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A Thaw for China and Japan?

As Economies Become Intertwined,
 Nations Soften Stances

By **SEBASTIAN MOFFETT** in Tokyo and **JASON LEOW** in Beijing
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The complex and rocky relations between China and Japan these past few years have been neatly summed up in both countries by four Chinese characters: "politics -- cold; economy -- hot."

Bilateral trade has doubled over the past four years, and exports of machinery and chemicals to China helped drag Japan's economy out of a slump.

TROUBLED TIES

- **The Situation:** After years of deteriorating relations, China and Japan are trying to patch things up. A state visit comes this week.
- **The Challenge:** The two countries want to stop mutual distrust from disrupting business links and to avert serious conflicts in the future.
- **What's Next:** Initiatives, such as Japan's helping China to save energy, that show the benefits of cooperation.

But there was little love lost between the governments and people. Japan's last prime minister, Junichiro Koizumi, insisted on visiting Yasukuni, a shrine to Japan's war dead. The shrine honors mainly conscripted soldiers but also some convicted war criminals responsible for mass killings of Chinese during World War II. In response, Chinese students staged anti-Japanese demonstrations in 2005, and

Beijing's leaders refused to meet Mr. Koizumi.

This week should provide evidence of a thaw. China's Premier Wen Jiabao visits Tokyo from April 11-13, making him the first Chinese premier in seven years to visit Japan. He is scheduled to address the Japanese parliament, something no Chinese leader has done for more than 20 years. His trip follows a visit to Beijing in September by Japanese Prime Minister Shinzo Abe, two weeks after he took office.

The visits indicate that the two Asian giants agree that their squabbles over the past shouldn't hamper their thriving business relationship. That shift is important for the world economy because the two countries are such important parts of it. China's low-cost manufactured goods have become essential for the functioning of most industrialized nations. Japan, the world's second-largest economy after the U.S., has huge potential as a source of consumer demand as it grows steadily again following a decade of downturn. Each country benefits from trade and investment with the other.

Without such a rapprochement, there are various reasons for discord between Japan and China, even though there are no signs of looming military conflict between the two. National pride, bolstered by an ever-expanding economy, is growing in China -- and sometimes erupts into nationalism. The Japanese are becoming more fearful of China: A government survey showed that just 34% of Japanese had friendly feelings toward China last year, down from 79% in 1980.

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"China could control Japan politically. ... Japan could become just one part of China," Shoichi Nakagawa, chairman of Japan's ruling Liberal Democratic Party's Policy Research Council, said last year. "They have nuclear weapons. Japan has no nuclear weapons. China has two million soldiers."

The growing array of armed forces in the region means any clash would be potentially disastrous. China's military budget rose nearly 18% to \$45 billion this year -- though U.S. Defense Secretary Robert Gates says the country's real defense spending is three times higher than the official figure. Japan is focusing its defense capabilities more on East Asia -- in particular, China -- rather than on Russia as in the past, and it is also deepening its military alliance with the U.S.

Possible disputes between the two nations include a quarrel over the sovereignty of parts of the East China Sea that are potentially rich in natural gas. Japan, like the U.S., opposes the use of force to reunite Taiwan -- which China regards as a renegade province -- with mainland China. And Tokyo has restricted trade with North Korea, a traditional ally of Beijing's.

"It is natural that problems are bound to arise between neighbors," says Hiroshi Suzuki, a spokesman for Mr. Abe. "We want to resolve difficult issues through negotiation, in a peaceful manner."

Mr. Abe has made better relations with China a key theme of his leadership. Visiting Beijing in October, he told Chinese leaders that he wouldn't say whether or not he has visited the Yasukuni shrine and implied that he would make no future public visits. He and Mr. Wen promised to "build a strategic relationship of mutual interest."

The Chinese government is trying to generate better public feelings toward Japan. China Central Television, the state broadcaster, used to regularly show dramas set during World War II and featuring Japanese atrocities. But since Mr. Abe's visit, CCTV has been broadcasting more Japan-friendly content, such as a drama about a Chinese who spread Buddhism in Japan during the Tang dynasty. This, says Zhou Xingbao, a Japan scholar at the government-run China Institute of International Studies, "shows Japan and China has had thousands of years of friendship."

The leaders' aim this week is to reduce tensions further and to see if their governments can cooperate usefully. Japan uses energy more than eight times as efficiently as China, as measured in the amount of energy needed to produce a dollar's worth of output. The Ministry of Economy, Trade and Industry is sponsoring a seminar in Tokyo at the same time as Mr. Wen's visit, aimed at introducing Chinese companies to energy-saving techniques used by Japanese manufacturers.

Better relations might also spur further business links. While their economic ties are increasingly intertwined, analysts say they would be stronger if the governments got along better. Japan's top trading partner is China, and China's third-largest trading partner is Japan, after the European Union, which is the largest, and the U.S. But China's trade with Japan has been growing more slowly than that with other countries. In 2006, Japan's foreign direct investment to China dropped 30% to \$4.6 billion, something analysts in China attributed mostly to political tensions.

"China would rather have good relationships with its neighbors so that nothing affects economic

growth," says Ma Junwei, a Japan scholar at the China Institutes of Contemporary International Relations.

--Kersten Zhang in Beijing contributed to this article.

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