

promising tone. David Kang argues from a realist point of view that anyone must recognize the prevalence of a power hierarchy as opposed to a power balance, that South East Asian countries do not act on historical or cultural incentives but rather that what they do is jump on the China bandwagon.^① Constructivist scholars emphasize the important role of Asian Values in collective security arrangements.

It goes to show that not only liberalist but also realist and constructivist approaches are allowing for positive outlooks on the state of security in Asia. Nevertheless, in much of the research, Japan-China relations are still considered a potentially destabilising factor in Asia, and they are often seen as an exception to Asian conventions. Similar interpretations appear in debate over Asian regional cooperation and Asian regionalism.^②

Post Cold War Japan-China relations have been described as *Jingre-zhengleng*, meaning “hot economics, cold politics”. There are disparities between China and Japan over political and security issues, and much debate, with divided opinions, over whether “hot” economic relations are enough to secure relations overall. Some worried voices say one would do well to note the case of France and Germany, where in spite of a vibrant economic relationship, ultimately a political confrontation had the potential to bring a war about. Benjamin E. Goldsmith maintains a liberalist point of view, saying that democracy, international law, the international order and mutually dependent economic relations contribute to peace between countries. He refers to Sino-Japanese relations specifically, contending that peace in Asia is primarily based on economic complementarities while international governmental organizations (IGOs) are of minor relevance.^③

In the post Cold War 1990s, in Japan where the myth of the economic

① Kang, David C., “Getting Asia Wrong: the Need for New Analytical Frameworks”, *International Security*, 2003, 27(4):pp.57-85.

② These kinds of arguments can be found for instance in Acharya, Amitav. “The Association of Southeast Asian Nations: ‘Security Community’ or ‘Defense Community?’” *Pacific Affairs*, 1991, 64 (2): pp.159-178.

③ Benjamin E. Goldsmith, “A Liberal Peace in Asia”, *Journal of Peace Research*, 2007, 44(1): pp.5-27.

3 Sino-Japanese Relations: Dynamics of Interdependence and Frictions

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Introduction

Japan is the number two economic superpower in the world. China, on the other hand, is growing consistently and bolstering its presence on the global stage at a tremendous pace. Relations between these two potent neighbors sometimes erupt from an accumulation of confrontation, and this trend is widely regarded as a potential threat to regional stability. But are Japan-China relations, now the focus of attention as a benchmark for the Asian region’s future stability, fundamentally unstable, or do they ultimately stand on firm ground? This is the issue that this study sets out to clarify.

In the wake of the Cold War, relations between Japan and China entered an age of restructuring. There is some scholarly debate over whether international relations between Asian countries are somehow unique from other regions, but in contrast with the gloomy arguments based on power balance theories, there has recently been a current of studies with a more

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miracle had burst along with the bubble, the Liberal Democratic Party's single-party rule came to an end in 1993 and, after a brief stint of opposition rule, a coalition government centered around the LDP was formed. This change made Japanese politics a lot more dynamic. The Koizumi cabinet was inaugurated in 2001, a time when the role of factional politics within the LDP weakened dramatically, politics were brought closer to the general electorate and an element of populism started becoming apparent. In diplomacy, Japan maintained the Cold War framework based on the Japan-US alliance, retaining its position as a member of the democratic states on the one hand, and a member of the Asian community on the other. After the Cold War, there was a period when Japan was stressing its role as a global civilian power, but in the 21st century it has been pursuing a more conventional global ordinary power, with a tendency to emphasize democratic values. Also, an increasing amount of people think that simply relying on America and employing cheque book diplomacy through ODA is not enough, that an increasingly independent line of foreign policy built on the US alliance framework, stressing universal values such as freedom, democracy, fundamental human rights, the rule of law, and the market economy, is necessary.^①

China, after a spell of isolation following the collapse of the Soviet Union and the "Tiananmen Incident", embarked on a Socialist Market Economy path to economic growth overnight, upon a decision taken by Deng Xiaoping in 1992. However, during Jiang Zemin's era, rapid transition to a market economy had brought about many important changes. China's economic growth is dependent on foreign investment and China subscribes to a line of cooperative diplomacy in all directions, a course that has basically not changed during Hu Jintao's era.

Naturally, the structural changeovers in domestic politics and economics in China and Japan that were brought about by the end of the Cold War have had repercussions on both countries' relations. In short, the conditions that supported the 1972 framework, which came about when normalization of relations was achieved, have changed, and these changes have shaken the

① Takashi Inoguchi and Paul Bacon, "Japan's Emerging Role as a 'Global Ordinary Power'", *International Relations of the Asia-Pacific*, 2006, 6(1):pp1-21.

very framework itself.^① In the 1972 Cold War framework, both Japan and China held the Soviet Union as a potential enemy and shared a strong will to introduce the recently modernized China into the international system. There was a joint spirit of Sino-Japanese friendship among the war generation and no change to the "one China principle", but Taiwan at the time was still under the Guomindang's dictatorial rule and not democratic like it is today, and of course a DPP government was beyond anyone's imagination.

I. The Early 1990s: Deepening Relations versus the Rise of Political Friction

The period between 1972 and the 1980s did witness some detachment between Japan and China, over historical issues and the history textbook issue in particular. Still, supported by the US-China-Japan versus the USSR setup, along with reciprocal ambitions for Sino-Japanese friendship taking priority in Japan and China, the 1972 framework managed to sustain fairly stable interaction between China and Japan. Relations on the public and societal levels were limited, while relations at government level were very close. However, the spread of democracy in the former Soviet Union and Eastern Europe heralded the beginning of a new world order. In May 1989, Secretary General Gorbachev visited China, and by managing to neutralize relations between China and the Soviet Union, the military threat in China's north was removed and the security environment greatly improved. On the other hand, the liquidation of the Soviet factor shook the foundations for strategic cooperation between the US, Japan and China. The "Tiananmen Incident" in 1989 only added to the instability of this already shaky strategic setup.

"Tiananmen Incident" prompted the Western countries to impose strict sanctions on China in the form of a ban on political and military contact with China and cutting off economic aid and cooperation. To be able to respond

① Kokubun Ryosei, "The shifting nature of Japan-China relations after the Cold War", in Lam Peng Er(ed.), *Japan's Relations with China: Facing a Rising Power*, 2006, Routledge; Kokubun Ryosei, "Changing Japanese Strategic Thinking toward China", in Gilbert Rozman(ed.), *Japanese Strategic Thought toward Asia*, Palgrave, 2007.

to such conditions, China launched a new diplomatic policy based on four cornerstones: improving relations with neighbouring countries; furthering relations with the West including Japan; building unity with the developing world; and prioritising US relations.^① Building friendly relations with Japan, both a neighbour and a member of the industrialised Western bloc, became the second most important task. As will be described later, Japan broke lines with the West in moving to prevent China from becoming isolated from the international stage, which was a significant gesture by Japan from China's point of view.

On the other hand, in the late 1980s and especially the early 1990s, Japan was awakening to its own internationalization and what role it plays on the global stage. The Gulf War was a turning point for Japan, who until then had shown hardly any concern for matters of international security. She became aware of the importance of practicing an active diplomacy in the face of regional conflict that was expected to arise in the wake of the Cold War. After a spat of economic friction with the US, Japan, while strengthening its relations with North America and Europe and stressing its role as a member of the West, was also maintaining its role as an Asian nation, seeing the situation on the Korean peninsula, Cambodia and the East China Sea as the biggest threats to Asian security. Along with an increased US presence Japan's role would also be likely to grow, and Japan reasoned that friendly relations were crucial in order to subdue concerns over this among its neighbours.^②

After "Tiananmen Incident", Japan began to promote its own line of foreign policy. At the Summit of the Arch in France, July 1989, it clearly stated that China should not be cut off, and was successful in getting this aim included in the final "Declaration to China" that was critical of China's stamping on human rights.

① Aoyama Rumi, "China's Japan policy and Sino-Japanese Relations" (Chugoku no tainichi gaiko to nitchu kankei). Ryoko Iechika, Tang Liang and Yasuhiro Matsuda eds., *Understanding China from 5 Perspectives* (5 Bunya kara yomitoku gendai chugoku), Koyo Press, 2005, pp.253-265. A speech by Foreign Minister Nakayama in July 1991, at a conference of Enlarged ASEAN Foreign Ministers Meeting.

② Statement by Foreign Minister Nakayama in July 1991, at a conference on ASEAN's expansion.

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Not only Japan's independent China policy but also the Gulf War that broke out in August 1990 turned out to work in China's favor. China's decision not to veto a resolution in the United Nations Security Council for approving military action against Iraq was hailed as a gesture of cooperation to the West and speeded up the lifting of sanctions imposed on China, except the ban on exporting arms. In the midst of this, in November 1990, Japan was first among industrialised nations to resume ODA disbursements to China. In January 1991, Finance Minister Hashimoto Ryutaro visited China, and on August 10 Prime Minister Kaifu became the first Western head of state to visit China after the "Tiananmen Incident". In 1992 the Emperor of Japan made a visit to China, further contributing to bringing Japan-China relations back to a normal state.

At the same time as amicable relations were being rebuilt, the first signs of conflict began to appear. In 1990 the so-called Chinese mock refugees incident blew up, followed by China's nuclear test in 1992. There were territorial disputes over the Diaoyu (Senkaku) Islands which induced heightened negative sentiment. China, on the other hand, considered the most important issues that needed dealing with to be the territorial dispute, overseas dispatchment of Japanese Self-Defense Forces and war-related matters. In October 1990, a Japanese right-wing group set up a lighthouse on the Diaoyu (Senkaku) Islands, drawing strong opposition from China, who in 1992 published a maritime territory law clearly showing Diaoyu (Senkaku) as a part of China. Japanese debate over the right to dispatch Self-Defense Forces that followed the Gulf crisis in August 1990 was referred to by China as a "sensitive" topic, and China encouraged Japan to proceed carefully. Since 1992 the Chinese government has been pushing the Japanese government to take responsibility in the disposal of chemical weapons that were left behind and has begun to accept private claims for compensation from comfort women and those subjected to forced labour. During President Jiang Zemin's visit to Japan in April 1992, the importance of laying out a future plan for friendly Japan-China relations was announced. At the same time, however, Beijing's new approach on dealing with the war signalled the advent of new confrontation over history issues.

Friction between Japan and China was on the rise, yet China was still showing

its appreciation to Japan for improved relations with the United States and keeping China from becoming isolated, which may be seen as having prevented any worsening of the existing problems. In December 1994, the fourth ODA talks between Japan and China were opened, and disbursements for 40 projects worth 5.8 billion yen were agreed upon. In May 1995, during his visit to China, Prime Minister Murayama became the first Japanese PM to visit the Marco Polo Bridge (Lugou Bridge) and the Memorial Hall of the War of Resistance Against Japan located at the same site, and expressed his deep regret for Japan's invasion and colonization of China. China welcomed these words warmly, spoken fifty years after the end of the war.

Japan's awareness of issues like so-called mock refugees, nuclear tests and territorial rights increased in the start of the 1990s. China, in turn, was showing its concern about the history issue and overseas deployment of the Self-Defense Forces. Yet in spite of this, the two managed to build high-level relations, as Japan recognized the global importance of its relations with China^① while China was determined to avoid becoming isolated.

II. The Latter 1990s and after: the Background to "Hot Economics, Cold Politics"

Sino-Japanese relations that used to be dominated by a friendly mood have changed substantially since 1995, especially after 1996. Amid a push for globalisation on the one hand and regionalisation on the other, rivalry became evident and constant.

In May and August 1995, China executed two underground nuclear tests. In contrast to 1989, Japan aired its strong opposition to this as an act in violation against a ban on nuclear tests as stipulated in the CTBT outline, and strongly called for China to refrain from repeating the act. Nevertheless, in August a second test was made, and on August 30 Japan notified China of its intention to cut off development aid. Freezing financial aid this time was fundamentally different from the same act in 1989, because it was not a product of pressure

from the Western camp but a move made by Japan on its own accord,^① suggesting a change in its China policy.

In November 1995, Japan announced a new defence programme that China received with wariness. The Japan-US joint statement on security, Japan-US plans to co-develop a tactical missile defense system, the review of the guidelines for Japan-US defence cooperation gave an idea of where the post Cold War security environment would be going, and the way it seemed to be going caused a great deal of alarm in China. China was apprehensive and openly critical about moves by the US that seemed to be sealing off China by connecting a Japan-backed East Asian presence with an expanding NATO in Europe, and thereby possibly wielding more influence on Taiwan's fate. Security talks between Japan and China began in 1993, and in September 1997, Foreign Minister Qian Qichen said that he would respond to three-party security talks between Japan, China and the US, albeit in a nongovernmental and unofficial capacity. Calls for creating a framework for security dialogues between the three parties was not enough to erode China's concerns amidst increasing discord with the US and reinforced strategic cooperation between Japan and the US.

In the meanwhile, Taiwan went through "presidential elections" in 1996. Once in 1995 and twice just before the elections, China performed not only military exercises but also missile test firings at the Taiwan Strait. This was seen as intimidation on the part of China to secure that no pro-independence candidates, like Lee Teng-hui in particular, would stand a chance in the "presidential elections". It had the opposite effect and Lee was elected. This kind of behaviour on China's part had a very detrimental impact on its image in Japan. In China, "Review of the Guidelines for US-Japan Defense Cooperation" was causing anxiety and Lee Teng-hui was known to be very close to Japan as well as a supporter of Japan's wartime administration, which only added to Chinese concerns.

Around this time, Japan embarked on a democratic value-laden foreign policy

① Saori N. Katada, "Why did Japan Suspend Foreign Aid to China? Japan's Foreign Aid Decision-making and Sources of Aid Sanction", *Social Science Japan Journal*, 2001, 4(1): pp.39-58.

① Ministry of Foreign Affairs, Japan, *Diplomatic Bluebook 1992*.

philosophy based on the principle that “more affluent and stable democratic societies will be beneficial to the stability of the international community.” A foreign policy line based on promoting democracy as a universal value started becoming obvious. In 1999, the difference between Japan’s and China’s political systems was referred to for the first time in MOFA’s diplomatic bluebook. With the conviction that reinforcing Japan-US security relations benefits peace and stability in the Asia Pacific, Japan, as an Asian economic superpower, recognized the importance of also cooperating in an Asian context through regional forums like APEC and ASEAN. China saw such activities as developments that might bring a recently democratized Taiwan to come closer to Japan, which only added to its sense of alarm.

The strategically unstable relationship between Japan and China caused problems that had been kept suppressed in the early 1990s to surface. The Diaoyu (Senkaku) Islands became a burning point for government and the private sector on both sides. China kept stressing its territorial rights after 1995, and nongovernmental movements with the aim of defending Chinese rights became active, with “Bao Diao” groups, who defend the Diaoyu (Senkaku) Islands, from the mainland, Hong Kong and Taiwan combining their efforts. In the new dialogues on fishing stocks agreement between Japan and China, the issue of deciding on borders in the East China Sea was shelved and instead debate over Diaoyu (Senkaku) was promoted, reaching an effective agreement by officials on making the waters surrounding Diaoyu (Senkaku) jointly administered territory. However, the debate over national interests related to Diaoyu (Senkaku) heated up in both countries, and made the matter more complicated than that.

The issue over official visits to the Yasukuni Shrine and the history textbook issue prompted the Chinese government to criticize Japan’s ways of dealing with its past on repeated occasions. During Jiang Zemin’s Japan visit in November 1998, the Japan-China Joint Declaration on Building a Partnership of Friendship and Cooperation for Peace and Development was announced, but Jiang’s relentless position on history proved to be inflammatory to public opinion in Japan. Other issues were already putting strains on Japanese impressions of China, including crimes committed by Chinese including

smugglers and illegal migrants and ocean surveys conducted near Japanese waters in spite of arrangements with Japan, and Japan’s government repeatedly aired its discontent. In February 2001, an framework for prior notification of ocean surveys was finally created.

As of 1999, China adopted softer approach towards Japan with the intent of improving the strained relationship, and kept fairly quiet even about history related matters. The terror attacks in America on September 11, 2001, were a starting point for anti-terror policies. China’s strategic position in relation to North Korea made it an important partner to America, and US-China relations improved overnight.

After ‘9.11’, China came out with a policy of building relations with Asia, which included Japan. Improved US-China relations improved the overall international climate, which China perceived of as a “strategic opportunity”. At the 16th Party Congress of the CCP in November 2002, a policy called “Yulinweishan yilinweiban” was published, based on maintaining friendly relations with neighbouring countries (including Japan), increased regional cooperation, and promoting exchange and cooperation with neighbouring countries to a new level.

At the time of this policy being made, debate was rampant in China over a school of New Thinking, “xinsiwel”. In 2002, Ma Licheng who was an editor at the *Renmin Ribao* at the time, published a “New Thinking Towards Japan”, and Shi Yinong, a professor at the International Relations Department of Chinese Renmin University, published a paper called “Sino-Japanese Rapprochement and Diplomatic Revolution”. They both suggested putting the history issue aside for the time being, acknowledging Japan as a major power, and strengthening political and economic ties with Japan. Debate flared up over these writings, over whether conceding to Japan will be beneficial to China. Nonetheless, it is significant that Chinese scholars are seeing Japan as a “major military power” or a “major political power”.

Japan, in turn, saw the inauguration of the Mori cabinet in 2000 and with it a posture prioritising universal values based on liberty, democracy, basic human rights, the rule of law and market economy. In December 2005, Foreign Minister Aso portrayed Japan as a “Thought Leader” for Asia, and a promotion

of values, "The Arc of Freedom and Prosperity", became a new bottom line for Japanese foreign policy—Japan should display leadership as well as be committed to a level of responsibility that comes with being the "mature industrialised democratic state" that it is.^①

Foreign Minister Aso himself said that such statements are not directed towards China, but that is hardly likely. At least, it is very likely that China would see those statements as something relevant to itself. Of course, there is very strong criticism against this policy at home, too, but it does illustrate that there are signs of change in Japan's economy-centered line of foreign policy.

Consequently, China's softened approach to Japan and improved US-China relations did not manage to get rid of tensions between Japan and China. On the contrary, diplomatic initiatives collided and negative aspects became all the more evident.

The two countries became more suspicious, and fearful of each other's strategic intentions. Japan is increasingly doubtful about a China that is growing by over ten per cent annually and does not allow for transparency in its military budget, and conducts ocean surveys without prior notice. Japan no longer saw China as compatible target for a mere "engagement" policy. This triggered debate over development aid to China, and a decision was made to end payments in 2008, to which China then quietly conceded.

The state of the Japan-US security alliance is a key factor for China's foreign policy strategy. Since 1996, China has begun to recognise the alliance as interference figure rather than a purely defensive one. At the same time, more optimistic views, ones that recognise the differences between Japan and the US and the role of Sino-Japanese economic interdependence, do exist: that it must be a difficult choice for Japan, so independent on Middle Eastern oil, to follow in America's footsteps on the Iraq issue;^② that close economic ties between Japan and China will prevent heightened political tensions from erupting.^③

On February 19, 2005, the governments of Japan and the United States

opened the "2-plus-2" Japan-US Security Consultative Committee in Washington and laid down their strategic objectives. This was the first time the two parties wrote down a desire to see a peaceful solution to the Taiwan issue, yet reinforcing the pact turned out to increase tensions with Beijing another notch. The main perception in China was that this reinforced alliance would make Japan even more answerable to American policy objectives,^① but there were indeed other views as well. For instance, there are those on the inside who deeply hope that maybe tension would arise between Japan and America over issues relating to Japan's application for a permanent seat in the United Nations Security Council, or the US military presence in Japan, or bans on US beef imports.^② There are also those who still regard the US-Japan alliance as a US policy to "cap" Japan and prevent it from rearming itself.^③

On October 29, 2005, the Japanese and American governments published a document on the US-Japan Alliance: "Transformation and Realignment for the Future." This report supports earlier perceptions in identifying a potential military clash^④ in the Taiwan Strait or on the Korean Peninsula as key topics. However, to an increasing extent the alliance is interpreted as not being limited to issues pertaining to East Asia, but relevant to the Middle East and in a global context.^⑤ The following month, when president George W. Bush was visiting Japan, he described US-Japan relations as being a partnership based on "common values, mutual profit, and a common endeavour for democracy", and that "the US-Japan alliance is what supports regional peace and stability and is the source for faith in the future of Asia".

The Yasukuni Shrine issue coincided with a strengthening of the Japan-US pact of this nature, contributing to freezing Japan-China relations. China was especially critical of Prime Minister Koizumi who entered office in April 2001, and paid visits to Yasukuni annually, which drew sharp criticism widely over the internet as well. Koizumi's visit to China in October 2001 signalled the cutting

① Reinhard Drifte, *Japan's Security Relations with China since 1989: from Balancing to Bandwagoning?* London and New York: Routledge Curzon, 2003, pp.130-131.

② "Mei Zuijin Dui Riben Hen Buman", *Huanqiu Shibao*, October 10, 2005.

③ "Meiguo Dui Riben Reng You Jixun", *Huanqiu Shibao*, August 26, 2005.

④ "Mei Ri Lianshou Yao Zai Dongya Zuo Jingcha", *Huanqiu Shibao*, December 23, 2005.

⑤ "Zhongmei Guanxi Yao Jianfu", *Huanqiu Shibao*, November 25, 2005.

① Ministry of Foreign Affairs, Japan, *Diplomatic Bluebook 2001*.

② "Ribei Yazhou Zhanlue Nan Yi Genzhe Meiguo Zou", *Huanqiu Shibao*, September 16, 2005.

③ Shi Huafei, "Xin Shiji Yatai Anquan, Xingshi Fenxi yu Zhanwang", *Guoji Guanba*, Vol.6, 2004, p.30.

off of summit level state visits, and April 2005 was the time of the last overseas summit talks.

At this stage, China's view of the US-Japan alliance began to incorporate a realization of the fact that "America and Japan have a shared worry about China's rise, and have a shared China strategy"^①. At the same time, however, a US-China strategic partnership was taking shape. From China's perspective, these two partnerships served opposite interests.^② From America's perspective, Japan is pivotal to maintaining regional security, and serves as a check on China's rise. Many scholars are doubtful over whether Japan-China relations can recover in a short time, considering how structurally complicated an international environment lies behind many of the causes for their tension.

The issues over the Yasukuni Shrine and the history textbooks revised by the Japanese Society for History Textbook Reform, as well as toxic gas incidents caused by abandoned chemical weapons (August 2003 in Heilongjiang, July 2004 in Jilin, June 2005 in Guangdong) have complicated the history issue even further. The history issue has become intertwined with how to deal with the war and is a central topic in China involving the emotions of the people. During Asian Cup in football in July and August 2004, Chinese fans acted in an anti-Japanese manner, and the anti-Japanese demonstration of April 2005 that took place in China was detrimental to public opinion and made it even worse on both sides.

Japan and China signed a memorandum in 1999 agreeing on the disposal of the chemical weapons that Japan left behind in China, and the disposal is currently in progress. Furthermore, Prime Minister Koizumi visited the Marco Polo Bridge (Lugou Bridge) and the Memorial Hall of the War of Resistance Against Japan on October 8, 2001, during a visit to China. In the following year of 2002 he participated in the BOAO Asian Forum and declared that he "does not see China as a threat". In spite of these gestures, the confrontational

① Wang Jisi, "Zhongmei Guanxi: Xunqiu Wending de Xin Kuangjia", *Zhongguo Dangshuo Gaobu Luntan*, Vol. 1, 2005, p.37.

② "Zhongmei Jiang Cheng Mei Dongya Zhanlue Hexin", *Huanqiu Shibao*, November 11, 2005.

nature of Japan-China relations did not improve. In fact, differing^① strategies for creating East Asian Community only exacerbated the incongruities. Both countries are in a position where they can influence domestic as well as international politics, including that of their own region.

III. Background to "Hot Economics, Cold Politics"

The end of the Cold War brought about substantial changes to the 1972 framework and paved the way for the "hot economics, cold politics" context. The 1972 model for friendly relations worked as long as interaction only took place in a confined context, but the limits of its applicability have become apparent as economic, cultural and personal interaction has expanded and interdependence evolved. The four main factors behind the change in the 1972 framework are as follows.

1. Structural Changes in the International Order

The first reason behind the changes in the 1972 framework was the reorganisation of the international order. During the Cold War, China approved of the Japan-US Security Treaty when the Soviet Union served as a common potential enemy, and Japan was actively contributing to China's modernization and inclusion into the international community. The end of the Cold War, however, gave birth to "China Threat" theories in Japan and America, and the reiteration and expansion of the Japan-US Security Treaty caused a growing sense of danger in China. Moreover, a rift over universal values and political systems between the Chinese and the Japan-US camp became obvious after The Third Wave of post Cold War democratisation.

2. Politics and Economics under Interdependence: the Case of Japan

Not only changes in the international order spurred a change to the 1972 framework, so did a greater level of interdependence. The economic relationship was promoted after normalization of relations through the Japan-China Trade Agreement (1974) and through arrangements between

① Japan suggested an "open" regional cooperation as a base for East Asian Community. China is not explicitly opposed to this, but says the initiative should be taken by the ASEAN states.

the governments for development aid. Since the beginning of the 1990s, trade between Japan and China has sky-rocketed, as shown in figure 3-1. That coupled up with globalisation and regional development has transferred the lead over economic cooperation from the government to market forces, and to an increasing extent to the private sector.

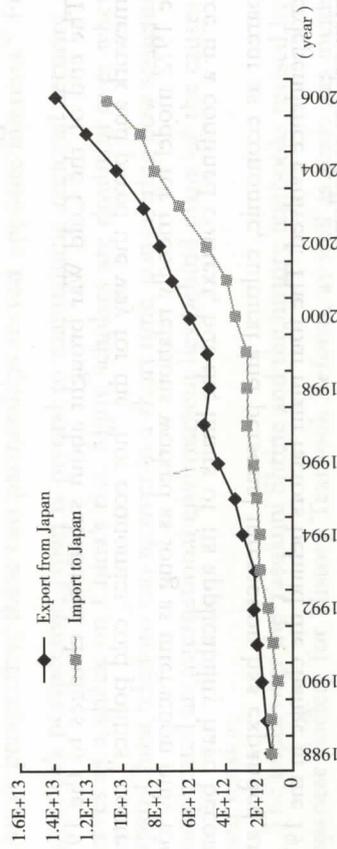


Figure 3-1 Trade between Japan and China; Exports from Japan; Imports to Japan;(trillion yen)

The rule of market forces and economic interdependence, a system characteristic in that it is led by the private sector, has narrowed the government's range and compromised the role of politics. In other words, the impact of political conflict on economic cooperation is slighter than it was during the 1972 framework, and economic actors are less motivated to work towards resolving political conflict. Looking back at the economic sectors response to the Prime Minister's visit to the Yasukuni Shrine and comparing it with the political world, its nature becomes quite clear. At the same time, Japan's economic bubble bursting abruptly weakened the relationship between the financial and political spheres, and the introduction of legal restrictions on political funds has weakened the financial sector's influence on politics substantially.

On April 21, 2006, the Japan Committee for Economic Development (Keizai Doyukai), which is run by executives of major corporations and is one out of three economic bodies, discussed a proposal on Japan-China relations to be addressed to the Japanese and the Chinese governments. The proposal

contended that the issue over the Prime Minister's visit to the Yasukuni Shrine ought to be dealt with independently and affirmatively, and stressed that the Shrine was not supported by the Japanese population at large as a spot for making pledges against war, and as such the Prime Minister should reconsider his visits. Opinions were divided at the voting organ, but a majority of 60 were in favour of the proposal against 11 or 12 not in favour.^① In economic bodies where unanimous decisions are the norm, a proposal like this one being pushed through in spite of opposition is somewhat exceptional.

On May 9, Secretary of the Doyukai Kitashiro Kakutaro announced the proposal at a regular press conference. About the proposal, he commented that "Japan take an initiative in encouraging the Prime Minister to refrain from visiting the Yasukuni Shrine", urging Prime Minister Koizumi to reconsider his visits.^② On the evening of May 9, Premier Koizumi told a group of journalists that "trade has nothing to do with politics", and declined to the committee's proposal. LDP vice-president Yamazaki, on the other hand, thought it was "a good idea"^③.

On May 10, Komeito representative Kanzaki spoke in favor of the proposal, asking the Prime Minister to "consider the realities of Japan's economy" before acting. Chief Cabinet Secretary Abe backed Koizumi up by responding that "the Prime Minister's word is final". Young conservatives in the LDP went on to bash the committee even further, criticising it for "only pursuing financial profit and having lost respect for the spiritual culture that the state's independence is built upon"^④.

On May 11, *The Asahi Shimbun* published an editorial in favour of the proposal headlined "Financial World also Concerned about Yasukuni" and saying that "it is unfair to dismiss a proposal that hits a sore spot by referring to trade"^⑤. On May 17, at a dinner between Prime Minister Koizumi and the business world, secretary Kitashiro greeted the PM by apologising for the uproar that has been caused, to which Koizumi replied that he is not bothered

① *Asahi Shimbun*, May 10, 2006.

② *Asahi Shimbun*, May 10, 2006.

③ *Yomiuri Shimbun*, May 10, 2006.

④ *Nihon Keizai Shimbun*, May 11, 2006.

⑤ *Asahi Shimbun*, May 11, 2006.

about it. A truce seemed to have been reached, but on May 23 the secretary pick up the debate again and at a press conference said that “policy should be made with consideration for its implications on the economy”. Chief Cabinet Secretary Abe showed his distaste for Kitashiro’s remark by warning of the dangers of narrow-mindedness. The debate flared up again in the committee and within the financial circles.^①

President Okuda of the Japan Federation of Economic Organizations (Keidanren), the most influential financial body in Japan, commented on Japan-China relations in a press conference on May 21, just before his retirement from the presidency, saying that “the lack of summit level talks is unfortunate but economic relations need not be worried about. If political relations are cold, economic relations will warm them up.” His stance was somewhat different from the Doyukai’s.^②

While the debate between the financial and the political world was ebbing out, by July 20 attention had begun to turn towards the anniversary of the end of the war and whether the Prime Minister would pay a visit to the Shrine. The Nihon Keizai Shimbun featured on top of its frontpage a memorandum by former chief secretary of the Imperial Household Agency that became a scoop, and indirectly checked the Prime Minister from visiting the Shrine that venerates class-A criminals. The memorandum contained a precious record of the Showa Emperor saying that “that (the inclusion of class-A war criminals among the venerated at Yasukuni) is when I stopped paying visits. This is how I feel.”^③ Still, June and July issues of *Bungei Shunju*, *Voice* and *Shokun* featured a succession of articles critical of the Doyukai’s proposal.

In May 2006, the new president of the Keidanren Mitarai sent a contribution to *Bungei Shunju*, stating that “economic bodies and private enterprises commenting on political problems marring Japan-China relations will only complicate matters even further”, discreetly criticising the Doyukai’s position. He went on to say that “the Yasukuni Shrine issue that is hurting relations with China and South Korea is at the end of the day a political one, and not a matter

① *Asahi Shimbun*, May 24, 2006.

② *Asahi Shimbun*, May 22, 2006.

③ *The Nihon Keizai Shimbun*, July 20, 2006.

that the Keidanren will get involved in.”^①

While the debate between the financial and political worlds was raging on, the anniversary of the end of the war, August 15, arrived, and Prime Minister Koizumi did carry out his plan to visit the Yasukuni Shrine. China objected with vigour. The financial world quickly moved to overcome the issue. On September 5, Keidanren president Mitarai flew to Beijing for talks with Premier Wen Jiabao. He invited Wen to the Keidanren’s offices to talk to individuals from the financial circles about the changes that China is undergoing. Wen thanked for the invitation, and said he would like to visit Japan once the political trouble has been taken care of.^② The following day president Mitarai cancelled all his plans and immediately returned to Japan to visit the Prime Minister’s residence, and promptly relayed the character of his dialogue with Premier Wen to Prime Minister Koizumi. Koizumi responded to Wen’s comments by saying that “I am a supporter of friendly relations with China, and my talks with president Mitarai were extremely positive”.

The Abe cabinet was launched in late September, and out of consideration to China relations the new premier chose not to be articulate about whether he will or will not pay a visit to the controversial Shrine. Between October 9 and 10, he made his first visits abroad, travelling to China and then South Korea, and resumed summit level talks that had not taken place during Koizumi’s days.

Looking back at the process of the Prime Minister’s visit to the Yasukuni Shrine on the anniversary of the end of the war and the resumption of summit levels talks after that, one can say that the Doyukai worked to encourage the Prime Minister to reconsider his visit but it faced sharp criticism from political circles and the financial circles were by outspoken conservative camps. If the Keidanren had spoken for the financial world it would have aligned with the Doyukai, but it tried to abate conflicting opinions between political and financial circles by detaching economics from the Yasukuni Shrine issue. It played a clever card with the Japanese and Chinese governments to set the stage for resuming summit level talks, and drew a line between itself and the Doyukai that was flaring up a useless debate. This is how economics came to be debated

① “Nihon Keizai innovate Keikaku”, *Bungei Shunju*, August 2006, pp.94-103.

② *Asahi Shimbun*, September 6, 2006.

over separately from the Yasukuni Shrine issue in Japan.

3. Days of Domestic Structural Transition in Japan and China

After the Cold War, both Japan and China faced considerable domestic change, which in turn had a considerable impact on their relationship. In Japan, in 1993 the so-called 1955-System of government collapsed and the LDP's long single-party rule came to an end, and Japan entered an age of coalition government. In 1994, the Public Office Election Law was passed, and as of 1996 a single-seat constituency and proportional representation system was implemented. The establishment of the single-seat constituency system in the Lower House weakened the operational base for factions, and Japan's political system began a process of regrouping moving towards a two-party system. The Hashimoto faction, which had been sympathetic with the long-time China policy leading Tanaka faction, was dissolved and between the Koizumi and Abe cabinets structural and organisational reforms were executed to weaken MOFA's (Ministry of Foreign Affairs) influence on policy-making. The China School at MOFA was left with limited say, while the Prime Minister's cabinet gained even more policy-making power.

While politics continue to change, there is increasing economic disparity between Japanese, and the baby-boom generation is getting ready to retire in the masses. This means Japan's social structure is also changing. The "lost decade" after the bubble was when not only the channel to China was weakened, but when a two-party system was being built in Japan. Japan has changed both politically and socially.

On the other hand, increasing amounts of people, products, money and information which is crossing the border is bringing about visible change in China, too. After inaugurating its reform and opening-up policy, economic and cultural relations with Japan have deepened and organisations with links to Japan have increased dramatically. One confined channel between Japan and China has been replaced by a multitude of channels. Even when Deng Xiaoping was leader, China was making diplomatic rapprochements towards Japan albeit through conventional channels and mainly as a result of activities by Japan experts like Song Pinghua, Zhang Xiangshan and Xiao Xiangqian. In the 1990s, the Japan experts left the frontline of Japan policy after a long-standing engagement ever since resumption of diplomatic ties. This resulted in a greater

diversity of people and organizations involved in Japan policy-making, and Japan policy became categorised as part of an overall foreign policy framework. Human and organizational reforms give a clue about the process of domestic structural change that was behind Japan-China relations moving from being a "special relationship" to becoming a "coventional relationship".

Also, the internet has made China's Japanese and overall foreign policy vulnerable to the restraints of public opinion. Almost thirty years of reform and opening-up policy had of course generated wealth and a middle class, but it has also spawned a widening income gap. It failed at creating an ideal, olive-shaped income distribution model while instead creating something like an onion. Consequently, public awareness has changed tremendously and intellectuals are increasingly outspoken about issues involving Japan and other foreign states. Chinese society has changed a great deal since the 1972 framework.

4. Mutual Impressions in Japan and China and Changes in Public Opinion

Changes in the international environment as well as the domestic climate have coincided with considerable fluctuation in the public's emotions in both countries. The 1972 framework sought friendly relations within and without government with a slogan suggesting to "not iron out but retain minor differences and demand common interests". As figure 3-2 shows, however, 1995 was a turning point where the portion of Japanese with a friendly impression of China and people without a friendly impression surpassed each other, with people without a friendly impression topping 60% in 2005-2006.

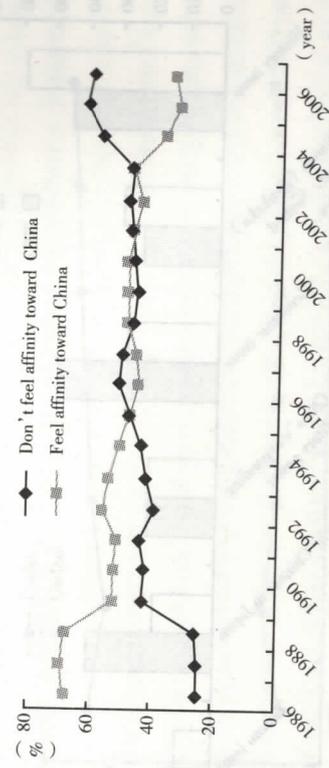


Figure 3-2 Amicable sentiment towards China(source: Cabinet Office)

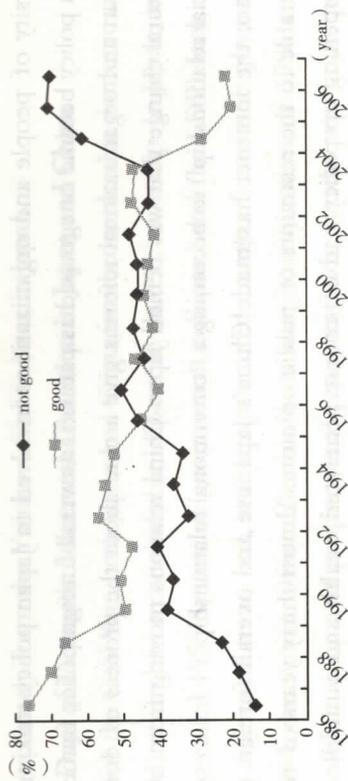


Figure 3-3 Present Japan-China relations(source: Cabinet Office)

The public feels that Japan-China relations are not well (figure 3-3 shows the statistics for Japan). However, China and Japan do not necessarily agree on what the primary problems are. China lists history, Taiwan, the Diaoyu(Senkaku) Islands, heightened cooperation between Japan and the US, civilian war compensation and abandoned chemical weapons as issues. These can be broadly divided into four categories: the history issue, territorial dispute, the Taiwan issue and the Japan-US alliance, which is also related to the Taiwan issue. Japan, however, as can be seen in figure 3-4, agrees with the history issue and the Diaoyu (Senkaku) dispute, but a mere 10.7%(2006) of the Japanese acknowledge Taiwan as an issue. At the same time, issues like the East China Sea controversy, China increased military capability and crime committed by Chinese living in Japan receive much attention in Japan while not being mentioned by the Chinese side.

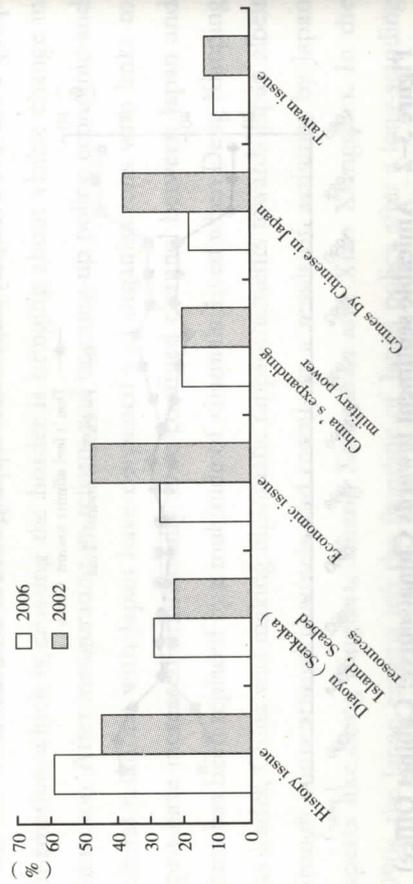


Figure 3-4 Issues troubling relations between Japan and China

According to a Ministry of Foreign Affairs survey (March 2002), over half of the Japanese consider China already a threat (18.2%) or that it will be a threat (38.7%).

There is also discrepancy in perceptions of Japan's Security Treaty with the United States and of broadening the range of the Self-Defense Forces' international peacekeeping operations. Both the Chinese government and the public show a sense of alarm over Japan-US security arrangements but, as is shown in figure 3-5, 3-6 and 3-7, the steady majority of Japanese are positive about their security treaty with the US. Some 80% support the Self-Defense Forces and its activities abroad. A public opinion survey on the Self-Defense Forces and national defense conducted by the Cabinet Office in 2006 gave the same results. More than four in five Japanese support the Self-Defense Forces' peacekeeping activities abroad: 31% of Japanese think the Self-Defense Forces should be committed to more international peacekeeping operations than they have before while 53.5% support status quo. As far as setting up a Ballistic Missile Defense (BMD) system, 56.6% of Japanese are in favour, whereas those against amounted to a mere 25.2%.

From these fluctuations in public opinion on China's image in Japan and vice versa, we can distinguish the effects of the new generations who have not experienced war. In China, patriotic education is strengthening young people's awareness of the history issue, and in Japan, there is a general tiredness of the history issue and of being forever apologetic. For instance, the post-war generation are in favour of visits to Yasukuni Shrine exactly because defiance against

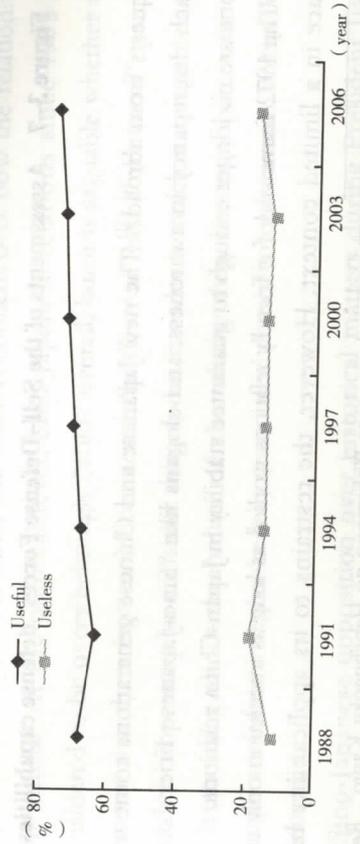


Figure 3-5 Opinions about the Japan-US Security Treaty

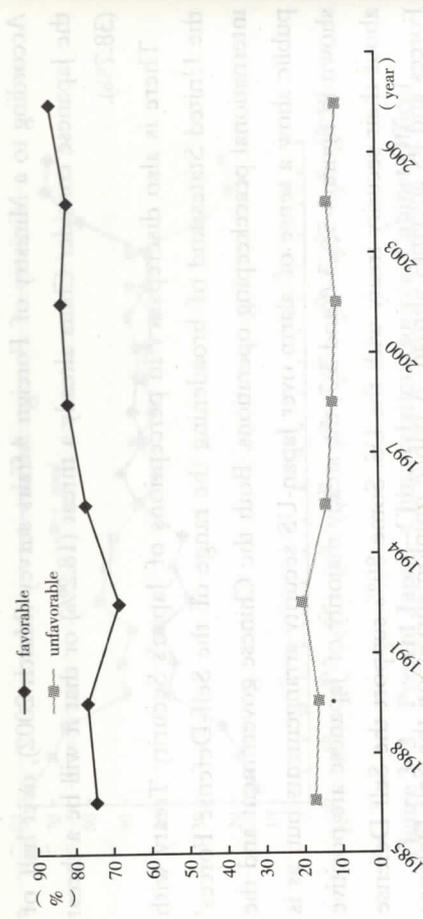


Figure 3-6 Images of the Self-Defense Forces

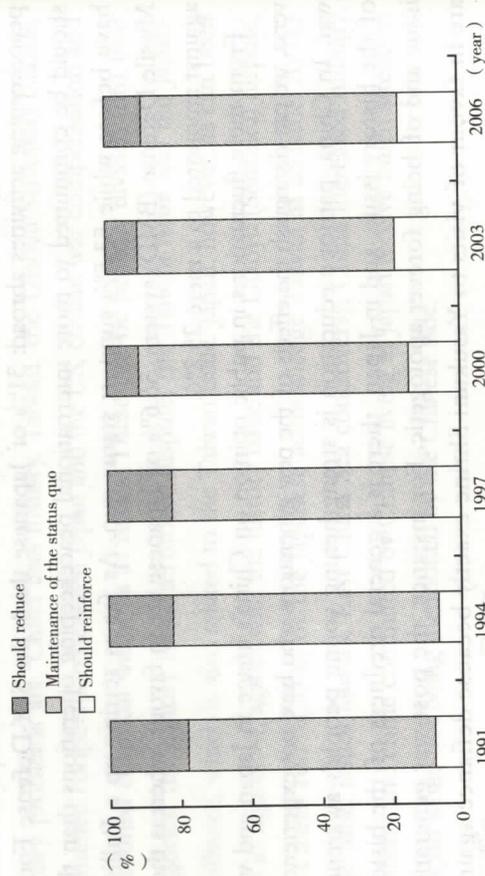


Figure 3-7 Assessments of the Self-Defense Forces' defense capabilities

requests from abroad.^① The new Japanese and Chinese generations come with much discrepancy in awareness, and slogans like “Sino-Japanese Friendship” alone are no longer enough to guarantee stability in Japan-China relations.

The 1972 framework for friendly relations worked as long as interaction only took place in a limited context. However, the restraints to its applicability have

become obvious as economic, cultural and human interaction has expanded and interdependence evolved. While political relations freeze, both countries are giving magnificent functions to commemorate their mutual friendship. For instance, the year 2002 was in China dubbed as “Japan Year” and in Japan as “China Year”, to celebrate thirty years since normalization of relations. An exchange of five thousand Chinese and thirteen thousand Japanese took place, a coproduced *Madame Butterfly* performance was made, celebrated Japanese musicians did concerts—these are only some of the numerous events that were organized. However, interaction has changed not only at the governmental but also the public level since the 1972 framework. A MOFA survey showed that only one in five Japanese was aware of thirty years having passed since normalization while only one in ten was aware of the events held to celebrate this. Only some 10% showed an interest in participating in said events.

IV. A New Perspective on the Background to “Cold Politics”

The structure of Japan's and China's relationship is moving away from the 1972 framework, with political disagreement arising over a number of matters, like the historical and territorial issues, reinforcement of the Japan-US alliance and exploitation of natural resources in the East China Sea. The negative aspects of the “hot economics, cold politics” relationship receives broad attention on both sides, and there is concern over how the relationship will unfold. At the political level, Sino-Japanese relations since 1995 are considered to be overwhelmingly “cold” overall, but it is arguable whether this is to say that there have not been some “hot”, or at least “lukewarm”, patches too. It is imperative to consider this aspect in order to reach a comprehensive understanding about the nature of the relationship. Essential pieces of the puzzle are often overlooked by part of the media and certain outspoken minorities.

Sino-Japanese opposition over historical matters during President Jiang Zemin's visit to Japan in 1998 has been broadly covered, but at the same time

① Yūta Yōshida, “Taito Funshutsu suru Wakamono no Hanchugoku Kanjo”, *Ronza*, March 2005, pp. 82-87.

Japan and China published a joint statement and reached an agreement on 33 clauses, including setting up an intergovernmental hotline, security talks and energy cooperation. This was done under the banner of a Japan-China Joint Declaration on Building a Partnership of Friendship and Cooperation for Peace and Development. Moreover, between 1999 and 2003, reciprocal visits by no less than 15000 youths from both countries were planned under the "Youth Exchange Programme" and the "Environmental Cooperation Scheme" was also announced. Reverberations from this history dispute were considerable, but these 33 clauses were a grand achievement in that they became the framework and gave the direction for subsequent Japan-China relations.

Prime Minister Obuchi visited China in 1999, reconfirmed cooperation over the 33 clauses, and agreed at a summit on opening dialogue between Japan's and China's security police authorities. During Foreign Minister Kono's visit in August 2000, both sides conceded to creating a framework for mutual prior notification of ocean survey operations, and during Zhu Rongji's visit to Japan in October, both sides agreed to open regular talks between customs authorities. Prime Minister Koizumi attended the second Boao Conference in Hainan, held in April 2002, thirty years after normalization of Sino-Japanese relations, and agreed on the principles of setting up "Sino-Japanese Economic Cooperation talks". In September the same year Foreign Minister Kawaguchi visited China, and both sides agreed to open talks on policy planning and economic cooperation by the end of the year. An incident involving the Japanese Consulate General in Shenyang in May of that year had triggered a dialogue over making a framework for consular cooperation.

At the summit between Koizumi and Hu Jintao in St. Petersburg in May 2003, it was agreed to establish the New Japan-China Friendship Committee for the 21st Century, a government advisory committee formed by intellectuals. In the autumn of 2004, the Chinese side relayed a wish to construct an outline for strategy dialogues, and the first round of these dialogues was realized in May 2005. In May 2006, a summit between Japan's and China's foreign ministers was held in Qatar, where agreement was reached over four points, including increasing strategy dialogues, boosting economic trade relations that also involves cooperation on energy-efficient and environmentally friendly

technology, promoting interaction between civilians and youth, and security talks at vice foreign minister level as well as continuation of friendly interaction between military forces.

Abe Shinzo came out victorious from the election of presidency over the Liberal Democratic Party in September 2006. He visited China in October, which became the first official state visit by a Japanese head of state since Prime Minister Obuchi Keizo in 1999. The two sides agreed on a mutually beneficial relationship based on common strategic interests. A Joint Press Statement revealed plans on cooperation in exploiting natural resources in the East China Sea, in energy and environmental policy, in finance, information technology and intellectual property rights, and to support relations cooperation in political, economic, security, social and cultural spheres, at all levels. The mutually beneficial relationship based on common strategic interests between Japan and China, that was inaugurated at this summit, bears a great significance. Forming within the year the Japan-China Joint History Research Committee, a cooperative historical research group consisting of academics, was also a matter agreed upon at the same summit.

In April 2007, Wen Jiabao visited Japan. Both governments agreed upon increasing dialogue over political and defense issues, expanding mutually beneficial relations over energy, environment, finance, IT, and intellectual property rights. They also agreed to aspire for improved mutual understanding and friendship through youth exchange visits, the media and culture. Furthermore, an understanding was reached on setting up high level economy talks and foreign spokesman's meeting. During this visit to Japan, Premier Wen made an address at the Diet and publicly expressed China's appreciation for Japan's past apologies for its war-time invasion, showing promise for overcoming issues of history.

The absence of mutual visits summit talks between Japanese and Chinese heads of state was a symbol for "cold politics", but it must be remembered that at the same time a broad range of governmental relations were being maintained through visits by officials and actual talks between foreign ministers. Moreover, the key was found to solve the issues between Japan and China. As explained above, a cooperative platform consisting of academics from Japan

and China has been launched to deal with the history issue, agreement has been reached over cooperative development in the East China Sea and over setting up a platform for specialists to discuss technical aspects. Chemical weapons left behind by the Japanese imperial forces are now being disposed of cooperatively between Japan and China. Security police authorities are in continuous dialogue over how to deal with the problem of crime committed by foreigners living in Japan. It may be a while yet before permanent solutions to all issues troubling Japan and China are found, but there is no doubt about the effect that intergovernmental dialogue is having on preventing existing problems from becoming worse.

Even when state visits and summit talks were on hold, nongovernmental relations were being maintained, for instance, through the Japan-China Intellectual Exchange Support Program, a legacy of the cooperation that was agreed upon when Jiang Zemin visited Japan in 1998.

Deepening economic interdependence and personal exchange between Japan and China has become an important pillar supporting bilateral relations. Trade increases year by year (figure 3-1). People travelling between Japan and China counted 9000 in 1972, by 1987 there were 490000, in 2005 no less than 4170000 and about 5 million now. In 1989, there were 109 sister city relationships. Today, this number has increased to 314. Japan-China relations are being promoted in increasing scope even outwith the central governmental context, by regional governments, the private sector and private individuals.

Increased Asian regional unity means that Japan-China relations are increasingly based on cooperation with the rest of Asia. In 2004, the New Japan-China Friendship Committee for the 21st Century proposed a youth exchange programme, and at the second East Asia Summit held in January 2005, Prime Minister Abe announced 6000 youths from the participating countries to visit Japan every year over the next five years. Also, the 21st Century Japan-China Exchange Programme, which is behind high school student exchanges between Japan and China that started in May 2006, is now part of the JENESYS Program, and every year 2000 high school students from countries make reciprocal visits.

Post Cold War Japan-China relations can be labelled as ‘hot economics, cold

politics” in an overall context, but even in the midst of the “cold” politics, not just the economy but a range of fields and channels is enabling dialogue and cooperation, and is de facto supporting the relationship from below.

Concluding Remarks

The impact that the end of the Cold War and the advent of a new generation have had on the international environment and the state of domestic politics and society, has brought changes to conditions which the 1972 framework relied upon. In spite of that, Japan-China relations remained structurally essentially the same while at the same time moving to a state of “hot economics, cold politics”. Post Cold War relations has its share of disconcert and can be considered politically “cold”, but three major factors are keeping a lid on major political conflict. First of all, both governments basically acknowledge the continued blessing of mutual good will stemming from interdependence, and they make an effort to avert absolute conflict. Secondly, existing theories maintain that a mutually dependent economic relationship will sustain stability in Japan-China relation, but this study has shown that apart from summit level talks, establishing channels for dialogue between central ministries and regional authorities as well as non-governmental bodies is also effective in preventing political relations from freezing over. Thirdly, causes for friction are dealt with at government level dialogues, and even when solutions are still far off at least the problems are somehow managed, helping to prevent escalation of the issues or abrupt conflict.

This post Cold War Japan-China relations, relying on intergovernmental economic activities, personal exchanges and tourism consist of multi-level and multi-channel exchanges. The “hot economics” is the result of globalization and regionalization, and it is also a sign of the diminished purpose and decreased role of politics in the relationship. “Hot economics, cold politics” may rather be seen as a perpetuation of conventional bilateral relations.

However, the “cold politics” aspect of Japan-China relations remains a matter that needs, and can, be solved. As has been argued in this study, most problems troubling the relationship are due to discordance in national strategy

and foreign policy. After the Cold War, China has been prioritising US policy, while Japan, adhering to its alliance with the US, has been trying to play an independent role within Asia while actively promoting the global context of the Japan-US Alliance.^① Thus, both Japan and China are basing their policy on US relations and Japan-China relations are in effect increasingly restrained by America's global strategy. One may argue that as long as changes to the Japan-US alliance are not on the horizon, Japan-China relations will remain manageable as long as US-China relations remain stable.

Japan and China are on the same track in that they have been active in promoting Asian regional integration since the latter 1990s. However, Japan is now stressing universal democratic values in Asia, and China is promoting unity through economics. The disparity is clear.

The strategic patterns of both countries in recent years have caused suspicion to beget fear, which makes it imperative to produce a framework in which mutual strategies can be grasped in order to prevent crises. Both governments need to look beyond bilateral relations and recognize the necessity of looking for policies that profit the regional and the international communities as well. Furthermore, there is no common understanding for existing problems in Japan-China relations. However, there is plenty of misunderstanding, which affects popular opinion and becomes a barrier to reconciliation. Current problems are not only traditional security issues like interpretations of history, but new security issues concerning the environment and international crime are equally relevant. Mutual understanding and agreement over issues troubling Japan-China relations should be reached at governmental and non-governmental levels as quickly as possible.

^① The global context of the Japan-US alliance came to be acknowledged at the Japan-US Security Consultative Committee (2-plus-2 talks) in Washington in October, 2005.

The Rise of China and Korea's Strategic Choice

Sukhee Han *

Introduction

China has risen as a regional, if not a global, power within thirty years since its initiation of the reform and open-door policy. China's economic, military, cultural, and diplomatic rise has been taken for so granted that the issue of the rise of China per se seems to be a taciturn topic in the community of the Chinese studies. With its breathtaking economic growth rates and massive expansion of trade and investment, Chinese economy has been recorded as the most viable contributor to the development of the world economy. China's decade long military modernization program has improved its military capability as strong as being enough to be a regional security challenger. Chinese cultural exposure to the world has been widely recognized in the fields of movies, arts, and languages. As witnessed in the process of the Six-Party Talks for the peaceful resolution of North Korea's nuclear ambition, China has also invested its utmost diplomatic efforts for maintaining peace and stability on the Korean Peninsula.^①

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^① It is a recent trend in the community of Sinology to analyze the rise of China from a positive perspective. It is witnessed that the "China threat" argument has been gradually replaced by the argument to request China to expand its role as a great power. (Continued on next page)