic of this growing Sino-Japanese cooperation on international affairs. It demonstrated that the past bitter legacy in the Sino-Japanese relations could be transcended by common interests shared by the two Asian giants. That Japan was willing to accept China's invitation of Emperor Akihito, despite the risk of alienating both the Western allies and the domestic right wingers, reaffirmed the special importance that

Japan has thus far attached to its relationship with China.

Constraints of Sino-Japanese Cooperation

Sino-Japanese relations, despite all the positive developments, have had many twists and turns because of Japan's past aggression against China and different policy ieologies of the tow governments. Until the establishment of diplomatic relations with Japan in 1972, Beijing constantly warned against the alleged revival of Japanese "militarism" and the close security ties between Japan and the United States. When the 1969 Nixon-Sato communique included the so called "Taiwan clause", China accused Japan of serving as an U.S. "vanguard in the Far East" and repeatedly warned about the revival of Japanese militarism.[86] Beijing stopped the drumbeat against Japan after the diplomatic normalization in 1972. Changing international situations in the 1970s convinced China that Japan could be a counterweight to the Soviet threat. China changed its long-time opposition to the U.S.-Japanese Security treaty in the wake of Soviet expansion in East Asia.[87] The 1978 peace and friendship treaty was a turning point for Sino-Japanese cooperation.

In the early 1980s, China showed signs of disapproval and worry when Japan extended its naval defense responsibility to 1,000 nautical miles and increased its military budget. The 1982 school textbook issue, which involved sanitizing history

textbooks on Japan's invasion of China, became another controversy in Sino-Japanese relations. The textbook controversy erupted again in 1987. Coupled with a shift of the Reagan administration's Asia policy from triangular power politics to relying on U.S.-Japanese strategic cooperation, tensions between China and Japan under the "hawkish" Prime Minister Nakasone arose. China resumed its warning of possible revival of Japanese militarism. But the tension soon faded as Beijing received reassurances both from Japan and the United States.[88] The Koryo Student Dormitory incident in 1987 was another major source of tension in the Sino-Japanese relations under the Nakasone government which prompted China to accuse Japan of being insensitive to the "two-China" issue.[89] Finally, there is the territorial dispute over the Senkaku island between Japan and China, which has been shelved since the 1972 normalization.

Chinese wariness about Japan's increased military power remains. In October 1991 when the Japanese Cabinet approved a plan to dispatch minesweepers to join the Western coalition after the end of the Gulf War, China's official New China News Agency quoted a senior official from the Chinese foreign ministry as saying that "Japan's dispatching of troops abroad is a very sensitive issue both in its own country and abroad." He added Japan should handle it with caution, "[o]therwise, the feelings of the Asian people will be unavoidably hurt and it will eventually bring no good to Japan itself." The

Japanese PKO bill was said to prompt the Chinese military establishment to press for additional defense budget partly to counter Japan.[90]

To be sure, Japan's dependence on U.S. military protection will be readjusted to reflect the changing balance of power but will likely remain intact in the light of Asian countries' (China included) sensitivity to Japanese military power in the region.

To achieve the goal of a more balanced power between economic and military strength, Japan will have to work hard to allay Asians' fear and distrust. Many Asian neighbors that were victims of Japanese militarism during World War II have begun to express uneasy feelings about growing Japanese military power. For the present, Tokyo needs to demonstrate that it is trustworthy before it can embark on bidding for any security role in Asia.

Similarly, the success of Sino-Japanese cooperation will also be contingent largely on Japan's sensitivity toward China. As Chalmers Johnson observed, "The issue at stake is, can the Japanese work with the Chinese, and, in fact, do the Chinese want to work with the Japanese?"[91] Tokyo seems to have realized this dilemma. In a sense, the performance of Japan's peace-keeping troops in Cambodia will be an important litmus test for Japan's capability and political will to be a true leader in Asia both economically and politically.

Tokyo also needs to make efforts to ensure that aligning

with China will not alienate its relations with the West, especially the United States, and thus wreak havoc on the very relationship from which Tokyo has benefitted most since the end of the World II.[92] Ultimately, Tokyo is still confronted with the century-long dilemma, that is how to balance its relations with Asia (China included) and the West.

If the past balance of power in the region had been revolving around China and the main security dilemma was to deal with growing Chinese power, the future balance of power will probably revolve around Japan. As one writer aptly observed in the Washington Post, "as this economic powerhouse [Japan] begins cautiously to test its long-neglected political and military muscles in the world of the 1990s, Asia will be the place to watch for the signs of a historic change."[93]

Conclusion

If the advent of the "Yoshida Doctrine" in the 1950s heralded the beginning of Japan's embrace with the West, what we are witnessing now may be the beginning of its end. The "Yoshida Doctrine" entailed a close political alliance, albeit unequal, with the United States, coupled with economic integration into the Western economic system. The "Yoshida Doctrine" may have been overtaken by the arrival of a Japanese economic superpower and the abrupt ending of the Cold War.

Amidst the search for political prestige and influence commensurate to its economic superpower status, Tokyo may have realized it is time to return to Asia both for political and economical reasons.

Japan's latest efforts in intensifying Sino-Japanese cooperation is an integral part of what one scholar called "re-Asianization."[94] It marked a departure from the four-decade endeavors of catching up with and becoming part of the club of the Western countries. The China case is unique because China is a vast and underdeveloped market, and a regional political power with global importance. The advantages of a close political alignment with China are two-fold. First of all, China provides economic opportunities for Japan in terms of energy sources and export markets; thus, China could be an economic cushion for Japan's heavy dependence on the West. Second, China presents political and strategic opportunity for Japan in an increasingly uncertain world order. A close political alignment with China would facilitate Japan's drive for political influence in Asia and possibly enhance its bargaining leverage with the West, especially vis-a-vis the United States.

As in the economic realm, the U.S.-Japanese regime on China policy has undergone tremendous transformation in the political and security realms in the last decade or so. The changes in all three major defining characteristics of regime are so visible and profound that the continued functioning of

the China policy regime may no longer be possible.

First, the strength of the regime in the political realm has weakened tremendously in the political realm during the past decade. In the mid-1980s, the heightening Soviet threat in East Asia, coupled with Tokyo's desire to play a more visible role in the Western alliance, brought the U.S. and Japan closer than ever. Cooperation and coordination with China to counter the Soviet threat became a policy objective shared by both the United States and Japan. A quasi-tripartite alliance against the Soviet Union was formed. Thus, the strength of the China policy regime was maintained for the time being, albeit more difficult than it was in the 1950s. As Japanese economic power grew, Tokyo's desire to be an equal player in the Western alliance heightened. The 1983 Williamsburg summit represented a partial success of Tokyo's drive for an equal yet independent role in the U.S.-led Western alliance. Tokyo's willingness to continue cooperation with the United States with regard to China policy was evident in Nakasone's repeated consultation with China on the Korean Peninsula and the Cambodia crisis on the behalf of the United States.

Amidst the fluidity of the international balance of power in the late 1980s and the early 1990s, Japan has become increasingly assertive in pursuing its own agenda in Asia, hoping to play a major political role in the region. Japan's deference to the United States and the spirit of cooperation

that had characterized the regime have seemed tenuous at best. Discord in the China policy regime is rife.

Japan has come to recognize that Sino-Japanese cooperation is indispensable in striving for a political role. While seeking China's consent to its bid for influence in the region, Japan not only has tried hard not to antagonize China, but also to consult China frequently on many issues of regional importance. While there exist potential problems between China and Japan such as the memory of World War II and the territorial dispute over Senkaku Island, successful cooperation between the two countries is not only plausible but also possible. Bilateral cooperation has been demonstrated partially by policy coordinations on the Cambodia peace settlement, on separate admission of the two Koreas into U.N., North Korea's adherence to IAEA nuclear inspection, and on China's membership in the APEC. Japan is trying to help China to restore its membership in GATT. Rather than facilitating Japan's interests in China and in East Asia, the U.S.-Japanese regime on China policy has become an obstacle to a more assertive and autonomous Japanese China policy.

Second, the scope of the China policy regime in the political realm has diminished considerably since the conclusion of the Peace Treaty in 1978. Political issues related to the signing of the Peace Treaty have gradually disappeared. By the end of the 1980s, almost all relevant issues of the China policy regime have been eclipsed by the

rapidly changing international relations. Except for the export control issue, the regime has increasingly become a truncated one. Japan has gained a completely free rein to pursue its own China diplomacy independent of the United States.

Third and finally, similar to the economic realm, the underlying principles of the regime--reducing the threat from mainland China and enhancing Japan's security through U.S.-Japanese cooperation--have been overtaken by the rapidly changing international balance of power and become outmoded.

The new objective--countering the Soviet threat--shared by the United States and Japan since the late 1970s served to replace the declining underlying principle of the regime, thus sustaining the momentum of the China policy regime. China was gradually viewed as a strategic asset to both the U.S. and Japan, rather than as a military threat. With the ascendancy of the Japanese economic power, the regime was tranformed into a "negotiated order" whereby the U.S. and Japan coordinated their China policy on a more or less equal footing.

The transformation of the China policy regime in the political and security realm has accelerated since the late 1980s. The balance of power in the region is undergoing a new phase of flux. The decade-long Sino-Soviet military confrontation has vanished. The Cold War has ended with the collapse of the Soviet empire. Japan's influence in the region is rising rapidly as a result of its immense economic success.

U.S. influence in Asia appears to be in decline, as its military presence in Asia diminishes. A new balance of power among the United States, Russia, Japan and China is arriving in East Asia. With the disintegration of the Soviet empire in 1991, the shared objective of countering the Soviet threat, which served as a substitute for the declining underlying principle of the regime to hold the residual of the China policy regime together, also became obsolete. Without a meaningful underlying principle, the ability of the regime to survive is called into question. The China policy regime has become an obstacle to Japan's pursuit of diplomatic autonomy and national security in a rapidly changing world order. Contradicting the very underlying principle the China policy regime espoused when it was created in the 1950s, the importance of Sino-Japanese cooperation has loomed larger and larger as the U.S.-Japanese trade conflicts deteriorated and the world is turning toward regionalism. Increasingly and openly, Japan is defying the constraints of the China policy regime imposed by the U.S. It appears that the regime that has sprung out of the Cold War has been overtaken by the rapidly changing balance of power. Unlike the earlier transformation, this time the regime may be heading toward demise.

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Chapter 7. Conclusion

Evolution and Transformation of the U.S.-Japanese China Policy Regime

Because of geographical proximity, Japan and China have a long history of cultural and political interaction. More recently, the political and economic interactions of the two countries have come to shape the history of each other. Japan relied on China's raw material for its industrialization, whereas China saw Japan as a bridge to Western culture and technology. Japan's invasion of China during World War II helped to bring the victory of communism. Conversely, Japan's ambition to conquer China brought Japan's ultimate defeat in the war. The advent of the Cold War had once again estranged the two neighboring countries until 1972.

Since the normalization, the interaction of the two countries has been predicated on mutual needs for each other. These mutual needs are two-fold. Economically, the two economies are complementary. On the one hand, China needs Japan's technology and large-scale capital in its efforts to modernize the economy. On the other hand, Japan needs China for its export diversification strategy and raw material imports. The second dimension of the complementarity, which is politically-oriented, is a more recent phenomenon. Japan is an industrialized country, and a member of the Western club.

China needs Japan to marshall international support for its integration into the world economy such as joining GATT. In contrast, China is a regional political power with global importance and is an permanent member of the U.N. Security Council. Japan needs China's support in its drive for a major political role in global and regional politics.

Japan's China policy during the 1970-1992 period has come a long way from the 1950s, when its China policy was subjugated to U.S. containment policy in Asia. During the past two decades, the U.S.-Japanese regime on China policy has been transformed substantially. Conflict of interests between the two countries was intensified. Japan has increasingly come to challenge the rules and expectations of China policy imposed by the United States at the height of U.S. hegemony.

The 1972 diplomatic normalization under the Tanaka government was a diplomatic victory for Japan after more than twenty years of succumbing to the U.S. non-recognition policy. It represented the advent of new opportunities for Japan to pursue a new and independent foreign policy in China and in Asia. Since then Japan has become more assertive in pursuing its China policy. But the pattern of Japanese dependence on the United States continued in the course of Japan's diplomatic normalization with China.

As a result of the diplomatic normalization, the U.S.-Japanese regime on China policy had been increasingly under stress. The strength of the regime weakened considerably as

Japan became more assertive in its China policy. The scope of the regime narrowed notably as many issues in the China policy regime such as "trade embargo" and "non-recognition" were discarded. Finally, the underlying principle of the U.S.-Japanese regime on China policy--containing the Chinese threat and enhance security--has started to erode since 1972.

Nonetheless, the 1972 diplomatic normalization with China did not constitute an end to U.S.-Japanese cooperation on China policy. Rather, it marked the transformation of a highly unequal regime imposed in the 1950s toward a more equal one. The unequal nature of the regime persisted as Japan's deference to U.S. China policy remained during and after the diplomatic normalization with China. Japan's continued deference was demonstrated by the Sato government's ability to hold on to the non-recognition policy in the face of enormous pressures from the LDP's left-wing forces, opposition parties and the public. Moreover, it was also demonstrated in the Sato government's co-sponsoring the U.N. resolution with U.S., which called for admitting both China and the Republic of China into the U.N. Similarly, the Tanaka government showed almost the same degree of deference to the U.S. evident at the Nixon-Tanaka summit.

The signing of the 1978 peace treaty with China ushered in a new phase of Japan's China policy, which could be characterized as "political activism." Tokyo's diplomatic initiatives during treaty negotiations with China had

demonstrated its readiness to pursue an autonomous foreign policy when its national interests were at stake. Japan's resistance to China's "anti-hegemonic" clause was indicative of Japan's resolve to stand up to a powerful neighbor. The signing of the peace treaty displayed a Japan more willing to assert its own security interests in Asia in the face of the complex power interplay between the three major powers in the region, the U.S., the USSR, and China.

While the peace treaty with China was initially perceived by Japan as a necessary step to assert its own independent foreign policy line, Tokyo continued to believe in the necessity of cooperating and coordinating its China policy with the strategic interests of the United States in Asia, and willingly subjected its China policy to the constraints of the U.S.-Japanese regime on China policy. While Tokyo was determined to assert itself in its China policy, it had cautiously avoided drifting too far away from U.S. policy objectives. Tokyo was aware of the limits in its pursuit of autonomy but often stretched them as far as possible. In the end, Japan's peace treaty with China paralleled the U.S. decision to establish diplomatic relations with China in late 1978. Japan's final decision to sign the treaty, which entailed another concession to China, came at a time when Japan was assured of U.S. support for the treaty. The signing of the 1978 peace treaty with China suggested the continued transformation of the China policy regime into a "negotiated

order" with Japan a more equal and voluntary partner in the regime.

U.S.-Japanese cooperation on China policy between 1978 and 1985 could be best characterized as a "negotiated order." The growing Soviet presence in East Asia heightened the needs for both countries to coordinate their China policies. The objective of countering the Soviet threat shared by the two countries gradually offset the eroding underlying principle of the regime--containing China and enhancing mutual security. Instead of containing China, the new common objective now called for allying with China and enhancing mutual security. This new-found common objective served to sustain the momentum of cooperation between the U.S. and Japan in a regime that was in decline. The cohesion of the regime was maintained because of this new objective of the regime. The strength of the regime, albeit weakening, was stabilized. On the other hand, the scope of the regime continued to diminish as the 1978 peace treaty, which resolved some of major issues that had surrounded the China regime, was signed.

Increasingly, as Japan's cooperation with the United States on China policy intensified in the hope of containing the growing Soviet threat, the importance of Japan's ODA toward China figured prominently. The spirit of U.S.-Japanese cooperation in the China policy regime was accentuated by the announcement of "Ohira's Three Principles" when Tokyo made its first yen loan to China. The second yen loan to China in 1984

was also carried out under the spirit of U.S.-Japanese cooperation.

Since the mid-1980s, the U.S.-Japanese regime on China policy, characterized as a "negotiated order," has entered a new phase of transformation with the easing of Cold War tensions between the U.S. and the Soviet Union. U.S.-Japanese relations deteriorated as bilateral trade frictions escalated. Japan's deference to the United States eroded rapidly as Japan stepped up its pursuit of political influence in Asia. The U.S.-Japanese regime on China policy started to show more signs of discord and non-cooperation as the objective of countering the Soviet threat lost its importance. The regime appeared to have become a hindrance to Japan's pursuit of its own national interests in China. The cohesion of the regime eroded rapidly. Its strength continued to weaken as Japan openly and successfully challenged the premises and rules of the regime imposed by the United States.

The China policy regime in the economic realm has undergone a even more rapid transformation, with Japan enjoying a freer hand in its policy toward China. Many informal rules in the China policy regime regarding trade with China imposed by the United States in the 1950s have been abandoned, with the exception of CoCom regulations. As Tokyo seeks political influence and prestige in East Asia commensurate to its economic might, Japanese ODA has increasingly become a main instrument of foreign policy in

forging political partnership with China. Through economic means (especially ODA), Japan was more determined to assert its interests in China even if it involved conflict of interests with the United States. It was in the economic realm that Japan's deference to the United States faded quickly. This was illustrated by Japan's resumption of its massive ODA to China in 1990 against the will of the United States in 1990, and again by its increasing pressures on CoCom for change. With the disappearance of almost all economic issues surrounding the China policy regime (except the CoCom regulations), economic aspects of the regime are on the verge of demise.

Moreover, political aspects of the China policy regime have been heading for the same destination, namely disintegration since the late 1980s. Rather than partners, Japan and the United States are becoming political rivals in China and the rest of Asia. Economic means and yen diplomacy are no longer sufficient for Japan's endeavors to achieve autonomy and influence. Disappointed by the ineffectiveness of the yen diplomacy, Tokyo gradually realized that direct engagement in Asian affairs is indispensable for achieving a major political role in Asia. Increasingly, the importance of Sino-Japanese relations loomed large in Japan's new political activism in Asia. Tokyo has come to realize that Sino-Japanese cooperation is indispensable for Japan's drive for a major political role in Asia.

Japan has sought every opportunity to enhance its political profile in Asian affairs, the most prominent ones being the post-war settlement in Cambodia, and the dispatch of peace-keeping forces there. Along with foreign aid, Japan has thus far actively engaged in sponsoring international conferences, mediating negotiations between the Cambodia factions, and appealing to China as well as other Asian countries for support.

Similar efforts could be seen in Japan's diplomacy toward the Korean Peninsula. Realizing the significance of stability in the peninsula for Japan, Tokyo assiduously sought China's cooperation in mediating Japan's diplomatic normalization with North Korea, and in bringing the North Korean government to a more moderate and rational stance vis-a-vis the West. In return Japan tried to help accelerate Sino-South Korea diplomatic normalization.

Japan's new emphasis on Sino-Japanese relations heightened as Japan accentuated its attempt to achieve great power status. stabilizing Sino-Japanese political relationships became an integral and essential part of Tokyo's new policy shift towards re-Asianization after four decades of closely allying with the West. China is exceptionally important for Tokyo's new foreign policy shift because China presents a unique opportunity for Japan. China is a vast and underdeveloped market, and a regional power with global importance. Advantages of a close political alignment with

China are two-fold. First, China provides economic opportunities for Japan in terms of energy sources and export market, thus serving as a cushion to reduce Japan's economic dependence on the West. More importantly, China presents political and strategic opportunities for Japan in an increasingly uncertain world order. A close political alignment with China would enhance Japan's political bargaining with the United States, thus help achieving the goal of becoming a great yet independent political power. Increasingly, the U.S.-Japanese relationship is transforming itself from partnership into competition with regard to China policy. The underlying principle of the U.S.-Japanese regime on China policy was based on realist thinking, namely to counter a common threat. These had served to justify the subordination of Japan's China policy to the objectives of U.S. strategic policy in Asia until the late 1970s. The underlying principle started to erode in the 1970s, especially after the 1979 U.S.-Sino diplomatic normalization. From then on, the common objective of countering the Soviet threat gradually replaced the declining underlying principle--opposing the Chinese threat--thus maintaining the momentum of U.S.-Japanese cooperation on China policy. The ending of the Cold War rendered the common objective of countering the Soviet threat obsolete. As a result, Japan has increasingly come to challenge the constraints of the China policy regime imposed by the United States. With the erosion of the original

underlying principles, compounded by the disappearance of the Soviet threat, the disintegration of the "negotiated regime" is perhaps under way.

Table 1. Summary of Changes in Japan's China policy

Period	Outlook of Japan's China Policy	Status of U.S.-Japanese Cooperation on China Policy
1950-1970	submissive	unequal and imposed
1972-1977	passive & reactive	transforming toward equality
1978-1989		more balanced but deferential
Economic	cautiously active	
Political	cautiously active	
1989-present		Discord
Economic	assertive, sometimes defiant	
Political	assertive	

Table 2. Evolution of U.S.-Japanese Regime on China Policy

	1950-1972 Imposed Order	1972-1978 Imposed Order to Negotiated order	1979-1985 Negotiated Order	1985-present Negotiated Order to discord
Principle	++++	+++	++	+
Strength	++++	+++	++	+
Scope	++++	+++	+	+

Note: + indicates weak, ++++ indicates strong.

Explaining the Transformation of the China Policy Regime

I. Explaining Change in Japan's China Policy: Neorealist Perspective

Realism sees the world as anarchic; nations must seek self-protection. Therefore, they are constant striving for relative power for the fear of insecurity. Cooperation is very difficult to achieve given nations' distrust towards each other. However, cooperation under anarchy does exist if there is hegemonic leadership. The theory of hegemonic stability, a variant of realism, posits that the existence of a hegemon is conducive to international cooperation. Uneven growth of power foreshadows international structural change. As the hegemon's

power declines, the secondary states in the regime become more willing to challenge rules and norms imposed by the hegemon. Therefore, international cooperation becomes difficult and the regime becomes unstable.

Therefore, realists see changing U.S.-Japanese relations as a result of the changing international balance of power; to be more precise, they attribute the unstable U.S.-Japanese relationship to the decline of U.S. hegemonic power. As Gilpin argued, changing U.S.-Japanese relations cannot be separated from "the American System" which is undergoing structural change. For Gilpin, "the American System" is composed of "U.S. postwar containment policy in Europe and Asia, and a liberal international economic structure characterized by GATT and the Bretton Woods system relations."[1] The decline of U.S. hegemonic power has inevitably contributed to the growing assertiveness of Japanese foreign policy which, as a major pillar of "the American System," had once succumbed to the dictate of American strategic objectives in Asia.

The impact of the relative decline of U.S. hegemonic power vis-a-vis Japanese foreign policy has been two-fold. First, the decline of U.S. power and the ascendancy of Japanese economic power greatly strained the asymmetrical relationship between Japan and its senior partner, the United States, as evident in growing trade frictions and conflicts over the issue of burden-sharing in defense. As Drifte observed, "Japan's singular and successful pursuit of economic goals,

and the relative decline of the United States, have given rise to conflicts with Japan's major economic partners over trade, investment and technology, as well as over increased expectations of Japanese burden-sharing." In addition, "There is a broad consensus in Japan that the country should become internationally more active and shoulder more responsibilities."[2] Clearly, the decline of the U.S. hegemonic power led to Japan's increasing demand to readjust the unequal U.S.-Japanese relationship.

Second, the decline of U.S. power, particularly in its influence in Asia, contributed to the expansion of the role that Japan is playing in Asia. As early as 1970 the Japanese government started to use foreign aid to assert regional influence in Asia.[3] More recently, this Japanese aspiration for prestige and power in Asia has become clearer. As Vogel rightly pointed out, "although cosmopolitan Japanese are prepared to cooperate with other donors in foreign aid, many officials and much of the public believe Japan is now strong enough that it does not need to ingratiate itself with the United States by aid-giving in the pursuit of strategic interests defined by U.S. priorities and objectives.

Similarly, Nye also asserted that the rise of Japanese economic power and the decline of U.S. hegemony "have led to some changes in Japanese behavior: Japan used to leave global politics to the United States. Now it is eager to use its yen aid to become a strategic player itself. With two-thirds of

its assistance concentrated in Asia, Japan is emerging as a major power broker in the region."[4]

The rapidly changing China policy regime is just an integral and important part of changes that are taking place in overall U.S.-Japanese relations. Based on the realist prediction, the uneven growth of power in the U.S.-Japanese regime on China policy will give rise to discord and instability in the regime. As U.S. hegemonic power declines, secondary powers like Japan will be more likely to challenge the hegemon's interests in U.S.-Japanese regime on China policy; thus, U.S.-Japanese cooperation on China policy will become more difficult.

Now, let us assess how valid the prediction by the theory is. We have known from the last four chapters that Japanese assertiveness vis-a-vis the United States has increased and that the China policy regime has been under increasing stress since 1972. The application of the theory of hegemonic stability still needs to satisfy several conditions:1) we have to show that U.S. hegemony is in decline; 2) we need to show correlation between the decline of U.S. hegemonic power and the increasing assertiveness of Japanese foreign policy toward China; and 3) we need to demonstrate that there is a intrinsic causality between declining U.S. hegemony and the rising Japanese challenge. That is to say that the regime change has been caused by the decline of hegemonic power, not anything else.

Table 3. Summary of Rising Japanese Power vis-a-vis U.S. in GNP (in billions of dollars and by percentage)

	1970	1975	1980	1981	1982	1983	1984	1985	1986	1988
U.S.	1008	1582	2881	3105	2951	3198	3894	4000	4411	5408
Japan	205	501	1058	1170	1083	1178	1252	1323	1953	2808
Japan/US	20%	32%	38%	38%	37%	37%	32%	33%	44%	52%

Source: United Nations, National Accounts Statistics: Main Aggregates and Detailed Tables, 1988,1989.

Table 4. Comparison of U.S. and Japanese Total Trade (in billions of dollars and by percentage)

	1955	1960	1970	1975	1980	1985	1989
U .S.	27.0	35.7	82.3	214	478	581	857
Japan	4.5	8.5	38.2	113	270	305	486
Japan/US	17%	24%	46%	53%	57%	52%	57%

Source: United Nations, International Trade Statistics Yearbook, 1989.

First of all, let us examine if the U.S. hegemonic power is decline. The concept of power is a very loose term, and has suffered from definitional and measurement problems. Scholars have come up with various measurements for it. Organski and Kugler (1980) measured power in terms of the aggregate of military, economic and demographic power.[5] Similarly, Keohane (1984) used several indicators to measure the decline of U.S. hegemonic power.[6]

Two indicators will be used to measure the decline of U.S. relative power vis-a-vis Japan in this chapter. First, relative decline of U.S. power vis-a-vis Japan is measured by comparing Gross National Products of the two countries over

time. As Table 1 shows, the decline of U.S. relative power is evident. Whereas Japan's total GNP was equal to only 20% of total U.S. GNP in 1970, Japan's total GNP rose to account for 52% of total U.S. GNP in 1988. Clearly, there has been a clear decline of U.S. relative economic power in terms of GNP over the years.

Moreover, the decline of U.S. relative power can also be gauged by comparing growth of international trade volume over the years. Japan's total trade as percentage of total U.S. trade jumped from 17% in 1955, to 46% in 1970, finally to 57% in 1989. While the growth rate of Japanese trade volume relative to that of the U.S. is slower than the growth of its GNP after 1970, U.S. power vis-a-vis Japan in terms of trade volume is nonetheless also in decline (see Table 2). The decline of U.S. power is not as obvious in terms of trade volume as in terms of Gross National Product.

Next, we need to demonstrate the correlation between the decline of U.S. hegemony and growing Japanese assertiveness vis-a-vis the United States.

Although we have known from the analysis in the last four chapters that Japan's assertiveness has indeed increased over years, it would be more convincing if we come up with more accurate measurements for Japanese assertiveness. The difficulties of measuring the assertiveness is apparent. We know that Japan's China policy regime has become more assertive vis-a-vis the United State now than before and that

China policy has become increasingly unstable. Numerically, how do we measure it? Japan's ODA seems a good indicator. Over years Japan's ODA to China has become a major instrument for its China policy. Analysis in chapter 5 has told us that the more Japan values its relations with China, the more ODA it will give to China. Japan's ODA to China in terms of absolute volumes could be an indicator to measure Japan's assertiveness with respect to China policy. But it does not take into consideration U.S. China policy. Since the argument here is to stress that Japan's assertiveness vis-a-vis the United States in the China policy regime has increased over the years, it may be more accurate to indicate this Japanese assertiveness in China in relation to the United States influence by taking into account U.S. foreign aid to China or Asia. Because the U.S. does not provide official foreign aid to China, we will substitute U.S. foreign aid in Asia. Therefore, the ratio of the annual amount of Japan's ODA in China to the annual amount of U.S. foreign aid in Asia will be used to measure Japan's assertiveness relative to the United States presence in Asia.

Over the years, U.S. foreign aid to Asia as percentage of its total foreign aid decreased rapidly from 1970 to 1992. The decline of U.S.foreign aid to Asia reflects a gradual and genuine disinterest of the United States in Asia (see Table 4). Whereas U.S. foreign aid to Asia accounted for as high as 58.4% of total U.S. bilateral foreign aid during the heyday of

the Vietnam War, it went down to 44.85% in 1975. The percentage of U.S. foreign aid to Asia dropped steeply to 11.5% in 1989 (see Table 4). While annual Japanese ODA to China increased to $832 million in 1989 from $4.3 million in 1980, annual U.S. aid to the region actually decreased to $872 million in 1989 from $956 million (see Table 5). The correlation between the decline of U.S. hegemony and the growing Japanese assertiveness vis-a-vis the United States is clear. As the table indicates, between 1980-1989, the ratio of Japan's China ODA to U.S. foreign aid in Asia jumped to 1.0 from the 0.005 level in 1980, a 200-fold increase. That is to say, the assertiveness of Japan's China policy in relations to U.S. Asia policy increased by 200-fold in a decade. This increasing assertiveness occurred against the backdrop of the rapid decline of U.S. GDP as percentage of Japanese GDP and a slower decline of U.S. total trade volume as percentage of Japanese total trade volume.

Table 5. Trends In U.S. And Japanese ODA in Recent Years (in millions of dollars)

	1982	1884	1986	1988	1989	1990
Japan	3,023	4,319	5,634	9,134	8,965	9,069
U.S.	8,202	8,711	9,564	9,777	7,664	10,166

Source: Ministry of Foreign Affairs, Japan. Japan's Official Development Assistance (ODA): Annual Report, 1989, 1990, 1991.

Table 6. Geographical Distribution of U.S. Bilateral Foreign Aid (percentage and in millions of dollars)

Region	1970	1975	1980	1987	1988	1989
Asia	58.4	44.8	13.4	9.2	12.1	11.5
Middle East	8.1	21.7	47.1	37.6	34.0	34.7
Africa	6.7	6.9	13.4	11.0	10.6	10.8
Cen. America	18.4	12.5	3.1	20.5	18.2	19.9
Oceania	1.8	2.8	2.5	2.5	2.5	2.6
Others	6.6	12.6	15.2	19.4	22.7	22.6
Total	--	--	7,138	9,000	10,000	7,600

Table 7. Japan's ODA to China As percentage of U.S. aid to Asia (in millions of dollars)

	1980	1987	1988	1989
Japan				
--Aid to China	4.3	423	673	832
--Total aid	3,304	7,454	9,134	8,965
--China aid as % of total aid	0.1%	7%	7%	9%
The United States				
--Aid to Asia	956	820	1,210	872
--Total aid	7,138	9,000	10,000	7,600
--Aid to Asia as % of total aid	13%	9%	12%	11%
Japan's aid in China / U.S. aid in Asia	0.005	0.5	0.5	1.00

Note: Figures presented are calculated based on data released by MOFA's Japan's Official Development Assistance,1990 and U.S. AID, U.S. Overseas Loans and Grants, 1978-1988.

The theory of hegemonic stability appears to explain changes in and the evolution of U.S.-Japanese cooperation on China policy. In the 1970s, despite the growth of Japanese economic power, the power gap between the two countries was still wide. Japan's GDP was only 20% of U.S. GDP in 1970, and 32% of U.S. GDP in 1975; therefore, Japan could not negotiate with the United States on equal footing. Thus, the persistent power gap explained much of the deference Japan paid to the United States in the course of diplomatic normalization with China 1972 and the peace treaty negotiation in 1978. The power gap between the two countries enabled the United States to extract Japan's compliance with the rules and norms of the regime by threatening to apply penalties. Halting the reversion of Okinawa was the potential penalty the United States could have used against Japan. Prime Minister Sato was aware of the fact that Japan would be in a vulnerable position

if it did not comply with U.S. China policy objectives; therefore he continued to follow U.S. China policy faithfully. During the treaty negotiations with China in 1978, Prime Minister Fukuda recognized Japan's vulnerable position in the face of the growing Soviet threat, hence the importance of continued military dependence on the United States, even though Japan's economic power was fast catching up with the United States. Therefore, Fukuda chose to continue to cooperate with the United States with deference. But as we have seen, Japan's deference to the United States lessened during the treaty negotiation in comparison with the 1972 normalization.

As Japan's power continued to grow and the power gap between the two countries narrowed, Japan became more determined to assert its own national interests. The lessened power gap between the U.S. and Japan weakened U.S. ability to extract Japanese compliance with U.S.-imposed rules and norms in the China policy regime. Bilateral cooperation on China policy became increasingly difficult, as Japan showed more readiness to challenge the United States. Conflict of interests between the two countries intensified in the regime and discord was rife. This was evident in Japan's resumption of ODA to China in 1990. Similarly, Japan has come to value the importance of forging political alignment with China even if it means conflict with the United States.

Finally, we need to demonstrate that causality between

the decline of U.S. hegemony and the increasing assertiveness of Japan's China policy. Indeed, as Keohane pointed out (1984), this is the most difficult challenge with which the theory of hegemonic stability is confronted. Without demonstrating the causality of the two variables, we cannot know whether the decline of the U.S. hegemony is causing Japan to challenge U.S. China policy, if it is the other way around, or if the correlation is accidental. To distinguish these possibilities is no easy task. Because of the limited scope of our investigation, we can only examine the perception of Japanese policy makers to determine if their policy choices are shaped by the perception that the U.S. hegemony is in decline.

The perception that the U.S. is in decline and that Japan should assert itself in its foreign policy has been frequently documented in Japanese official and unofficial statements. Many Japanese official documents such as the Ohira report and MOFA's "Diplomatic Bluebook," have from time to time accentuated the relative decline of the U.S. economic strength and the need for Japan to heighten its political profile in order to shore up the international system such as GATT and IMF after U.S. hegemony. The Ohira Report on Comprehensive National Security in 1980 stated, "in considering the question of Japan's security, the most fundamental change in the international situation that took place in the 1970s is the termination of clear American supremacy in both military and

economic spheres.... As a result, U.S. military power is no longer able to provide its allies and friends with nearly full security." This line of thinking provided the policy foundation for former Prime Minister Nakasone to seek an enhancement of national military capabilities in 1982.[7] While the evidence cited here is incomplete to a certain extent, it confirms that the decline of U.S. hegemonic power indeed contributed to the growing assertiveness of Japan's China policy and discord in the China policy regime.

In sum, based on the neorealist perspective, uneven growth of power, or the relative decline of U.S. hegemonic power vis-a-vis Japan, has been the primary factor that led to the increasing assertiveness of Japanese China policy, and the transformation and eventual demise of the U.S.-Japanese regime on China policy. The theory of hegemonic stability does offer some explanatory utilities and insights in understanding the evolution and transformation of U.S.-Japanese cooperation on China.

II. Explaining the Transformation of the China Policy Regime: Neoliberalist Perspective

Liberals see cooperation as an essential feature of international politics. They acknowledge changes in the

international regime but it is only part of a broad picture of international cooperation. Since nation-states are rational actors, they make decisions under the principle of "bounded rationality," Cooperation facilitates exchange of information and reduces the uncertainty and transactional costs.

As mentioned in Chapter 1, there are three major independent variables which neoliberals use to explain international regime and change.

1) **The magnitude of absolute gains produced by cooperation:** The extent to which players can reach optimal gains through cooperation. The more there are absolute gains, the more likely cooperation will occur.

2) **The extent to which a game is iterated:** The more a game is iterated, the more likely cooperation will be sustained.

3) **The number of players.** The smaller the number of players is, the more likely cooperation will succeed. Since the number of players in U.S.-Japanese regime on China policy remained unchanged over the years, we would drop this variable.

In the following section, we would like to examine how useful the two major independent variables, the magnitude of absolute gains and the iterativeness of the game, would be in explaining the evolution and transformation of U.S.-Japanese regime on China policy in the past two decades.

1. The Magnitude of the Absolute Gains Produced by Cooperation

First, let us determine if there are absolute gains from bilateral cooperation on China policy between the U.S. and Japan.

U.S.-Japanese cooperation on China policy appears to be beneficial to both Japan and the United States. It was true in the 1950s when the "Yoshida Doctrine" was established, which allowed Japan to concentrate its limited resources on economic reconstruction. It still holds true in the 1980s and 1990s, because the U.S.-Japanese Security Treaty continues to provide Japan physical security, and helps Japan gain prestige and influence on regional affairs.

Hegemonic Cooperation and Bully Game:

Prior to 1972, the unequal U.S.-Japanese relations stipulated by the U.S.-Japanese Security Treaty appeared to be a case of hegemonic cooperation. For Japan, the payoffs of compliance to the U.S.-stipulated rules outweighed the payoffs of defiance. This was the essence of the "Yoshida Doctrine." As long as Japan complied with U.S. policy objectives, Japan enjoyed the benefits of cooperation and avoided the worst outcome, withdrawal of U.S. military protection in the event of military attack from China or the Soviet Union, or U.S. penalty of other kinds.

The unequal U.S-Japanese relations appeared to resemble a Bully game in which the strong player A (the United States) played Deadlock, and the weak player B (Japan) played Chicken

Game. In the Bully game, Player B would always play cooperation strategy (C) and avoid defection strategy (D), fearing that he would end up in outcome (DD), its worst outcome. This is because player A would always play defection strategy (D) to get his best outcome (DC) or second best outcome (DD). Therefore, the equilibrium outcome would be DC whereby the strong player A will get his most desired outcome and the weak player B would get his second worst outcome and avoid the worst outcome.

Bully Game (A plays Deadlock, B plays Chicken)

		Player B (Japan)	
		C	D
Player A (US)	C	2,3	1,4
	D	4,2	3,1

The history of U.S.-Japanese relations during the 1950-1972 period was consistent with the prediction of Bully Game. Japan's unconditional compliance with U.S. China policy continued through the Sato government. This can be seen by the Sato government's faithful compliance with U.S. "non-recognition" policy and by the Sato government's co-sponsoring the 1972 U.N. resolution with the U.S. to admit both China and the Republic of China against the backdrop of a sudden shift of U.S. China policy and roaring domestic discontent.

Transformation of Bully Game to Prisoners' Dilemma:

The 1972 Sino-Japanese diplomatic normalization was a watershed in Japan's China policy and Japan's foreign policy in general because it symbolized the adjustment of U.S.-Japanese relations from an unequal alliance toward a more equal and balanced partnership. Since the normalization, Japan has gradually become a player of its own China policy, albeit not a completely independent one. As Japan's economic power grew, Japan's China policy gradually became more assertive vis-a-vis the United States. It has become more difficult for the U.S. to subjugate Japan's China policy to U.S. strategic interests in Asia. At the same time, the U.S. government appeared to realize that it can no longer ignore Japan's own substantial interests in China. But cooperation and policy coordination persisted, albeit on a more equal footing.

Informal and formal consultation channels between the U.S. and Japan had been kept open in one way or another during the 1972 normalization and again during the peace treaty negotiation in 1978. Some times communication and coordination were carried out at the top level of the two governments, such as the Nixon-Sato summit, the Nixon-Tanaka summit and the Carter-Fukuda summit. Some times consultation and coordination on China policy between U.S. and Japan were conducted through multilateral policy forums, such as coordination of aid policy at the OECD's Development Assistance Committee (DAC) and G-7 Summit in 1989 and 1990. Coordination of export control policy

toward China was carried out through Cocom.

In fact, after the 1972 diplomatic normalization, U.S.-Japanese relations resembled the game of Prisoners' Dilemma in which the unequal and dependent relationship depicted by the Bully game has been transformed into an adversarial partnership.

In the Prisoners' Dilemma, the highest payoff is to monopolize both political and economic advantages in China (CD). One party's unilateral political and economic alignment with China means the worst outcome for the other party (DC). Economically, one party's monopolistic market access in China means loss of economic opportunity for the other party. Politically, close unilateral alignment with China implies added strategic leverage against the other party. Thus, both countries will seek to avoid the worst outcome (DC) and (CD), that is, being left out of China. But if both countries seek to monopolize advantages in China, at the same time, the result will be uncoordinated competition in China, thus giving China opportunity to play Japan against the U.S. This is the second worst outcome for both parties (DD), which both countries will try to avoid. Therefore, the equilibrium outcome is cooperation between the United States and Japan on China policy (CC).

Prisoner's Dilemma

		Play B (Japan)	
		C	D
Player A (US)	C	3,3	1,4
	D	4,1	2,2

Evidently, the Prisoners' Dilemma game adequately explained much of U.S.-Japanese cooperation on China policy during the period between 1972-1985. Both nations perceived absolute gains from cooperation. Bilateral cooperation yielded higher payoffs than non-cooperation, hence was the optimal choice for both nations.

However, the Prisoner's Dilemma game is not adequate in explaining growing discord and possible disintegration of the U.S.-Japanese regime on China policy since the late 1980s. According to the PD game, the U.S.-Japanese regime on China policy should continue to operate because the game structure has not changed and cooperation on China policy continues to be the optimal choice for both Japan and the United States. But in reality, the regime has taken a turn toward non-cooperation and possible demise, as illustrated by Tokyo's resumption of yen loans to China in 1990 and its growing emphasis on Sino-Japanese cooperation in Asia.

In short, neoliberals' rational choice variable adequately explains the formation of the China policy regime and why the U.S. and Japan chose to cooperate during 1972-

1985, but does not adequately explain why the U.S.-Japanese regime on China policy became more difficult after the mid-1980s and eventually headed for demise.

2. The Extent to Which a Game is Iterated

Neoliberals argue that states are more attracted to faithful cooperation if they expect to deal with their partners in a iterated manner. This is because iteration has the important effect of extending the time horizons of states, which reduces the attractiveness or payoffs of short-term cheating and thus enhances the prospects or payoffs for long-term cooperation among egoistic actors. In other words, cooperation becomes more likely if a game is iterated. Conversely, cooperation becomes less likely if a game is not iterated.

According to Oye, there are three conditions which can be used to identify a iterated game. First, "states must expect to continue dealing with each other." Second, "payoff structures must not change substantially over time." Third, "the size of the discount rate applied to the future affects the iterativeness of games." If states value future payoffs from cooperation, the game will be more iterative and cooperation more likely to persist. If a state does not pay attention to future payoffs, the iterative game is tantamount to a single-play game.[8]

The U.S.-Japanese regime on China policy is an iterated

game because it meets these three criteria. First, both the U.S. and Japan have expected, and continue to expect, to interact with each other in the future in terms of China policy. Second, the Prisoners' Dilemma payoff structure has not changed since 1972, and will not likely change in the future. Third, both Japan and the United States value their future payoffs in China to a great extent.

Therefore, the neoliberal theory will predict that the U.S.-Japanese regime on China policy functioned in the past and will continue to function in the future because of the perceived absolute gains and the iterated nature of the game. It appears that the neoliberal theory's prediction holds true for continued U.S.-Japanese cooperation on China policy during 1972-1985. However, the prediction is partly wrong when predicting the current situation in the regime. To the contrary, our findings suggest that U.S.-Japanese regime on China policy has eroded considerably since the late 1980s and is currently on the way to disintegration. The iterativeness variable does not fully explain the more recent changes that have occurred in the U.S.-Japanese regime on China policy.

Conclusion

The U.S.-Japanese regime on China policy has changed dramatically during the last two decades. The regime was

established as an imposed order to safeguard U.S. security interests in the Far East in the early 1950s. The regime was unequal and involuntary in nature since its inception, with Japan unwillingly subjecting its China policy to the security interests of the United States. This imposed regime was being transformed into a "negotiated order" marked by equality and voluntary cooperation when Tokyo established diplomatic relations with China in 1972. Despite the gradual weakening of the regime, the regime continued to function as a "negotiated order" whereby both the United States and Japan more or less willingly coordinated their China policies until the mid 1980s. Since the late 1980s, the regime has started to show signs of discord and non-cooperation; many issues of the regime have gradually lost their relevance. Japan has departed from the original rules and norms concerning China policy agreed upon by the U.S. and Japan. By the early 1990s, the regime was on the verge of demise.

While both the neorealist perspective and the neoliberal perspective are helpful in explaining the formation and changes of the U.S.-Japanese regime on China policy, neorealism seems more powerful and compelling in explaining the changes of the regime. By using power as a central and parsimonious concept, neorealism suggests that the strong state will make rules and norms that are conducive to its interests and the weak state complies with them. As the strong becomes weaker, the weak becomes capable of defying and

challenging those very rules. This is the case of the U.S.-Japanese regime on China policy. When the U.S. hegemonic power declines vis-a-vis Japan, Japan started to defy and challenge the rules and norms regarding China policy imposed by the U.S. at the height of its hegemony. Therefore, neorealism tells us that the transformation of the U.S.-Japanese regime on China policy over the past two decades can be attributed to the uneven distribution of power.

According to neorealism or the theory of hegemonic stability, the transformation in 1972 of the "imposed order" toward the "negotiated order" took place because of the relative decline of U.S. hegemonic power. The redistribution of power between the U.S. and Japan as envisaged by neorealism helps explain why growing discord and non-cooperation have occurred in the China policy regime since the late 1980s, and why the regime eventually headed for demise. Thus, the theory of hegemonic stability appears to offer some insights into understanding the evolution of the U.S.-Japanese regime on China policy. Neorealists' focus on the dynamic of power and distribution of power captures the central element of international structural change.

Nonetheless, neorealism, like other theories of international relations, has drawbacks. First, like classical realism, it is loose in the definition of power, which is central to the theory. Moreover, few have attempted to define what a hegemonic power really is. Without knowing the

threshold of a hegemonic power, it is hard to know when the decline of hegemonic power will start to cause disorder and instability in international regimes. Third, neorealists' notion of causal relations between the hegemony and stability of international regime is indeed a very difficult one. It is very hard to prove that disorder and instability in international regime are indeed caused by the decline of hegemonic power, rather than the other way around.

The neoliberal perspective adequately tells us why nations cooperate with each other and why international cooperation is maintained. Neoliberalism is undoubtedly right about the benefits of international cooperation. For neoliberals, the formation of international regime will bring absolute gains in the long-run, and reduce uncertainty and transactional costs. Neoliberalism is useful in explaining the functioning of the "negotiated order" during 1972-1985, when the United States and Japan willingly coordinated their China policies. But neoliberalism failed to explain why Japan drifted further away from the "negotiated order" in the late 1980s and eventually caused the regime to collapse in spite of the perceived absolute gains from continued cooperation with the United States on China policy and the iterative nature of the U.S.-Japan regime on China policy.

The inability of neoliberalism to account for regime change seems to stem from two intrinsic weaknesses. First of all, neoliberalism sees international cooperation as an end

in itself. It sees cooperation as static, rather than dynamic, and fails to recognize that cooperation evolves and the form of cooperation changes over time. The concept of cooperation as a dependent variable as proposed by neoliberalism is vague at best, this tends to cause conceptual confusion. As mentioned in Chapter 1, at least three kinds of cooperation can be distinguished. The first one is "imposed order," in which unequal and involuntary cooperation takes place because the relationship between partners is hierarchical and unequal, such as the U.S.-Japanese relationship in the 1950s and 1960s. The second one is "negotiated order," in which cooperation takes place on a more voluntary and equal basis. Finally, there is non-cooperation, whereby cooperation does not take place because of partners' inability to reconcile and coordinate their policy differences. Neoliberalism seems to explain well why cooperation takes place when the nature of cooperation does not change. Because of the failure of neoliberalism to recognize changes and transformation of cooperation, the theory becomes less useful to account for regime change.

Second, as Grieco pointed out, neoliberalism, while emphasizing states' interests in accruing absolute gains through cooperation, ignores the fact that relative gains are vital for states' survival.[9] Because of the anarchic nature of the international system, states are always concerned about their relative capabilities vis-a-vis other states. States

will forego absolute gains and pursue relative gains if their survival is at stake. For Japan, continued cooperation with or continued deference to U.S. China policy yields benefit of some kind. Yet the question for Japan is not how much benefits continued cooperation will produce, rather, how much more benefit Japan's independent China policy can produce than that of U.S. China policy. It is the relative gains between Japan and the United States in China that matter. For Japan, a China policy that continues to be constrained by the rules imposed by the United States will not bring more gains to Japan relative to the United States. Previously, because of Japan's weak international status, it could not help subordinate its China policy to U.S. initiatives. Now that Japan has become an economic superpower, and the thawing of the Cold War has made the rules in China policy regime almost irrelevant, Tokyo no longer needs to hide its intention to pursue a China policy that will bring more gains relative to that of the United States even if it means challenging U.S. interests.

It is the pursuit of relative gains that neoliberalism neglects to address, and this is also where realism provide answers that neoliberalism cannot. Neorealism sees states as egoistic. They are constantly calculating costs and benefits of subjecting themselves to the rules and norms of international cooperation. Cooperation is merely a vehicle for states to advance their interests, a means to the end of

preventing states from being placed in a vulnerable positions vis-a-vis other states. Therefore, the form of cooperation evolves and changes in accordance with the changing distribution of power within international regimes, and hence, the costs and benefits of cooperation and non-cooperation. This is why in the end Japan chose to exit from the China policy regime when it perceived it is advantageous to do so.

In summary, neorealism is more compelling in explaining the formation and evolution of U.S.-Japanese cooperation on China policy than neoliberalism. Whereas neorealism can both account for international cooperation and structure change, neoliberalism only tells us why cooperation occurs and persists. However, both theories have merits as well as limitations. Perhaps the synthesis of the two theories is necessary to better understanding international cooperation and change.

Endnotes

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