



Strategic Visions for
U.S.-China-Japan Relations

by Brad Glosserman

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Based in Honolulu, the Pacific Forum CSIS (www.csis.org/pacfor/) operates as the autonomous Asia-Pacific arm of the Center for Strategic and International Studies in Washington, DC. The Forum's programs encompass current and emerging political, security, economic, business, and oceans policy issues through analysis and dialogue undertaken with the region's leaders in the academic, government, and corporate areas. Founded in 1975, it collaborates with a broad network of research institutes from around the Pacific Rim, drawing on Asian perspectives and disseminating project findings and recommendations to opinion leaders, governments, and members of the public throughout the region.

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Strategic Visions for U.S.-China-Japan Relations

Foreword

Over the past decade, the Pacific Forum CSIS has hosted or participated in many conferences aimed at developing closer relations among China, Japan, and the United States. During this time, there have been many twists and turns in the three sets of bilateral relationships that shape the prospects for trilateral cooperation. There have been times when Washington's relations with both Tokyo and especially Beijing could have been described as strained. There were also times that the phrase "the best ever" was used to refer to each leg of the triangle; this is not one of those times!

U.S.-Japan relations today remain if not "the best ever," then certainly about as good as they have ever been. Sino-U.S. relations have seen their share of strains but remain generally cooperative and constructive, while also being candid and complex. Relations between Beijing and Tokyo, on the other hand, have seldom been worse in the postwar era and show little sign of improving.

It was in this setting that the Pacific Forum convened a workshop examining "Strategic Visions for U.S.-China-Japan Relations" in early April 2006 in Osaka, Japan. Experts and young scholars from all three countries came together for two days of frank but constructive conversation aimed at finding common ground among all three states through a better understanding of each nation's strategic vision and how it related to the others.

This program differed from previous Pacific Forum CSIS efforts in several ways. First, we did not link with institutional partners; this ensured that we had a wide range of views and perspectives from each country. We invited journalists, both to observe the discussions and share their insights, but with the understanding that all discussions occurred on an off-the-record basis. Conscious of the role that generational change is playing in Asia, we also incorporated the Pacific Forum Young Leaders directly into the agenda. (The Young Leaders program brings up-and-coming professionals and graduate students to Pacific Forum conferences, traditionally as observers. Papers that they prepared for the conference are available in a separate *Issues & Insights* volume, entitled "From Triangular to Trilateral: the Next Generation views U.S.-China-Japan relations," which is available on the Forum's web site [www.pacforum.org].)

Senior participants were not asked to produce formal papers for this workshop but rather just outlines or short commentaries aimed at stimulating discussion. (These drafts are available upon request from the Pacific Forum.) This volume tries to capture the spirit of the discussions and debate. Participants demonstrated that one can disagree without being disagreeable. The end result was a greater understanding of respective strategic visions and a shared commitment to build greater cooperation among our three nations as we proceed with this most important project.

Ralph A. Cossa
President, Pacific Forum CSIS

Strategic Visions for U.S.-China-Japan Relations

Executive Summary

Despite growing calls for three-way cooperation, relations among the United States, China, and Japan remain more triangular than trilateral. That is, they are the sum of bilateral relationships among the three countries rather than genuine three-way interaction. The failure to create a truly trilateral relationship has important consequences. Individually, each of the three countries has an extraordinary impact on regional and global developments; if they work together that influence is greatly magnified. More significantly, a refusal or inability to cooperate will have equally powerful consequences. In April 2006, the Pacific Forum CSIS convened a trilateral discussion among experts from the three countries to identify opportunities for and obstacles to better and deeper cooperation.

Triangular relations are not zero sum. Environmental problems in one country have an impact on its neighbors. AIDS, pandemic diseases, and health issues know no borders. The drive to secure stable and clean energy supplies is a concern for all three countries. Plainly, there are ample areas and opportunities for future cooperation. At the same time, there are different visions of regional order. This reflects both different national priorities and different values. This need not be an obstacle to cooperation if the three can help develop a pluralistic social community that relies on a number of mechanisms on a number of levels – global, regional, and subregional.

Other obstacles are significant. The simultaneous rise of two Asian powers is unprecedented in history. The structural inequality of trilateral relations – the fact that Japan and the U.S. are allies – unbalances the relationship. There are also profound suspicions in all three countries of each of its partners.

The role of the next generation is critical in this three-way relationship. Thus, this meeting featured presentations by Pacific Forum CSIS Young Leaders. In their eyes, the three countries share many interests and concerns; cooperation is to be encouraged. They bemoaned the way that Yasukuni Shrine has become the focal point of China-Japan relations and seemed resigned to the fact there is little chance for improvement as long as Koizumi remains prime minister. There was also agreement that grassroots activism and people-to-people contacts should be expanded to better cushion the relationship. Suspicions run deep. It is clear that a confidence building process is needed; no single gesture will heal these wounds.

There is a wide range of issues on that China-Japan agenda; Yasukuni Shrine is merely one of them. Perhaps most significant are the differing perceptions of each other's role. China sees itself as retaking its rightful place in the Asian order. Tokyo desires to reestablish its regional role and claim the status to which it is entitled after 60 years of contributions to peace and the international order. There is no simple solution to the problems that bedevil Japan-China relations. Ill feeling is magnified by growing nationalism in both countries. Both publics are sensitive to slights and the cycle of action and reaction by the two countries' leaders provides plenty of ammunition. The two countries need to institutionalize a relationship that can withstand inevitable strains without veering from the path of cooperation. They should focus on functional

concerns, identifying areas of mutual advantage, and using them to build the confidence and trust that can serve as the foundation for a long-term relationship.

The most obvious hope for trilateral relations is economic cooperation. The three economies are increasingly intertwined: in 2004, the volume of China-Japan trade topped Japan's trade with the U.S. Japan and China are the two largest holders of U.S. government securities, each holding in excess of \$850 billion, in essence financing U.S. purchases of their goods. The three countries have a shared interest in seeing that China continues to develop: prosperity is essential to China's stability and that of the entire region. Security and economic issues are interlinked: prosperity is more than just an economic good. Japan and the U.S. need to work with China to prevent its internal problems from becoming regional ones.

Numerous issues dog the bilateral relationships. There is frustration with China's inability to protect intellectual property rights and to better comply with WTO obligations. All three countries need to be alert to the possibility of shocks: there are imbalances in each country and current trends could quickly change.

Building a better trilateral relationship requires a future-oriented, rather than backward looking, perspective. All three countries need to look more honestly at history, and seek greater balance in their assessments of the past. A realistic appraisal of the status quo – acknowledging the suspicions that dominate current relations – is also critical.

Energy cooperation is a potentially fruitful area of trilateral cooperation. An energy dialogue would develop comprehensive programs to deal with the many dimensions of the energy equation: exploitation of resources, more efficient use, and externalities, such as pollution. Economic talks could discuss exchange rates and ways of ensuring macroeconomic stability. The three countries' reliance on trade makes that a fruitful arena to discuss security and trade facilitation measures. Cooperation on ways to stem the proliferation of weapons of mass destruction is another shared concern, as is planning for disasters, natural and manmade. The private sector should explore business opportunities and obstacles and civil society links should be encouraged.

People-to-people contacts should be encouraged, especially among the next generation of business leaders and politicians in the three countries. Increased exposure will build more understanding of the actual conditions in each country and create constituencies that can argue against extreme views.

All three countries have to fight narrow-minded nationalism and embrace real leadership. Genuine statesmen look beyond narrow short-term political interests to act on behalf of their country. They should lead public opinion, not follow it. It is a tall order, but it is essential to building enduring, stable, cooperative relations.

Strategic Visions for U.S.-China-Japan Relations

Conference Report by Brad Glosserman

Relations among the United States, China, and Japan remain more triangular than trilateral. That is, they are the sum of bilateral relationships among the three countries rather than genuine three-way interaction. In other words, the U.S. and Japan engage China through their alliance. Tokyo and Beijing keep an eye on Washington as they negotiate “hot economics, cold politics.” And Tokyo is constantly concerned about U.S.-China relations: it fears abandonment by its ally as Washington engages “rising China” or entrapment in a dispute if that relationship falters.

The failure to create a truly trilateral relationship has important consequences. All three countries remain world leaders in virtually every dimension of national power. They are the world’s biggest economies, the biggest consumers of oil, and possessors of the largest and most advanced militaries in the world. The U.S. and China are nuclear powers and holders of permanent seats on the United Nations Security Council; Japan and the U.S. are two of the world’s most technologically advanced economies and two of the world’s largest providers of development assistance. The U.S. and China are directly involved in the two of the world’s most tense flashpoints – the Taiwan Strait and the Korean Peninsula: Japan, by virtue of geography and its alliance commitments to the U.S., is indirectly involved in both as well. Individually, each of the three countries has an extraordinary impact on regional and global developments; if they work together that influence is greatly magnified. More significantly, a refusal or inability to cooperate will have equally powerful consequences. As the case for greater cooperation grows stronger, the failure to realize that objective becomes more glaring.

Conscious of that gap, the Pacific Forum CSIS in April 2006 convened a trilateral discussion among experts from the three countries to identify opportunities for and obstacles to better and deeper cooperation. Our focus was finding specific recommendations that would permit the three countries to tackle the problems they all share and build a better future for themselves, the region, and the world.

Visions for trilateral relations

Our first session explored long-term visions for trilateral relations. Murata Koji of Doshisha University started things off with a Japanese perspective of the region and the world. Japan, says Murata, is “the weakest player in the triangular relationship”: it has no nuclear weapons, no permanent seat on the United Nations Security Council, and its population is aging, the result of a demographic shift that will transform the country. It’s not surprising then that he expects the U.S.-Japan alliance will be maintained for the foreseeable future. From a regional perspective, that makes sense: Tokyo fears abandonment by the United States. At the same time, however, Tokyo fears entrapment as a result of U.S. action elsewhere in the world.

Murata believes that “recognizing its weaknesses is Japan’s strength in the trilateral relationship.” From the Japanese vantage point, China’s situation looks familiar. It appears to be experiencing a “bubble” economy and is having severe trade frictions with the U.S. Murata

argued that Japan can use its experience in dealing with such situations to help China and smooth over trilateral relations.

Murata underscored that triangular relations are not zero sum. Environmental problems in one country have an impact on its neighbors. AIDS, pandemic diseases, and health issues know no borders. The drive to secure stable and clean energy supplies is a concern for all three countries. Plainly, there are ample areas and opportunities for future cooperation.

Finally, in looking at regional relations, Murata noted that an East Asian community must be based on common values. Otherwise, any association is merely an attempt to promote common economic interests, which is not enough to create a genuine community.

Xu Xin, a visiting research fellow at Princeton University, provided a Chinese outlook. He expects China to be fairly predictable for the next two decades. Within the region, China expects the consolidation of the U.S. military presence and its alliances, the rise of Chinese power and influence, and a continuing process of ASEAN-centered community building. Each of these three processes embodies different visions of regional order. Finally, he is convinced that China will continue to make domestic affairs its first priority, even though the continuing transformation of the country and its economy will oblige China to increasingly engage the world.

As it does, China's foreign policy will be based on several principles. It will attempt to promote peaceful and sustainable development and its peaceful rise to great power status. Beijing will try to manage relations with other great powers while working closely with ASEAN to create a regional community. It will strengthen existing mechanisms to diffuse regional flashpoints and try to promote regional prosperity through economic integration. It will promote its new security concept, yet avoid a high-profile leadership role while nurturing the image of responsible leadership.

From the Chinese perspective, there appears to be a growing gap between U.S. and Chinese visions of the region, focusing primarily on questions of Japan's role as well as the purpose of U.S. alliances. Xu notes that there appears to be a convergence of Chinese and Southeast Asian views of regional order.

Xu argued that China should push for the creation of an Asian community that is pluralistic – in other words, Beijing should not shy away from talking about values. It should try to create institutional links to the U.S.-Japan alliance, while playing an active and constructive role in existing security mechanisms. It needs to psychologically and politically prepare for the inevitable shift in China-Japan relations; a “return to friendship” is long overdue. Finally, while relying on the “one China” norm, Beijing should facilitate Taiwan's participation in international socio-economic forums. Beijing should stress the need for a pluralistic social community that relies on a number of mechanisms on a number of levels – global, regional, and subregional.

Finally, Gerald Curtis of Columbia University provided an American perspective. The U.S. vision is very much status quo plus: East Asia will be a region of open market economies that are fully integrated with the global economy. The countries will respect human rights and

democratic politics. The U.S. will remain the dominant power and there would be no challenger to the existing international and regional order. The Korean Peninsula will be unified under Seoul, and Taiwan and China will reach a mutually acceptable *modus vivendi*. Japan and China will be rivals for political influence and economic advantage but would not have a confrontational relationship.

This is a conservative vision. That should not be surprising given the experience of U.S. foreign policy over the last six years. The limits of U.S. power have become painfully apparent and grand visions have been largely discredited. Nonetheless, Curtis conceded that even this modest vision could miss the mark if aggressive U.S. actions to assert its values spark a backlash, if Japanese relations with its neighbors deteriorate further, and if Japan and China head toward confrontation.

While all participants agreed that the three countries have many reasons to cooperate, the obstacles are significant. The simultaneous rise of two Asian powers is unprecedented in history. The structural inequality of trilateral relations – the fact that Japan and the U.S. are allies – unbalances the relationship. Chinese participants endorsed some link between China and the U.S.-Japan alliance, but it is unclear how that can be done. Differences in political systems also create strains. This gap underscores the differences in values among the three countries and raises real questions about the viability of any community-building project within East Asia. Apart from divergences about the U.S. role in this process, there was agreement that no genuine community can exist without shared basic values.

Finally, there are profound suspicions in all three countries of each of its partners. China fears the U.S. is trying to contain it and that it will be locked into competition with Japan for regional leadership. The U.S. worries Beijing intends to supplant it as the regional leader; there is also concern in the U.S. about Japan's relations with its neighbors and whether badly handled nationalism could marginalize Tokyo within Asia and the implications of that for the bilateral alliance with the U.S. Tokyo worries that China has no intention of recognizing its place in the region and, periodically there is fear that the U.S. might choose partnership with Asia's new rising power.

The next generation's views

The role of the next generation is critical in this three-way relationship. Certainly, no discussion of Japan-China relations is complete without devoting time and attention to their views. That was one of the rationales behind the creation of the Young Leaders program, a Pacific Forum project to bring up-and-coming young security professionals into our programs. In Osaka, a session was dedicated to presentations by Young Leaders to hear their thinking about relations among the three countries. (For Young Leader papers from this meeting, please see "From Triangular to Trilateral: the Next Generation views U.S.-China-Japan relations," Pacific Forum *Issue & Insights*, May 2006, at the Pacific Forum website, www.pacforum.org; more information about the Young Leaders program is also available there.)

A Young Leader from each of the three countries provided a brief summary of his or her paper for conference participants. They were: Ryo Sahashi a PhD candidate from the University

of Tokyo; Mary McCarthy, a PhD candidate from Columbia University, and P. Claire Bai, the 2005-06 Pacific Forum CSIS Vasey Fellow. All agreed that the three countries share many interests and concerns and that cooperation is to be encouraged. Sahashi argued the U.S. is in the best position among the three countries, but Washington has been reluctant to intervene as problems mount between Japan and China. He urged Tokyo and Washington to “engage China” and ensure that engagement is not whittled down to mean “contain China.” He endorsed senior-level trilateral dialogue and greater efforts to promote transparency about intentions and capabilities. McCarthy agreed with Sahashi: good China-Japan relations are critical to the realization of U.S. strategic interests and Washington should therefore do more to smooth out that relationship. Bai bemoaned the way that Yasukuni Shrine has become the focal point of China-Japan relations. She accepted that there is little chance for improvement as long as Koizumi remains prime minister, but argued that grassroots activism and people-to-people contacts should be expanded to more firmly cushion the relationship.

There was broad agreement among Young Leaders and “the elders” on all these points. Several participants suggested “a grand bargain” between Tokyo and Beijing to put the issue to rest once and for all, but there was little agreement on what it would entail. Suspicions run deep. Japanese and Americans largely believe the Chinese fuss over Yasukuni Shrine is a pretext, and if the visits cease, another issue will take its place. Chinese are offended that the Japanese could be so insensitive to their deep historical wounds or that their motives would be questioned. In other words, the mere fact that the situation has not been solved exacerbates ill will. It was clear in our discussions that what is needed is a confidence building process; no single gesture will heal these wounds.

Ralph Cossa, president of Pacific Forum, provided a brief summary of the series of workshops sponsored by the CNA Corporation, the Institute for Defense Analysis, National Defense University, and the Pacific Forum CSIS, that have examined relations between Japan and China. He noted that there is a wide range of issues on that bilateral agenda; Yasukuni Shrine is merely one of them. Perhaps most significant are the differing perceptions of each other’s role. China sees itself as emerging from 150 years of foreign domination and weakness and retaking its rightful place in the Asian order. Other countries see a potential hegemon in the making, and worry that it will recreate the regional order without the United States. Tokyo’s desires to reestablish its own regional role and claim the status to which it is entitled after 60 years of contributions to peace and the international order. Its neighbors see Japan as encouraging amnesia about its past and ready to repeat the mistakes of the Imperial era.

Cossa explained that rising tensions between Japan and China are not in the U.S. interest. He worries that the possibility of an incident at sea, the product of clashes over territory and resources in the East China Sea, is quite real. He is also convinced that the U.S. will not do much to help improve the situation. President Bush will remain loyal to his friend, Prime Minister Koizumi Junichiro, nor will the U.S. risk sending a signal that it is backing away from Japan or take steps that might encourage China to increase criticism of Tokyo.

There is no simple solution to the problems that bedevil Japan-China relations. Chinese feel betrayed: not only are visits to the shrine an insult, but the Chinese leadership apparently thought it had an understanding with Koizumi (that he would not return to the shrine) that he

refused to honor. The ill feeling is magnified by growing nationalism in both countries. Both publics are sensitive to slights and the cycle of action and reaction by the two countries' leaders provides plenty of ammunition.

Cool-headed observers concede that it is difficult for either side to see things from the other's perspective. Genuine grievances are made worse by domestic politics. All participants agreed that the two countries need to institutionalize a relationship that can withstand inevitable strains without veering from the path of cooperation. One Chinese suggested that the best solution is for China to forget about history and for Japan to remember history. Several participants argued that history should be removed from the bilateral agenda – politicians are good at manipulating history, but they're not good at solving it – and purge ideology from their discussions. A Japanese called on the U.S. and Japan to stop talking about values when engaging China – “it clearly targets China.” It's far better to focus on functional concerns, identifying areas of mutual advantage, and using them to build the confidence and trust that can serve as the foundation for a long-term relationship.

Economic dynamics

The most obvious hope for trilateral relations is in the area of economic cooperation. The three economies are increasingly intertwined: in 2004, the volume of China-Japan trade topped Japan's trade with the U.S. Recognition that the booming Chinese market has helped turn around Japan's economic fortunes and contributed to its economic resurgence put an end to talk (for a while) about “the China threat” in Tokyo. The U.S. has been as quick as Japan to exploit “the factory of the world,” and provides the final demand for Chinese products. Japanese producers reach U.S. consumers through Chinese factories. Moreover, Japan and China are the two largest holders of U.S. government securities, each holding in excess of \$850 billion, in essence financing American purchases of their goods.

Yamamoto Takashi, of Akita University, suggested that the three countries move beyond numbers and focus on the interests they represent. The three countries have a shared interest in seeing that China continues to develop: prosperity is essential to China's stability and that of the entire region. That means helping ensure macroeconomic stability, creating jobs for a population that is undergoing a historic transformation, and limiting the damage done by rampant and ungoverned growth: pollution, resource depletion, and corruption. A basic concern is energy: all countries of East Asia need stable and secure supplies, yet the tendency is to see the problem through a narrow national lens. The opportunities are virtually limitless: it is estimated that East Asia will need \$200 billion annually for five years to develop the basic infrastructure needed for continued development. Yamamoto underlined that security and economic issues are interlinked: prosperity is more than just an economic good. He stressed that Japan and the U.S. need to work with China “to prevent its internal problems from becoming regional ones.”

Feng Zhaokui of the Chinese Academy of Social Sciences, tried to illuminate the reality of China's breakneck economic development. He noted that the country is, for all its pretensions, still just a production workshop and processing center. Moreover, foreign companies benefit from China's growth: they are reaping profits from China's exports. Feng explained that the triangular trade between the three means that China's trade surplus is really a surplus for Japan

that has been “disguised.” While Feng was confident that the China-Japan economic relationship would remain strong – there was “almost no possibility” that hot economics would be cooled by politics – he was equally certain that China’s goal of constituting 30 percent of the world economy would be decades late in being realized.

Jane Skanderup of the Pacific Forum CSIS gave a U.S. perspective on the trilateral relationship, primarily by focusing on the bilaterals. She echoed Feng’s comments, noting that for all the attention given to China’s growth, a reality check is in order. Today, the U.S. economy is seven times that of China. Even if China continues its staggering growth, in 2025 the U.S. economy will still be three times larger than that of China. China will only equal the U.S. in the last quarter of the century – and only if present trends continue.

She noted rising frustration in the U.S. with China. Washington expects Chinese economic managers to be more transparent about process and issues, to better enforce the law (i.e., protect intellectual property rights), and to better comply with WTO obligations. Americans argue that Chinese have a responsibility to help keep U.S. markets open: the perception of inequality – that Chinese can sell in the U.S. while Americans cannot in China – makes it harder for Americans to make the case for free trade.

Turning to U.S.-Japan relations, Skanderup noted that the economic relationship lags security discussions. There is growing talk in both countries about the desirability of a free trade agreement; the agreement between Washington and Seoul to begin those negotiations was, in part, intended to send a pointed signal to Tokyo.

Much of the discussion focused on the reality of the Chinese economy. One American noted that China will get old before it gets rich, and this could have a profound impact on its future prospects. He, along with several others, highlighted the painful side effects of Chinese growth, in particular the pollution. A Chinese participant echoed Feng’s complaint that a miniscule portion of Chinese companies have intellectual property to protect; as that number grows, Beijing will become more interested in protecting those assets. Another participant suggested that all three countries start thinking about the impact of and ways to respond to “a major discontinuity” in China’s progress.

The regional perspective was important when considering how to deal with a reversal in China. One American argued that remaining open to the global economy was the best way for Beijing to minimize the impact of a vicious downturn. A Chinese echoed Murata’s comments from the first session, saying China should study Japan’s experience during the 1980s for lessons on how to deal with economic shocks. An American warned that all three countries need to be alert to the possibility of shocks: there are imbalances in each of the three countries and it is dangerous to assume current trends will continue without change.

Building blocks for trilateral relations

Session four focused on how the three countries could build a better trilateral relationship. Kurosawa Mitsuro of the Osaka School of International Public Policy at Osaka University honed in on Japanese public opinion. Two-thirds of Japanese believe relations with China are bad, and

more than three quarters (78 percent) believe they should be improved. A smaller, but still significant, proportion (56 percent) wants Tokyo to do more to improve relations with Asia. Two-thirds continue to support the alliance with the U.S. In other words, a sizeable proportion of the population in Japan backs cooperation with both the U.S. and China. That suggests there is a foundation for improved trilateral relations.

Arguing that U.S.-China relations were OK, Tao Wenzhao, a professor at the China Academy of Social Studies, focused on what China could do to improve China-Japan relations. He provided a detailed and nuanced assessment. (A version of his presentation was published as “What China can do to improve Sino-Japanese relations,” *PacNet* 20, May 4, 2006 and is provided as Appendix C.)

For a start, he called on China to play down its nationalism. Chinese should free themselves from their victim mentality and look to the future rather than the past.

In dealing with Japan, China should show a more detailed and balanced picture of Japan, acknowledging, for example, the support Japan gave Chinese nationalists like Sun Yat Sen. China should also recognize Japan’s peaceful development after World War II, the positive impact Japan-China rapprochement has had on China’s international standing, and the contribution Tokyo has made to China’s early modernization efforts. He reminded the group that Japan was the first country to normalize relations with China after Tiananmen. Following Zhou Enlai’s dictate, China should, when drinking water, not forget the people who dug the well.

China should do more to cultivate warm feelings toward the people in Japan who tried to build better relations with China and distinguish between those who did bad things to China and those in Japan who also suffered at their hands. People-to-people contacts should be encouraged; similarly, there should be no talk of “economic boycotts.” Above all, China should stick to its peaceful development and dispel any worries about its rise. That means accepting the “stakeholder” concept, building better relations with all neighbors and countries of the region and being a positive force for regional cooperation, development, peace, and stability.

Brad Glosserman of the Pacific Forum CSIS wrapped things up with a U.S. perspective. He identified three obstacles to better relations: profound distrust among all three countries; a belief that economics can overcome all political problems (with a concomitant warning that accidents can and do happen); and the assumption that the existing order is fixed. “Shift happens.” Each country has problems that could lead to a radical change in its circumstances, with impacts on the regional and global order.

Glosserman identified three steps the U.S. should take on its own to improve trilateral cooperation. First, it should send firm signals to Japan: there will be no “Japan passing” and it welcomes good Japan-China relations. Second, it should send equally firm signals to China that it welcomes positive constructive relations between Tokyo and Beijing and it will not be “played” against an ally. Finally, it needs to set a better example. The U.S. must practice excellence without arrogance, and live up to its commitments to free and fair trade, the promotion of democracy and the protection of human rights.

His agenda was specific. The three governments should commence an energy dialogue that develops comprehensive programs to deal with the many dimensions of the energy equation: exploitation of resources, more efficient use, and externalities, such as pollution. They should hold economic talks to discuss appropriate exchange rates and ways of ensuring macroeconomic stability. Their reliance on trade makes that a fruitful arena to discuss security and trade facilitation measures. Cooperation on ways to stem the proliferation of weapons of mass destruction is another shared concern, as is planning for disasters, natural and manmade. The private sector should explore business opportunities and obstacles and civil society links should be encouraged.

Our discussion highlighted other avenues to work together. A Japanese suggested that China devote funds to developing a unit that is ready and capable of joining international peacekeeping and other multilateral exercises. This group could be a showcase that would help increase transparency in the Chinese military and diminish international concerns about its capabilities. (This participant also warned against getting overly agitated about Chinese military spending: the PLA has plenty of internal issues, he pointed out.)

Several participants endorsed more communication among young business leaders and politicians in the three countries. Increased exposure will build more understanding of the actual conditions in each country and create constituencies that can argue against extreme views.

Several speakers warned against reactive nationalism. Chinese and Japanese explained that there is a nasty downward spiral built into their bilateral relationship. A hardliner in one country speaks out, gets press in the other country, and triggers a nationalist reaction there. Those statements are then amplified in the first country and the cycle spins on. The situation is so bad that one Chinese lamented that “rational” views of Japan are instantly attacked.

The problem is distinguishing “healthy” nationalism from the more insidious kind. The Chinese government is using nationalism to build civic pride and patriotism, but its intentions are easily warped, especially when the Internet is readily available to whip up emotions. The limited scope for social debate in China also encourages demonizing outside forces – some topics are off limits and Japan’s misbehavior provides a convenient scapegoat for public frustration and anger.

Chinese participants admitted that they had to do more to build trust with other countries. One looked to the European experience for lessons. As reconciliation there was embedded in regional integration, China should make regional community building a priority.

Speakers from all three countries called for real leadership in their own country. Genuine statesmen look beyond narrow short-term political interests to act on behalf of their country. They should lead public opinion, not follow it. It is a tall order, but it is essential to building enduring, stable, cooperative relations.

In our wrap-up session, Cossa addressed some of the key themes that kept resurfacing in the discussions. Several speakers asked whether the U.S. was prepared to acknowledge China as a responsible stakeholder: is Washington ready to let China be a co-equal (if not a leader) on important issues? (The same question has come up in honest discussions of U.S.-Japan relations.)

Cossa argued – and some Chinese acknowledged – that the U.S. has done a great deal to integrate China into the international system. In fact, its entire postwar foreign policy has been based on the idea of building “peer competitors”: first Europe, then Japan, and now China. This record suggests that there is no intent to “contain” China.

The U.S. faces a dilemma, however. Its policy of promoting democracy threatens to unleash forces that may be hostile to U.S. interests or the U.S. itself. Democracy is not a cure all to nationalism; it can be its amplifier.

Finally, Cossa noted that it is singularly unhelpful when the leadership of a country “plays dumb.” Yes, there is far more to Japan-China tensions than Yasukuni Shrine. But the claim that shrine visits are “irrelevant” is disingenuous and just plain dangerous. It reinforces the image of Japanese insensitivity and obliges China to escalate its complaints. Similarly, the Chinese claim that such visits portend a return to 1930s-style militarization is equally silly. That statement alienates otherwise sympathetic Japanese and prods others to dismiss Chinese complaints as mere posturing.

In his remarks, Hoshino Toshiya of Osaka School of International Public Policy, and a conference co-host, noted that there was little mention of “the China threat” in the discussions. He suggested that all three countries focus more on their interconnectedness and how they can adapt to an era of globalization. Finally, he noted that meeting in Osaka was especially significant. Osaka is a place to get things done. It’s “principled pragmatism” could be a model and inspiration for trilateral relations. As this project continues, we hope that we can help in some small way to turn the triangular relationship into one characterized by genuine three-way cooperation.

About the Author

Brad Glosserman is executive director at Pacific Forum CSIS in Honolulu. He is editor of *Comparative Connections*, the Pacific Forum's quarterly electronic journal, and writes the chapter on U.S.-Japan relations. He directs the Pacific Forum's Young Leaders program. He is co-author of many monographs on U.S. foreign policy and Asian security relations. Other articles have appeared in scholarly journals throughout the region, and he has contributed several chapters to various books on regional security. He is the editor (with Tae-hyo Kim) of *The Future of U.S.-Korea-Japan Relations: Balancing Values and Interests* (CSIS Press 2004). His opinion articles and commentary have appeared in *The Japan Times*, *South China Morning Post*, the *International Herald Tribune*, *The Asian Wall Street Journal*, *The Index on Censorship*, *Japan Digest*, and *The Straits Times*, as well as other publications. Mr. Glosserman has been a regular commentator for the BBC and other Asian radio programs.

Prior to joining Pacific Forum, Mr. Glosserman was, for 10 years, a member of *The Japan Times* editorial board. He has a JD from George Washington University, an MA from Johns Hopkins University's School of Advanced International Studies (SAIS) and a BA from Reed College.

APPENDIX A

PACIFIC FORUM CSIS SCHOOL OF INTERNATIONAL PUBLIC POLICY, OSAKA UNIVERSITY

“Strategic Goals in U.S., Japan, and China Relations”

**April 2-4, 2006
Saji Keizo Memorial Hall,
Osaka University Nakanoshima Center
Osaka, Japan**

Agenda

Sunday, April 2

6:30PM Opening dinner

Monday, April 3

9:00AM Opening Remarks by Conference Chair: Ralph A. Cossa

9:15AM Session I: Examining Long-Term Visions

Current tensions can tend to mask and even threaten the clear long-term interests of the three countries to peacefully co-exist and constructively cooperate. A clearer understanding of overlapping long-term objectives might help policymakers lay out a different near-term road map than current policies suggest. Participants are asked to consider what your country’s vision of East Asia 20 years from now is or should be, with focus on what role your country desires to play, in order to explore the possibility of developing a shared long-term vision. What are the areas that overlap, and how can we deconflict the areas that don’t? More specifically, what are the key long term concerns? What factors are most important in shaping the regional political, security, economic environment? (Focus on LONG-TERM not short-term concerns) What sort of leadership is most appropriate for the region? Is there an institutional structure to facilitate solving these issues? Should there be a single “preeminent” institution to replace the existing mix of mechanisms? How does this trilateral relationship fit within the ‘Plus Three’ mechanism?

Presenters: Japan: MURATA Koji
 China: XU Xin
 U.S.: Gerald CURTIS

10:45AM Break

11:00AM Session II: Examining Troubled Japan-China Relations: Sources and Solutions (Young Leaders Presentations)

An assessment of the current tensions between Beijing and Tokyo as seen from the viewpoint of the next generation of potential leaders, with a focus not just on the sources of tension but on potential solutions. Is there a role for the U.S. in this process? If so, what is it?

12:30-2:00PM Lunch

2:00-3:15PM Session III: Japan-China Tensions and the Impact on US Security

A review of the preliminary findings of the CNA-led task force on Japan-China relations.

Presenter: Ralph COSSA

3:15PM Break

3:30PM Session IV: Economic Dynamics of Trilateral Relations: Bilateral, Regional, and Global Issues

The expanding economic infrastructure and business linkages between the three countries offer new and important opportunities for prosperity, but may also present more acute domestic political problems due to economic conflict. Can “hot economics” and “cold politics” between China and Japan coexist indefinitely or will political frictions mount despite economic engagement? Can China, or should it, address the real and/or perceived dislocations attributed to its economic rise in other societies, particularly the U.S.? What role does each country expect of the others in addressing the challenges of globalization at the bilateral, regional, and global levels, including the WTO Doha Round? How do bilateral economic relationships (i.e., FTAs) fit into the regional picture? What is the role of regional and global economic regimes in smoothing bilateral problems?

Presenters: Japan: YAMAMOTO Takashi
 China: FENG Zhaokui
 U.S.: Jane SKANDERUP

5:00PM Session adjourns

6:30PM Reception and Dinner

Tuesday, April 4

9:00AM Session V: Identifying Building Blocks for Strengthening Trilateral Relations

What can each country do on its own to improve prospects for trilateral cooperation? What bilateral measures could be undertaken to foster trilateral cooperation? What policy issues are best undertaken at the trilateral level? What are the costs and risks of not cooperating? Are there

obstacles in mainstream views to achieving new modes of cooperation? How do economic ties strengthen ties and overcome political differences? The goal is to identify specific building blocks that can be pursued unilaterally, bilaterally, and trilaterally to improve the three-way relationship.

Presenters: Japan: KUROSAWA Mitsuru
China: TAO Wenzhao
U.S.: Brad GLOSSERMAN

| | |
|----------------|--------------------------------------|
| 10:45AM | Break |
| 11:00AM | Concluding Session: Wrap Up |
| 12:00PM | Lunch |
| | Adjourn |
| 12:00-3:00 | Working Lunch: Young Leaders Session |

APPENDIX B

PACIFIC FORUM CSIS SCHOOL OF INTERNATIONAL PUBLIC POLICY, OSAKA UNIVERSITY

“Strategic Goals in U.S., Japan, and China Relations”

**April 2-4, 2006
Saji Keizo Memorial Hall,
Osaka University Nakanoshima Center
Osaka, Japan**

Participant List

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Japan Institute of International Affairs

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Osaka University

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Professor TAKAGI Seiichiro
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Professor YAMAMOTO Takashi
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Professor; Former Deputy Director, Institute
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Dr. TAO Wenzhao
Senior Fellow, Institute for American
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Professor XU Xin
Visiting Research Fellow (2005-2007)
The Princeton-Harvard China and the World
Program, Princeton University

Professor ZHU Feng
Professor and Director, International
Security Program, Peking University

Mr. LIU Jinsong
First Secretary
Embassy of PRC in Japan

United States

Mr. Ralph A. COSSA
President
Pacific Forum CSIS

Prof. Gerald L. CURTIS
Burgess Professor of Political Science
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Ms. Jane SKANDERUP
Director for Programs and Development
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Others

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Bureau Chief
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Ms. Michiyo NAKAMOTO
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Prof. Kurt W. RADTKE
Professor in Japanese and Chinese Studies,
Institute of Asia-Pacific Studies
Waseda University

Mr. Dominic ZIEGLER
Economist Bureau Chief
The Economist

Young Leaders

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What China can do to improve Sino-Japanese relations?

By Tao Wenzhao

Sino-Japanese political relations are at stalemate due to Japanese Prime Minister Koizumi Junichiro's insistence on visiting Yasukuni Shrine where 14 class-A war criminals are enshrined together with other war dead. The Chinese people are frustrated. We think that we are generous with Japan, exempting it from war indemnities when the two countries established diplomatic relations in 1970s. But some Japanese politicians are so stubborn in visiting the shrine that it seems as if they want to deliberately insult the feelings of the Chinese and Korean people. The deterioration of bilateral relations serves neither Japanese nor Chinese interests. The two countries must work together to get their political relations out of difficulty. From China's side, certain things can be done.

First, to better manage nationalistic feelings, China should try to present a more balanced picture of Japanese history in the 20th century. Japanese history from the late 19th century to the end of World War II was one of expansion and aggression in the region, including toward China. This is a historical fact that no one can deny. But during the second half of the century, Japan followed the path of peaceful development and became the second largest economy in the world. This should also be recognized.

Second, China should recognize the positive impact of Sino-Japanese rapprochement on China's foreign relations. Although there was a Nixon shock in February 1972, the normalization of China-Japan relations in September 1972 set a model for the normalization of China-U.S. relations that occurred six years later. During the negotiations that led to the establishment of diplomatic relations between China and the U.S., Deng Xiaoping clearly said that the U.S. must follow Japan's model with regard to Taiwan. And the normalization of China's relations with Japan and the United States helped China break its international isolation.

Third, China should recognize that Japan was the first country to lift sanctions on China after Beijing's political disturbance in 1989. Western countries imposed sanctions on China after the event. At the G-7 meeting that year Japan tried hard to ease the sanctions on China. In July 1990 the Japanese government resumed Official Development Assistance (ODA) to China. In August 1991, Prime Minister Kaifu Toshiki visited China and relations between the two countries resumed. He was the first state leader of developed countries to visit China after June 1989.

Fourth, China should recognize Japan's assistance to China's economic construction. For more than two decades, especially during the early years of China's reform and openness, Japan was one of China's biggest trade partners, and China's major source of capital and technology. Economic and trade relations between Japan and China are mutually

beneficial. Since 1980 Japan has provided ODA to China, an amount that totaled \$27.5 billion by March 2004, of which \$25.2 billion consisted of loans with a 3 percent interest rate. Half of that amount was used to buy Japanese machinery and other equipment, strengthening China's industrial infrastructure. Of course, the loan allowed many Japanese companies to get access to the Chinese market.

Fifth, China should cultivate warm feelings toward the Japanese people and promote people-to-people contacts between the two countries. The Japanese people were also the victim of aggression during the war. During and after the war they suffered a lot. In the 1950s and '60s many Japanese friends in a very difficult situation made strenuous efforts to promote friendship between the two peoples, to develop peoples' exchanges, including bilateral trade. Their contribution will be remembered forever. The late Premier Zhou Enlai often said, "When we drink the water we should not forget the people who dug the well." By "the people who dug the well," he meant those pioneers who devoted themselves to the development of bilateral relations. The process of normalization of China-Japan relations was pushed by people-to-people contacts. We still need to strengthen these contacts and promote mutual understanding between the two peoples. The peoples of our two countries should be good neighbors, good friends, and good brothers. Only a relationship that wins people's minds and hearts is durable.

Sixth, China should continue to develop economic and trade relations with Japan. Economic relations between the two countries are an important part of the two countries' overall relationship. The economic side of bilateral relations is still quite warm; last year's investment surged to a record level. But the political side of the bilateral relations is very cool. The correct response is to let the warm side give a positive impact and warm up the cool side: not vice versa. Last year, some students advocated the boycott of Japanese goods. Boycotts are an out-of-date concept. In 1905, Chinese merchants boycotted U.S. goods because the U.S. was excluding Chinese laborers. In 1919, the Chinese people boycotted Japanese goods because of Japan's greedy demands for privileges in Shandong Province. But now, in an era of globalization when the two countries' economies are so interdependent, a boycott is impossible. If Japanese investment in China were to end, Japanese investors would no longer make money in China, but Chinese workers who work in Japanese companies would lose their jobs as well.

Seventh, China should continue to cooperate in the Six-Party Talks on the Korean Peninsula nuclear issue. China and Japan have very similar positions toward the DPRK nuclear issue and cooperated in the past two years at the four rounds of talks. Japan's willingness to normalize relations with the DPRK should be respected. Japan's recent efforts to break the deadlock in the talks should be appreciated and encouraged.

Eighth, China should cooperate with Japan in environment protection. China has been making great efforts to protect the environment, such as planting windbreak forests in China's north and northwest. The Japanese people as well as the Japanese government have shown strong interest in this and invested quite a lot of resources. We appreciate Japan's assistance. China will continue to cooperate with Japan to prevent erosion and make our environment better.

Ninth, China should keep the East China Sea issue under control. The East China Sea is not wide enough for the two countries to claim a 200-mile exclusive economic zone. This is a issue for the two governments to discuss and solve through negotiation. The consultation has begun and it may take years. During the process, the two sides should restrain themselves and try hard to avoid any clash, collision, or confrontation.

Tenth, China should launch military contacts and exchanges between the two countries. The military establishments of the two countries at present have no contact. Given the East China Sea situation, this is very dangerous. The two navies should have contact to avoid a possible clash.

These are some rough thoughts of a non-Japan expert. China-Japan relations can be a win-win game or a lose-lose game; they cannot be a zero-sum game. Both of our countries are in this region and we must coexist peacefully. President Hu Jintao announced recently that if the Japanese prime minister stops visiting Yasukuni Shrine, he is ready to meet with him to discuss resuming and improving bilateral relations. I sincerely hope the deadlock in China-Japan relations can be broken very soon.

Tao Wenzhao (taowz@cass.org.cn) is deputy director of the Institute of American Studies at the Chinese Academy of Social Sciences.

Applications are now being accepted for the 2006 Pacific Forum Vasey Fellow position. Details, including an application form, can be found on the Pacific Forum web site [<http://www.csis.org/experts/fellows/vasey/>].