

# Can Noda strengthen China-Japan relations?

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Just four months after assuming office, Yoshihiko Noda made a state visit to China on 25-26 December 2011.

The visit came in the wake of negotiations for a three-way FTA between the two countries and South Korea, which could represent the culmination of almost 40 years of normalised relations between China and Japan. But the question remains as to whether the success achieved in economic relations between the two countries can be replicated in the geopolitical arena.

The sheer scale of the Chinese economy has been the main driver of the country's growing influence in the Asia Pacific region. But as Barack Obama's recent visit to Australia demonstrated, China's rise, though generally welcomed, also elicits caution from other regional actors.

From the Japanese perspective it is clear their country stands at a crossroads: Japan's economic, political and strategic choices are not easy ones.

The last decade has seen a downward trend in political and security relations between China and Japan, a direction which has been accentuated recently, and which only increases the need for Prime Minister Noda to engage with China beyond the economic arena. Yet, as the second- and third-largest economies in the world, China and Japan both share a responsibility to ensure a stable and prosperous international system that fosters trade, investment and regional stability.

Noda might be able to pursue a number of initiatives that could help reshape this important relationship. Three ideas percolating in some circles are relevant to Japan's position today, and, if carried forward into policy, this could lead to a watershed in relations between the two countries.

First, there's the opportunity for enhanced bilateral and regional security through the joint promotion of East Asian regionalism, where China is the primary broker for political and security issues — a position somewhat akin to that which the US holds in the world today. Historically, an East Asia in which China is the main power broker in the geopolitical sphere has created stability for Japan. And China is a power that seeks external stability to foster internal development, allocating only around 6 per cent of its government budget to military expenditure, in comparison to the 20 per cent spent on defence by the US.

China's focus on internal development was highlighted in its Twelfth Five-Year Plan, adopted in March 2011. Some key targets, such as the creation of 45 million jobs in urban areas, require China to continue building upon existing economic ties within Asia, and especially those with Japan. China will continue to seek regional stability as a means to guarantee continued internal economic development. This would reassure Japanese leaders that China's rise will increase Tokyo's security, if it can adjust to the changing dynamics in play.

Second, there is continuing scope to lift Japan's economic welfare by encouraging closer economic integration with China. The trilateral FTA addresses this issue, but the public in both countries still under-estimate how important good economic relations are to the average citizen's livelihood and welfare. As well as deterring military conflict, the economic relationship between China and Japan

is, and will increasingly be, a key factor in improving living standards for both countries.

China, for example, has been applying Japanese technology and management expertise for over two decades now, and the benefits have been clear for Chinese businesses. At the same time, a huge proportion of Japanese manufacturing is based in China, which has surpassed the US as Japan's largest trading partner. China's rise as a key economic partner since the early 1990s has helped Japan's GDP per capita rise from US\$24,000 in 1990 to US\$43,000 in 2010. The purchasing power parity of Japanese citizens also rose from US\$19,000 to US\$34,000 in the same period. This has happened despite the Japanese economy's poor performance over the last 20 years, and has much to do with China's economic rise.

Third, Japanese political leaders like Noda can seek to position Japan as China's close, if not closest, strategic partner. This would not necessarily have to exclude the US-Japan alliance, which is currently a pillar of Japan's national security, but would require a re-evaluation of the long-term benefits of cooperation with Washington — an outside power looking in — and careful consideration of how to navigate this new regional strategic path.

A push, initiated by Tokyo, for closer political, economic and strategic relations is timely — the only question is whether there is a Japanese leader with the qualities and the political leverage to engage in a 'strategic gamble' for Japan of the sort that Nixon effected between the US and China in the early 1970s. Nixon's trip to China radically re-ordered the international system in East Asia to the benefit of the whole region. Noda now has the opportunity to reshape East Asia's future to ensure continued stability and prosperity by engaging China beyond the economic field.

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