

Sino-Japanese relations remain tense

John Chan
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Sino-Japanese relations have continued to fester in the wake of a sharp dispute last month over the arrest of a Chinese trawler captain by Japanese authorities in waters near the contested islets of Diaoyu (known as Senkaku in Japan) in the East China Sea. Faced with Chinese retaliation, the Japanese government released the captain, but tensions remain.

The area around the Diaoyu/Senkaku islands, currently controlled by Japan, has significant undersea energy reserves. In mid September, China had suspended planned talks with Japan over the joint exploitation of disputed gas fields in the East China Sea. Tokyo threatened “countermeasures” if China broke their 2008 agreement on joint development and proceeded to drill for gas.

Last week, Tokyo alleged that it was “highly likely” that China had started drilling in the large Shirakaba gas field (known as Chunxiao in China). Japanese plans to send a seismic survey ship to the area could lead to another confrontation with China, as Beijing has reportedly deployed two destroyers to patrol the Chunxiao field. This week, Beijing sent maritime patrol ships to the seas near the Diaoyu/Senkaku islands and announced plans to build 36 patrol ships of a comparable size to Japan’s coast guard vessels.

Frictions have also continued over Chinese restrictions on its export of rare earths, which are vital for the manufacture of various hi-tech products, including electronics. In the midst of last month’s dispute, China informally blocked the export of rare earth minerals to Japan. China has a virtual monopoly on the global production of rare earths. Subsequently, Beijing also halted exports to the US and Europe in line with a previous decision to impose export quotas to conserve its reserves of the materials.

Beijing has been under mounting pressure to resume exports. Last Sunday, Japanese Trade Minister Akihito

Ohata called on Beijing to resume rare earth shipments to Japan. However, visiting Chinese Commerce Minister Jiang Yaoping rejected the appeal, declaring that China was slowing its exports to Japan and other countries as part of “counter-smuggling” measures, and was not imposing an international embargo.

As a result of cheap production, China currently accounts for about 95 percent of the world’s annual output of rare earths. While the US and Europe have been affected by China’s export restrictions, the impact on Japan is particularly severe as it is the world’s largest importer of rare earths. According to one estimate, Japan’s strategic reserve of rare earths would run out by next April, if China’s ban remained in force. Tokyo is seeking alternative supplies from Mongolia and Vietnam.

Yesterday, according to the *New York Times*, China ended its de facto embargo and resumed rare earth exports, including to Japan. While the shortages will ease in the short-term, the long-term problem remains. As the newspaper explained: “Under his year’s quota—30,300 tonnes of authorised shipments—only a few thousand tonnes remain to be exported. Meanwhile, annual world demand for Chinese rare earths approaches 50,000 tonnes, according to industry estimates.” China’s present restrictions have sent prices soaring.

The underlying tensions are clear from Japanese Prime Minister Naoto Kan’s decision to expand the Japanese military. Speaking during an inspection of troops in Tokyo on Monday, he justified his more active military policy by pointing to the Chinese “threat” and the need to enhance the US-Japan alliance.

Japan’s National Defence Program Guidelines (2011-2015), due to be released in December, will include an expansion of the country’s submarine fleet from 16 to 22, ending a limit of 20 imposed in 1976. Another major change under discussion is an end to Japan’s 1967 ban on

the export of arms, which has limited the country's ability to engage in joint ventures with other countries and thus access more advanced weapons technology.

Kan's more assertive stance toward China has been encouraged by Washington, which has been aggressively seeking to undercut Chinese influence in Asia and urging Japan and other allies to do the same.

During a joint press conference in Honolulu yesterday with Japanese Foreign Minister Seiji Maehara, US Secretary of State Hillary Clinton reaffirmed US backing for Japan in its disputes with China. Speaking just after China's resumption of rare earth exports, Clinton told the media that she hoped "that it meant trade and commerce around these important materials will continue unabated and without any interference".

Asked about the dispute over the Diaoyu/Senkaku islands, Clinton reaffirmed earlier US statements that the issue fell within the scope of the US-Japan Security Treaty. While she did not spell out the implications, Clinton's remark clearly meant that the US would back Japan in any military conflict with China over the islands. Foreign Minister Maehara described Clinton's commitment as "very encouraging".

Clinton, who is on a two-week Asian trip, will take part tomorrow in the East Asia Summit, which is part of the current Association of South East Asian Nations (ASEAN) meeting in Hanoi. At an ASEAN summit in July, Clinton deliberately heightened tensions with China by effectively siding with ASEAN members in their territorial disputes with Beijing in the South China Sea. She also declared that the US had a "national interest" in ensuring "freedom of navigation" in the South China Sea, which lies across key strategic trade routes between North East Asia and the Middle East.

The US has encouraged India to collaborate more closely on strategic issues with Japan, as part of Washington's broader strategy of constricting China through a series of alliances and strategic partnerships. Speaking about President Obama's trip to India next month, an unnamed senior US official told the *Financial Times* on Monday: "We view India as an east Asian power. India is not limited to the context of its immediate neighbourhood."

Japan signed a "security cooperation" declaration with India in 2008, after signing a similar deal with Australia in 2007. While not a formal security treaty, the declaration is a political document, highlighting, for instance, that "Japan and India share common interests in the safety of sea lines of communication"—an indirect reference to China's naval expansion.

Tokyo is negotiating a civilian nuclear deal with India, despite the fact that New Delhi has not signed the Nuclear Non-Proliferation Treaty (NPT) and has built a nuclear arsenal. The proposed agreement is particularly significant, given that Japan strongly opposed India's 1998 nuclear tests. Japan's negotiations follow Washington's own nuclear accord with India, which effectively undermined the NPT by granting New Delhi a special exemption.

A three-day visit to Japan by Indian Prime Minister Manmohan Singh this week highlighted the growing relations between the two countries. India's trade with Japan is only one twentieth of Sino-Japanese trade but it is expected to expand rapidly. An Economic Partnership Agreement (EPA) signed by Kan and Singh will reduce tariffs to zero for more than 90 percent of Japanese exports to India over the next decade. This year, Japanese investment in India surpassed its investment in China for the first time. Singh signalled that India may export its rare earths to Japan.

The *Times of India* (TOI) spelled out the mutual interests involved: "India's efforts to cement a strategic relationship with Japan couldn't have come at a better time as Tokyo is only now realising that its China policy is in a shambles. As foreign secretary Kanwal Sibal told TOI, the time is now favourable for India to build Japan as a bulwark against China's expansion as that is where Beijing can be 'checkmated'."

The continuing frictions between China and Japan are just one element of the rivalry between the US and China that is dragging the whole region into a vortex of confrontation and conflict.



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