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US-Japan-China Trilateral Relations: How their dynamics will shape Asia Pacific

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ABSTRACT

The United States, China, and Japan have shaped the largest and most consequential trilateral relations in the Asia Pacific region. However, the three nation-states have followed divergent development paths through history. The three bilateral relationships within the triangle include different issues, challenges and prospects — for example, trade, human rights and Taiwan dominate US-China relations, while Japan-China relations have faced the problem of differences in perceptions of history and nationalist sentiment among the public. The fundamental structure of the trilateral relations rests on how the US-Japan alliance faces the uncertain and assertive rise of China. How China's rise evolves economically, militarily and politically will be one of the most significant indicators and uncertainties in terms of assessing the future course of the trilateral relations and the stability and prosperity of the Asia Pacific region. Maritime issues such as the South China Sea and the East China Sea, plus the Taiwan Strait, the Korean Peninsula, and regional institutions such as the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership are typical cases to consider for understanding the geopolitical and strategic dynamics of the trilateral relations in this region. Finally, for international relations, domestic affairs always matter. The heads of all three nations seem to be cultivating images as strong leaders. Their capabilities in domestic governance will affect the complicated and sensitive relationships among these three major powers in the Asia Pacific region.

Keywords

United States, China, Japan, Trilateral Relations, Asia Pacific

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1. US-CHINA-JAPAN TRILATERAL RELATIONS

1.1. CHARACTERISTICS

US-China-Japan relations could be described and defined as the largest trilateral relationship in the world. The three nation-states¹ are the world largest, the second-largest, and the third-largest economies, respectively. Their impact, however, is not only economic. In terms of the impacts on geo-politics, geo-economics, military and soft power, the capability to “influence”², values or ideological systems, development models, and regional and global initiatives, these are some of the most significant and consequential relations in the world, particularly for the Asia Pacific region where all three countries are located and have shared interests.

At the same time, one factor which should not be neglected is the difference in their characteristics as nation-states. The United States, at the moment, is still the most established superpower in almost all areas, including in the economy, military, technology, education, soft power and so on. The US has also absorbed immigrants and large amounts of capitals from all over the world by relying on the attractiveness of its institutions and value-systems, such as liberal democracy, rule of law, civil society, and individualism.

China, on the other hand, is the greatest emerging power, as well as the largest developing country; in the country’s official word, it has been trying to surpass the United States in a number of areas, including in the economy, military, and even soft power and regional and global influences. It is also interesting to focus on China’s characteristics as a nation-state in the context of so-called “Chinese exceptionalism”³ or the theory of “the end of history”. Francis Fukuyama, the author of this theory, has argued that China poses the most important challenge to the idea of the end of history, insofar as it is an authoritarian semi-capitalist system that has mastered economic modernization and may become the world's wealthiest and most powerful country. Interestingly, he has not ruled out the possibility that “there is in fact a real alternative to liberal democracy.”⁴ In fact, China, now entering Xi Jinping’s new era, has pursued a development strategy based on “socialism with Chinese

¹ The European Union is not included in this context and paper, which is limited to so-called “nation-states” with their own population, territory, government and sovereignty.

² See a task force report, “China’s Influence & American Interests: Promoting Constructive Vigilance”, *Hoover Institution*, November 2018.
https://www.hoover.org/sites/default/files/research/docs/chineseinfluence_americaninterests_fullreport_web.pdf

³ Samuel P. Huntington argues that economic development compels the modification or abandonment of traditional political institutions; it does not determine what political system will replace them. That will be shaped by other factors, such as the underlying culture of the society, the value of the elites, and external influences. “Will More Countries Become Democratic?”, *Political Science Quarterly*. Vol. 99, No.2 (Summer, 1984) pp 201-202.

⁴ Yoshikazu Kato, “A Conversation with Francis Fukuyama”, *Asia Global Institute*, March 25, 2019.
<https://www.asiaglobalinstitute.hku.hk/news-post/conversation-dr-francis-fukuyama>

characteristics”, which is also generally described as an “authoritarian system”, “state capitalism”, or “the China model”.⁵

Japan, located between the United States and China geographically, has been allied with the United States since the end of the Second World War. As the loser of the war, Japan was occupied by the United States and became a de-militarized and democratized country that has embraced a “peaceful constitution” which legally prohibits the possession and uses of military forces — although China, which was invaded by Japan during the war, has always raised questions about its interpretations and implementation. For Japan, the US has been the sole and most important security ally, while China has become the largest trade partner over time.⁶ Socio-economic ties with China have been critically important for Japan’s survival and development in recent years and, very possibly, will be so for years ahead.

In short, the United States and China, as rivals are competing with each other in several areas. Japan, which is “in between”, is trying to be balanced and manage the relationship with both pragmatically. Meanwhile, both the US and China have seemed to take advantage of their relationship with Japan based on their own objectives and calculations. Concretely, the US would like to strengthen the security and strategic alliance with Japan to counterbalance the rise of China. China, on the other hand, would like to co-opt Japan economically to challenge the initiative of the US in the Asia Pacific region. Given these realities, US-China-Japan relations could also be described and defined as some of the most strategically and geo-politically complicated relations in the Asia Pacific region.

1.2. DEVELOPMENT HISTORY

Following the end of the Second World War, the United States and Japan established and developed an alliance and signed a security treaty in 1951. This relationship has lasted until today, becoming one of the most enduring alliances in the world, even though international circumstances have changed dramatically over the years.

During the Cold War, the United States and Japan belonged to the so-called capitalist camp, while China belonged to the socialist camp. Amid this state of ideological confrontation, however, Japan and the United States normalized diplomatic relations with the People’s Republic of China in 1972 and 1979, respectively. At the time, security and military threats from the Soviet Union and concerns about “anti-hegemony” had created a common strategic interest for the United States, Japan and

⁵ Xi Jinping, general secretary of the Communist Party of China, described the “China Model as follows: “So-called ‘the China Model’ actually means socialism with Chinese characteristics which the Chinese people has created based on their own fighting and implementations over the time”. (Xi Jinping, “Several Issues on Adhering to and Developing Socialism with Chinese Characteristics”, *Qiushi*, April 1, 2019. http://www.qstheory.cn/dukan/qs/2019-04/01/c_1124307480.htm)

⁶ China surpassed the United States and became the largest trade partner of Japan in 2007.

China. For example, when Japan and China normalized diplomatic relations, the Joint Communiqué released by the two governments said that neither of the two countries should seek hegemony in the Asia Pacific region and that each was opposed to efforts by any other country or group of countries to establish such hegemony.⁷

Almost at the same time as the signing of the peace and friendship treaty with Japan (1978) and normalization of diplomatic relations with the United States (1979), China under Deng Xiaoping's leadership launched its reform and opening-up policy. Japan started supporting that policy by providing Official Development Assistance (ODA) and deeply engaging in the economic development and social modernization of China, although for China's own policy, to open its doors to the United States was the top priority.⁸ China's policy transformation from class struggles to economic development undoubtedly gave a chance for the three parties to be mutually more engaged than in previous periods.

The Tiananmen Square massacre on June 4, 1989, however, presented a serious challenge for the trilateral relations. There were some gaps in perception and tactical responses to the incident between the United States and Japan; the latter held a slightly more tolerant attitude and removed a series of sanctions earlier than the former. But it was an undeniable fact that China became isolated internationally due to its crackdown of the protests by students, intellectuals, and the public around the square. Also, given the collapse of the Soviet Union soon after, the so-called "China collapse theory" to some extents prevailed in the public opinion of the international community.

The southern tour speech by Deng Xiaoping in 1992 was a sort of a turning point in terms of providing the United States and Japan with the "confidence" again that China would continue to pursue the reform and opening-up policy. With the Soviet Union already gone, the three parties had lost the previous "common strategic interest", but China's re-affirmation of engaging in the existing political and economic order initiated by the United States after the end of the Second World War drove the trilateral relations forward.

Since then, the United States, Japan and China have pursued ways for co-existence and development driven by multi-dimensional exchanges both at governmental and private levels — even though the three countries' characteristics, development models, political systems, and values/ideologies still diverge between the United States and Japan as liberal democracies and China as the world's biggest remaining socialist country. Interdependence, though it generates classic problems of political

⁷Ministry of Foreign Affairs of Japan, "Joint Communiqué of the Government of Japan and the Government of the People's Republic of China", September 29, 1972. <https://www.mofa.go.jp/region/asia-paci/china/joint72.html>

⁸Yoshikazu Kato, "Will Economic Disarray Challenge Xi's Power?" *The New York Times Chinese edition*, February 26, 2019. <https://cn.nytimes.com/Asia/Pacific/20190226/kato-xi-jinping-economy/>

strategy since it implies that the actions of states⁹ and significant non-state actors will impose costs on other members of the system, has played a positive role in promoting the trilateral relations and, more importantly, in avoiding military confrontation that could have resulted in wars, and in maintaining peace in the region.

1.3. RECENT CIRCUMSTANCES AND PROSPECTS

For future developments in the Asia Pacific region for the United States, China and Japan, the most uncertain indicator in the long run will still be the rise of China. Whether China can sustain its development under socialism with Chinese characteristics will be widely watched in the 21st century. It is also questionable whether China will remain exceptional in terms of its development model, political system and ideology. Whether China will democratize or pursue its own way steadfastly will continue to be controversial; for example, Francis Fukuyama argues that at the “end of history” still stands democracy.¹⁰

Uncertainties in the United States, particularly under the Trump administration, are fewer and limited but should not be neglected. Whether America is significantly in decline merits discussion. Recent US reluctance and inward-looking policies on free trade, multilateralism, and rules- and value-based institutionalism have raised challenges for the future course of international relations. Harvard professor Joseph Nye, Jr.'s question, “Is the American century over?”,¹¹ is a key issue, though he foresees that the American century will not be over soon. For example, the US will continue to benefit from its rather, in comparison, favorable demographic development. Undoubtedly, US power and intention based on its national interests and strategy will be crucial for countering uncertainties stemming from the rise of China.

Japan will continue to be a status-quo power, but some issues in its domestic affairs need to be resolved appropriately. For instance, accountability on the right to collective defense enacted in the new security law and whether article 9 of the peaceful constitution should be revised have been controversial and have raised questions both domestically and internationally. How Japan confronts these critical issues will inevitably affect the future course of the trilateral relations. Japan's economic power and diplomatic functions based on rationally managed domestic procedures will be an important factor in terms of stabilizing and shaping the future balance of power in the Asia Pacific region.

⁹ Robert O. Keohane, Joseph S. Nye, Jr., “*Power and Interdependence revisited*”, *International Organization* Vol. 41, No. 4 (Autumn, 1987), MIT Press, p730.

¹⁰ Francis Fukuyama, “At the 'End of History' Still Stands Democracy”, *The Wall Street Journal*, June 6, 2014. <https://www.wsj.com/articles/at-the-end-of-history-still-stands-democracy-1402080661>

¹¹ Joseph S. Nye Jr., “Is American Century Over?”, *Polity*, January 20, 2015.

The trilateral relations have faced some structurally complicated and diplomatically uncertain circumstances since 1979. All three powers now seem to want to be “strong” under the leadership of Donald Trump, Xi Jinping and Shinzo Abe. In their political slogans, Trump insists on “America First”, Xi on “the China Dream”, and Abe on “Japan is back”¹². Is an “era of leadership” rather than institutionalization coming? How will the development of their relations affect future stability and prosperity in the Asia Pacific region? This is why we need to rationally and carefully discuss and discern what’s going on in US-China-Japan trilateral relations.

1.4. ANALYTICAL FRAMEWORK AND METHODOLOGY

Throughout the paper, three factors frame the trilateral relations: values or ideological systems; economic relations; and strategic and geo-political struggles. The three factors are reflected in different ways in each bilateral relationship. That is why it is important to focus on and analyze each bilateral relationship separately. Each one has its own characteristics, but these three factors always play a critical role and shape the trilateral relations, as well as economic relations and geo-politics in the Asia Pacific region. Case studies on the South and East China Seas, the Taiwan Strait, the Korean Peninsula, and regional institutions would help us to further understand the dynamics of the trilateral relations and future course of the Asia Pacific region. Finally, foreign relations are always the extension of domestic politics, and this logic is particularly applicable to US-China-Japan relations today as all three countries are facing a critical moment in history.

¹²Shinzo Abe, “Japan is Back”, policy speech at the Center for Strategic and International Studies (CSIS), February 22, 2013. See the link released by Ministry of Foreign Affairs of Japan: https://www.mofa.go.jp/announce/pm/abe/us_20130222en.html

2. US-CHINA RELATIONS

2.1 CENTRAL ISSUES

I) STRATEGIC RIVALRY

The US-China relationship is the most consequential in the world today, period, and it will do much to determine the shape of the 21st century.¹³ Since Xi Jinping took office in 2012-2013, China has more keenly perceived the United States as the strategic rival which should be, sooner or later, surpassed by its own achievements. President Xi's statements such as "the Pacific Ocean is vast enough to accommodate China and the United States"¹⁴ and "it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia"¹⁵ vividly reflect its ambitions for the national competition with the United States.

During the Obama administration, China repeatedly tried to make "the new type of major power relationship" become a principle of US-China relations. The concept consists of non-confrontation, no conflict, mutual respect and always searching for win-win solutions. China hopes that the US will respect its so-called core interests, including in Taiwan, Tibet, and the South China Sea, to achieve an equal relationship with the US, as well as to expand its influence in the Asia Pacific region.

Although China temporarily stopped using the concept in public communications with the U.S when the Trump administration took over in 2017, this does not mean China has abandoned its strategic objectives. China will continue to seek a more equal relationship with the US¹⁶ In this sense, the most critical problem in the years ahead will be whether the US and China, as the established superpower and the emerging superpower, can escape so-called "Thucydides' trap", a deadly pattern of structural stresses that results when a rising power challenges a ruling one.¹⁷

The United States has continued to be cautious about the opaque rise of China. The Obama administration pursued a "pivot to Asia" or rebalancing policy to hedge

¹³ The US Secretary of State John Kerry addressed this during a speech at Johns Hopkins University's SAIS in Washington, DC, on November 4, 2014. Refer to an article in the Diplomat. "Kerry: US-China Ties 'Most Consequential in the World'", November 5, 2014. <https://thediplomat.com/2014/11/kerry-us-china-ties-most-consequential-in-the-world/>

¹⁴ Oki Nagai, "China warms up to neighbors for Pacific power play", *the Nikkei Asian Review*, July 20, 2018. <https://asia.nikkei.com/Politics/International-relations/China-warms-up-to-neighbors-for-Pacific-power-play>

¹⁵ Xi Jinping's remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia, Shanghai, May 21, 2014. https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951.shtml

¹⁶ Wang Peng. "Building the new type of major power relationship is the historically inevitable on China-US relations", *Qiushi*, March 20, 2017. http://www.qstheory.cn/wp/2017-03/20/c_1120661965.htm

¹⁷ Graham Allison, "Destined for War: Can America and China Escape Thucydides' Trap?", *Harvard Kennedy School Belfer Center*. May 30, 2017. <https://www.belfercenter.org/publication/destined-war-can-america-and-china-escape-thucydides-trap>

against the uncertainties and risks stemming from China's assertive and expansive policies, such as the South China Sea issue. The administration, though, did not explicitly define China as a competitor or enemy, or crafted a containment policy¹⁸. Since the Obama administration was succeeded by Trump, however, the United States has officially defined China as a "strategic competitor"¹⁹. China interprets this as demonstrating America's objective to contain China, and considers it not only as President Trump's intention but as the more fundamental, widespread and long-term perceptions and strategy of the United States.

II) TAIWAN

The Taiwan Strait continues to be one of the most critical and sensitive arenas for US-China relations. Under the Trump administration, uncertainties and risks have relatively increased. For instance, Trump telephoned Taiwanese President Tsai Ing-wen on December 2, 2016, just after being elected as US president. Then, the US Congress passed the Taiwan Travel Act on February 28, 2018. These actions reveal that the Trump administration will not hesitate to strengthen even official ties with Taiwan. The 2019 National Defense Authorization Act (NDAA) signed by President Trump on August 13, 2018 would also facilitate the administration in making further commitments to security ties with Taiwan.

China, on the other hand, has felt nervous about these actions. Given the recent expansion in its economic, diplomatic and military capabilities, as well as President Xi's political goal of unification with Taiwan on his terms²⁰, China is likely to take more assertive actions to resolve the Taiwan problem than it did previously. "We make no promise to renounce the use of force and reserve the option of taking all necessary means to achieve reunification," President Xi made clear in his speech to commemorate the 40th anniversary of the "Message to Compatriots in Taiwan". These moves by both sides will increase the risks from the Taiwan issue and could undermine the stability and development of the bilateral relationship.

III) HUMAN RIGHTS

"China is 'in a league of its own' when it comes to human rights violations", U.S Secretary of State Mike Pompeo insisted when the Department of State published its annual report on human rights. Criticizing the Chinese Communist Party's

¹⁸ Joseph Nye Jr., "Work with China, Don't Contain It", New York Times, January 25, 2013.

<https://www.nytimes.com/2013/01/26/opinion/work-with-china-dont-contain-it.html>

¹⁹ See *National Security Strategy of the United States* released by the White House, December 2017.

<https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>

²⁰ Liu Mingfu, a colonel of the People's Liberation Army and the author of *The China Dream*, in a conversation with the author in Beijing, February 8, 2019.

performance on human rights, the report said, “during the year the government significantly intensified its campaign of mass detention of members of Muslim minority groups in the Xinjiang”, and “authorities harassed, detained, and arrested citizens who promoted independent efforts to combat abuses of power.”²¹ The Chinese government, however, described the report as “full of ideological bias, confounds right with wrong in disregard of facts, and makes unfounded accusations against China.”²²

Given these exchanges, it is not difficult to see that there is a huge gap in the perceptions, concerns and interests related to the human rights issue between China and the US. Under the Xi administration, China tends to emphasize its own “characteristics” in managing the issue.²³ The current circumstance also has been shaped by a relatively strong stance and policies towards China by the Trump administration and a politically constrained, authoritative regime of the Xi administration. As a result, this issue could more easily create triggers, which will make the bilateral relations more sensitive and complicated. Whether the Trump administration takes harsh countermeasures against Xi’s increasingly repressive policies towards human rights activists and liberal intellectuals may draw greater attention particularly this year, as it is the 30th anniversary of the Tiananmen Square massacre.

Importantly, behind the human rights issue are mutual distrust of their respective political and value systems between the two countries. This is why the problem will last a long time.

2.2 CHALLENGES AND PROSPECTS

I) TRADE WAR, ECONOMIC AND TECHNOLOGICAL COMPETITION

President Trump, who proclaimed his “America First” stance since his presidential campaign, has tried to address the US trade deficit with China. To achieve this political and economic goal, the Trump administration imposed a series of additional tariffs on Chinese products; for example, duties worth \$34 billion on July 6 and \$200

²¹ Country Reports on Human Rights Practices for 2018 China (includes Tibet, Hong Kong, and Macau), US Department of State.

<https://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2018&dliid=289037#wrapper>

²² Chinese Foreign Ministry Spokesperson Lu Kang’s regular press conference on March 14, 2019.

https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1645493.shtml

²³ On April 1, China and the European Union held the 37th Human Rights Dialogue. Through the dialogue, “the Chinese side gave an in-depth introduction to the path, philosophy and achievements of human rights with Chinese characteristics, and asked the EU side to view China’s human rights situation in a fair and objective manner and conduct human rights exchanges and cooperation with the Chinese side on the basis of equality and mutual respect”, according to the press release by the Ministry of Foreign Affairs of China. https://www.fmprc.gov.cn/mfa_eng/wjbxw/t1652048.shtml

billion on July 10, 2018. The Chinese side immediately retaliated with tariffs of the same scale and impact.

Most recently in May 2019, the Trump administration raised tariffs from 10% to 25% on \$200 billion worth of Chinese imports, and threatened to tax an additional \$300 billion worth of goods. Although China has adopted a relatively moderate and cooperative attitude due to its worries about negative impacts on economic growth, it immediately announced that it would take necessary countermeasures. After his visit to Washington D.C. in May, Vice Premier Liu He told the press: “China definitely will not compromise on principles. China does not want to fight the trade war with the United States, but we are not afraid, have already been ready for it.”²⁴

The trade conflicts between the world’s largest and second-largest economies have obviously escalated into a trade war. It will have a significant adverse impact on the world economy. By distorting global trade flows, the conflict will push production to more expensive locations, forcing up prices and reducing efficiency.²⁵ The fundamental reason for the breakout of the trade war is not limited to President Trump’s economic policy. More importantly, China’s strategic intentions and objectives under President Xi’s leadership are to seek the great rejuvenation of the Chinese nation, which he calls the “China dream”.

In accordance with this political slogan, Chinese foreign policy has become more assertive and less flexible or open to making concessions. For instance, Chinese ambassador to the US Cui Tiankai said that “although China does not want a trade war with the US, it is not afraid of one and is prepared to fight to the end.”²⁶ The reason for China’s harsh response to the US policies is because it interprets them as a part of a US containment strategy. This is something China is unlikely to accept.

Meanwhile, the Xi administration’s “Made in China 2025” project seems to be a grand strategy for revitalizing the Chinese economy and industries. The US side, however, sees this as a great threat to its supremacy and worries that China will use it to subsidize its own companies and industries to surpass the US economically and technologically. The impact of this competition, which is driven by national pride on both sides, could go beyond the trade war itself and last for a long time.

²⁴ See the official website of the government of China. http://www.gov.cn/quowuyuan/2019-05/11/content_5390742.htm

²⁵ “Creative disruption: Asia’s winners in the US-China trade war”, A report by the Economist Intelligence Unit. 2018.

²⁶ Cui Tiankai, *World Insight*, China Global Television Network, March 23, 2018. https://news.cgtv.com/news/3341544d306b7a6333566d54/share_p.html

II) REGIONAL AND GLOBAL INITIATIVES

Since launching its reform and opening-up policy in the late 1970s and early 1980s, China has developed its economy and expanded its diplomatic influence under the existing US-led international system and order. In this process, Deng Xiaoping's grand tactic of *taoguangyanghui yousuo zuowei* — “keep a low profile and bide your time while also accomplishing things” — played a relatively positive role.

Today, however, China under the Xi administration is trying to conduct diplomacy as a major power²⁷, influence the international system and order, and make international relations more “democratic” by making use of a series of policy tools such as the Asian Infrastructure Investment Bank (AIIB) and the Belt and Road Initiative (BRI), as well as hosting international conferences at home. For example, China proposed a “Chinese vision” to restore the global economy when it hosted the G20 Hangzhou summit in 2016.²⁸ Accordingly, under Xi, all corners of the globe have experienced active Chinese diplomacy (bilateral and multilateral).²⁹

The problem is how will the United States perceive and respond to these initiatives by China in terms of future competition between the two major powers? China seems to regard Trump's reluctance or inward-looking policies in the arenas of globalization and international institutions as well as multilateralism as a strategic chance to strengthen its influence in regional and global issues. China, in particular, took notice of the US's withdrawal from the Trans-Pacific Partnership (TPP), and tried to push forward other regional initiatives such as the Regional Comprehensive Economic Partnership (RCEP) and the China-Japan-South Korea Free Trade Agreement (FTA).

Will the US be concerned about these opportunistic initiatives by China, and worry about being replaced by China in terms of regional, even global leadership? Under the Trump administration, the United States may well be taking a step back from its willingness to lead the way on addressing the world's many challenges, but China is not prepared to replace it. Global leadership requires a willingness to subordinate one's own narrow interests for the benefit of the larger community.³⁰ China, obviously, has intentions or at least “hope” to initiate global agendas and even lead the world. But it remains to be seen whether China has enough capabilities and credibility to attract other countries to accommodate its leadership, and eventually “replace” the US to become “the world's policeman”.

²⁷ Yoshikazu Kato, “What Is Xi Jinping's Major Power Diplomacy?”, *Asia Global Online*, March 7, 2019. <https://www.asiaglobalonline.hku.hk/xi-jinping-china-major-power-diplomacy/>

²⁸ Wang Yi, “G20 Hangzhou summit: World Implications of the Chinese Visions and Proposals”, *People's Daily*, September 20, 2016

²⁹ David Shambaugh, “All Xi, All the Time: Can China's President Live Up to His Own Top Billing?” *Global Asia* Vol. 13, No. 3, September 2018, p19.

³⁰ Elizabeth Economy, *The Third Revolution-Xi Jinping and the new Chinese State*, Oxford University Press, 2018, pp 249-250.

III) DISPARITIES IN IDEOLOGY, POLITICAL SYSTEMS AND DEVELOPMENT MODELS

During the implementation of China's reform and opening-up policy, Deng Xiaoping gradually developed the idea that "peace and development are the main topics of the contemporary era"³¹ rather than the competition to see which ideology and system are superior. Today, the Communist Party of China maintains the position that "every country should decide its own path by themselves" — in other words, no country should interfere in the domestic affairs of other countries.

China is challenging the US supremacy in the arena of ideology, political systems and development models. China thinks socialism with Chinese characteristics will be superior to Western liberal democracy and can eventually "socialize" the world. Xi Jinping's public remarks should not be ignored. He said: "With the continuous development of socialism with Chinese characteristics, our system will become more and more mature. The superiority of China's socialist system will surely become more apparent. Our path will surely become broader and wider. The impact of China's development path on the world will surely get bigger."³² This statement implies that China does not have the intention to accommodate liberal democracy and capitalism but will continue to pursue its own way, and in the process, try to "influence" other societies as much as it can. China is obviously unhappy to see a world shaped by Western liberal democracy.

If so, a certain level of competition or struggle in the arenas of ideology, political systems and development models will continue between the US and China. The process will inevitably affect the course of the bilateral relations. In other words, history has not ended yet.

³¹ The 13th Party Congress in 1987 officially pointed out this issue based on Deng Xiaoping's remark in May 1984: "Today, there are a lot of problems in the world, but the two are relatively obvious, one is the problem of peace, another one is the North-South problem, in other words, the problem of development".

³² Xi Jinping, "Several Issues on Adhering to and Developing Socialism with Chinese Characteristics", *Qiushi*, April 1, 2019. http://www.qstheory.cn/dukan/qs/2019-04/01/c_1124307480.htm

3. JAPAN-CHINA RELATIONS

3.1. CENTRAL ISSUES

I) HISTORY

Historical problems, or more concretely, how the two governments cope with the issue of history and how the two peoples perceive historical incidents have always been one of the most crucial issues for Japan-China relations since the two governments launched a series of negotiations to normalize diplomatic relations in the early 1970s.

In the 1980s, the Chinese government repeatedly criticized the “problematic textbooks” of history published in Japan. The Chinese government has maintained a harsh position towards Japanese prime ministers’ visits to the Yasukuni Shrine where A-class war criminals are honoured.³³ During the term of prime minister Junichiro Koizumi who visited the shrine six times, the political relationship was deadlocked. Also, insincere comments by Japanese officials have sometimes aggravated the attitude of the government as well as emotions of the public in China. For example, in February 2012, the mayor of Nagoya, Takashi Kawamura, said, “the Nanking incident did not happen actually” when he met with Chinese officials from Nanjing city,³⁴ triggering anti-Japanese sentiment in Chinese society.

“Japanese citizens should learn about history a little bit more in detail, understand how Chinese citizens feel about the history with Japan. But the Chinese side also should perceive the history with Japan from longer-term perspectives. Japan-China history is not only what happened in 1931-1945”, Harvard academic and American expert on Japan and China, Ezra Vogel, argues.³⁵ In fact, China’s so-called “patriotic education” has been controversial in Japan particularly ever since former president Jiang Zemin, who was inflexible about historical problems, adopted a strong stance towards Japan³⁶ and launched the campaign in 1992 after the Tiananmen Square massacre.

The history with Japan during the Second World War is one of the most important parts of school education and public propaganda under the Communist Party of China. The Japanese government, intellectuals, and public collectively believe the

³³ Since the A-class war criminals buried publicly in Yasukuni shrine in April 1979, 6 out of 21 prime ministers visited the shrine totally 30 times.

³⁴ Nagoya and Nanjing have signed the friendship city agreement on December 21, 1978. There have been 368 friendship cities between Japan and China, ranks Number 2 for Japan. No.1 is with the United States, 455, No.3 is with South Korea, 168 and No.4 is with Australia, 108, according to the data released by Council of Local Authorities for International Relations, Japan. <http://www.clair.or.jp/e/index.html>

³⁵ An interview with Prof. Ezra Vogel at Harvard University, August 28-31, 2018.

³⁶ Kenji Minemura, “The Fate: Secret History of Xi Jinping’s Political Struggles”, *Bunshun Bunko*, June 2018, pp 186-190.

endless “anti-Japanese education campaign” in China is a critical reason why the historical problems between the two sides cannot be reconciled smoothly. Although the two governments successfully overcame obstacles from the history issues and realized normalization in 1972 and signed a peace and friendship treaty in 1978, in terms of public sentiments and mutual trust, the perceptions between the two peoples have never really normalized. That is why there is still a long way to go to achieve a real Sino-Japanese reconciliation.

II) TERRITORIAL DISPUTES

When Japan and China normalized diplomatic relations, the two sides did not put territorial issues on the table so that negotiations could proceed smoothly. And when Chinese leader Deng Xiaoping visited Japan to sign the peace and friendship treaty, he said: “The two sides promised not to touch this [territorial] issue when we normalized the relationship. This time we also agreed to deal with the issue in the same way. This kind of problem could be put aside temporarily. Our generation lacks wisdom. Our next generations may have more wisdom, then good solutions that everybody gets to agree could be found.”³⁷

Though both Japan and China have claimed sovereignty over the Senkaku/Diaoyu islands,³⁸ they have been effectively administered by the Japanese government since the United States returned the rights of administration of Okinawa to Japan in accordance with the Agreement between Japan and the United States of America Concerning the Ryukyu Islands and the Daito Islands in 1972. In light of the explorations of natural resources such as oil and gas around Senkaku/Diaoyu islands in the East China Sea by the United Nations Economic and Social Commissions for Asia and the Pacific in 1968, the Ministry of Foreign Affairs of China officially claimed sovereignty over the islands in December 1971. China then enacted the Law of the Sea in 1992 and tried to justify its position. However, China and Japan, in cooperation with the United States under the security alliance, have managed potential disputes “quietly” and prevented the escalation of the issue.

A turning point was the “nationalization” of the islands by the Japanese government in September 2012. Chinese officials immediately and fiercely criticized the decision, saying “this move taken by the Japanese government constitutes a serious violation

³⁷ Deng Xiaoping said this when he attended the press conference in the Japan journalist club in October 1978.

³⁸ The Japanese government has said that “there is no doubt that the Senkaku Islands are clearly an inherent part of the territory of Japan, in light of historical facts and based upon international law. Indeed, the Senkaku Islands are under the valid control of Japan. There exists no issue of territorial sovereignty to be resolved concerning the Senkaku Islands”, Ministry of Foreign Affairs of Japan. <https://www.mofa.go.jp/region/asia-paci/senkaku/index.html> Chinese government has said that “Diaoyu Dao and its affiliated islands are an inseparable part of the Chinese territory. Diaoyu Dao is China’s inherent territory in all historical, geographical and legal terms, and China enjoys indisputable sovereignty over Diaoyu Dao”. <http://www.china-embassy.org/eng/zt/DiaoyuDaofChina/t974694.htm>

of Chinese territorial sovereignty.”³⁹ Anti-Japanese protests took place in more than a hundred cities in mainland China. Sanctions were imposed on Japan economically, culturally, diplomatically and even politically. For example, the Chinese government tightened customs inspections of Japanese products at its ports.⁴⁰

Since then, tensions over the islands have escalated. As the Japanese government described the situation, “Chinese government vessels started to enter Japan’s contiguous zone almost daily, except on stormy days. Furthermore, they repeatedly intrude into Japan’s territorial sea, at a frequency of about five intrusions per month”⁴¹. Japan-China relations remained deadlocked until Chinese President Xi Jinping and Japanese Prime Minister Shinzo Abe “unofficially” met when Abe visited Beijing to attend the APEC summit in November 2014. As a precondition for improving the bilateral relationship through the top-level meeting, both sides recognized that they had different views as to the emergence of the tense situation in recent years in the waters of the East China Sea, including those around the Senkaku/Diaoyu Islands, and shared the view that through dialogue and consultation, they would prevent the deterioration of the situation, establish a crisis management mechanism and avert the rise of unforeseen circumstances.⁴²

III) PUBLIC SENTIMENT

How public citizens from the two societies perceive each other has always been an important indicator for assessing whether Japan-China relations are “good” or “bad”. The Japanese side tends to define the issue of public sentiments (“*kokuminkanjo*” in Japanese) as one of the most critical challenges in terms of stabilizing Japan-China relations in the long run.⁴³ Healthy recognition between the two peoples has been a foundation of the diplomatic relations. If this improves, the relations will be stabilized and improved. If it gets worse, on the other hand, the relations will encounter a risky situation, undermined by narrow, exclusive and rampant nationalism in the public opinions of the two countries.

The importance of public opinion has been reflected in joint efforts by the two countries’ civil society. One example is the “Japan-China Joint Opinion Survey”

³⁹ “Diaoyu Islands cannot be bought”, Ministry of Foreign Affairs of China, September 14, 2012.

https://www.fmprc.gov.cn/mfa_eng/topics_665678/diaodao_665718/t970602.shtml

⁴⁰ “Japanese firms complain of tougher Chinese customs inspection”, *South China Morning Post*, September 21, 2012. <https://www.scmp.com/business/companies/article/1042289/japanese-firms-complain-tougher-chinese-customs-inspection>

⁴¹ “Trends in Chinese Government and Other Vessels in the Waters Surrounding the Senkaku Islands, and Japan’s Response — Records of Intrusions of Chinese Government and Other Vessels into Japan’s Territorial Sea”, Ministry of Foreign Affairs of Japan. https://www.mofa.go.jp/region/page23e_000021.html (data often updated.)

⁴² “Regarding Discussions toward Improving Japan-China Relations”, Ministry of Foreign Affairs of Japan, November 7, 2014. https://www.mofa.go.jp/a_o/c_m1/cn/page4e_000150.html

⁴³ Akihiro Mikoda, “Chinese emotions toward Japan has been improved: the challenge of improvement on Japan-China relations”, *NHK News Commentators Bureau*, December 27, 2017. <http://www.nhk.or.jp/kaisetsu-blog/700/287605.html>

launched by Genron NPO, a non-profit network-based Japanese think tank, and its counterparts⁴⁴ on the Chinese side in 2005 when Japan-China relations sank to “the bottom”. According to the survey in 2018, 56.1% of Chinese respondents had bad or relatively bad impressions of Japan, while 42.2% had good or relatively good impressions of Japan; and 86.3% of Japanese respondents had bad or relatively bad impressions of China, while only 13.1% had good or relatively good impressions of China. On the question of “whether Japan-China relations are good (or relatively good) or bad (or relatively bad)”, 30.3% of Chinese respondents answered good or relatively good, while 45.1% answered bad or relatively bad; and 39.0% of Japanese respondents answered bad or relatively bad, while only 7.2% answered good or relatively good.⁴⁵

The latest survey result has revealed that there are still long ways to go if the two countries are to realize a virtuous-cycle interaction of positive sentiments among the public and stabilized diplomatic relations. Given the above survey, it will be especially important to improve Japanese sentiments towards China — in other words, on how well Japanese will accept “the rise of China”.

3.2 CHALLENGES AND PROSPECTS

I) HIGH POLITICS

To improve public sentiments and maintain stable conditions in mutual perceptions of the two sides, politics does matter. Reciprocal visits of top leaders are extremely important.⁴⁶ Reflecting the bilateral relations over the last 15 years, political stability and public sentiments, including those of people doing business with China, are structurally connected. In this sense, political stability based on regular, reciprocal visits by top leaders should become a foundation for ensuring the long-term development of Japan-China relations.

Japan and China marked the 40th anniversary of the signing of the peace and friendship treaty in 2018. During this politically symbolic year, the two countries realized reciprocal state visits. Chinese Premier Li Keqiang visited Japan in May, and Japanese Prime Minister Shinzo Abe visited China in October. In 2019, Chinese President Xi Jinping's state visit is expected when he heads to Japan to attend the

⁴⁴ For Genron NPO, the counterparts in Chinese side have included Peking University, the China Daily, and China International Publishing Group over the last 14 years.

⁴⁵ “The result of 14th the Japan-China Joint Opinion Survey”, *Genron NPO*, October 9, 2018. <http://www.genron-npo.net/world/archives/7053.html>

⁴⁶ Editorial, “Realizing stable Japan-China relations not undermined by other countries”, *The Nikkei Shimbun*, August 9, 2018.

G20 summit in Osaka on June 28-29. It would be noteworthy to see if President Xi will meet the new emperor at that time, as Japan enters a new imperial era, Reiwa.

One important factor will be how the two leaders and governments perceive and define each other. It should not be forgotten that Japan and China fought each other during the Second World War, so the relationship has been highly sensitive and complicated both politically and emotionally. What needs to be successfully developed through Xi's upcoming Japan visit is the mutual recognition written in the "4th political document" which was officially signed by the two governments when former president Hu Jintao conducted a state visit to Japan. Article 4 says that "the two sides recognized that they are partners who cooperate together and are not threats to each other. The two sides again stated that they would support each other's peaceful development, and they shared the conviction that Japan and China, that uphold the course to peaceful development, would bring great opportunities and benefits to Asia and the world."⁴⁷ This is still relevant to high politics of Japan-China relations as a long-term milestone.

II) NEW ECONOMIC COOPERATION

When Japanese Prime Minister Shinzo Abe visited China in October 2018, the two countries' leaders noted that "both Japan and China concurred in seeking Japan-China cooperation at a new stage as equal partners. To this end, Japan will no longer adopt ODA (official development assistance) project proposals for China in and after FY2018." This means that Japanese ODA to China has finished its historic mission.⁴⁸

What could be "new"? Through Li Keqiang's Japan visit and Abe's China visit, the two governments have developed a new idea and framework for joint cooperation in third countries or markets. Following the meeting of the "Japan-China Committee for the Promotion of Japan-China Business Cooperation in Third Countries" and the "Japan-China Forum on Third Country Business Cooperation", Japan and China agreed to promote business cooperation that would be in line with international standards and would benefit third countries. They also welcomed the fact that a total of 52 memorandums of cooperation were signed between private corporations and organizations from the two countries at the Forum.⁴⁹ For example, the two sides have

⁴⁷ Joint Statement between the Government of Japan and the Government of the People's Republic of China on Comprehensive Promotion of a "Mutually Beneficial Relationship Based on Common Strategic Interests", Ministry of Foreign Affairs of Japan, May 7, 2008. <https://www.mofa.go.jp/region/asia-paci/china/joint0805.html>

⁴⁸ ODA to China began in 1979 and from that time to the present, approximately 3.3164 trillion yen in loan aid (yen loans), 157.2 billion yen in grant aid, and 181.7 billion yen in technical cooperation have been implemented. Ministry of Foreign Affairs of Japan. "Overview of Official Development Assistance (ODA) to China". https://www.mofa.go.jp/policy/oda/region/e_asia/china/index.html

⁴⁹ Ministry of Foreign Affairs of Japan, "Prime Minister Abe Visits China", October 26, 2018. https://www.mofa.go.jp/a_o/c_m1/cn/page3e_000958.html#section11

already started working on jointly building “smart cities”, including Thailand's Eastern Economic Corridor.

How China and Japan contribute to regional economic prosperity will be an opportunity to upgrade the bilateral relationship. There can be no stability in East Asia, and indeed no stability in the world, if China and Japan — the world’s second- and third-largest economies — cannot find a way to work together.⁵⁰

III) REGIONAL COOPERATION

Maintaining and promoting rules-based multilateralism, a free and fair trade system and regional economic integration could be a common interest for Japan and China. Two initiatives have already been tabled for discussion. One is the RCEP, and the other is the Free Trade Agreement among Japan, China and South Korea. Japan and China agreed to implement the consensus of their leaders to jointly complete the negotiations on the RCEP within the year and push for substantive progress of the negotiations on the FTA when Japanese Foreign Minister Taro Kono visited Beijing in April 2019.⁵¹

As the largest and second-largest economies in East Asia, political stability and mutual trust at the top and governmental levels of the two sides will be a crucial driving force for pushing forward these negotiations. An uncertainty is how the US would perceive these processes. For the RCEP, its framework is ASEAN plus 6 — included are allies of the US such as Japan, South Korea, Australia and New Zealand, so US policy makers may be relatively relaxed about seeing progress. When it comes to the FTA among China, Japan and South Korea, however, the US may be more cautious since progress would imply the integration of Northeast Asia, rather than the Asia Pacific region, which includes the US. The U.S would also be worried that China’s geo-strategic and economic influence will expand and deepen in the process as two of its allies are involved in this economic integration project.

For Japan, how to exercise its leadership on the RCEP and the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership; TPP Eleven) will be a critical challenge. Even though the US withdrew from the original TPP under the Trump administration, the CPTPP has remained a top priority for the Abe administration in terms of its regional economic and strategic interest because this would lead to the most rules-and-value-based multilateral initiative with the highest standards and transparency in the region. Japan, as its national strategy, will hope and push the US to keep an open mind about joining the initiative in the long

⁵⁰ Ezra F. Vogel, “Can China and Japan Ever Get Along?”. *The China Questions- Critical Insights into A Rising Power*, edited by Jennier Rudolph and Michael Szonyi, Harvard University Press, 2018, p 110.

⁵¹ Wang Yi Talks About the 5th China-Japan High-level Economic Dialogue, Ministry of Foreign Affairs of China, April 14, 2019. https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1654745.shtml

run if China's behaviors and policies on SOEs reform, government subsidies, intellectual properties, and a level of marketization and liberalization become suitable for qualification in the CPTPP. Japan is quite motivated to make the CPTPP the most important platform and criteria for regional cooperation.

Due to the fact that seven members have joined the TPP and the RCEP simultaneously⁵², there may be some space for Japan, which is the most developed economy on both platforms, to realize policy coordination of the members. As yet, the US has not opposed the RCEP and the FTA, while China has not opposed the CPTPP. This situation might provide the Abe administration with a chance to expand its influence in the region.

⁵² Yoshikazu Kato, "How China Deals With the TPP", *New York Times Chinese edition*, October 27, 2015. <https://cn.nytimes.com/business/20151027/cc27kato-tpp-china/zh-hant/>

4. US-JAPAN RELATIONS

4.1 CENTRAL ISSUES

I) SECURITY ALLIANCE

Japan and the United States are strong allies sharing basic values and strategic interests, with the Japan-US Security Arrangements at the core. Under such a strong alliance, both countries are closely working together and sharing roles and responsibilities not only on bilateral issues, but also on regional issues in the Asia Pacific region, as well as on global issues.⁵³

For Japan, which is not allowed to possess a normal military capability, only to have the Self-Defense Forces, due to restrictions in the so-called “peaceful constitution”, the alliance has been indispensable for its national security as well as foreign policy. For the US, the security ties with Japan have been one of the most important factors in maximizing its national interests as well as maintaining its strategic presence in the Asia Pacific region.

The two countries are now further enhancing their deterrence and response capabilities under the New Guidelines and the Legislation for Peace and Security. Through such efforts, Japan and the US have been expanding and strengthening cooperation in a wide range of areas, including ballistic missile defense, cyberspace, outer space, and maritime security.⁵⁴ For US-Japan relations, maintaining and strengthening their security alliance based on the Treaty of Mutual Cooperation and Security, which was signed and went into force in 1960, will definitely be the most fundamental issue in the long run.

II) OKINAWA

Okinawa has been one of the most sensitive and controversial issues in Japan-US relations since it was returned to Japan by the United States in 1972. More than 70% of the US forces in Japan are located in Okinawa prefecture which amounts to only 0.6% of the entire land area of Japan.⁵⁵ Okinawa’s local citizens as well as a number of political and social activists have persistently complained about this “unchanging reality”.

⁵³ “Japan-United States of America Relations”. Ministry of Foreign Affairs of Japan.
https://www.mofa.go.jp/na/na1/us/page23e_000329.html

⁵⁴ Diplomatic Rulebook 2017, Chapter 3. “Japan’s Foreign Policy to Promote National and Worldwide Interests”, Ministry of Foreign Affairs of Japan.
<https://www.mofa.go.jp/policy/other/bluebook/2017/html/chapter3/c030102.html>

⁵⁵ In 1972, the amount was 58.7%. There are in total 31 US military facilities within 18,609 hectares, which amounts to 8% of the entire Okinawan land area.

According to a survey of Okinawa's residents by the Asahi Shimbun in February 2019, 88% felt that "Okinawa's burdens are too big compared to the mainland", while those who did not feel so amounted to only 9%.⁵⁶ In addition, crimes committed by US soldiers against local people in Okinawa have undermined the credibility and stability of the US forces in Japan. The most infamous case was when three US soldiers rented a van and kidnapped a 12-year-old Okinawan girl in 1995. Since then, similar incidents which are quick to provoke anti-US forces sentiments have continued to occur in Okinawa.⁵⁷

To reduce uncertainties and risks to the stability of the security alliance and its operations, the two governments have been working closely on a realignment of the US forces in Japan, including the relocation of the Marine Corps Air Station (MCAS) Futenma and of approximately 9,000 US Marines in Okinawa to Guam and other locations.⁵⁸ But as the above survey shows, Okinawa will continue to be one of the most uncertain issues, which could destabilize the bilateral relations.

III) CHINA

The United States and Japan share common strategic interests in the face of a rising China. The US-Japan alliance is a key instrument for tackling uncertainties and risks which might result from China's assertive actions in the Asia Pacific region, such as in the East and South China Sea and Taiwan Strait.

Shinichi Kitaoka, a security expert and former Japanese ambassador to the United Nation, argues that "in relations with China, it will be essential to adopt a 'hedge and engage' approach. Engagement is implemented to ensure that China does not become a threat, while remaining vigilant. Hedging is applied in order to prepare for any threats."⁵⁹ Former US Secretary of Defense Ash Carter argues that "Japan's willingness to participate in Asian security, including training and exercises with other nations, beyond a purely passive, home-island defense role makes it an increasingly important player in the region."⁶⁰ Such views, which take China's aggressiveness into consideration, seem to be widely shared among intellectuals and policy makers in Japan and the United States.

⁵⁶ The Asahi Shimbun's survey, February 18, 2019.

<https://digital.asahi.com/articles/ASM2L3DZ6M2LTPOB001.html>

⁵⁷ In April 2019, a US Navy sailor killed a Japanese woman and then committed suicide in Okinawa.

⁵⁸ Diplomatic Rulebook 2017, Chapter 3 "Japan's Foreign Policy to Promote National and Worldwide Interests", Ministry of Foreign Affairs of Japan.

<https://www.mofa.go.jp/policy/other/bluebook/2017/html/chapter3/c030102.html>

⁵⁹ Shinichi Kitaoka, "Maintain a 'hedge and engage' approach to Dialogue", *The Future of Japan-China Relations project by National Institute for Research Advancement, Japan*. July 2015. http://www.nira.or.jp/pdf/e_vision11.pdf

⁶⁰ Ash Carter, "Reflections on American Grand Strategy in Asia", *Harvard Belfer Center Report*, October 2018. <https://www.belfercenter.org/publication/reflections-american-grand-strategy-asia>

In terms of how to respond to China's economic and geo-political aggressiveness, two cases — the Belt and Road Initiative (BRI) and the Asia Infrastructure Investment Bank (AIIB) — may be a litmus test for Japan and the US. Since its establishment in early 2016, both Japan and the US, unlike other US allies including South Korea, Australia, the United Kingdom, Canada, etc., have decided not to join the AIIB, though some Japanese and American voices have pushed the two countries to join it from the beginning.⁶¹ Their stance towards this China-led economic and financial initiative in Asia has been “well-coordinated”.

On the other hand, the stance toward the BRI seems to be slightly different between Japan and the US. As discussed in Chapter 3, in accordance with the improvement in bilateral relations, Japan and China have expanded the arenas of economic cooperation, possibly including the framework of the BRI. Shinzo Abe said that “the Chinese thoughts on BRI are getting clearer, so Japan would deal with some specific cases seriously.”⁶² The Japanese government dispatched Toshihiro Nikai, chief secretary of the Liberal Democratic Party, to attend the first Belt and Road Forum for International Cooperation held in Beijing in May 2017. Compared to the Trump administration, the Abe administration has shown a more positive and open attitude to the BRI, though this should not be interpreted as the US and Japan having “different strategies” towards China. Nor does it mean Japan has broadly “accepted” the BRI, which is an ambitious initiative of the Xi administration.⁶³

4.2 CHALLENGES AND PROSPECTS

I) TRADE

The United States has regarded its trade deficits with Japan as problematic over the years. US Trade Representative Robert Lighthizer met with Japan's Economic Revitalization Minister Toshimitsu Motegi on April 15-16, 2019 in Washington to continue negotiations on the US-Japan Trade Agreement. After the meeting, Mr. Lighthizer stated that “the United States [had] raised its very large trade deficit with Japan — \$67.6 billion in goods in 2018.” In 2017, US's trade deficit with Japan in goods amounted to 8.7% of the entire US trade deficit, the third largest by country.⁶⁴

⁶¹ Elizabeth Economy, “The AIIB Debacle: What Washington Should Do Now”, *Council on Foreign Relations*, March 16, 2015. <https://www.cfr.org/blog/aiib-debacle-what-washington-should-do-now>

⁶² Shinzo Abe mentioned in the conversation with Toshihiro Nikai and Yoshihisa Inoue. Chief Secretary of the Liberal Democratic Party and Komei Party on January 10, 2018.

⁶³ Shinzo Abe said that “if Japan cooperates on projects under the Belt and Road Initiative, they should satisfy four preconditions: the soundness of the debtor nation's finances; project's openness, transparency and economic viability” in the House of Councilors Budget Committee on March 25, 2019.

⁶⁴ See the US Census Bureau. No. 1 and No. 2 were China and Mexico, with deficits amounting to 47.2% and 8.9% respectively.

Unlike the “trade war”⁶⁵ between the US and Japan in the 1980s⁶⁶ or the current trade conflict between the US and China, trade today is not the central problem which could undermine the two countries’ diplomatic relations. However, the Trump administration obviously takes trade issues seriously and has pressured Japan. For example, Japan worries about whether the US side will impose additional tariffs to imported Japanese automobiles, force the Japanese government to cut the tax rates of agricultural goods made in Japan, or criticize that the Japanese yen is “manipulated” in order to maintain the trade surplus.

In fact, in addition to Japan, other U.S allies such as Canada and Germany have been pressured and embarrassed by Trump’s trade policies, which seem to disregard multilateralism, and rules- and value-based system, as well as strategic networks among liberal democracies. If the trade disputes undermine diplomatic relations, political trust, and even security ties between allies, a real challenge for developed Western economies will be whether the existing international order and system led by Western rules and values can maintain their integrity.

II) TPP

At the TPP Ministerial meeting held in Atlanta on October 5, 2015, an agreement in principle was reached on the TPP, which would not only further promote trade and investment in the Asia Pacific region but also further strengthen relations among the countries in the region by building a new economic order. Thus, it had strategic significance in terms of sharing prosperity.⁶⁷

Since the United States, the largest economy among the 12 members, withdrew from the TPP in January 2017, Japan, the second-largest economy in the group, has taken the lead. It managed to get the eleven economies to sign the CPTPP in Chile in March 2018.⁶⁸

For Japan, under the relatively proactive leadership of Shinzo Abe, the TPP could be defined as a national strategy intended to ensure its sustainable economic development and external influence in the Asia Pacific region. There is a basic consensus on this among Japanese policy makers, intellectuals and businessmen. That is why, even after the US withdrawal, Shinzo Abe never gave up on trying to

⁶⁵ As a symbolic case, TIME magazine published a cover story titled, “TRADE WARS — The US Gets Tough with Japan” on April 13, 1987.

⁶⁶ In 1989, Japan was the country with which the United States had the largest trade deficit, accounting for about 45% of its total deficit.

⁶⁷ Agreement in Principle on the Trans-Pacific Partnership (TPP) negotiations: Statement by Foreign Minister Kishida, Ministry of Foreign Affairs of Japan. October 6, 2015.

https://www.mofa.go.jp/press/release/press4e_000877.html

⁶⁸ Participating countries are Japan, Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Among these 11 countries, the total population is about 500 million, total GDP is about \$10 trillion, and total amount of trade is about \$5 trillion.

<https://www.mofa.go.jp/files/000420486.pdf>

convince President Trump to make a commitment to the TPP. However, there are serious gaps between the two sides. For example, at the press conference after their meeting in Florida in April 2018, Abe said that “we think TPP is the best for both Japan and the United States, so would like to discuss with the US side based on this basic position.” But Trump responded that “I do not want to go back to TPP. I prefer the bilateral agreement.”⁶⁹

In the United States, there are views that are different from President Trump on the TPP. The Task Force Report, “Course Correction: toward an effective and sustainable China policy”, argues that in order to balance China’s undermining of the global, rules-based trading system, “the US must strengthen the existing international economic system by pursuing high quality trade and service agreements, such as the TPP.”⁷⁰ Ash Carter also argues from a security perspective that “by strengthening our relationship with key regional partners, the TPP would bolster the network and, with it, our national security. For that reason, I often said that the TPP was as important strategically as an aircraft carrier.”⁷¹

Today, the US and Japan are jointly promoting a “free and open Indo-Pacific”, which to some extent incorporates the essences and values of the TPP. However, the two initiatives are fundamentally different because the TPP was established based on a concrete and principle-oriented framework which was legally adopted after long and difficult negotiations. In this sense, whether the two sides can work together on the TPP will affect the future quality of US-Japan relations in the Asia Pacific region.

III) POLICY COORDINATION

As the ministers of foreign affairs and defense from the two sides decided at the US–Japan Security Consultative Committee in Washington on April 19, 2019, cooperation in cross-domain operations, enhancement of the alliance’s capabilities, and an increase in operational readiness and cooperation should be core objectives in advancing the defense relationship of the two countries.⁷² Since Japan’s Diet passed the “peace and security legislation” in 2015 which formally took effect in March 2016 allowing Japan to exercise the right of collective self-defense under specific conditions, the US and Japan have expanded the capacity of the alliance both

⁶⁹ See Sankei Shimbun’s report on Japan-US top meeting and joint press conference, April 19, 2018. <https://www.sankei.com/politics/news/180419/pl1804190020-n1.html>

⁷⁰ Orville Schell and Susan L. Shirk, “Course Correction: Toward an Effective and Sustainable China Policy”, *Task Force on US-China Policy*, February 2019. <https://asiasociety.org/center-us-china-relations/course-correction-toward-effective-and-sustainable-china-policy>

⁷¹ Ash Carter, “Reflections on American Grand Strategy in Asia”, *Harvard Belfer Center Report*, October 2018. <https://www.belfercenter.org/publication/reflections-american-grand-strategy-asia>

⁷² The committee, also called “2+2”, saw the participation of US Secretary of State Pompeo, US Acting Secretary of Defense Shanahan, Japanese Minister for Foreign Affairs Kono, and Japanese Minister of Defense Iwaya. The paragraph is quoted in the “Joint Statement of the Security Consultative Committee”. <https://www.mofa.go.jp/mofaj/files/000470738.pdf>

regionally and globally. The US side expressed its welcome since this could enhance Japan's defense capability, as well as expand US-Japan cooperation in the region and the world.⁷³

Although the Abe administration successfully passed the "peace and security legislation", the process was full of controversy. Not only the opposition parties and intellectuals, but more than a thousand citizens also gathered in front of the Diet and protested the "problematic procedures" on the security bill. If the prime minister exercises the bill to meet security challenges as well as to respond to the US's requirement to accommodate some military actions, around the Taiwan Strait, for example, it would once again raise controversies and protests. In short, domestic discussions within Japan's civil society and the legal and democratic accountability of the legislation have not been amply addressed.

In relation to the security bill, for Abe a real target would have been trying to amend article 9 of the country's peaceful constitution, for example, by explicitly adding the words "Self-Defense Forces" (*Jeitai* in Japanese) in the article. This, however, has been also continuously challenged in Japan. According to NHK's survey on the constitution held in April 2018, about 70% of respondents said they "appreciate" the existing article 9. Regarding whether the words "Self-Defense Forces" should be included, 31% responded "agree", 23% responded "disagree", and 40% answered "can't judge which one should be better". This obviously shows that the public opinion on the constitutional discussions in Japan is divided.⁷⁴

Security reforms in the Abe era are in large part a reaction to objectively identifiable, rapid changes to Japan's external security environment.⁷⁵ The efforts under the administration are significant and well-evaluated among the government officials both in Japan and the US. However, divided public opinions, and civil society and intellectual discussions, as well as political agendas in Japan will create uncertainties in terms of how Japan responds to regional and global security challenges. This in turn will affect how well Japan can coordinate policies with the US on the basis of the alliance's capabilities.

⁷³ President Obama mentioned this at a meeting with Abe in November 2015.

⁷⁴ NHK survey on the constitution 2018. <https://www3.nhk.or.jp/news/special/kenpou70/yoron2018.html>
Besides, according to the current constitution of Japan, if the Diet amends any articles of constitution, two-third of both Houses of Representatives and Councilors must agree, and then a half of constituencies should agree in a referendum.

⁷⁵ Adam P. Liff, "Japan's Security Policy in the "Abe Era": Radical Transformation or Evolutionary Shift?" *Texas National Security Review: Volume 1, Issue 3 (May 2018)*, p. 32.

5. CASE STUDIES

The three cases discussed in this chapter examine the dynamics of the trilateral relations and implications for the future course of the Asia Pacific region.

5.1 MARITIME DISPUTES

The basic backdrop has been China's continuous expansion and how the US-Japan alliance responds to that. As partly discussed above, China has continued to and more aggressively claim sovereignty and build related infrastructure, including "artificial islands" in the South China Sea (SCS), based on its own position on sovereignty and territorial integration.⁷⁶ The United States and Japan, on the other hand, have defined China's expansive actions as "unilateral coercive attempts to alter the status quo in the East China Sea (ECS) and SCS."⁷⁷

On the SCS, the US and Japan have repeatedly raised the importance of protecting freedom of navigation (FON) and criticized China's actions as "militarization" of the islands. But China, which has consistently expressed support for FON, claimed that "it's the US side who promotes militarization."⁷⁸

On the ECS, China has consistently claimed its sovereignty over the Senkaku/Diaoyu(S/D) islands, and in particular opposed the "nationalization" by the Japanese government in September 2012, sending an increasing number of vessels to the areas around the islands. Facing these actions by China, Japan and the US have reaffirmed their determination to work together to safeguard the peace and stability of the ECS, and reconfirmed that article 5 of the Japan-US Security Treaty applies to the Senkaku Islands and that both nations oppose any unilateral action that seeks to undermine Japan's administration of these islands.⁷⁹ China, on the other hand, sees these stances and policies by the US and Japan as a threat to China's national security and territorial integrity. Importantly, as Carnegie security expert Michael Swaine argues, the US's and Japan's policy makers and intellectuals share

⁷⁶ For example, the Chinese government insists that "China's Nanhai Zhudao (the South China Sea Islands) consist of Dongsha Qundao (the Dongsha Islands), Xisha Qundao (the Xisha Islands), Zhongsha Qundao (the Zhongsha Islands) and Nansha Qundao (the Nansha Islands). The activities of the Chinese people in the South China Sea date back to over 2,000 years ago. China is the first to have discovered, named, and explored and exploited Nanhai Zhudao and relevant waters, and the first to have exercised sovereignty and jurisdiction over them continuously, peacefully and effectively, thus establishing territorial sovereignty and relevant rights and interests in the South China Sea.", *Statement of the Government of the People's Republic of China on China's Territorial Sovereignty and Maritime Rights and Interests in the South China Sea*, Ministry of Foreign Affairs of China, July 12, 2016. https://www.fmprc.gov.cn/nanhai/eng/snhwtlcwj_1/t1379493.htm

⁷⁷ Japan-US Security Consultative Committee (Japan-US "2+2"), April 19, 2019, Washington D.C., Ministry of Foreign Affairs of Japan. https://www.mofa.go.jp/na/fa/page3e_001008.html

⁷⁸ Wu Qian, spokesman of the Chinese Ministry of Defense, insisted at the regular press conference, March 28, 2019.

⁷⁹ Japan-US Security Consultative Committee (Japan-US "2+2"), April 19, 2019, Washington D.C., Ministry of Foreign Affairs of Japan. https://www.mofa.go.jp/na/fa/page3e_001008.html

the view that it is quite likely that Beijing's assertive approach towards the S/D islands dispute is shared by China's new leadership and Xi Jinping, in particular.⁸⁰

Above all, there have been serious perception and stance gaps between the US-Japan side and China over the SCS and ECS. This situation will last unless China's expansive policies stop or slow down due to some domestic crises, such as an economic recession, political turbulence and so on.

On the Taiwan Strait, the US and Japan continue to define Taiwan as a security and strategic partner in protecting the security, order and democratic values in the Asia Pacific region. As discussed in Chapter 2, the US under the Trump administration has appeared to strengthen its ties with Taiwan. Japan's stance towards Taiwan has not changed substantially over the time, although Shinzo Abe, given some political pressures from the conservatives, is trying not to ignore relations with Taiwan.⁸¹

China, under the Xi administration, is eager to "resolve" the Taiwan issue. In his latest speech, Xi emphasized that "our country must be unified". If some moves to seek independence in Taiwan, China is very likely to exercise its military capability. But "this would raise the [possibility] of US military interference, and then comprehensive war between the two major powers," Ezra Vogel suggests. "Is China ready for a fight with the US?"⁸² This is a widespread question among policy makers and intellectuals in the US, China and Japan as well. To accommodate the US's reaction in the Taiwan Strait, Japan would need to review and reset its domestic procedures on implementing the rights of collective self-defense.

5.2 THE KOREAN PENINSULA

The trilateral relations have shaped a geo-politically and strategically complicated structure on the Korean Peninsula. Since the beginning of the Cold War, the US and China have supported South Korea and North Korea, respectively. The two sides fought in the Korean War of 1950-1953, which also became a trigger for the US to facilitate Japan's playing an accommodative role as a security ally. Japan, on the other hand, took advantage of "the special needs of the war" to push forward its economic recovery and development. Then, after the end of the Cold War in 1991, China normalized diplomatic relations with South Korea, its former enemy during the

⁸⁰ Michael D. Swaine, "Chinese Views Regarding the Senkaku/Diaoyu Islands Dispute", *China Leadership Monitor*, Hoover Institution. June 6, 2013. <https://carnegieendowment.org/files/CLM41MS.pdf>

⁸¹ Shinzo Abe and Taiwan President Tsai Yingwen reportedly had an unofficial meeting at a hotel in Tokyo, October 8, 2015.

⁸² An interview with Prof. Ezra Vogel at Harvard University, August 28-31, 2018.

war, and has dramatically developed economic ties.⁸³ However, the geo-political division of the North and the South has not fundamentally changed to this day.

A policy bottom line which each stakeholder shares may be the “denuclearization of the peninsula”. Given the recent meetings between Trump and Kim Jong-un, as well as those between Xi and Kim, North Korea is probably ready to denuclearize, even though there is still a huge gap regarding what the concrete procedures should be and in strategic interests between the US and the North, as well as between the US and China, which is playing a crucial role behind the North.

China’s primary strategic interests on the peninsula are assuring peace and stability. China would be particularly upset with political turbulence, such as the North’s “collapse”, because it would threaten China’s national security, particularly around its northeast area which shares a 1,400-km border with the North. That is why China opposes any unilateral measures which might incite the North’s leader to take extreme actions, and would only participate in economic sanctions against the North within the limited scope of a United Nations framework. Most importantly, China’s long-term goal is to realize a complete withdrawal of the US troops from the peninsula. The US is unlikely to accept the idea, as the troop’s real target is China rather than North Korea in the long run.

But to avoid threats from the North’s long-range ballistic missiles on the US homeland, the US now finds it necessary to push the North’s leader to abandon his nuclear and missile capabilities and equipment. And to do that, the US definitely needs help from China, as President Trump has repeatedly told President Xi. To protect homeland security from the North’s nuclear threats seems to have become a common interest and concern for China and the US. But a basic and long-lasting structure which sees the divided Korean peninsula as a “strategic buffer” for the US and China will not change soon.

Japan shares the same interests. In order to push North Korea to denuclearize, Japan should work together with the US and China. Japan should also begin a dialogue with North Korea that can eventually lead to a summit between Shinzo Abe and Kim Jong-un and the reopening of negotiations on diplomatic normalization based on the Pyongyang Declaration of 2002, and “the abduction [of Japanese citizens by the North] issue should be addressed and resolved as part of these negotiations,” argues Hitoshi Tanaka, the former Japanese diplomat who was in charge of negotiations with North Korea during the Koizumi administration.⁸⁴

⁸³ In 2016, South Korea-China trade amounted to \$211.4 billion, about one-fourth of South Korea’s total trade (25.1% in exports, 21.4% in imports). China is the largest trade partner for South Korea. Source: Korea International Trade Association. <http://kita.org/>

⁸⁴ Hitoshi Tanaka, “Engaging North Korea after the Singapore Summit”, *East Asia Insights*, July 2018. <http://jcie.org/researchpdfs/EAI/201807.pdf>

The US and Japan, and China, which traditionally have supported the South and the North, respectively, still have different strategic interests and concerns. But in light of the rapid nuclear and missile developments by North Korea, threats to the entire security of the Asia Pacific region have become more urgent. The US, Japan and China now share more common interests than previously in taking advantage of bilateral and multilateral platforms to maintain a dialogue, even if achievements may be limited, to try to peacefully resolve the “nuclear problems on the Korean Peninsula”.

5.3 REGIONAL INSTITUTIONS

As discussed above, US-China-Japan relations have been shaped by geo-politically, economically, and strategically complicated circumstances, and this will inevitably influence the future course of the institutionalization process in regional cooperation and integration in the Asia Pacific region.

The rules- and value-based institutional mechanism with the highest standards is the TPP. Since the United States withdrew from the initiative, it has been replaced by the CPTPP⁸⁵, which came into force on December 30, 2018. The agreement insists on promoting liberalization and facilitation of trade in goods, services and investment, and establishing new rules in a wide range of areas. Amid the increasing trend towards protectionism in the world, it is an important step for establishing free and fair 21st-century rules and sending a positive message to the US, as well as to other Asia Pacific economies.⁸⁶

Another ambitious framework for regional integration in the Asia Pacific region is the RCEP. This would succeed the framework of ASEAN+6 (Japan, China, South Korea, India, Australia and New Zealand), with the combined GDP of the 16 participating countries amounting to about 30% of world GDP and trade. The first meeting was held in Brunei in March 2013. The joint statement signed in Singapore in December 2018 noted that the negotiations had made substantial progress, and that the talks were entering the final stage and expected to conclude during 2019.⁸⁷

It would be a positive outcome for the economic development and prosperity of the region if these two ambitious institutions could coexist peacefully, be well-coordinated and not undermine each other.

Japan is the only country among the three powers which has participated in both negotiations. Japan under the Abe administration sees the current situation as a

⁸⁵ As of March 2018, Mexico, Japan, Singapore, New Zealand, Canada, Australia and Vietnam have already completed their domestic procedures for ratification. Peru, Chile, Malaysia and Brunei are expected to complete them as soon as possible. In addition, the United Kingdom and Thailand have expressed interest in joining the agreement.

⁸⁶ TPP 11 Agreement, Ministry of Foreign Affairs of Japan. <https://www.mofa.go.jp/files/000420486.pdf>

⁸⁷ RCEP negotiation, Ministry of Foreign Affairs of Japan. <https://www.mofa.go.jp/mofaj/files/000231134.pdf>

strategic chance to make a strong and positive commitment to regional peace and prosperity with assured leadership and responsibility. The biggest challenge Japanese diplomacy faces is how to push the US to engage in East Asia as a constructive leader, while at the same time stabilizing Japan's relationship with China.

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The United States, though it unilaterally withdrew from the TPP, has not publicly interrupted either the CPTPP or RCEP. Since Trump took office, the US government has been sticking to bilateral negotiations on economic and trade matters with its partners in the Asia Pacific region, and has been reluctant to commit to multilateral platforms. This position and approach are unlikely to change soon.

China also has never publicly opposed the TPP. China's position on the TPP has been clear and consistent. "The TPP is an extensive agreement. China is studying it and evaluation work is under way. We hope the various free trade arrangements in the Asia Pacific region will complement each other and jointly contribute to trade, investment and economic growth of this region," said a statement by China's Ministry of Commerce on February 4, 2016.⁸⁹ China is likely to continue to adhere to this position on the TPP, waiting to see to possibly try to join the institution if conditions allow in the future, as they did when China entered the WTO in 2001.

Under the current circumstance of the CPTPP and RCEP co-existing "peacefully", Japan is the most active player in them, while China holds a positive stance but limiting its range of activities. The United States is the most negative player, even creating some uncertainties for regional cooperation and relationships — though this position may not necessarily be long lasting if some changes happen in US politics.

In terms of the future development of regional institutions, Japan's agenda "should be positively initiating the CPTPP and RCEP so as to push both the US and China to be committed in the trend of free trade system," said Hitoshi Tanaka.⁹⁰

Meanwhile, negotiations for the Japan-China-South Korea free trade agreement (FTA) remains on the table. It will be one of the most important agenda items in the trilateral summit to be held in Beijing this year. The United States has taken a wait-and-see stance, never publicly opposing its framework or negotiations. But in terms of the future of regional cooperation as well as geo-political struggles, an important indicator would be how the negotiations among the major powers in Northeast Asia achieve progress and how the US — the strategic rival of China, and the ally of Japan and South Korea — evaluates and responds to it.

⁸⁸ Hitoshi Tanaka, "Japanese Diplomacy at the critical point", WEB RONZA by the Asahi Shimbun, January 11, 2019. <https://webronza.asahi.com/politics/articles/2019010900002.html?page=1>

⁸⁹ Xinhua, "China weighing up TPP, says commerce ministry", February 4, 2016. http://en.ccpit.org/info/info_40288117521acbb80152ab59a03000dd.html

⁹⁰ Hitoshi Tanaka, "Japanese Diplomacy at the critical point", WEB RONZA by the Asahi Shimbun, January 11, 2019. <https://webronza.asahi.com/politics/articles/2019010900002.html?page=1>

6. DOMESTIC AFFAIRS AND FACTORS IN THE THREE COUNTRIES

Foreign relations directly or indirectly reflect domestic affairs. What happens in economic development, the social structure and political system, ideology, historical factors, and contemporary trends, etc. inevitably influences the quality and discourse of diplomatic relations. So domestic affairs do matter, and US-China-Japan relations are not an exception. This chapter focuses on contemporary features of domestic affairs and factors in the three countries.

6.1 UNITED STATES

The biggest features of the United States today are obviously related to the birth of the Trump administration. Since the presidential campaign, Trump has declared “America First” for economic policy and emphasized “buy American, hire American”. These populist political slogans have substantially, not just symbolically, affected US economic and trade policies, as well as its external relations. For example, the US has imposed additional tariffs not only on goods from China, a strategic rival whose economic activities have been described as “aggressions”⁹¹, but also on security allies like Japan and Germany.

Trump’s victory in the presidential election revealed that US citizens to some extent feel fatigued from aggressive economic and security policies beyond their border. The failures or mismanagements in the Middle East, including in Iraq, Afghanistan, and Syria, have affected the patience and tolerance of taxpayers in the US. Some citizens, including elites, also doubt the US’s role and responsibility as the world’s policeman.

Whether and how the US continues to make a strong commitment to maintaining the regional and global orders and systems in the days to come will be invariably affected by its own constituencies — in other words, the democratic politics and life in the US, which now stands at a crossroads.⁹²

6.2 CHINA

For China, the most straightforward domestic feature also concerns the Xi administration. Unlike his predecessors, President Xi has not nominated candidates for his successor publicly and has abolished the two-term limit of the president by

⁹¹ “How China’s Economic Aggression Threatens the Technologies and Intellectual Property of the United States and the World”, *White House Office of Trade and Manufacturing Policy*, June 2018. <https://www.whitehouse.gov/wp-content/uploads/2018/06/FINAL-China-Technology-Report-6.18.18-PDF.pdf>

⁹² Former Secretary of States and current Stanford academic Condoleezza Rice argues that “democracy’s story is evolving. There are always new challenges, new responses, and new possibilities — good and bad. So, it can be said of 2016 and the rise of populism, nativism, and a tinge of isolationism”. *Democracy: Stories from the Long Road to Freedom*, TWELVE, 2017, p. 439.

unilaterally amending the constitution.⁹³ Against this backdrop, Xi has been inclined to adopt very conservative policies of protecting the state sector, promoting his own “thoughts” and personal cult, intensifying the repression of Party liberals and dissidents, adopting a heavy-handed strategy against a perceived Islamic threat in Xinjiang, and openly opposing more and more Western democracy and political values both in China and on the international stage.⁹⁴

President Xi has also initiated and pursued ambitious initiatives such as “the Belt and Road Initiative” and “Made in China 2025”, tried to expand China’s friendship network, and protected its core interests through economic and financial diplomacy, as well as political penetrations externally.⁹⁵ The US and Japan have taken relatively cautious and skeptical attitudes towards these, perceiving that Xi’s assertive policies will undermine the existing international political and economic orders and systems.

Some argue that Xi, in order to consolidate power, has adopted the twin strategy of domestic repression and foreign aggression.⁹⁶ Given the special interaction between domestic affairs and foreign policies, China’s domestic affairs will be the more uncertain indicator for future US-China-Japan relations. As some American academics argue, except for the United States, no country is likely to be more important than China in determining the global fortunes of democracy in the decades ahead.⁹⁷

6.3 JAPAN

Japan today is also an important player in understanding the dynamics of U.S-China-Japan relations. Shinzo Abe is very likely to become Japan’s longest-serving prime minister since the end of the Second World War.⁹⁸ With political stability and a strong administration backed by relatively high and stable approval ratings, Abe’s leadership can provide Japan with some space for exercising its influence externally, including in its relations with the US and China.

The Abe administration also has a chance to expand its leadership and influence in 2019-2020. In his new year’s remarks for 2019, Abe said that regarding Japan’s

⁹³ In conversations with the author, a lot of central and local officials and intellectuals expressed dissatisfaction with Xi’s approach on amending the constitution, as well as abolishing the term limit of the president. They feel that these actions will undermine the integrity of institutions, since there have been a serious lack of discussions within and outside the Party.

⁹⁴ Jean-Pierre Cabestan, “Political Changes in China Since the 19th CCP Congress: Xi Jinping Is Not Weaker But More Contested”, *East Asia*, March 18, 2019.

⁹⁵ Yoshikazu Kato, “What Is Xi Jinping’s Major Power Diplomacy?”, *Asia Global Online*, March 7, 2019. <https://www.asiaglobalonline.hku.hk/xi-jinping-china-major-power-diplomacy/>

⁹⁶ George Yin, “Domestic repression and international aggression? Why Xi is uninterested in diversionary conflict” Brookings Institution, January 22, 2019. <https://www.brookings.edu/articles/domestic-repression-and-international-aggression-why-xi-is-uninterested-in-diversionary-conflict/>

⁹⁷ Andrew J. Nathan, Larry Diamond, and Marc F. Plattner, *Will China Democratize?* Johns Hopkins University Press, 2013, Introduction.

⁹⁸ He will be staying in office until September 2021 if he does not resign for some reasons.

“immense challenges on the diplomatic front”, the country will encounter major turning points such as the US-North Korea summit meeting, Japan-Russia peace treaty negotiations, and the arrival of a new era in Japan-China relations. “We will resolutely advance a total reassessment of Japan’s post-war diplomacy,” he said. He also noted that Japan holds the presidency of the G20 and will welcome Donald Trump, Vladimir Putin, Xi Jinping, and other top leaders from around the world in Osaka in June. “This will truly be a year in which Japan shines on the world’s center stage.”⁹⁹ Hosting the Tokyo Summer Olympics in 2020 can also become a political asset for Abe. Given these domestic agendas which are closely related to international relations, Japan will be playing a more positive role in terms of working with the US and China in the Asia Pacific region.

Some uncertainties, however, will remain on constitutional issues. Whether and how Shinzo Abe, who is a nationalistic and conservative politician at heart, tackles the constitutional agenda — that is, concretely revising article 9 of the peaceful constitution — will influence Japan’s relation with the US and China, as well as the dynamics of the trilateral relations in the Asia Pacific region.¹⁰⁰ If Abe strongly pushes forward with his agenda, the Japan-US alliance will be strengthened and its capabilities will be expanded and deepened. China, on the other hand, will be upset and become more cautious about future activities of Japan, as well as of the US-Japan alliance. In this sense, domestic affairs in Japan will also be a structurally important indicator for the prospects of the future trilateral relations.

⁹⁹ Shinzo Abe, “New Year’s Reflection”, *Prime Minister of Japan and his Cabinet*, January 1, 2019. https://www.kantei.go.jp/jp/98_abe/statement/2019/0101nentou.html

¹⁰⁰ On May 3, the Day of Constitution, 2019, Shinzo Abe revealed that the administration will try to revise the constitution, explicitly adding “Self-Defense Force” in article 9 within 2020.

7. POLICY IMPLICATIONS

- The nature of US-China-Japan trilateral relations will continue to be one of the most consequential indicators of stability and prosperity in the Asia Pacific region. Due to historical sensitivity and geopolitical complexity, the relations will experience some turbulence in the long run. Fortunately, politicians, policy makers, businessmen, intellectuals, strategists, as well as normal citizens from the three countries, basically recognize the importance of the trilateral relations. The three major powers are motivated to maintain and strengthen cooperation rather than constantly confronting sensitive geopolitical issues such as the South China Seas, Taiwan Strait, and Korean Peninsula. The leaders of the three countries understand that military confrontation would mean a nightmare for themselves, the Asia Pacific region, as well as the rest of the world. War is not an option, though some uncertainties or risks — the Taiwan Strait, for example — cannot be completely excluded as this paper argues. Thus, good communications and stable management are required, particularly between the United States and China.
- US-China relations are the most consequential and face a series of difficult problems to tackle amid a strategic rivalry, so have the largest impact on the trilateral relations. Under the Trump-Xi leadership, the two nations seemed to have truly entered an era of “strategic competition”. The trade war is just the tip of the iceberg. It is still possible for the two countries to address mutual concerns and interests and reach an agreement to de-escalate the tension. But what the war has really revealed is that more than trade and economics, this is part of a century-long competition about national power and pride. The rest of the world must recognize this reality and prepare for an uncertain future. The real challenge is how the United States, as the established superpower, counters China, the potential superpower, in arenas such as the economy, technology, military, regional initiatives, soft power, global influence and significantly, political systems and ideology — that is, democracy versus authoritarianism. That is why the future course of the US-China relationship will inevitably affect the evolution of human society.
- Japan-China relations are to some extent the most sensitive and emotion-driven due to the historical aspects as neighbors inevitably competing on regional initiatives. Although there are still a couple of difficult issues, such as perceptions of history and territorial disputes, the two countries are now trying to upgrade their level of cooperation, particularly in economic areas. With the 40 years of Japanese ODA to China having ended, Japan and China are pursuing a more equal relationship. The bilateral relationship seems to be improving as this paper has examined. This is partly because of China’s frustrations with its relations with the US and Japan’s need and desire to

boost its business and economy by strengthening the political relationship with China. China, for its part, wants to co-opt Japan to counterbalance the presence and influence of the US in the Asia Pacific region. However, the Japanese government, including the Abe administration, has been clearly aware that the security and strategic alliance with the US is the most important and fundamental pillar of Japan's survival and development. In this sense, arguably, Japan-China relations are unlikely to achieve a "strategic-partnership" based on common interests, concerns and values.

- US-Japan relations are relatively stable as long-standing security allies which have shared strategic interests and even destiny. Trump's inward-looking trade and external policies have embarrassed Japan; however, the US's reluctance to engage in the region is now providing Japan with new opportunities to exercise more leadership, as well as pursue more comprehensive and proactive economic and security policies in the Asia Pacific region. The CPTPP is a typical case for examining Japan's grand strategy. Japan's near-to-mid-term goal is to push the US back to pursue the "Asia Rebalancing" or "Asia Pivot" policy of the administration of President Barack Obama and Secretary of State Hillary Clinton. Japan believes this would be a workable policy to integrate and hedge a rising China that maximizes the interests and values of the US-Japan alliance.
- The Asia Pacific region still faces geo-politically and strategically complicated problems such as Taiwan, the Korean Peninsula, and the South China Sea. Given this, the fundamental structure of the trilateral relations will not soon change dramatically. How the US-Japan alliance responds and copes with the uncertain and aggressive rise of China will be the central issue and the most critical challenge. In other words, the strength of the US-Japan alliance and sustainability of the China's rise will be the most important indicators in assessing the nature of the trilateral relations in the Asia Pacific region.
- In terms of evaluating the prospects of US-China-Japan trilateral relations in the Asia Pacific, the diplomatic agenda in 2019 should focus on three things: (1) How can the US and China resolve their trade dispute?; (2) How can Japan show its initiative through the hosting of the G20 Osaka summit?; (3) And how can regional cooperation agreements like the CPTPP, RCEP, China-Japan-South Korea FTA achieve substantial progress? On June 28-29, Japan will try to make a success of hosting G20, its first big diplomatic event in the new era of Reiwa. This gathering will also have important implications for US-China-Japan trilateral relations. Whether US-China trade negotiations can reach an agreement before the summit would affect how Japan, as the host, integrates discussions and can deliver a strong message on the global economy. Shinzo Abe will also try to provide a useful platform for Trump and Xi to improve their bilateral relationship, as he would consider

this a pragmatic approach in enhancing Japan's presence and influence within the trilateral relations.

- Given the analytical framework of this paper, in terms of the impacts on the future course of the trilateral relations, values or ideological systems are the most fundamental, long-term, and relevant angle to understand and analyze. China's political system and ideology are highly unlikely to converge with the US and Japan, unless some domestic turbulence which triggers a "regime change" occurs in China. In this sense, mutual distrust between China and the US-Japan side will remain a long-term issue. In fact, this values/ideological systems factor is already playing a bigger role in current, controversial US-China relations. In a typical case recently, on the 30th anniversary of the Tiananmen Square massacre, US Secretary of State Mike Pompeo stated: "Over the decades that followed, the United States hoped that China's integration into the international system would lead to a more open, tolerant society. Those hopes have been dashed. China's one-party state tolerates no dissent and abuses human rights whenever it serves its interests."¹⁰¹ Obviously, the US has become less tolerant of China's authoritarian system. China, on the other hand, has become more aggressive and confident about managing its own political system and development model. The divergence is widening and deepening.
- And deep mutual distrust based on the divergence in the values systems of the two sides will complicate the strategic and geo-political struggles within the trilateral relations. China, under President Xi's leadership, will continue to expand its power and influence beyond its borders and will vigorously protect its own "core interests". This may inevitably create an uncertain, even dangerous, confrontation with the US-Japan alliance. In this respect, the most uncertain and dangerous risk lies in the Taiwan Strait. This paper argues that the Taiwan issue is the biggest challenge the three parties face, and one which could trigger a deterioration in the relatively peaceful "status quo" in the Asia Pacific region. But one thing is clear: whatever happens, the basic structure of the trilateral relations will not change. The more China becomes uncertain, assertive, even "important", the more critical the US-Japan alliance will become, at least in the near- to medium term.
- Economic relations are the most positive factor in the trilateral relations. Mutually beneficial economic interdependence could provide the three parties with incentives to avoid conflicts in strategic and security arenas. However, as this paper argues, economic relations both bilaterally and multilaterally will

¹⁰¹ Mike Pompeo, "On the 30th Anniversary of Tiananmen Square", US Department of State, June 4, 2019. <https://www.state.gov/on-the-30th-anniversary-of-tiananmen-square/>

be affected by the complexity and sensitivity of the trilateral relations, as well as domestic politics. The current trade war between the US and China is more than an economic problem, and presages their strategic rivalry and national competition in the 21st century. Economic relations, particularly in high technology, tend to be linked to strategic rivalry. This might easily breed inward-looking and exclusive nationalism on both sides, which have invariably triggered wars in history.

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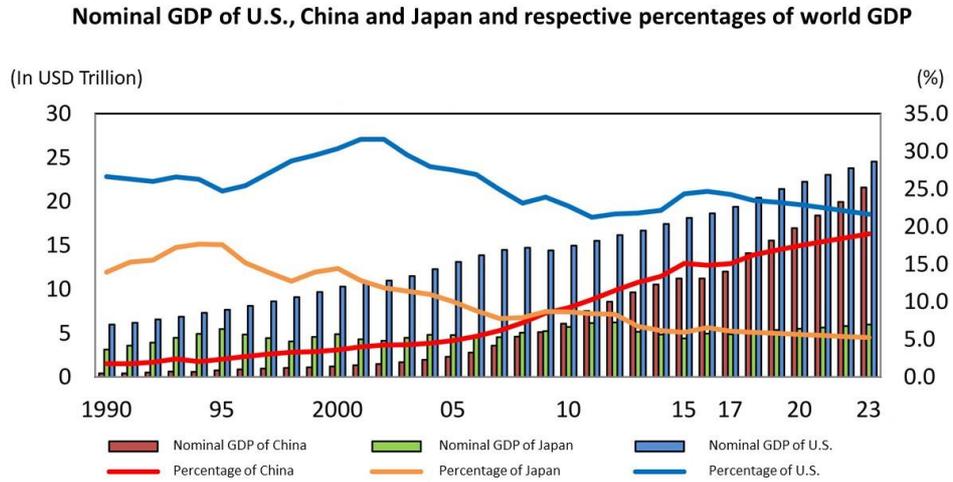
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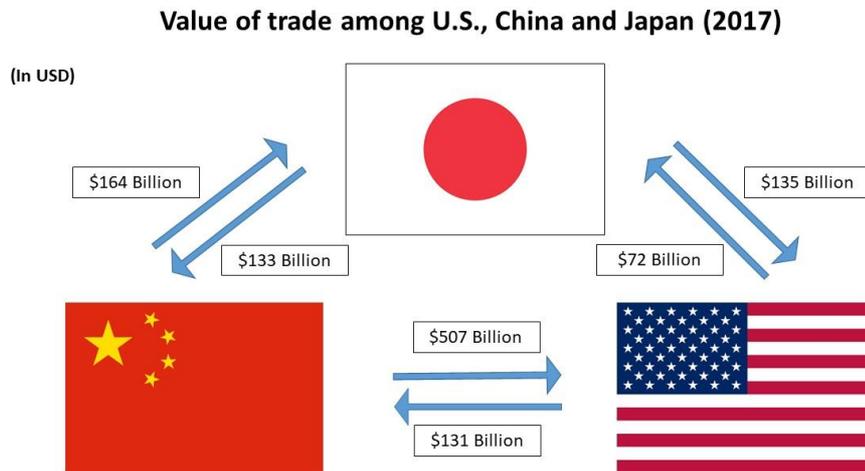
APPENDIX

Graph 1: Nominal GDP of US, China and Japan and respective percentages of world GDP



Source: IMF World Economic Outlook April 2018

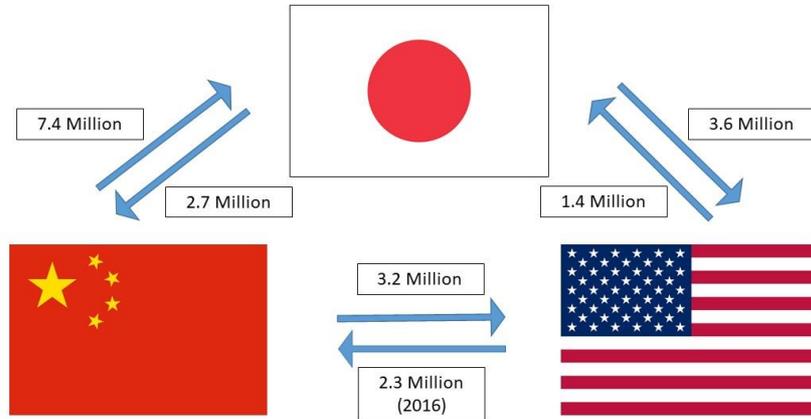
Graph 2: Value of trade among US, China and Japan (2017)



Source: Japanese Ministry of Finance, Japan External Trade Organization (JETRO), and U.S. Department of Commerce

Graph 3: Number of tourists traveling among US, China and Japan (2017)

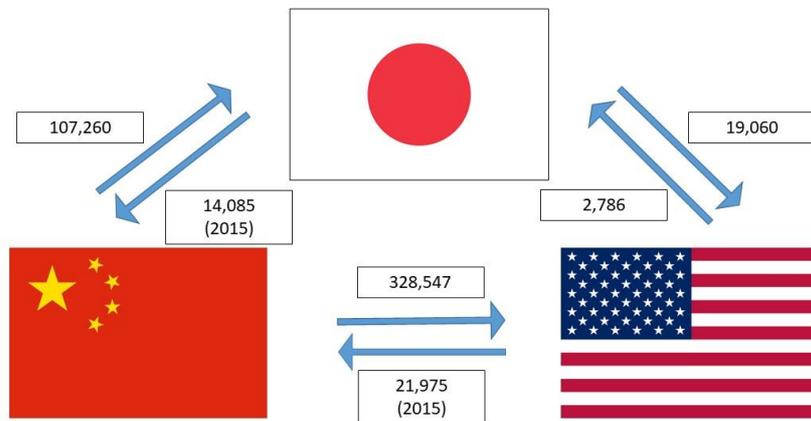
Number of tourists traveling among U.S., China and Japan (2017)



Source: Japan National Tourism Organization (JNTO), U.S. National Travel and Tourism Office (NTTO), and China Tourism Academy

Graph 4: Number of students from US, China and Japan who study in the three countries (2017)

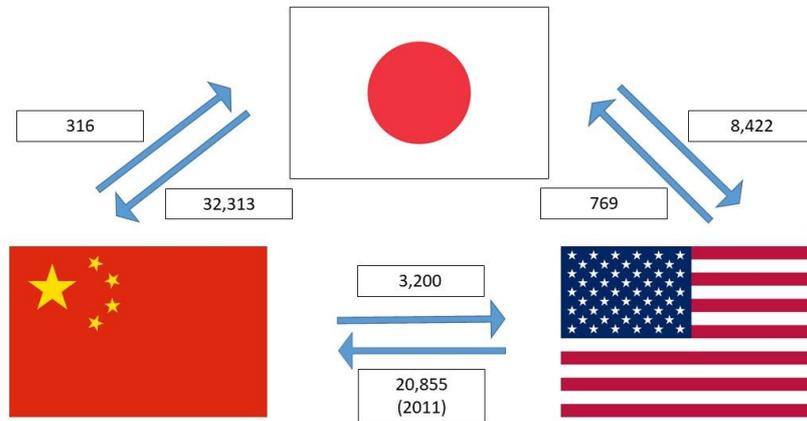
Number of students from U.S., China and Japan who study in the three countries (2017)



Source: Japan Student Services Organization, Chinese Ministry of Education, and U.S. Department of State

Graph 5: Number of firms from US, China and Japan established in the three countries (2016)

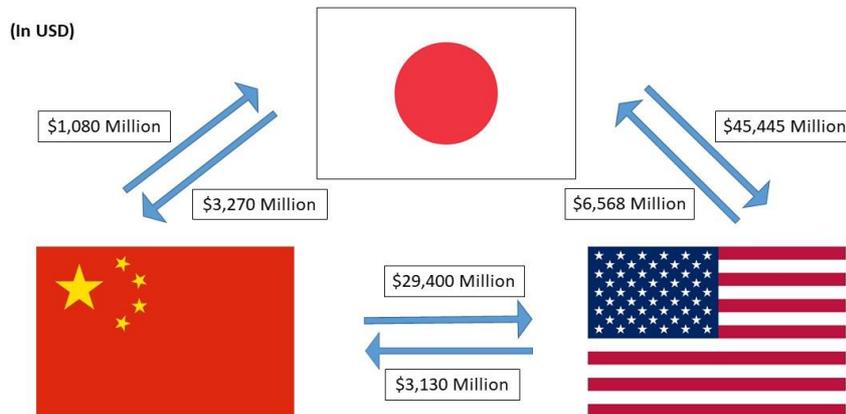
Number of firms from U.S, China and Japan established in the three countries (2016)



Source: Japanese Ministry of Economy, Trade and Industry, Chinese Ministry of Commerce, U.S. Department of Commerce, and Rhodium Group

Graph 6: Foreign Direct Investment of US, China and Japan in the three countries (2017)

Foreign Direct Investment of U.S., China and Japan in the three countries (2017)



Source: Japanese Ministry of Finance, Chinese Ministry of Commerce, U.S. Department of Commerce, and Rhodium Group

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