

Chinese-Japanese Relations in the Twenty First Century

Complementarity and Conflict

Edited by
S—derberg, Marie

European Institute of Japanese Studies East Asian Economics
and Business Series

Chinese–Japanese Relations in the Twenty-first Century

Today Japan is known as an ‘economic superpower’: its presence is ubiquitous in Asian economic affairs, with a 65 per cent share of the region’s GDP. But now in the twenty-first century, China – with its vast population and its huge potential market – is predicted to grow in importance, and some even think it will surpass Japan and become the most significant economic power in Asia. This book examines Chinese–Japanese relations from a number of viewpoints to reveal the history and future of this complex, and crucial, relationship.

Historically, China has significantly influenced Japan, not only theologically and culturally but also within, for example, such disparate fields as state-planning, writing, medicine, mining and irrigation systems. When Japan rapidly proceeded with its industrialisation towards the end of the nineteenth century, its lack of raw materials resulted in a renewed interest in China; and this eventually led to war. Japanese aggression in China left a legacy of bitterness that still informs China’s ambivalence towards cooperation with Japan. Today, how the two countries interact will have an impact on peace and security in the region as well as on future economic development in the area.

During the 1990s a major focus has been on the two countries’ economic relationship. This book argues that to achieve a deeper understanding of the bilateral relationship there is a need for more interdisciplinary cooperation and analysis. *Chinese–Japanese Relations in the Twenty-first Century* is written by eminent international experts whose broad range of disciplinary viewpoints – from history and sociology, to politics and economics – provide a deeper understanding of one of Asia’s most critical relationships.

Marie Söderberg is an Associate Professor at the European Institute of Japanese Studies in Stockholm. She came to Japan in 1977 as a news correspondent, also travelling to China. Her works cover issues of Japanese defence, foreign and aid policy. Her most recent publications are *The Business of Japanese Foreign Aid* and *Japanese Influences and Presences in Asia*.

European Institute of Japanese Studies East Asian Economics & Business Series

Edited by Marie Söderberg

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Preface

The relationship between East Asia's two giant powers, China and Japan, has always been and will always be crucial for understanding the development of Asia. The relationship has undergone considerable changes since the end of the Cold War but what we learn about it is often fragmented into different disciplines or knowledge of specific incidents.

With this background, the European Institute of Japanese Studies at Stockholm School of Economics joined forces with the Swedish Institute of International Studies to organise a cross-disciplinary international workshop about the Chinese–Japanese relationship in the first year of the new millennium. We had not anticipated the great interest in this topic and were overwhelmed by the number of scholars from all over the world who were eager to come all the way to another corner of the globe, northern Europe, to present and discuss their research on this topic. We had to make a strict selection between interested applicants, and finally twenty-five scholars from Asia, the Pacific, North America and Europe met in Stockholm in late August 2000. For three very intense days we listened to presentations and discussed the Chinese–Japanese relationship from a number of different angles.

This book is basically built on a selection of the papers presented at the workshop, incorporating into the original versions the comments we made and the discussions we had during the workshop. Where the contents of different papers overlapped, they have been merged. There were many other equally good papers, which we would have liked to be able to include in this volume but were forced to leave out for reasons of space and slightly differing focus. It is our aspiration that this volume will reflect the interesting discussions we had at the workshop and the many angles and views that must be taken into account in an assessment of the Chinese–Japanese relationship and where it is heading.

We would like to take this opportunity to thank the Japan Foundation as well as the Swedish Institute for the Internationalisation of Higher Education and Research (STINT) for their generous economic support that made this workshop possible. Special thanks go to Ambassador Börje Ljunggren, Swedish Ministry of Foreign Affairs, for his opening remarks, to Linus Hagström, Ph.D. candidate, for academic input and contact making, and Marie Tsujita

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Dr Anders Mellbourn
Director, Swedish Institute of International Affairs
and
Dr Marie Söderberg
Associate Professor, European Institute of Japanese Studies

Abbreviations

ABM	anti-ballistic missile
APEC	Asia–Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
AWACS	Airborne Warning and Control System
BM	battlefield management
BMD	ballistic missile defence
BMDO	Ballistic Missile Defence Organisation
CAS	Chinese Academy of Sciences
CASS	Chinese Academy of Social Sciences
CCP	Chinese Communist Party
CITIC	China International Trust and Investment Corporation
CWC	Chemical Weapons Convention
DAC	Development Assistance Committee
DSP	Defence Support Programme
EEZ	exclusive economic zone
EU	European Union
FDI	foreign direct investment
FY	fiscal year
GDP	gross domestic product
GPALS	Global Protection Against Limited Strikes
ICBM	intercontinental ballistic missile
IDA	International Development Association, World Bank
IMC	international management control
IMINT	imagery intelligence
JBIC	Japan Bank of International Cooperation
JDA	Japan Defence Agency
JETRO	Japan External Trade Organisation
JICA	Japan International Cooperation Agency
JIPO	Japan–China Investment Promotion Organisation
JRCC	Japan–ROC Cooperation Committee
KMT	Kuomintang
LDP	Liberal Democratic Party (of Japan)

MIRV	Multiple Independently Targetable Re-entry Vehicles
MITI	Ministry of International Trade and Industry
MNCs	multinational companies
MOF	Ministry of Finance, Japan
MOFA	Ministry of Foreign Affairs, Japan
MOFTEC	Ministry of Foreign Trade and Economic Cooperation, China
MRI	Mitsubishi Research Institute
MSDF	Maritime Self-Defence Force
NAFTA	North Atlantic Free Trade Association
NATO	North Atlantic Treaty Organisation
NGO	non-governmental organisation
NIEs	Newly industrialised economies
Nikkakon	Japan–ROC Dietmembers Consultative Committee or Ni-Ka Kankei Giin Kondankai
NMD	National Missile Defence
NORAD	North American Aerospace Command
NPT	Non-Proliferation Treaty
NTWD	Navy Theatre Wide Defence
ODA	official development assistance
OECF	Overseas Economic Cooperation Fund
OOF	other official flows
PLA	People’s Liberation Army
PMO	Prime Minister’s Office
PNTR	permanent normal trading relations
PPP	purchasing power parity
PRC	People’s Republic of China
RMB	Ren Min Bi, or Yuan
ROC	Republic of China
SAR	synthetic aperture radar
SDI	Strategic Defence Initiative
SDIO	Strategic Defence Initiative Office
SOE	state-owned enterprise
SSC	Security Subcommittee
TECRO	Taipei Economic and Cultural Representative Office
TMD	theatre missile defence
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific, and Cultural Organisation
USSPACECOM	US Space Command
WESTPAC	Western Pacific Missile Architecture
WTO	World Trade Organisation

Note on names

Japanese, Chinese and Korean names are written with the surname first, with the exception of people living in the West, who are better known for writing in English than in their native language.

The Hepburn system is used in transcription from Japanese but with names of persons and places the long vowel is not marked.

Introduction

Marie Söderberg

China? There lies a sleeping giant. Let him sleep. For when he wakes he will move the world.

(remark made by Napoleon)

The People's Republic of China (hereafter called China) is a country with 1.3 billion people: that is, one-fifth of the world's population. It has a territory of 3.7 million square miles, slightly larger than the United States and 25 times larger than Japan. China is also rich in natural resources. These are all attributes connected with a great power. Had it been a country the size of Korea, Malaysia or Thailand, it would not have drawn such attention and provoked such emotional reactions.

Since the opening up in 1979, China's economy has been growing by more than 10 per cent a year. Other countries in East Asia also experienced explosive economic growth, but they were not of the same size. Today China is the world's seventh largest economy and some predict that it will be the world's second largest within two decades. To accommodate such a society in an age of globalisation presents a challenge to the rest of the world. More than anywhere else it presents a challenge to its Asian neighbours, and especially so to Japan – the 'economic superpower' which has a 65 per cent share of the region's GDP.

During the last decade the Japanese economy has been stagnating. However, the size of it is still four times that of the Chinese, and Japan's income per capita level is 38 times as high as China's. Japan is poor in natural resources as well as territorial space but it is a highly developed society. It has increasingly taken an active part in various multilateral forums and it is the world's largest donor of foreign aid.

The relationship between China and Japan is complex and emotional. It contains aspects both of rivalry and complementarity. Opinion polls in both countries show that there is still a considerable amount of distrust between them. This is why many scholars in both China and Japan, who would be the most naturally placed to study this relationship, still have difficulties in approaching the bilateral relationship in a non-prejudiced way. Although it is sensitive, the topic really needs to be addressed, since it is of crucial importance, not only to the two parties involved, but to the whole of Asia. The way that Japan and China

interact is likely to have an impact on stability, peace and security as well as on future economic development in the region.

Besides an abundance of literature in Chinese and Japanese, there are, not surprisingly considering the importance of the topic, also several books in English. These look at the relationship from various aspects. There are several authors that see the relationship either from a Chinese perspective¹ or from a Japanese perspective.² History is a common theme³ and so is security.⁴ Territorial issues such as the Diaoyu/Senkaku Islands⁵ are also dealt with. In the field of economics there are books of a more general character,⁶ those that interpret the different economic development patterns from a culture perspective,⁷ and those that approach the relationship from more of a business perspective.⁸

This book is a collection of papers that address the relationship from a variety of angles.⁹ It is the development after the end of the Cold War and what has happened in more recent years that is the focus of each chapter. The purpose of this volume is to look at the Chinese–Japanese relationship from various academic perspectives and through an interdisciplinary approach achieve a deeper understanding of the relationship. It is our firm belief that no field of interaction between the two can be studied in isolation but has to be put into the context of the overall relationship. Only then can one grasp what is happening between the two countries. In an academic setting one cannot make any definitive predictions about the future. But in all chapters here the authors, besides giving the background, identify problems, point out possible solutions, and draw on existing trends to foretell the scenarios of the future. To get the widest possible perspective this is done by scholars from a number of countries. Besides Chinese and Japanese academics our contributors are from the US and various parts of Europe. With so many different people working on different perspectives of the relationship it is of course not possible to reach a mutual consensus on its exact course and direction. It is our sincere aspiration, however, that this volume will help the understanding of the relationship and its multi-dimensionality.

If wisely handled, the relationship could be very beneficial for both parties. Japan possesses financial resources and advanced technology. The Chinese have an abundance of natural resources and labour. Cooperation could bring great benefits, but there is always the fear that these would not be equally distributed. There is also a considerable amount of rivalry between Japan and China and an abundance of nationalism in both countries.

This volume focuses on the relationship in the post-Cold-War era, but before presenting the structure of the book we need a short exposé of the historical setting of the relationship.

The history of the relationship

At the end of the sixth century Chinese influences on Japan were substantial. China was one of the most highly developed countries in the world, whereas Japan, in contrast, was a backward island country. To the Chinese emperor,

Japan was just another tributary state, and to Japan, China was most important because of its advanced civilisation. From that period on there was an extensive amount of cultural ‘borrowing’, not only theologically and culturally, but also within disparate fields such as state planning, legal codes, writing, medicine, and mining and irrigation systems, just to mention a few examples. Traditionally, it has been the Chinese who have given various inputs to the development of the Japanese society.

With Western efforts to forcibly open up East Asia in the mid-nineteenth century, the situation changed. China and Japan reacted very differently to Western intrusion. China resisted, failed to modernise and was defeated and divided. In Japan, on the other hand, the intrusion led to a collapse of the traditional order: the centralisation of sovereignty in a new Meiji state that, in place of resistance, started a process of self-strengthening through learning and eventually identifying with the Western state system. The Japanese quickly learned how to build a modern, industrialised society. They also learned how to build up military might and were going to use it to subordinate China. Between 1894 and 1895 Japan fought and won a war with China through which it gained Taiwan. In the Boxer Rebellion of 1900, Japan was on the side of the Westerners. It won a war over Russia in 1905 and in 1910 Korea was annexed. During WWI, it captured some German islands in the North Pacific and took over the German leased territory in China’s Shandon province. Through the Versailles Treaty, Japan was elevated to a new status as a great power and started to expand its economy and armed forces to demonstrate its supremacy in China.

In contrast to these aggressive, militaristic trends, there was also a certain amount of sympathy from a number of Japanese towards China. They saw the Chinese struggle for modernisation as a parallel to their own Meiji restoration. Much of their commercial outflow was motivated by the search for raw materials and also, in the 1920s, to help Japanese industries, such as the textile industry, which had reached a stage where high production costs were making it uncompetitive. The huge exodus of Japanese people into China during this period brought with it Japanese intellectual influences, as did the Chinese students who returned home after education in Japan.

A prerequisite for cooperation between the two countries was that Chinese political reforms would deliver a stable environment. They never did, and by the end of the 1920s the combination of a shift in the world economy and a growing extremism in Japan were decisive for the nature of their relationship. The Manchurian ‘incident’ in 1931 was the start of Japanese aggression, and in 1937 Japan launched a war against China proper. In 1941, Japanese aggression expanded into Southeast Asia and in December of that year Pearl Harbor was attacked.

The Japanese aggression in China left a legacy of bitterness that still pervades Chinese ambivalence towards cooperation with Japan today. The surrender of Japan in 1945 is to many Chinese the most memorable event in the history of the Chinese–Japanese relationship.

After this the relationship changed again. China emerged as a communist

country in 1949 and Japan became a member of the anti-communist bloc headed by the US. The American containment policy, strengthened by Chinese support of North Korea in the Korean War, isolated China from the Western world for the next two decades. Chinese adoption of Soviet-style long-term central planning also made interaction with market-driven economies like Japan's very difficult. Not surprisingly, from an administrative point of view, Soviet-type economies deal more easily with each other. In fact, the Soviet Union in the 1950s supplied China during its first five-year plan with the capital goods and plants needed. The rupture with the Soviet Union in the 1960s forced the Chinese leadership to look for new partners and Japan was in possession of the heavy industrial equipment China was looking for. The absence of official relations was then sidestepped by the Chinese trading with 'friendly firms' as well as the establishment of some quasi-official channels for trade.¹⁰ The Cultural Revolution that followed slowed the progress in trade and it was not until normalisation of relations in 1972, which came after the sudden US *rapprochement* with China, that trade really took off. In 1978 a ten-year trade agreement was concluded in which Japan committed itself to a long-term import–export programme with China which required a certain amount of private-sector coordination that was and still is unusual for a market economy. This was facilitated by an extensive use of financing from the EXIM Bank (Export Import Bank of Japan). It was also at this time that China decided to accept aid from abroad and Japan immediately became the main donor.

During the 1980s and 1990s the main focus was on the economic side of the relationship. After the Plaza Accord in 1985, when the value of the yen rose considerably, there was a rush by Japanese companies to establish production in China. The bloodshed at Tiananmen Square in 1989 interrupted the economic activities to a certain degree, although Japan was the first country of the G7 to lift sanctions afterwards.

The Chinese economy has been growing rapidly and the potential of the huge Chinese market has drawn considerable attention, not only from Japanese companies but from companies all over the world. Japan's economy, on the other hand, has been stagnant during the 1990s. The shift in balance between the two spills over into other fields as well. The 'Japan passing' that made the headlines when President Clinton went straight to Beijing without making a stop over in Tokyo reveals Japan's feelings about the growing might of its neighbour.

China holds a permanent seat on the UN Security Council, something long sought after in Japan but not specifically supported by its neighbour. In China, on the other hand, they worry about Japanese–US cooperation in the research into theatre missile defence (TMD) and the implications such weapons could have on the Taiwan question. There are a number of 'issues' between the two countries on which they have different views and are of different opinions. Some of them have their roots in history, while others are of more recent origin. The end of the Cold War has changed the structure of the international setting in which Chinese–Japanese relations have been imbedded. The two countries are meeting a number of new challenges in their relationship and it is these that are the topic of this book.

Structure of the book

Even if this volume focuses on the period after the Cold War, one cannot avoid history, as this has recently become a very important topic between China and Japan. The last two decades have seen relations caught in a vicious cycle of disputes over World War II history. Controversies have raged over the alleged revision of Japanese textbooks, Japanese politicians' visits to the Yasukuni Shrine, and Chinese demands for an apology for such Japanese wartime atrocities as the Nanjing Massacre. All of these seem to have contributed in significant measure to the deterioration of mutual feelings, reaching a symbolic low during Chinese President Jiang Zemin's state visit to Japan in 1998.

In Chapter 1, 'Mirror for the future or history card? Understanding the history problem', Daqing Yang brings up these issues, traces the causes of them and proposes some possible solutions. Adopting a state-society approach, Yang considers the history problem to be rooted in the body politic of both China and Japan. He argues that the 'state manipulation' theory, though containing much truth, overlooks the complexities of societal and institutional factors such as victim consciousness, pre-existing cultural assumptions, and worldwide trends. Attributing the problem solely to manipulation of the government on the other side often contributes to the prolonging of the dispute. Should all forms of 'state manipulation' then be abandoned in favour of a completely free flow of ideas and feelings about past conflicts? Yang in his chapter concludes that a genuine reconciliation must be based on an understanding of history that can only take place in democratic societies, after the significant transformation of the body politic in *both* Japan and China. In the short run, however, management by both governments and non-governmental institutions are still needed to steer the often volatile relationship away from rupture and to provide a necessary framework for more honest exchanges.

The second chapter puts the relationship into a global context, since it cannot be understood from the perspectives of the two countries only. Changes in the international system since the end of the Cold War are also affecting Japanese-Chinese relations. In the chapter 'Sino-Japanese relations in the context of the Beijing-Tokyo-Washington triangle', Quansheng Zhao analyses the relationship, concentrating primarily on the external actors at the international level, and more specifically on the most significant one of all, the US.

Since the end of the Cold War, tremendous changes in great-power relations have taken place in East Asia, including the upward development of the United States and China, the downward slide of Japan, and the collapse of the former Soviet Union. The new global structure, which is described by some Chinese observers as *chao duo qiang* – meaning one single superpower [the US] faced with many strong powers – is analysed, as well as the impact it has on the Chinese-Japanese relationship. Quansheng Zhao points out future directions and how Japan will deal with 'the rise of China' within this triangular relationship.

Whether to engage or contain China has been a hot topic since the incident at Tiananmen Square in 1989. Japan's policy of engagement is the topic of the next

chapter 'Engagement Japanese style' by Reinhard Drifte. This chapter critically examines the assumptions and feasibility of the Japanese policy of engagement whose dualistic character is very often ignored. Japanese engagement intends to steer China towards a peaceful and sustainable path by assisting it with economic policy tools such as trade, investment, technology transfer and foreign aid. At the same time, however, Japan is hedging any Chinese strategic breakout or policy failure through the bilateral military deterrent with the US, as well as the political front-building with other Asian countries. The chapter first looks at Japan's changing security perceptions of China since 1989 and then describes how Japan has been reacting to this perception at various policy levels: that is, unilateral and bilateral as well as multilateral.

The fourth chapter takes up the Japanese agreement to carry out cooperative technological research with the US into ballistic missile defence (BMD). In 'Sino-Japanese relations and ballistic missile defence', Christopher W. Hughes argues that for Japanese policy-makers the pursuit of BMD will make the security relationship with China, which has already become highly complex due to the introduction of the revised Guidelines for US-Japan Defence Cooperation, even more fraught and hazardous. Indeed, it may be the case that BMD, to a far greater extent than the revised Guidelines, contains the potential to bring existing Sino-Japanese, Sino-US, and US-Japanese security tensions to a head, with destabilising effects for each of these bilateral relationships and for regional and global security as a whole.

Hughes makes this argument based on the fact that, even though the revised Guidelines have without doubt raised the security tensions between Japan, China and the US, their cautious framing by Japanese policy-makers has provided Japan, the US, and to some extent China also, with sufficient room for strategic manoeuvre to allow them to alleviate tensions and avoid final conflict if necessary. However, in contrast to the uncomfortable but near tolerable *modus vivendi* offered to all sides by the revised Guidelines, it can be argued that BMD presents Japan with a qualitatively more dangerous challenge. This is because the inherent technological and military logic of BMD dictates that Japan becomes more fully integrated than ever before into US military strategy in East Asia and towards China. Taken to its extreme, and without sufficiently careful management by Japanese policy-makers, Hughes means that the subsequent logic of BMD could undermine Japan's political, diplomatic and strategic freedom and set it on a collision course with China's perceived inviolable security interests.

Since 1995, the Taiwan issue has emerged as an area of significant disagreement and potential conflict between Tokyo and Beijing. In Chapter 5, 'The Taiwan question: reconciling the irreconcilable', Phil Deans gives the background and tells us how Sino-Japanese relations between 1972 and 1995 enjoyed a period of relative stability and broad consensus over the 'Taiwan issue'. The disagreements that occurred between Tokyo and Beijing were concerned with formal issues of status and sovereignty – the mechanisms for handling contact between Taipei and Tokyo, the designation of ROC aircraft, and the legal status of the ROC and its representatives in Japan. The Japanese were able to broaden

and deepen their economic relations with Taiwan, while 'political' contacts were facilitated by the activities of pro-Taiwan figures in the ruling LDP, under the broad remit of the principle of *seikei bunri* (*zhengjing fenli*) the 'separation of politics and economics'. Beijing proved willing to tolerate a considerable degree of contact and exchange between Japan and Taiwan provided that it remained 'informal' and did not relate to issues of ROC/Taiwanese sovereignty. The reason the Taiwan issue has increased in significance since 1995, Phil Deans suggests, was due to changes in the domestic politics in the three countries, rather than any putative shift in the international order.

The most obvious change has been the increased salience of military security issues for the three sides, but Taiwan's changing political institutions, increasing nationalism in the PRC, and the increased influence of pro-Taiwan politicians in Japanese politics have also been factors in the growing importance of Taiwan in Sino-Japanese relations.

In Chapter 6, 'The Background and Trend of the Partnership', Jin Xide considers the relationship between the two countries during the 1990s at the diplomatic level. He divides the development into three stages. The first one covered the years from 1989 to around 1993. At this stage, many changes, including US policy transition and great changes in the political and economic situation in both China and Japan exerted a great influence on Japan's China policy. The second stage was from 1994 to 1996 when Sino-Japanese relations witnessed a series of new characteristics featuring frequent political friction between the two countries. The third stage began in 1997 as a reaction to the constant friction and setbacks of China-Japan relations during the previous period. After a series of negotiations and preparations, in 1998 the two countries signed a third policy document since the establishment of diplomatic relations: a 'friendly cooperative partnership for peace and development'. The direction, content and degree of bilateral and multilateral cooperation have been determined in the declared framework of this partnership. However, the process towards the realisation of it will bring many great challenges as well as good opportunities. It will be much easier to cooperate in some fields, such as economics, than in others, such as regional security.

Foreign aid is an area where considerable change will be seen. In Chapter 7, 'The role of ODA', Marie Söderberg presents some of the suggested policy changes in Japanese aid to China. Official development assistance has recently turned into a source of irritation between the two countries. This is largely due to the changes in Japanese policy on foreign aid. It used to consist mostly of cheap loans for economic infrastructure projects such as roads and railways, for which the recipients were requesting aid. In 1992, however, Japan adopted an ODA charter with a number of conditions attached to its aid. In 1995, when China conducted nuclear tests, part of Japanese grant aid (a small part of total aid) was withheld with reference to the charter. This caused considerable irritation in China. Recently, Japan decided to formulate 'country assistance plans' for its main recipients. A major debate, showing a deep discontent in Japan over present aid to China, developed and the formulation had to be stopped for some time. A