

# CHINA BALANCE SHEET

## JAPAN

The direction that China and U.S.-China relations take will define the world's future. For the United States, a rising China increasingly affects American prosperity and security, calling for some clear-eyed thinking and tough economic, political, and security choices. As the twenty-first century unfurls, the stakes have never been higher for getting U.S. policy toward China right. By untangling the complex, sometimes contradictory, strands of this vast and dynamic country, *China: The Balance Sheet* lays the foundation for informed and effective U.S. policy toward China, the world's emerging superpower.

### BACKGROUND

- While China and Japan have a burgeoning economic relationship, relations in the political, military, and public spheres have significantly deteriorated in recent years as a mixture of heightened pride, self-confidence, and sense of historical grievance has fueled nationalism on both sides.
- **Bitterness in China toward Japan is rooted in Japan's colonization of Taiwan and brutal occupation of China during the first half of the twentieth century;** the Chinese perception of the lack of true remorse in Japan concerning its historical legacy; and fear that Tokyo's failure to account for its past at best shows disrespect for its victims and at worst could permit future aggression.
- **Japan's resentment toward China is driven by Japan's belief that the Chinese Communist Party is using history as a weapon to keep Japan humiliated and subjugated as China rises.**
- A natural sense of **competition persists because China and Japan have never been strong powers at the same time**, and neither wants to be seen as succumbing to pressure from the other.
- In its language and tone, **Beijing betrays confidence that over the course of coming decades, the balance in comprehensive national power between the two countries will shift in China's favor.** Japan senses this attitude, which adds to their sense of resentment and insecurity.

For further information, see Chapter 5:  
"China's Foreign & Security Policy: Partner or Rival?"

*China: The Balance Sheet: What the World Needs to Know Now about the Emerging Superpower*

Authors: C. Fred Bergsten, Bates Gill, Nicholas R. Lardy and Derek Mitchell

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## CURRENT SITUATION

- Recent tensions have been stoked by several events: some Japanese textbooks that whitewash Japanese wartime atrocities; Prime Minister Koizumi's annual visits to the Yasukuni shrine, which commemorates Japan's warrior culture and enshrines 14 "Class A" war criminals from World War II; Beijing's opposition to Japan's bid for a permanent seat on the United Nations Security Council; concern on each side about the other's military modernization; and a territorial dispute in the East China Sea over the Diaoyu (Senkaku, in Japanese) Islands, and the Chunxiao, Duanqiao, and Tianwaitian (Shirakaba, Kusunoki, and Kashi) oil and gas fields.
- **Tensions have manifested themselves in anti-Japanese protests across more than a dozen cities in China in April 2005**; the absence of any senior-level meetings between Japanese and Chinese government officials since Prime Minister Koizumi's visit to Yasukuni in 2001; and military posturing by both sides, including the incursion of a Chinese nuclear submarine off the Okinawan coast in 2004; Japan's identification of China as a potential challenge to its security in its National Defense Program Outline in December 2004; and military escorts for respective energy drilling vessels in the East China Sea. thaw in China-Japan relations.
- Meanwhile, **since the end of the Cold War, Beijing has grown increasingly concerned about the U.S.-Japan alliance's evolution in nature and purpose** as the United States has encouraged Japan to cast off the pacifist constraints of the past 50 years (ironically imposed by a U.S.-drafted constitution) and be a more active security partner in regional and global affairs.
  - Beijing has voiced particular concern over the United States and Japan listing, in February 2005, of "peaceful resolution of issues concerning the Taiwan Strait through dialogue" as a common strategic objective for the alliance.
  - **Beijing views the alliance's development as evidence of a U.S.-Japan containment strategy against China.**
- Japanese Prime Minister Shinzo Abe's visit to Beijing in October 2006 shortly after his accession to the premiership inaugurated a thaw in China-Japan relations. China has sought to downplay continued tensions over history, etc., to stabilize relations.

### Facts

- *China-Japan trade: \$189.38 billion (2005)*
- *Growth in trade: +12.7 percent compared with 2004, the seventh consecutive year of rising bilateral trade*
- *China is now Japan's leading trading partner.*
- *Japan is China's second largest trading partner (third including the EU)*
- *Japanese investment in China: \$6.53 bn (2005)*
- *Japan is China's third largest source of foreign investment.*

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*Structural problems in the China-Japan relationship are increasing to a point where deeper and more lasting hostility between the two sides is quite possible.*

## IMPLICATIONS

- Given the U.S. alliance with Japan, China-Japan conflict in the East China Sea would pose a substantial challenge to U.S. foreign policy and U.S.-China relations and jeopardize regional peace and stability.
- **Japan remains a political volatile issue in China.** Beijing must give voice to Chinese pride and populist anger over perceived slights, but must also avoid fueling nationalist sentiment to the point where it loses control, or populist nationalism is turned against the Beijing leadership itself.