

those of the Chinese military. This said, it is evident that China's smaller neighbors have good reasons to question the Chinese military build-up, as any small state has when its large neighbor grows quickly, despite the fact that China's military capacity is well under what should be needed for such a large nation with both internal and external issues to consider.

Sino-American and Japanese-American relations also play important roles in the creation of regional structures. The U.S. might not be a creator of regional structures, but it has been and could continue to be a spoiler if regional efforts are perceived as going against its own interests. Additionally, Japan is increasingly concerned over the U.S. role in the region and will not accept being taken for granted by the U.S. or having its security compromised. A failure of the U.S. to engage Japan constructively will force Japan towards two extremes: either to cooperate with Beijing, as China could potentially threaten the waterways, or to scale up its own defenses significantly to be able to counter the Chinese "threat."

Finally, and potentially most importantly, is how the EAC will be defined, as it seems to be the most obvious structure that could impact security in Northeast Asia in the short time span. There is a risk that the narrow definition proposed by China and the more inclusive Japanese suggestion will both be implemented to some extent. This is possibly the worst-case scenario, as it will dilute the regionalism and cooperation even further; moreover, both scenarios exclude North Korea and Taiwan.

Chapter 9

China, Japan and Asian Regional Integration: From Bilateral to Multilateral?

Rumi Aoyama

The relationship between the countries occupying the second and third positions in the world's GDP index, China and Japan, has a profound significance for the stabilization of the Asian region as well as the security and prosperity of the world. China's presence in international society has been rising at a rapid pace over the past two decades. Although a few dark clouds appeared over the Chinese economy and the direction in which it was heading during the global recession triggered by the American subprime mortgage crisis, China is managing to accomplish a speedy economic recovery, and its economy seemed to have bottomed out after the first quarter of 2009. In 2008, China's foreign currency reserves skyrocketed to nearly US\$2 trillion and its trade surplus was near US\$300 billion. Though little progress has been made with domestic political reform, China is making attempts to fulfill its responsibility as a major player on the world stage by taking a cooperative stance on many international issues, such as the Six-Party Talks and the Darfur problem in Sudan. In the wake of China's growing economic and diplomatic influence, the ongoing power shift process on the world stage and particularly in Asia has transformed Sino-Japan relations significantly.

The increase in China's presence in the international order brought about a sense of competitiveness to the relationship between China and Japan, and ushered in a period during which it became easier for confrontations to arise between the two nations. After the end of the Cold War, various disputes occurred between Japan and China concerning a variety of problems, including environmental issues, historical issues and territorial issues, such as the matter of the ownership of the Senkaku/Diaoyu Islands and natural gas and oil field development in the East China Sea. Furthermore, the fact that both Japan and China are now experiencing profound socio-economic changes and political transitions has complicated bilateral ties in many ways. As a consequence, confrontations between the two states became conspicuous in 1996 and bilateral relations continued to worsen over the next 10 years or so. However, it is important to point out that during Junichiro Koizumi's term as Prime Minister of Japan, various frameworks relating to bilateral risk management were constructed.¹

Beyond the bilateral frameworks, the regional integration of Asia has been quietly progressing in the post-Cold War period. The first East Asia Summit (EAS) in 2005 signaled a new step toward the development of Asian integration. At present, multi-layered and multi-channeled frameworks such as the Asia-Pacific Economic Cooperation (APEC; 21 countries and regions), ASEAN Plus Three (APT; 13 countries) and EAS (18 countries) exist concurrently. Nevertheless, there are also regional and subregional organizations in which either Japan or China — not both — participates, such as the Shanghai Cooperation Organization (SCO)² and the Greater Mekong Subregion (GMS). In this sense, it is important to take Sino-Japan relations into consideration when looking at

¹For the bilateral risk management constructed between China and Japan, see: Aoyama, R. (2010), "Changing Japanese Perceptions and China-Japan Relations". In G. Curtis, R. Kokubun and J. Wang (eds.), *Getting the Triangle Straight: Managing China-Japan-U.S. Relations*, Japan Center for International Exchange, Tokyo.

²The predecessor to the SCO was the Shanghai Five, an organization established in 1996 which was composed of China, Russia and the three Central Asian countries of Kazakhstan, Kyrgyzstan and Tajikistan. In June 2001, Uzbekistan joined the organization, and the organization's standing was elevated with its name changed to the current Shanghai Cooperation Organization.

Asian regional integration: what kind of influence does the fragility of Sino-Japanese relations have on Asian regional integration, as well as on the manner in which frameworks for risk management between China and Japan are established?

Over the past decade, both Japan and China have searched for ways to improve their bilateral relations through their efforts regarding Asian regional integration. During the period of time in which Sino-Japanese relations soured due in part to historical and territorial issues, in particular from 2002 onward, China intended to utilize the flow of Asian integration to help settle its disputes with Japan. Japan's enthusiastic discussions concerning the formation of an East Asian Community coincided exactly with the worst period for Sino-Japanese relations, the days of the Koizumi administration. Thus, discussions in Japan regarding the East Asian Community have come to focus on the possibility of reconciliation between China and Japan.³ If such circumstances are considered, there are possibilities for the two countries to improve their bilateral relations through multilateral efforts.

The construction of a cooperative relationship is vital to bilateral and regional stability, in part because it requires a strong sense of shared interests and collective identity.⁴ In this sense, a multilateral cooperation among three or more states, in addition to Japan and China, will facilitate the regional integration process by requiring "coordinating relations in accordance with certain principles."⁵

Accordingly, this paper will examine the construction of a cooperative relationship between Japan and China with regard to the regional integration of Asia. The formation of this relationship can be divided into three periods: the inception period of Asian regional integration (1989–1997), Sino-Japanese disagreements with regard to the regional integration of Asia (1997–2006), and the period of exploration of the construction of a

³Kokubun, R. (2007), "Higashi Ajia Kyodotai no Mirai [The Future of the East Asian Community]". *Nikkei Shinbun*, 18 March.

⁴Hemmer, C. and Katzenstein, P.J. (2002), "Why Is There No NATO in Asia? Collective Identity, Regionalism, and the Origins of Multilateralism". *International Organization*, vol. 56, no. 3, pp. 575–607.

⁵Ruggie, J.G. (1992), "Multilateralism: The Anatomy of an Institution". *International Organization*, vol. 46, no. 3, p. 568.

dialogue between the two countries concerning Asian regional integration (2006 onwards). For each time period, relations between Japan and China concerning regional cooperation will be examined, and conclusions as to the possibilities for cooperation as well as problematic areas between China and Japan in the future regarding the integration of East Asia will be drawn.

Inception of Regional Integration: 1989–1997

Efforts to integrate the Asia-Pacific region began with Australia's proposal to establish APEC in 1989. Japan strongly supported Australia's proposal, welcoming a free and open economic exchange in which America could also participate, without any exclusive or insular economic blocs.⁶ Malaysian Prime Minister Mahathir bin Mohamad made a proposal for a similar organization, the East Asia Economic Caucus (EAEC), in the very next year, 1990. However, the EAEC proposal was staunchly opposed by the United States, as it called for the exclusion of America from the caucus. The Japanese government also took a negative stance towards the idea of EAEC, an organization whose ideals directly opposed those of APEC. Consequently, executive members from Japan's Ministry of International Trade and Industry flew to Malaysia in order to restrain this movement towards an Asian economic bloc. During this period, Japan, a developed country, took an assertive stance and attempted to fulfill a leadership role in the economic cooperation of the Asia-Pacific region including America.

On the other hand, the concept for China's diplomatic relations with its surrounding countries appeared within its foreign policy strategy immediately following the Tiananmen Square Incident. In order to break through the isolation that occurred right after the Tiananmen Square Incident, the Paramount Leader of China at the time, Deng Xiaoping, hammered out the four-pronged political approach of *yì guān* (一貫: surrounding countries), *yì liè* (一列: developed countries), *yì biān* (一邊: developing countries) and *yì diān* (一點: the United States). Foreign policy towards surrounding countries was thus positioned as one of the four great pillars of Chinese

diplomacy after the end of the Cold War. With Deng's endorsement of a benign peripheral policy, in 1991 China, Hong Kong and Taiwan (under the name "Chinese Taipei") simultaneously joined APEC.

Although recognizing the importance of engaging in diplomatic relations with surrounding countries, China was cautious about the prospect of forming an East Asian economic partnership. With regard to Malaysian Prime Minister Mahathir's EAEC, Chinese Prime Minister Li Peng stated that "China recognizes the necessity of strengthening economic ties amongst the East Asian countries. However, decisive answers to the questions as to what kind of cooperation should be carried out, as well as what form the cooperation should take, have yet to be successfully produced. Without solving these problems, EAEC would assumedly be a loose union."⁷ Furthermore, from China's point of view, the United States was trying to create, using APEC as a foothold, an economic order in the Asia-Pacific region in which the United States was at the helm.⁸ It is not unreasonable to suggest that China felt a strong sense of wariness regarding American influence on Asia-Pacific economic integration. Since that time, China greatly feared that America was forming an encircling net around China by the strengthening of the U.S.–Japan security system and the eastward expansion of NATO occurring in Europe.

In this manner, there was a considerable difference of opinion between Japan and China with regard to economic cooperation in the Asia-Pacific region, which had substantially begun to take shape in 1989. One of the important factors contributing to these divergent views was their different strategy towards the United States.

The Asian Financial Crisis: China's Reaction

The 1997 Asian financial crisis provided an opportunity for the regional integration of Asia. China's position of maintaining its currency, the yuan,

⁷"Buraku Koso ni ha Shinchou Malaysia Homon no Chugoku no Li Peng Shushou [Chinese Prime Minister Li Peng Shows Caution Concerning Bloc Idea Upon Visiting Malaysia]". *Asahi Shinbun*, 14 December, 1990.

⁸Jiang, X. (1994). "APEC Fazhan Fangxiang zhe Zheng [Disputes about the Direction of APEC Development]". *Shijie Zhishi [World Affairs]*, vol. 21, p. 4.

⁶*Asahi Shinbun*, 3 November, 1989.

during the crisis received a high evaluation from the rest of the world, and this high value of China's currency accelerated its diplomatic relations with surrounding countries. In reality, China had been proactively making efforts to engage in diversified diplomacy by means of multilateral conciliation, especially conciliation and cooperation with its neighboring Asian countries, since well before the Asian financial crisis. The following factors prompted China to adjust its diplomatic strategy towards the countries neighboring it.

Changes in China's U.S. Strategy

One of the crucial reasons behind China's changing strategy towards America was the strengthening of the U.S.-Japan security system in Asia. The "U.S.-Japan Joint Declaration on Security: Alliance for the 21st Century" statement was signed by United States President Bill Clinton and Japanese Prime Minister Ryutaro Hashimoto on April 17, 1996, after which China came to criticize the U.S.-Japan security alliance openly. With China's fears about being trapped in an encircling net by America ever growing, China set out to mitigate its containment and embarked upon a full-blown development of the policy established by Deng Xiaoping of *yi quan* (surrounding countries), *yi lie* (developed countries), *yi bian* (developing countries) and *yi dian* (the United States). Reflecting this alteration in foreign strategy, China began to show a proactive participatory stance in the ASEAN Regional Forum (ARF) from 1996 to 1997, and China also founded the Shanghai Five (later known as the SCO) in 1996.

ASEAN's Growth as a Regional Pole

In the latter half of the 1990s, the number of ASEAN member nations increased drastically. Continuing from Vietnam's induction in 1995, by the end of 1999 Myanmar, Cambodia and Laos had also become new members of ASEAN, meaning that ASEAN had come to physically "neighbor" China. ASEAN has grown to be a pole with significant political and economic importance in the Asian region, and furthermore has expanded its influence right up to China's borders. Such growth and expansion of ASEAN as a regional pole was an important move that China

could not ignore, and subsequently stimulated China's diplomatic relations with its surrounding countries.

China's New Security Concept

The New Security Concept, first alluded to by Chinese Foreign Minister Qian Qichen in July 1996, was laid out officially during the April 1997 Sino-Russian Joint Declaration. Also, the piece "Position Paper Regarding the New Security Concept," presented at the July 2002 ARF Ministerial Meeting, provided more details of the New Security Concept. The concept of non-traditional security and the idea of a cooperative security proposed in the New Security Concept are of great significance. The cooperative security concept, in line with China's Five Principles of Peaceful Co-existence, shares commonalities with ASEAN's values: the solving of problems not through the use of force or domestic intervention, but through a conference system.⁹ The idea of non-intervention and the emphasis on non-traditional security furnished the base for the construction of cooperative relationships between China and ASEAN as well as China and the SCO, while moreover widening the breadth of cooperative relations in general.

The proposal of the New Security Concept also worked concurrently with the changes in China's awareness with regards to the America-led "hub-and-spoke" military alliances and military pacts within Asia. According to David Shambaugh, a representative of the ASEAN East Asia Vision Group in 1999 conveyed a message to China that if China stopped demanding that the ASEAN member nations break their military ties with America, and if China did not use its overseas citizens for political purposes, it would be possible for ASEAN to construct a better relationship with China.¹⁰ There is no solid indication as to whether this message

⁹For research on ASEAN values, see: Godement, F. (2002). "Chinese and Asian Concepts of Conflict Resolution". In R. Ash (ed.), *China's Integration in Asia: Economic Security and Strategic Issues*, Curzon Press, Richmond, pp. 246-256; Acharya, A. (2001), *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order*. Routledge, London.

¹⁰Shambaugh, D. (2004/2005). "China Engages Asia: Reshaping the Regional Order", *International Security*, vol. 29, no. 3, p. 70.

propelled a change in China's view of the American military presence in Asia or not; however, the rhetoric about dissolving alliances subsided from Chinese Communist Party (CCP) newspapers after the year 2000. Such changes indicated that China has come to accept the America-led traditional security framework as an established fact.

China's Economic Interests

The GMS regional cooperation, involving China's Yunnan Province, commenced in 1992. The cooperation framework for the GMS took shape in 1996, when six investment projects were identified. It is needless to say that China found the promises of economic benefit coming from this tangible joint development attractive. Thus, in 1994 Yunnan Province became involved in the conception of the GMS idea, and in 1998 China's central government also came to actively promote the plan.

In Central Asia, under the initiative of China, the SCO was established in 2001. There are some concerns that it is a military bloc constructed to deal with the United States; there is also the view that it is nothing more than an "axis of convenience."¹¹ Nevertheless, from China's point of view, the SCO is essential for both regional security as well as economic trade cooperation. The fact that China places much emphasis on economic trade cooperation with other SCO member countries has a deep relation to its extensive development projects in its western region. China officially started its "Great Western Development" in the year 2000, and upon accelerating economic growth in the western region, the countries of Central Asia were seen by China as supply sources for valuable energy and resources as well as a vital foreign market. Currently, a number of economic trade pacts between SCO member countries have been signed, and preliminary work on the confirmation of fields of economic cooperation and decisions on model projects is progressing. Also, at first, China had a plan to implement the liberalization of goods, services, capital and technology by the year 2020 within the organization, but in part due to mutual distrust and disagreements

concerning expectations between the countries involved, this plan was not realized.¹²

In this manner, throughout the Asian financial crisis, China revised its foreign policies and proactively attempted to become involved with the regional integration of Asia. Such a diplomatic stance was confirmed at the 16th National Congress of the Communist Party of China in 2002, and diplomacy within Asia came to be placed as one of the most important priorities among China's foreign strategies. Regarding the diplomacy guidelines for the next five years adopted at this National Congress, the first 20 years of the 21st century were perceived as a strategic chance, and the slogan "major powers are the vital points, surrounding countries are the most important, developing countries are the foundation, and a diversified diplomacy is the principal stage" was set out to describe China's new diplomatic policies. Along with this kind of strategy, China deepened its cooperative relationships with ASEAN and SCO. Two specific characteristics can be observed within these sorts of initiatives from China. First, although it may have been reluctant to do so, China decided to accept the existing American-led international order. Secondly, the recognition of the importance of the idea of a non-traditional security guarantee provided depth and width to China's influential power. From its geographical advantage, China attempted to press forward with a substantial regional integration that connected Central Asia and Southeast Asia, areas of which the United States was not a part.

The Asian Financial Crisis: Japan's Reaction

In contrast to China using the Asian financial crisis as an opportunity to increase its presence in Asia, Japan became passive towards its main leadership role in the regional integration of Asia for a period of several years after the crisis. Just as it had in the first half of the 1990s, Japan made

¹¹Lo, B. (2008). *Axis of Convenience: Moscow, Beijing, and the New Geopolitics*. Brookings Institution Press, Baltimore.

¹²"Shanghai Hezuo Zuzhi Chengyuguanguo Zongli Huiyu: Yangqi Jingji Hezuo Zhi Fan [Shanghai Cooperation Organization Member Countries Meet at Conference: Raising the Sails of Economic Cooperation]". *Xinhua News Agency*, 23 September, 2003, http://news.xinhuanet.com/newscenter/2003-09/23/content_1095882.htm/ [accessed November 11, 2006].

attempts to take a proactive leadership role in Asia after the financial crisis, proposing the establishment of the Asian Monetary Fund (AMF) immediately following the crisis. With regard to this proposal, America indicated concerns that the establishment of the AMF may threaten the existence of the International Monetary Fund, the organization that supports the international financial order; thus, America expressed opposition to the plan. China also showed a sense of caution towards Japan taking on a leadership role, and replied that financing such an initiative would be difficult. Plans for the AMF were set back due to this opposition from the United States and China, but the following year, in October 1998, the Japanese Minister of Finance Kiichi Miyazawa officially declared the formulation of the "New Miyazawa Initiative." The essence of this "New Miyazawa Initiative" was that the Japanese government would administer financial support to six countries in Asia over the next two years, with the total given amounting to US\$30 billion. Japan boasted with pride that through this initiative, it had "imposed on itself the two-sided heavy burden of both promoting growth in Asia and stabilizing the market."¹³

Nevertheless, the failure of the AMF proposal amounted to a hard blow for Japanese diplomacy. Domestically, voices criticizing Japan's handling of the Asian financial crisis as a diplomatic failure were loud.¹⁴ During the three years afterwards until 2000, the Japanese government came to hesitate in taking a leadership role in Asian integration, and the voices of those in other Asian nations hoping for Japan to step up to such a role faded.¹⁵

Japanese diplomacy gradually shifted towards stressing Japan–America relations, starting from the 2000 Yoshiro Mori administration. This shift was best illustrated by the remarks of Prime Minister Koizumi on

¹³“Nihon, Ajia Saisei ni Jyuseki, 300 Oku Doru Shien Seishiki Hyomei: Shudo Teki Yakuwari Ninnu [Japan's Heavy Responsibility towards Regenerating Asia: Official Declaration of 30 Billion Dollars in Support — Shouldering a Leading Role]”. *Nikkei Shinbun*, 4 October, 1998.

¹⁴“Nihon no Gaigo, Kotoba/Chie Busoku: Ajia Kiki de Hikui Hyoka [Japanese Diplomacy, Lack of Words and Wisdom — Low Assessments in Its Handling of the Asian Crisis]”. *Nikkei Shinbun*, 24 March, 1999.

¹⁵Fukushima, A. (2009). “Japan's Perspective on Asian Regionalism”. In M.J. Green and B. Gill (eds.), *Asia's New Multilateralism: Cooperation, Competition, and the Search for Community*, Columbia University Press, New York, p. 107.

November 16, 2005: “The better Japan–America relations are, the more able Japan is to construct favorable relations with Asia and the rest of the world.”¹⁶ As a result, Japan's Asian policy amounted to a passive response to China's rising influential power. At the 4th APT Informal Summit Meeting held in November 2000, China carried out various proposals, such as the establishment of a free trade area with ASEAN, the offer to deposit US\$5 million into the ASEAN cooperation fund, joint development along the Mekong River basin, construction of infrastructure directly connected to both China and ASEAN, HIV/AIDS countermeasures and cooperation in the field of telecommunications technology. In November of the following year, 2001, China and ASEAN signed the “China–ASEAN Comprehensive Economic Cooperation Framework Agreement,” and both entities agreed to begin discussions towards the formation of a free trade sphere in 2010.¹⁷ Such efforts on China's part motivated Japan to act. The Japanese government, which felt that it had fallen behind China, revised its APT plan and began to endorse a plan that will include Australia and New Zealand as member countries.¹⁸ With China's influence rising in Asia, Japan, in an effort to counter it, clearly laid out the importance of the universal value of democracy with regard to Asian regional integration, and also strongly advocated for the inclusion of democratic countries, such as Australia, in the organization. The “Issue Paper” that the Japanese government presented in June 2004 was also written based on this aim.¹⁹ Furthermore, at the 2005 East Asia Summit held in Kuala

¹⁶“The President's News Conference with Prime Minister Junichiro Koizumi of Japan in Kyoto, Japan”. 16 November, 2005. <http://connection.ebscohost.com/c/articles/19364519/presidents-news-conference-prime-minister-junichiro-koizumi-japan-kyoto-japan/>.

¹⁷Free trade agreements (FTAs) will be formed in 2015 with countries that join ASEAN later.

¹⁸Terada, T. (2009). “The Origins of ASEAN+6: Japan's Initiatives and the Agent–Structure Framework”. Working Paper, Waseda University Global COE Program: Global Institute for Asian Regional Integration.

¹⁹The three pillars of the “Issue Paper” are: (1) functional enhancement of the East Asian Community in the form of FTAs, anti-terror measures, etc.; (2) a plan for an East Asian Community that includes countries such as Australia and India; and (3) formation of values to heighten the community's sense of unity, such as democracy. The full text can be viewed at <http://www.mofa.go.jp/region/asia-paci/issue.pdf/>.

Lumpur, Malaysia, Japan once again supported the participation of both Australia and New Zealand in the organization.

Japan's support for an Asia-Pacific regional economic cooperative initiative including America and other democratic nations was also in the interests of its economy. Such an initiative — a plan for the Free Trade Area of the Asia-Pacific (FTAAP) — was proposed by the United States at the 2006 APEC meeting, and the Japanese government indicated a positive stance towards the idea. According to the preliminary calculations done by the Japan Center for Economic Research, compared to the Japan-China-Korea FTA, the APT FTA and the FTA for advanced countries within APEC, the FTAAP would raise Japan's GDP by 0.8%, making it have a considerably greater effect than the other FTAs.²⁰

From around the middle of the year 2000, Japan, which was strongly aware of China's increasing influential power, revised its passive policies and once again displayed a leadership stance in Asia. At the June 2006 World Economic Forum (WEF) on East Asia held in Tokyo, the Japanese Minister of Economy, Trade and Industry, Toshihiro Nikai, proposed the establishment of an East Asian version of the OECD. Soon after, at the Meeting for Economic Affairs for all Asian nations held in Malaysia on August 18 of the same year, Japan declared that it would contribute 10 billion yen towards the plan to create an East Asian version of the OECD. It is thought that Japan's aim with this plan was to strengthen its influential voice through trade policies within its region.²¹ This proposal was agreed on at the November 2007 East Asia Summit, and, as a result, the Economic Research Institute for ASEAN and East Asia (ERIA) opened in June 2008.

As discussed above, with regards to its policies towards Asia, Japan became passive for a period of time following the Asian financial crisis. After the increase of China's presence in Asia, Japan remained passive and in the background, but eventually began to act assertively. In the midst of the competition over who should lead a regionally integrated Asia, differences between China and Japan concerning universal values,

selection of countries for inclusion into regional organizations, and other issues have been clarified as well as amplified.

2006—: Risk Management in the Asian Region

The rivalry between China and Japan regarding Asian regional integration became fully apparent after the Asian financial crisis, and in particular after the year 2000. China asserted its position that it was against making ideological differences an issue regarding Asian regional integration, but Japan, particularly while under the Koizumi and Abe administrations, promoted value-oriented diplomacy. Also, China emphasized that it supports the APT framework and that it would construct desirable relations in APT with every country, including those in Oceania.²² However, Japan laid out an FTA plan for 16 countries called the Comprehensive Economic Partnership for East Asia (CEPEA) in April 2006, and the Hatoyama administration also declared an indication towards a comprehensive economic partnership on the third day of forming their Cabinet. Moreover, Japan also supports ASEAN Plus Six, which would include Australia.

Such competition between China and Japan, as well as the participation of the United States, is all surprisingly desirable to ASEAN, another major player in the region. For instance, the then-Prime Minister of Thailand, Abhisit Vejjajiva, emphasized the strengthening of cooperation with the United States during an interview with the Japanese newspaper *Nikkei Shinbun* on November 4, 2009. The reason that Thailand welcomed U.S. involvement in Asia was that competition among big powers such as China, Japan and the U.S., which had laid out a progressive participatory policy towards Asia under the Obama administration, would give the country more leverage in regional politics.²³

As a result of the different players and values involved, the current movement towards Asian regional integration is a synthesis of multiple layers and channels. At the East Asia Summit held in Hua Hin, Thailand in October 2009, Australia's Prime Minister Kevin Rudd advocated a

²⁰ "Ajia Kenkyu Repouto: Nihon Keizai Kenkyu Sentia [Asia Research Report, Japan Center for Economic Research]", *Nikkei Shinbun*, 19 January, 2009.

²¹ "Higashi Ajia Ban OECD Mezaisu: ERIA 3ka Shido [Aiming for an East Asian Version of the OECD: 'ERIA' Starting on the Third]", *Nikkei Shinbun*, 18 August, 2006.

²² "Yazhou Zhixu, Hai Raobukai Meiguo [Order of the Asian States, Still Need to Face the U.S.]", *Global Times*, 18 July, 2005.

²³ *Nikkei Shinbun*, 5 November, 2009.

wide-ranging FTA for the Asia-Pacific region. Because of ASEAN's desire not to be dragged into a tug of war between China and Japan over the wide-ranging FTA,²⁴ it was agreed that the two previously proposed wide-ranging FTA plans — the East Asia Free Trade Area (EAFTA), which was postulated by the China-supported APT, along with the CEPEA, which came into being through the initial 16 member countries of the East Asia Summit — would be considered concurrently. In short, there is a possibility that an "East Asian Community" as well as an "Asia-Pacific Community" could materialize at the same time, and that possibility is being considered.

Though both Japan and China continue to compete with each other, changes in Japanese foreign policy since the 2006 Abe administration, particularly in its policies towards China, have nevertheless eased the level of contention. Due to these revisions in policy, the possibility that the two countries may further promote cooperation with regard to Asian economic integration has been born, and channels for cooperative dialogue have already begun to be constructed.

Sino-Japanese Regional Cooperation Centering on the Environment

Japan and China both share many natural resources such as the atmosphere and the ocean; accordingly, regional cooperation with regard to the environmental field is progressing the most. Cooperation in this field, which started in the early 1990s, has never been disrupted, regardless of deteriorating bilateral political relations. Various environmental cooperative frameworks are making progress within Asia. Examples are the North-East Asian Subregional Programme for Environmental Cooperation (NEASPEC), which includes the six countries of Japan, South Korea, China, Russia, Mongolia and North Korea; the Acid Deposition Monitoring Network in East Asia (EANET), which has 13 Asian countries²⁵ as members; the Asia-Pacific Migratory Waterbird Conservation

²⁴"Chi'yiki Renkei, Nigo Nado Xin Koso [New Ideas from Japan, Australia, etc. Concerning Regional Cooperation]". *Nikkei Shinbun*, 26 October, 2009.

²⁵The participants of EANET include Cambodia, China, Indonesia, Japan, Laos, Malaysia, Mongolia, Myanmar, the Philippines, Russia, South Korea, Thailand and Vietnam.

Strategy, of which Australia is also a part; the Northwest Pacific Action Plan (NOWPAP), which includes Japan, China, South Korea and Russia; and the Asian Network for Prevention of Illegal Transboundary Movement of Hazardous Wastes, and many others. Among these, there are some associations in which not only the central government of each member nation participates, but also regional governments and environmentalists take part, and international organizations such as the UN Environment Programme (UNEP) and the UN Economic and Social Commission for Asia and the Pacific (ESCAP) additionally participate as observers. One case in which such multi-level participation can be seen is with the Northeast Asian Conference on Environmental Cooperation (NEAC), whose members are China, Japan, South Korea, Mongolia and Russia, along with UNEP and ESCAP as observers.

After the Abe administration in 2006, the Japanese and Chinese governments came to possess a clear recognition of the importance of and possibilities concerning the environmental field with regard to both countries. In April 2007, when Chinese Premier Wen Jiabao visited Japan, he agreed with Japan in the "Joint Statement on the Further Enhancement of Cooperation for Environmental Protection" that environmental initiatives from both Japan and China, as well as the above-mentioned regional cooperation frameworks, should be actively promoted. Also, in December 2007, Japanese Prime Minister Yasuo Fukuda set forth the "Asian Economic and Environmental Community" plan, and called for an integrated Asian economy with environmental issues as its axis.

These kinds of environmental cooperation projects are progressing under the initiatives of Japan and other developed countries within Asia and the Asia-Pacific region. These environmental cooperation projects, which can evade the leadership disputes dogging other issues within Asia, are likely to continue to progress rigorously into the future.

Possibilities for Sino-Japanese Cooperation Regarding Northeast Asian Problems

Just before the 16th National Congress of the Communist Party of China, the North Korean nuclear crisis reignited. In April 2003, Three-Party Talks between North Korea, the United States and China were held in Beijing

regarding the North Korea nuclear issue. Since before the Three-Party Talks were held, China had begun examining the possibility of establishing a multinational discussion framework in order to confer on the North Korea nuclear issue. In spite of the overwhelming strength of opinion from specialists opposing the internationalization of the North Korean issue,²⁶ the Chinese central government made the decision to hold the first Six-Party Talks in Beijing in August 2003.

The Japanese Prime Minister Junichiro Koizumi visited North Korea in September 2002 and held a discussion with North Korean General Secretary Kim Jong-il. Koizumi's visit to North Korea was generally seen as a step forward in normalizing relations between the two countries. As a result of Koizumi's visit to North Korea, five of the Japanese citizens abducted from North Korea²⁷ returned to Japan. The Japanese government at the time took the position that "it is impossible to normalize diplomatic relations between Japan and North Korea by shelving the abduction issue,"²⁸ but since then there has been no progress concerning the abduction issue, and Japan's policy towards North Korea remains at an impasse.

China's crisis awareness with regard to the North Korean nuclear issue is generally recognized as being far weaker than that of the United States.²⁹ However, the recognition of the North Korean nuclear threat is rising by the day in China. The North Korean nuclear threat has become a real issue for China, especially in 2009, when North Korea carried out a nuclear test only a few kilometers away from the Chinese border. After North Korea's 2009 nuclear test, China measured radiation in the atmosphere for the first time in the vicinity of the nuclear test near the China-North Korea border.

After former U.S. President Bill Clinton visited North Korea to seek the release of two American journalists in August 2009, direct talks between the U.S. and North Korea were realized. North Korea, which had wanted

²⁶Based on an interview by the author in June 2008.

²⁷The kidnapping of Japanese citizens by North Korea happened frequently throughout the 1970s and 1980s. The number of abductees officially recognized by the Japanese government now stands at 17.

²⁸Opening statement by Japanese Prime Minister Junichiro Koizumi at a press conference in New York, 13 September, 2002.

²⁹Park, J.S. (2005). "Inside Multilateralism: The Six Party Talks". *The Washington Quarterly*, vol. 28, no. 4, pp. 75-91.

direct negotiations with the United States for some time, showed little indication that it would return to the Six-Party Talks. Meanwhile, among experts in China, together with frustration and hardline stances towards North Korea, the tendency to emphasize the common interests of both China and Japan, as well as argue for the importance of the Six-Party Talks, has been gaining strength.

China's policy towards North Korea changes along with fluctuations in the state of affairs in Northeast Asia, and the opportunity for Sino-Japanese cooperation with regard to maintaining the peace and stability of Northeast Asia has risen accordingly.

Construction of a Sino-Japanese Dialogue Regarding Mekong River Development

As described earlier, from 1998 onward the Chinese government came to be proactively involved in the GMS project.³⁰ From 1999 through 2000, China made other cooperation agreements with two of the five countries of the Mekong River basin. At the first summit meeting of the GMS in November 2002, a visionary plan for the next 10 years concerning prosperity, fairness and the stimulation of economic activity was adopted. In light of this plan, China made transportation and electric power trade agreements with the GMS. Moreover, in 2004, China enacted a zero-tariff policy for Laos, Myanmar and Cambodia, and also gave them US\$30 million in aid.

China's triple strategy of exchange with the Mekong River basin nations — through trade, investment and aid — triggered Japan's re-involvement in this region. Traditionally, Japan had close ties with the countries in the Mekong region. Japan had given out rather large amounts of aid to these countries through official development assistance (ODA) and other activities with non-governmental organizations. However, in recent years, Japan received a sense of danger³¹ from

³⁰The Greater Mekong Subregion includes six countries: Cambodia, Thailand, Vietnam, Laos, Myanmar and China.

³¹"Chugoku to Sunzaikan Kiso Nihon Kankyo Shien de Makikaeshi Hakaru [Japan Fights with China for Its Presence: Plans to Rally via Environmental Assistance]", *Asahi Shinbun*, 4 November, 2009.

China's Mekong River development, so Japan devised a recovery plan to compete with China. Through this plan, Japan has regularly held meetings with the governments of the Mekong River basin countries, and has also expanded its aid to the region. Currently, Japan possesses two channels of exchange with the Mekong River basin nations. One of these is specifically with Cambodia, Laos and Vietnam (CLV), and the other is with all five of the Mekong River basin countries. As for the latter, exchange progresses through a framework in which China is not included. Concerning Japan's relations with the CLV nations, the CLV and Japan Summit was first held in November 2004, through which Japan and the three CLV nations agreed to strengthen economic and cultural exchange. Additionally, in 2007, Japan announced that it would give the three CLV nations US\$20 million to aid in their development. From 2008, there was also an increase in activity in Japan's exchanges with the five Mekong River basin nations. The first Japan–Mekong Foreign Ministers' Meeting was held in 2008, and an additional four meetings have been held since then, the last in July 2012. With regards to economic aid, Japan promised in 2009 to give over 500 billion yen in ODA to the five Mekong River basin countries over the next three years; this was later expanded in 2012 to 600 billion yen for the period 2013–2015.

In this manner, with the conflict over which country should be Asia's leading power in the background, both Japan and China have actively supported and been involved with economic development along the Mekong River. In the meantime, Sino–Japanese cooperation regarding Mekong regional development has also begun to be sought. For instance, the Japan–China Policy Dialogue on the Mekong Region started in 2008. This Japan–China dialogue is still just in its beginning stages, and so far has been held only three times — in April 2008, June 2009 and April 2010. During these policy dialogues, both China and Japan explained and exchanged opinions about their respective Mekong River development initiatives, and they also held discussions about the formation of relations that would allow Japan, China and the Mekong region to all share benefits with each other in the future. In October 2009, Japanese Foreign Minister Katsuya Okada and Chinese Foreign Minister Yang Jiechi agreed to cooperate in the development of the Mekong

region. Although it is still uncertain whether China and Japan can construct a valid system of cooperation in regards to development in the Mekong River basin, Japan and China have shown that they both have the intention of cooperating, and are willing to discuss the possible channels of cooperation.

Conclusion

Along with China's rapidly rising influence in the international and regional orders, especially during the nearly 10-year period from 1997 to 2006, there have been a number of contentions between China and Japan in the process of Asian regional integration. The competitive relationship between two major powers has brought about a characteristic feature of Asian regional integration — a region with a multi-layered and overlapping web. In the meantime, even while competing with each other, Japan and China have constructed dialogues and cooperative programs to avoid all-out confrontations concerning Asian regional integration from 2006 onward. These kinds of initiatives are all part of the idea of risk management, which both sides have begun to seek.

The area in which cooperation between China and Japan is making the most progress is the environmental field, where Japan has maintained a dominant influence. The environmental cooperation of the Asia-Pacific region, including Japan and China, which has not been interrupted once since the beginning of the 1990s, is likely to become the foundation for other forms of regional cooperation in the future. Additionally, frameworks for subregional cooperation have begun to be constructed, such as they have for the Mekong River development issue. Moreover, upon keeping peace in the Asian region, even with regards to the extremely important Northeast Asia issue, the opportunity for cooperation between China and Japan continues to rise.

On the other hand, the current state of Sino–Japanese cooperation in Central Asia has still not progressed. As stated earlier, China's interest in the economic trade side of cooperation had already risen since the time of the Shanghai Five. Only three months after the inception of the SCO, on September 14, 2001, at the summit meeting held in Almaty, Kazakhstan, the "Memorandum Regarding the Basic Objectives and Directionality

of Regional Economic Cooperation as well as Trade and Investment Convenience-Making Processes"³² was entered into. By agreeing with its contents, member countries sought to "abolish trade and investment barriers, furnish transportation infrastructure, bring goods and technology to a common standard, expand the exchange of justice, and promote and protect mutual investments"³³ with the goal of establishing and developing economic cooperation mechanisms. Such cooperation bore fruit, and in 2008 total trade between member countries of the SCO rose to US\$30.8 billion, a rapidly dramatic increase of 20 times the amount when the organization was established eight years prior. China acts as the core of the SCO, in which it actively promotes policy cooperation and foreign exchange in many fields including the functional enhancement of the SCO, the economy, justice and education.

In the SCO, which will become an important place for exhibiting one's presence in the international order, China will likely demonstrate its pulling power vigorously in the future. Feeling its own crisis awareness increase through observing such a trend by China, Japan embarked on a new strategy in Central Asia, which had been called a "null space" for Japanese diplomatic relations after the Cold War.³⁴ With the August 2004 Central Asia visit by Japanese Foreign Minister Yoriko Kawaguchi, a Central Asia + Japan Dialogue was realized. In June 2006, Foreign Minister Taro Aso announced an approach to Central Asian diplomacy based on three guidelines, which called for "Seeking Partnership Rooted in Holding Universal Values in Common." Then, the second time the Central Asia + Japan Dialogue held its conference of foreign ministers, an "action plan" comprising five principal fields as pillars was decided upon. These five pillars consisted of the following: politics and dialogues, inter-regional cooperation, business promotion, intellectual dialogues, along

³²For the Chinese-language full text of the memorandum, refer to this website: http://www.sco-ec.gov.cn/crweb/scoc/info/Article.jsp?a_no=521&col_no=50/ [accessed November 11, 2006].

³³*Ibid.*

³⁴The Japan Institute of International Affairs (2006). "Wagakuni no Yurashia Gaigo: Shanghai Kyoroku Kiko wo Tegagari ni [Our Country's Eurasian Diplomacy: Taking a Clue from the Shanghai Cooperation Organization]". *H18 Nendo Gaimusho Itaku Kenkyu Hokokusho [Ministry of Foreign Affairs Contract Research Report in 2006]*, March.

with cultural and personnel exchange. In August of the same year, Japanese Prime Minister Koizumi made visits to Kazakhstan and Uzbekistan, through which the strengthening of relations between Japan and Central Asia was boosted even further. In November 2006, Foreign Minister Aso declared in an address entitled "Making the 'Arc of Freedom and Prosperity'" that the newly developing democracies on the Eurasian continent were tied together as part of the "arc of freedom and prosperity."

However, there is no sign of a solution having been found with regard to value problems involving power struggles between China and Japan in Central Asia. Compared to bilateral risk management between Japan and China, Sino-Japanese risk management regarding the regional integration of Asia is still standing at its starting point. In order to keep peace and prosperity in the Asian region, establishing frameworks for dialogue on issues that could lead to confrontation is an urgent necessity.

In constructing the frameworks to manage issues that could lead to confrontation between the two countries, the following three tasks are important. First, it is necessary to make public any concrete and visible results from the environmental field, in which Sino-Japanese cooperation is progressing the most, as soon as possible. These results will explicitly show the advantages of a cooperative relationship between the two countries. Second, it is necessary to discover and make known areas other than the environmental field that bring mutual benefits, and thus cooperation, to China and Japan. Third, as stated previously, the American component comprises a large weight within both China's and Japan's policies towards Asia; therefore, the future actions of both countries are strongly controlled by America's Asia policies. It can be gathered from these three points that digging around for common benefits for all three countries — Japan, China and the United States — regarding the regional integration of Asia is also necessary.

Asian regional integration consists of many overlapping layers due to the rivalries between the key actors, and the future direction is still not clear. Nevertheless, cooperation in Sino-Japanese relations would exert a great influence on the orientation of Asian regional integration, and the continuation of a cooperative stance between Japan and China with regard to the budding regional integration of Asia is surely indispensable for the stability of the Asian region.