

Quake disaster renews debate over Japan's relations with China

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Japan's triple catastrophe—the March 11 earthquake, tsunami and nuclear crisis—has brought to the surface deep-seated political fault lines in the country's political establishment.

As with most other countries in the region, the central dilemma is where to line up in the deepening rivalry between Japan's longstanding strategic ally, the US, and its largest economic partner, China. The tensions within the country's ruling elites have been exacerbated by the global economic crisis, Japan's decline from the world's second to third largest economy after the US and China, and now a devastating earthquake.

The London-based *Financial Times* featured a significant article last week entitled “Tokyo has no option but to cleave to China” by the former editor-in-chief of the *Asahi Shimbun*, Yoichi Funabashi. Amid the economic wreckage wrought by the earthquake, he argued, Japan had to seize the opportunity and make a fundamental economic reorientation to China.

Funabashi began by declaring: “As the Fukushima nuclear reactors continue to buck efforts to bring them under control, Japan's triple disaster holds a magnifying glass to my country's vulnerabilities.” He pointed out that the nuclear crisis had led to the savage downgrading of the bonds of plant operator, TEPCO, “one of Japan's most powerful businesses” and raised fears “that this will spell the collapse of the Japanese government bond.”

Any breakdown of confidence in Japanese government bonds would have a devastating economic impact given that public debt now amounts to more than 200 percent of gross domestic product.

Funabashi's gloomy prognosis was underlined by the

latest statistics for the first quarter of 2011, which recorded a contraction in the gross domestic product of 0.9 percent, or 3.7 percent on an annualised basis. The figure was nearly double the predictions of economists and foreshadows a worse result for the current quarter when the full economic impact of the quake will be evident.

As a former editor of an influential daily, Funabashi reflects the thinking of powerful sections of the Japanese corporate elite. He reported: “At a recent dinner in Tokyo, senior business leaders posed an intriguing scenario for Japan's recovery—if not revival: this is the moment for Japan to break with the past and move closer to China.”

Funabashi noted that the acute disruption to corporate supply chains caused by the devastation in the country's north eastern region had forced Japanese companies to reconsider their business strategies. “This is quite a moment,” he wrote. “With Chinese markets and factories representing an increasingly crucial element to their global business, numerous Japanese companies are seeking to diversify their parts supply-chains and, in some cases, to transfer such operations to China.”

If it failed to grasp the opportunity through “unstable and ineffective political leadership,” Funabashi declared, “Japan would almost certainly marginalise itself from the global scene... This is the moment of truth as to whether or not Japan will remain a global power.” While “the road to deepening mutual trust between Japan and China will not be smooth,” he wrote, “the political leadership on both sides will need to muster courage to reorient the relationship.”

What was absent from Funabashi's commentary, although he could hardly be unaware of the issue, was any

consideration of the implications for Japan's ties to the United States. He referred to the need to continue "the robust US-Japan alliance," but not to Washington's evident hostility to any move by Japan to forge closer ties with China.

In fact, tensions over Japan's balancing act between the US and China have been a major factor contributing to the country's unstable political leadership. During the Cold War, successive Liberal Democratic Party (LDP) governments gave their unswerving support to the US-Japan alliance. With the collapse of the Soviet Union in 1991 and the astounding economic rise of China, sections of the Japanese political establishment began to call for a more independent foreign policy and closer relations with China.

The subterranean divisions in ruling circles came to the surface with the installation of Junichiro Koizumi as prime minister in 2001. He backed the Bush administration's "war on terror" as the means for Japan to adopt a more aggressive posture in Asia and internationally. He dispatched Japanese troops as part of the US occupation of Iraq, despite widespread public opposition, and alienated China by publicly visiting the controversial Yasukuni Shrine to Japan's war dead.

Koizumi's foreign minister, Makiko Tanaka, took a diametrically opposed stance, publicly criticising the prime minister for affronting China. She came under fire for allegedly describing US President Bush privately as an "arsehole" and for supporting Taiwan's incorporation into China. As a result of her pro-Chinese orientation, Tanaka was muzzled and dismissed. She quit the LDP and aligned herself with the opposition Democratic Party of Japan (DPJ) in 2003.

The DPJ won power in September 2009, putting an end to half a century of virtually unbroken LDP rule. Prime Minister Yukio Hatoyama, who had promised a more independent foreign policy and better relations with China, quickly ran into resistance from the Obama administration. Matters came to a head over Hatoyama's proposal to shift a US military base off the island of Okinawa. Washington bluntly refused to renegotiate a deal that had been struck with the previous LDP government, forcing Hatoyama to renege on his election promise—a decision that contributed to his resignation in June 2010.

Hatoyama's replacement, Naoto Kan, swung squarely behind the US alliance as the Obama administration adopted an increasingly provocative stance against China in waters off the Chinese mainland. Last September, with US backing, the Kan government turned a collision between a Chinese trawler and two Japanese Coast Guard vessels in disputed waters in the East China Sea into a major diplomatic row with China.

However, sharp divisions exist within the DPJ over Kan's pro-US orientation. DPJ political strongman Ichiro Ozawa, who challenged Kan for the top party post and therefore the prime ministership last September, is known for his advocacy of closer economic relations with China. In December 2009, he made a point of leading a huge delegation of politicians and businessmen to Beijing for talks, even though he was not part of the cabinet.

With Kan's political stocks at rock-bottom, Ozawa has been criticising the prime minister's handling of the Fukushima nuclear crisis and suggesting that a new leader is needed.

Funabashi's comment in the *Financial Times* makes clear that far more is at stake than the government's immediate response to the triple crisis. The decision on relations with China was no less significant, he explained, than Japan's post-war alliance with the US that "constituted the spark to jump-start Japan's recovery and revitalisation."

While Funabashi presented the issue as a matter of economic strategy, any significant reorientation to China would inevitably involve a major political crisis in Japan and conflict with the US. The very fact that such discussions are taking place in Tokyo is another indicator of the extent to which the polarising US-China rivalry is raising tensions throughout the region, including in what was, until last year, the world's second largest economic power.



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