WHY DID JAPAN ADOPT

THE POLICY OF "SEPARATING ECONOMICS FROM POLITICS"?

A Look at Post Second World War Sino-Japanese Relations from a Korean Standpoint

by

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ABSTRACT

Japan's foreign relations with the People's Republic of China have been one of the most important and controversial issues since Japan regained her independence in 1952. Geographical proximity, historical ties that Japan has with China, and China being a major power with nuclear capability made it vitally important for Japan to keep a pipeline open with her, and the policy of separating economics from politics permitted trade relations with her. In this thesis I am chiefly interested in finding out why it was of utmost importance for Japan to adopt this principle of foreign policy toward Communist China.

In the first section, the international situation and historical circumstances which eventually led Japan to adopt this policy will be explored. The second section will deal with the international significance and implications of this policy. In section three I should like to analyze how the actual negotiations on "trade" are used by both the Chinese leaders and the pro-Peking leaders in Japan as a means of changing Japan's policy toward China. An important aspect of this policy treated in the last section is the internal political impact in Japan. Finally, I should like to see how Korea will be affected by Japan's new relations with the People's Republic of China.

The chief cause of adopting and pursuing the policy of separating economics from politics stemmed from international circumstances in which Japan found herself as a defeated nation after the Second World War. It was the nature of the San Francisco Peace Treaty, the timing of the signing, the
attitude of Communist China and Japan's particular relation to the United States that made Japan recognize Nationalist China. Since neither Nationalist China nor Communist China would permit diplomatic ties with any country that recognized the other, it was not possible for Japan to recognize both regimes. Therefore, Japan maintained only economic relations with Communist China without any direct political contact.

Sino-Japanese trade relations were based on the reality of both Communist China and Japan. From Japan's point of view it was a realistic approach to maximize economic opportunities and minimize political involvement until the right opportunity came for normalization. By adopting and practising the policy of separating economics from politics, Japan looked for larger commercial opportunities in the future and it also served as a pipeline between the two big countries in Asia.

From China's viewpoint, it was an "accumulative" approach for the eventual normalization of relations with Japan. Trade was used as an instrument of political pressure and it reflected China's political aims. The volume of trade fluctuated and the techniques China used varied according to the political objectives. China appealed to a "broad political spectrum" in Japan through private agreements and exchange of unofficial private delegations. China threatened Japan with suspension of trade, and manipulated her with "friendly trade" and "memorandum trade".

Since the agreement for the normalization of Sino-Japanese relations was signed on September 29, 1972 the controversial issue of "separating economics from politics" has become a story of the past. The admission of

With the normalization of Sino-Japanese relations, Korea must seek her role by pursuing "independent and positive" action. The talks between North and South for the eventual unification of Korea and the new constitution of South Korea which was adopted in 1972 reflect Korea's attempts to adjust herself to this role.
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INTRODUCTION

As a South Korean, it has been one of the most important issues for me to observe Japan's relations with the People's Republic of China. Korea is sandwiched between the two nations, each a giant: Japan, an economic power belonging to the group of free, democratic nations; China, a growing military power with her revolutionary zeal and communist reform. The impact of their relations is felt immediately in Korea and her national interest and survival has been greatly affected by their moves.

For the past twenty years between 1952 to 1972, Japan has maintained ties with both Nationalist China and Communist China, one formal as the other informal, and this kind of relationship was all based on the policy of "Separating Economics from Politics."

Separating economics from politics has been used to mean carrying on economic relations without direct political contact. With respect to Communist China this has meant that Japan has carried on trade with China without diplomatic or other direct contact between the governments. Japan, in the meantime, has carried on both trade and diplomatic relations with Taiwan. Because neither of the two Chinas will permit diplomatic ties with any country that recognizes the other, it is not possible to recognize both regimes. Now that Japan established diplomatic relations with Peking and Taiwan had broken off diplomatic relations with Japan, Japan may try to carry out the policy of separating economics from politics...
by maintaining its trade and other economic ties with Taiwan but having no direct diplomatic relations. Since the two Korean regimes also refuse to have relations with any country that simultaneously recognizes its rival regime, Japan can maintain diplomatic and trade relations only with South Korea. It can, however, separate economics from politics by trading with the North Korean regime but have no diplomatic ties.

D. C. Hellmann called this policy "schizophrenic". To a South Korean intellectual, this policy represents a typical side of an "economic animal" and the policy principle being manipulated by "political leaders who have two faces and who call for two different tunes at the same time." To former Prime Minister Ikeda, however, it was the "realistic policy" in relation to Communist China.

Whatever the description or interpretation of this policy may be, Japan's foreign relations with Communist China have been one of the most important and controversial issues since Japan regained her independence in 1952. The People's Republic of China, after all, governs all the mainland of China, an area about twenty-six times greater than that of Japan, with a population of 800 million. Geographical proximity, historical ties that Japan has with China, and China being a major power with nuclear

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2Suh Bong Yuen, Choongang Ilbo, September 9, p.3.
3Chronology, Japan Quarterly, January 1964, p. 250.
capability made it vitally important for Japan to keep a pipeline open with her giant neighbour, and the policy of "separating economics from politics" permitted informal friendly relations with her. In a way, it was not a front door diplomacy; it was a back door diplomacy waiting for a ripe opportunity for normalization of relations. The ripe time has just arrived; with Prime Minister Tanaka's visit to Peking and the policy of sei kei bun ri (separation of economics and politics) is about to be reversed. The principle of "politics" will be applied to Communist China and the Japanese leaders hope that the principle of "economics" will apply to Formosa.

In this thesis I am chiefly interested in finding out why it was of utmost importance for Japan to adopt this principle of foreign policy toward Communist China. In order to do so, I shall devote the first section to exploring the international situation and historical circumstances which eventually led Japan to adopt this policy.

The second section will deal with the international significance and implications of this policy. It was the policy which gave the means for Japan to maintain informal friendly relations with Communist China without the formality of recognizing her and yet get around the objections and demands of Japan's friends, the United States and Formosa.

In section three I should like to analyze how the actual negotiations on "trade" are used by both the Chinese leaders and the pro-Peking leaders in Japan as a means of changing Japan's policy toward China. The process of negotiations was a constant pressure and reminder for the Japanese
political leaders to be aware of the "China problem". An important aspect of this policy treated in the last section is its internal political significance in Japan. The "China problem" split the political leaders, even within the government party of the Liberal Democratic Party. The policy offered the means to mollify the opposition forces, and circumvent the dominant group in the government party. It was one of the big issues which the candidates for the election of Prime Minister debated during the recent election in July of 1972.

In section four, I should like to see how Korea will be affected by Japan's new relations with the People's Republic of China.
The policy of "separating economics from politics" is not enun-
ciated by one individual, nor does it spring from any single source. The
policy has evolved and grown out of Japan's particular geo-political sit-
uation, and is heavily circumscribed by the logic of events that have taken
place in the world.

After the Second World War, in the strict sense of the word, full
sovereignty in foreign relations started when the San Francisco Peace Treaty
went into effect on April 28, 1952. Even with the freedom to pursue her in-
dependent course of action in foreign policy, Japan had to accept and follow
an already-established course. It seems, therefore, very important to ex-
amine and analyze just what the international conditions were that eventually
led Japan to adopt the policy principle of "separating economics from politics."

In the first place, Japanese foreign policies cannot be considered
without taking into account her relations with the United States. Until the
San Francisco Peace Treaty was signed and went into effect, Japan was under
the occupation of the Allied Forces and the core of the Allied Forces
was the United States Army. The Supreme Commander of the Allied Forces was
the American general, Douglas McArthur, who actually ruled Japan and his
rule was directly influenced by the United States foreign policy towards Asia
and toward the entire world.

When Japan regained her independence in 1952, the world was divided
into two blocs each dominated by the two superpowers, the United States
and the Soviet Union. Japan, under the occupation and influence of the United States, had to choose her side in the Cold War, and it was almost the natural course of action that Japan stood on the side of the Western powers. Prime Minister Yoshida had this to say, that,

"since the United States and the Soviet Union, the two major powers, are in opposition to each other, one supported by a group of free countries, the other by the satellite Communist nations, the only logical policy for (both West Germany and) Japan to adopt in foreign affairs is co-operation with the United States as members of the group of free nations."^4

The San Francisco Peace Conference itself was the product of the Cold War, and the Treaty was drafted and signed under the assumption that "Japan would do her best to contribute towards the strengthening of a close and solid relationship with the United States."^5

The timing and signing of the San Francisco Peace Treaty in September 1951, and not before, was very important because at that time the United States was fighting in Korea as a member of the United Nations Forces against North Korean communists and the "volunteer" forces of Communist China. Had the Treaty been signed and ratified as the United States first intended to do in 1947^6 the Japanese course of action would have been quite different. Japan, as a defeated nation under the severe terms of punishment and reparations, might have chosen a "neutral" policy and her collaboration with the United

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5 Ibid., p. 250.
States would not have been so close. It was the Korean War which had the
decisive impact on the negotiations of the San Francisco Peace Treaty. Only
sixteen months before the Korean War started in June 1950, the United States
Secretary of the Army, Kenneth Royall, said in Tokyo that Japan and the Far
East were of secondary importance in the world strategic situation and the
United States forces might be withdrawn in the event of war with the Communists.7

When John Foster Dulles was undertaking his mission in preparatory
negotiations for the Treaty, he had two choices in the formulation of United
States' policy. One was to build up Japanese strength and do everything possible to keep Japan on the United States' side, and the other was to try to
detach Communist China from the Soviet Orbit and let China take her former
position on the Anglo-American side of the balance.8 The Korean War made the
latter course impossible and Mainland China was labelled "aggressor" after she sent "volunteer" forces to Korea. Throughout the war, Japan was the rear base for the United Nations forces in Korea, and Japan had to be counted upon as a free world member state when the Treaty was signed in 1951.

From the outset Communist China adopted a hostile policy toward Japan. The People's Republic of China was proclaimed in October 1949 and China concluded the Treaty of Friendship, Alliance, and Mutual Assistance with the Soviet Union in February 1950. This agreement provided for a joint
defensive stance against Japan, and Article I stated that the signatories
undertook jointly to "adopt all necessary measures at their disposal for the

purpose of preventing the resumption of aggression and violation of peace on the part of Japan or any other state that may collaborate with Japan directly or indirectly in acts of aggression."

It is notable that the wording of the Treaty was focussed on Japan and it is a little difficult to understand why both the U.S.S.R. and Communist China overestimated Japan's strength. Japan, in 1950, in fact, was still a defeated nation, completely disarmed and its war-making capacity entirely eliminated by its new constitution. Harold C. Hinton suggests that,

"it was probably Stalin, rather than Mao, who preferred to name Japan instead of the United States as the power whose alleged aggressive tendencies the alliance was explicitly directed,"

but it must be taken into account that China was the direct victim of Japanese imperialism and was fearful of the revival of Japanese militarism and imperialism. Compared with Japan, Communist China practically had no experience in international politics, and it is not very surprising that Communist China in the wake of her success in defeating Nationalist Chinese considered Japan a threatening power. Japan had yet to formulate her policy toward Communist China, but China had already adopted a hostile policy toward Japan.

When the question of which of the two Chinas should be represented at the peace conference came up, according to the recollection of Yoshida, the United States had insisted that she would not on any account sign a

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treaty in company with Communist China, while the United Kingdom maintained that of the two Chinese governments, the one that should be seated and sign at the conference was Communist China. In the end it was agreed that China should not be represented at the conference, and that Japan could sign a separate peace treaty later with whichever of the two Chinese governments she chose to recognize.  

Indeed, on the surface, Japan was left with the freedom to pick either Nationalist China or Communist China to be the other party in concluding peace with Japan and Article 26 of the Peace Treaty gave the legal base for it, but in actuality Japan didn't have much choice. It was the Nationalist Chinese with whom Japan had conducted the war, and her position in the Security Council in the United Nations was a very important factor for Japan. Until the end of 1951, Japan adopted the cautious policy of welcoming friendly and intimate economic relations with Taiwan, but at the same time, avoiding any form of ties with Taiwan which would probably win the strong disapproval of the newly established Communist China.

When John Foster Dulles made his fourth visit to Japan in December 1951, he answered to a newspaperman in Japan that he had no intention of imposing upon Japan which of the two governments of China she should choose to make a peace treaty. However when the question of what the United States' Senate would do if Japan didn't make it clear that she intended to make a

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12 Ibid., p. 151.
peace treaty with Nationlist China, the answer was, "In case Japan recognized Communist China unexpectedly, the Senate might not ratify the Peace Treaty." The result of the Dulles visit ended with a letter from Yoshida to Dulles on December 24, 1951, affirming that "Japan has no intention of concluding a bilateral treaty with Communist China" and assured him that "Japan is ready to formalize relations with the Nationlist government in accordance with the principles laid down in the San Francisco Peace Treaty." As the incident of this letter indicates, Japan was already oriented toward the "Washington line," and the pressure was on her to recognize and have diplomatic relations with Nationalist China. Accordingly, on April 28, 1952, the Sino-Japanese Peace Treaty was concluded with Nationalist China.

So far, I have examined the simple question why Japan chose Nationlist China instead of Communist China to conclude the Peace Treaty and to establish diplomatic relations with. The fact that Japan was a member of the Western bloc does not necessarily answer the whole question. The United Kingdom, for instance, recognized Communist China in 1949. It was the process and nature of the San Francisco Treaty, the timing of the signing, the attitude of Communist China, Japan's particular relation to the United States, and a certain pressure as well as an expectation from the United States, that were all woven together for Japan to adopt the policy of recognizing Nationalist China. The root of the policy of separating economics from politics started at this point.

Because of the reasons stated above, Japan's relations with Communist China cannot be considered without taking into account her relations with the United States and Nationalist China. Japan's external policy had to comply within the framework of the United States' overall foreign policy. It is essential to correlate Japan's relations with first the United States and secondly with Nationalist China. The policy of separating economics from politics emerged and evolved out of the triangle relationship between Japan, the United States and Nationalist China.

When Japan regained her independence in 1952, the overall foreign policy of the United States was the policy of "containment." The policy of containment, before the Korean War started, was mainly aimed to stop the expansion of communist influence in Europe exercised by the Soviet Union. According to George F. Kennan who first proposed this policy in his article, "The Sources of Soviet Conduct," there were three postulates regarding Soviet beliefs and expectations. The first of these was the Kremlin's acceptance of the fundamental antagonism between capitalism and communism. The second was that the Soviets believed that capitalism in this competition was doomed and therefore there was no need to engage in all-out war. The third was the Soviet assumption of Kremlin infallibility made it useless to negotiate with Russian diplomats since all important decisions were made at top level. He, therefore, came up with the policy which he summarized:
"In these circumstances it is clear that the main element of any United States policy toward the Soviet Union must be that of a long-term, patient but firm and vigilant containment of Russian expansive tendencies."\(^{15}\)

After this article was published the term "containment" was picked up and elevated to the status of a "doctrine" which was then identified with the foreign policy of the United States.\(^{16}\)

With the outbreak of the Korean War, the policy of containment came to be applied to the Far East. President Truman stated on June 27, 1950:

"The attack upon Korea makes it plain beyond all doubt that Communism has passed beyond the use of subversion to conquer independent nations and will now use armed invasion and war."\(^{17}\)

Accordingly he ordered United States air and sea forces to give the Korean government troops cover and support.

Regarding Nationalist China, in the same statement, President Truman reversed the position he had enunciated on January 5 that same year. In that statement he said that Taiwan had already become Chinese territory in keeping with the Cairo and Potsdam Declarations, and that the fighting between the Chinese Communists and Nationalists was a civil war in which the U.S.

\(^{15}\)George F. Kennan, under the pseudonym of "Mr. X", "The Sources of Soviet Conduct," *Foreign Affairs*, Vol 25, No. 4 (July 1947), p. 375.


Forces would not be used. But his new policy statement was that,

"In these circumstances, the occupation of Formosa by Communist forces would be a direct threat to the security of the Pacific area and to United States forces performing their lawful and necessary function in that area. Accordingly, I have ordered the Seventh Fleet to prevent any attack on Formosa ... The Seventh Fleet will see that this is done."19

Within six months the policy of the United States toward Asia had changed radically, and it indicated that the United States viewed the Korean War as an extension of Soviet communist power in Asia. From the viewpoint of the United States, South Korea and Nationalist China were not considered to be parties to a mere civil war, but frontlines in a struggle between communism and the western world. Japan also became very important in this struggle, for without Japan, the United States would lose a vital communication, supply and strategic base in the Far East.

Thus, South Korea, Nationalist China and Japan became embroiled in the defence of the "free world" and the United States established a series of alliances aimed at the containment of communism. The Mutual Defence Treaty was concluded with the Republic of Korea in October 1953, and with the Republic of China a military assistance agreement in February 1951 and a Mutual Defence Treaty in December 1954. With Japan, the Treaty of Mutual Cooperation and Security was signed in 1951.

The Treaty of Mutual Cooperation and Security between the United

States of America and Japan tied Japan directly to the United States, for Japan depended entirely on the United States for national defence. Article V provided:

"Each party recognizes that an armed attack against either party in the territories under the administration of Japan would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional provisions and processes."

The treaty went on to say in Article VI that,

"For the purpose of contributing to the security of Japan and maintenance of peace and security in the Far East, the United States of America is granted the use by its land, air and naval forces of facilities and areas in Japan."

In these circumstances it was the natural course of development that Japan had to cooperate and be party to the accomplishment of the policy of containment in Asia. Japan and the United States became indispensable partners to each other.

As a result of Treaty commitments, Japan followed the United States policy of non-recognition of Communist China and established formal diplomatic ties solely with the Nationalist government in Formosa.

As far as Japan's relations with Nationalist China are concerned, Japan recognized the Nationalist government as the de jure government of China by concluding the Sino-Japanese Peace Treaty in April 1952, and the state of war between Japan and China was terminated. At first Japan might have appeared to recognize Nationalist China wholly under pressure from the United States, but Japan on her part, is "indebted" to Generalissimo Chiang Kai-shek who renounced all right to claim any reparations from Japan. He had earlier issued
proclamation to "repay enmity with virtue" and safely repatriate more than two million Japanese soldiers from the Chinese Mainland.\textsuperscript{20}

Thus Japan's relations with Communist China emerged as the result of Japan's overall relations with the United States and Nationalist China. Non-recognition of Communist China suited Japan's three fundamental objectives of foreign policy since her independence, which are the "Cooperation with the free world community," "Support of the United Nations," and "being a staunch member state of the Asian community."\textsuperscript{21} Japan also was able to insure her security by being a member of the "free world," for American containment of Communist China meant at the same time protection for Japan under the nuclear umbrella of the United States. In order to "contain" Communist China, the United States had its nuclear base in Okinawa, its Seventh Fleet in Taiwan Strait, military bases in South Korea, and later in Vietnam. Japan was able to become the third economic power in the world by completely relying upon the United States for her national defence.

The policy of separating economics from politics stemmed from the basic assumption that Japan wanted to maximize benefits with friendly nations and at the same time minimize hostility with Communist China. In this aspect, Japan did not follow unswervingly the line of the United States policy toward Communist China. By adopting the policy of separating economics from politics, Japan carried on non-strategic trade with China but did not invite the feeling of betrayal from the United States, Nationalist China and South Korea. Yet, she was able to maintain a pipeline with Communist China.

\textsuperscript{20} Morinosuke Kajima, \textit{op. cit.}, p. 139.

\textsuperscript{21} \textit{Ibid.}, p. 191.
III

The third important aspect of the policy of separating economics from politics is the fact that this policy, despite the official protest and the counter-claim by China of the principle of "inseparability of politics and economics," was accepted by it, and Sino-Japanese trade was carried on from the establishment of the People's Republic. The attitude of Communist China towards Japan in this aspect, was quite different from its attitude towards the United States. It seems appropriate to examine what it is which made this policy work with Communist China. The policy of separating economics from politics would not have worked unless Communist China was willing to trade with Japan. From the position of Communist China, what advantage could it gain?

Communist China's attitude to trade with Japan has been quite different from that of the United States toward China trade. Roger Hilsman, Assistant Secretary of State, in a speech to the Commonwealth Club of San Francisco, underlines this difference. He said:

"Much speculation has turned around the question of possible commercial relations . . . between private American firms and Communist China. Peking's own policy, however, seems crystal clear on this point. Peking apparently wants none of it,"

and Hilsman quoted one Chinese official as saying that,

"we won't trade with the United States because the United States Government is hostile to us,"
and he emphasized Mao's maxim that "politics and economics are inseparable."\(^{22}\)

The oft-repeated Chinese official emphasis that "politics and economics are inseparable" collided directly with the principle of separating economics from politics. The United States refused to trade with China, but trade with Japan was a different story. Marius B. Jansen brought out this point saying that the story of Sino-Japanese trade relations is full of irony. Economics and politics are inseparable, according to Chairman Mao, but in fact the Chinese have been willing to separate them for the Japanese.\(^{23}\)

There are two main interests involved between Japan and Communist China in their trade relations. One is an economic interest, and the other, a political interest. One certainly cannot deny the economic advantages of trade between Japan and Communist China. A developing China and an industrially advanced Japan could benefit each other by promoting close trade relations. Geographical proximity, for one, reduces shipping costs. An example of these savings is shown underneath in Japan's trade with the United States after Japan followed the embargo on trade with Communist China. In 1956 Japan imported coal from the United States at $26.50 per ton, while it was possible to import some from Communist China at $12.20, less than half the amount. With salt, Japan paid $18.10 per ton from the United States while it cost only $9.50 from Communist China.

The items of trading goods are also complementary to each other. Japanese items such as fertilizer, machinery and steel goods are just what


China needs and many Japanese products are more suited to Chinese people than similar products manufactured in Western countries. And some Chinese products such as soy beans have a ready market in Japan but virtually none in Europe.

Besides, from the position of Japan, foreign trade has always been a major consideration in the foreign policy of contemporary Japan and China is a big market with 800 million people. Japan, like Britain, is in a position to "trade or fade" and has to follow the line of "politics is politics, trade is trade."24 But as a trade partner, Japan is vastly more important to China than China is to Japan.25

More important than trade itself, other political and practical considerations promoted trade between Japan and Communist China. In this aspect, they used trade as a means to achieve their political aims, and this

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is particularly so with Communist China. Peking always injected politics
into trade. Accordingly, what Japan will sell and buy and the terms and
conditions of trade will be determined by Chinese Communist leaders to fit
their own political aims rather than their own or Japan's economic needs.  

At the core of the political nature of Sino-Japanese trade are
the major objectives of Chinese foreign policy toward Japan. The first
objective was to separate Japan from the influence of the United States,
and the second was to prevent Japan from dealing with "two Chinas." The
immediate policy which China adopted varied according to the domestic and
international situation, but there were no changes as far as their major
objectives in principle was concerned. "The inseparability of politics
and economics" is the principle aimed to achieve these ends, and the Chinese
government hoped to build up pressure in Japan, through trade, to attain
the eventual normalization of relations between the two countries.

From the very beginning of trade relations the Chinese had these
objectives in mind, and they are clearly maintained throughout the history
of trade relations. J. Stephen Hoadley and Sukehiro Hasegawa divide the
Sino-Japanese relations between 1950 and 1970 in terms of four linkage per­
iods, and it is convenient to follow their division, since they bring out
the immediate aims of Communist China very clearly and the fluctuations of
trade between Japan and China. The first, an ideological linkage under the
"people's diplomacy," and second, political linkage with "peace diplomacy,"

26 Wilbur Martin, "Japan and the Rise of Communist China," Japan between East
and West, edited by Hugh Borton (New York: Harper for the Council on

27 Tadao Ishikawa, "Communist China's Policy toward Japan," The Future of Com­
the third, economic linkage with "friendship trade," and the last, quasi-diplomatic linkage with "L-T Trade." The first two linkages cover the "unofficial," "private" trade agreements between 1950 and 1957. During this period, the trade volume was small, but as the result of opening a regular trade channel, a number of private organizations were established in Japan to promote Sino-Japanese trade, including the Japan-China Friendship Association, the Association for the Promotion of International Trade, and the Japan-China Importers' and Exporters' Association.

Through these associations, individual Japanese leaders and private firms, Peking's main objectives during this period were to cultivate Japanese friendship, to encourage Japan to detach itself from the U.S.-Japan alliance and to support Japanese domestic radicals favouring China over the United States. Thus, Peking worked to increase the political pressures on the Japanese government to grant at least de facto recognition of Communist China.

This kind of approach, however, did not bring the desired results, and the arguments over the principle of separating economics from politics had already started. When the Japanese trade fairs were held in Peking and Shanghai in 1956, Ta Kung Pao pointed out, in praising the trade fair, that trade ought not to be separated from politics even though the Japanese embargo on strategic goods had prevented many Japanese products from being on display in the trade fair. On the part of the Japanese government, Prime


Minister Kishi stated in June 1957 during his visit to Washington that Japan had no intention to extend political recognition to Peking, and this statement clearly reflected Japan's policy of separating economics from politics. Private, un-official trade was suspended after concluding the fourth Sino-Japanese agreement on March 5, 1958. The reasons for suspension given by the Communist Chinese trade corporations were the refusal to fully honour the fourth Japan-China private trade agreement by the Kishi administration and an insult to the Chinese national flag in Nagasaki, which had been torn down by a student who had not been punished. However, the real motivations of Peking could be interpreted as one of trying to influence the outcome of the Japanese general election of that month by holding Kishi responsible for the suspension of trade. Peking also might have hoped to influence Japanese political groups to pressure the Kishi government into concessions to Peking.

After two years of trade suspension, it was Communist China which again initiated the opening of "friendship trade" in 1960. It was begun by Premier Chou and Chinese political objectives during the third linkage period are seen clearly in their demands. This trade was so named because the Chinese wanted to trade with only a few "friendly" Japanese companies which pledged to respect Chou's three political principles and oppose the U.S.-Japanese Security Treaty. Chou's three political principles were: 1) not to adopt policy inimical to China, 2) not to join a plot to recognize two Chinas, and 3) not to hamper attempts to normalize Sino-Japanese

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relations.  

Under these conditions, the Chinese held the ultimate right to decide which companies are "friendly" and which were not, and whether to recognize or reject Japanese companies. The firms were also easily able to obtain favorable commercial terms in such specific arrangements as pricing, inspection, arbitration and shipping.

The "friendly" firms which China chose, however, were small and weak, and the political objectives of establishing channels of communication and influence upon the ruling Liberal Democratic Party and major industries were only partially affected. In order to supplement and enlarge the channels opened by "Friendship" trade, an L-T Trade was signed on November 9, 1962, and China entered a quasi-diplomatic linkage period. The trade was called "L-T Trade" because it was signed by Liao Cheng-Chih and Takasaki Tatsunosuke and it covered an "over-all trade" for five years between 1963 and 1967.

The L-T Trade had a semi-official nature since Takasaki was one of the Liberal Democratic Party leaders in the Diet and he had the support of a substantial portion of the L.D.P. Diet members as well as the Ministry of International Trade and Industry. From the L.D.P. leaders' viewpoint, the agreement was satisfactory since the Chinese leaders genuinely recognized the necessity of dealing with the Japanese conservatives and it showed that the Chinese finally accepted the realities by tacitly consenting

to tolerate the Japanese government's established principle of "separating economics from politics."

From the position of Communist China, the agreement gave them the opportunity to maintain two trade channels of "friendship trade" and "L-T Trade." Their calculation on maintaining separate trade channels were again political. Friendship trade serves China's short-range goals such as stimulation of Japanese left wing political support for China and Mao and opposition to the Sato government policy toward Taiwan and the United States, while L-T Trade serves long-range goals such as an encouragement of top conservative L.D.P. leaders recognition of China as a legitimate and respected neighbor. They aimed at small pay-offs in the short run while deferring to prospect of large pay-offs such as the normalization of relations between the two countries.

The conclusion of L-T Trade also gave Communist China a good excuse to engage in quasi-diplomatic activities. The "Japan-China Over-All Trade Liaison Council" was founded in Tokyo with Takasaki Tatsunosuke as its first chairman to facilitate the implementation of the L-T Trade agreements. Also, on August 13, 1964, Communist China was authorized to open a trade liaison office in Tokyo, headed by Sun Ping-hua. Since the opening of this office, it continued to function more as a political agency than as normal trade mission, and the Chinese gradually engaged in a wide range of open political activities against the Japanese government. This kind of activity is well illustrated by the statement of Liao Cheng-chih during a visit to the Tokyo Liaison Office who said, on September 9, 1967, that Sato's visit to Taiwan, "constituted a criminal interference in China's

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35 Hoadley and Hasegawa, op. cit., p. 151.

36 Lee, op. cit., p. 135.
domestic affairs and the act of political provocation against the Chinese people." To this statement the Japanese official of the Ministry of Foreign Affairs showed his displeasure "that the liaison office which should be concerned for the promotion of Japan-China trade should not utter such political statements." 37

Communist China was also able to manipulate the competitive relationship between friendship and L-T Trade agreements. As Table 2 shows, the Sino-Japanese trade volumes were almost equally divided between the two until 1965. In 1966, however, the "friendly" firms trade accounted for 67 per cent and the L-T Trade only 33 per cent. By 1967, the proportion of L-T Trade in total volume further declined to 27.7 per cent. This decline was a direct result of Communist China's increasingly hostile attitude toward Sato's government. This hostility was heightened by the "private letter" of Yoshida which gave the assurance to the Nationalist government in Taiwan that the Japanese Import and Export bank would no longer be used to finance Japanese industrial exports to Peking. 38 This "private letter" was produced as a result of protest from Nationalist China when the Kuroshiki Rayon Company of Japan agreed to export a $22 million nylon plant to Communist China, and in August 1963 the Japanese government approved the export under a five-year deferred payment plan.

"Yoshida's letter" gave a series of set-backs to Peking's prestige and interests, and in retaliation in 1965 the Chinese delayed renewal of the L-T Trade arrangement, but permitted the friendly trade to increase.

37 Asahi Shinbun, September 9, 1967, p. 3.
38 Asahi Shinbun, March 6, 1968, p. 7.
Table 2
The Evaluation of the "Friendly Firms" Trade and the L-T Trade in Sino-Japanese Trade
(unit: 1,000 dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume of Trade</th>
<th>Compared to Previous Year (%)</th>
<th>Composition (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Friendly Firm Trade</td>
<td>L-T Trade</td>
<td>Friendly Firm Trade</td>
</tr>
<tr>
<td>1963</td>
<td>73,577</td>
<td>63,439</td>
<td>--</td>
</tr>
<tr>
<td>1964</td>
<td>181,947</td>
<td>128,542</td>
<td>247.3</td>
</tr>
<tr>
<td>1965</td>
<td>285,133</td>
<td>184,608</td>
<td>156.7</td>
</tr>
<tr>
<td>1966</td>
<td>416,329</td>
<td>205,058</td>
<td>146.0</td>
</tr>
<tr>
<td>1967</td>
<td>403,022</td>
<td>154,408</td>
<td>96.8</td>
</tr>
</tbody>
</table>


They also intensified their propaganda campaign against Sato's "Anti-China" policy.

Another reason that Communist China put the priority on "friendly" trade in 1966 and 1967 was that the large firms and industries which joined the L-T Trade were politically uncontrollable, compared with "friendly firms" which engaged in pro-Chinese activities on behalf of Peking. The L-T firms were large and carried on trade on the basis of long-term arrangements with China. They were, therefore, less dependent on China and less susceptible to Chinese political pressure. 39

Since detailed arrangements under the L-T Trade agreement had to be negotiated on a yearly basis, Peking was able to drive a hard bargain.

39 Lee, op. cit., p. 132.
before it signed the annual trade agreement. After the expiration of the five year L-T Trade agreement in 1967, Mainland China refused to sign another long term agreement. Their immediate fury was due to the Sato visit to Taipei in September and to Washington in November 1967. During those visits, Sato referred to the threat posed by Communist China to her neighbors, and Peking attacked this saying that, "Sato's trip to Taiwan was a component part of a big anti-China, anti-Communist, anti-people." Concerning Sato's visit to Washington, Jin Min Jih Pao declared that "the outcry against the threats of China's nuclear weapons is a big conspiracy by the U.S. and Japanese reactionaries."

On March 7, 1968, a memorandum for one year's trade was signed. To secure the new agreement, the Chinese made the Japanese L.D.P. Diet members sign a statement where they recognized Chou's three political principles and they reaffirmed the principle of inseparability of economics and political matters. This reference was specifically intended to rebuke the Japanese government for its policy which continued to permit economic relations with Communist China without granting diplomatic relations. Deputy Vice Minister of Foreign Trade, Liu Hsi-Wen warned at a reception for the returning Japanese delgates that "the escalation of Sato's reactionary foreign policy would generally endanger the future of memorandum trade."

40 Asahi Shinbun, September 9, 1967, p. 3.
41 Peking Review, September 1967, p. 32.
42 Quoted in Peking Review, December 1, 1967, p. 31.
Hereafter anti-Japanese government statements appears in connection with all the trade agreements signed between Japan and Communist China. When the Friendship trade agreement for 1967-1968 was signed, the political statement contained phrases which praised the Cultural Revolution and Mao's thoughts. It also included a statement on a struggle against four common enemies of the Chinese and Japanese people: U.S. imperialism, Soviet revisionism, Japanese reaction, and the Japanese Communist Party.

The Chinese negotiator even stated that "politics is the basis, life and spirit of economics" and suggested that Mao's doctrine should be the foundation of Sino-Japanese trade.45

Communist China fully capitalized on the opportunity to conclude a new trade agreement every year to let the Japanese delegates recognize the Chinese principle of "inseparability of politics and economics" and attack the policy of the Japanese government toward China. In the new agreement signed on April 20, 1970, Communist China showed her fury on the Sato-Nixon Communique signed in November 1969 by adding Chou's fourth principle as a new condition in trading with Japan. Sato acknowledged Japan's commitment to the defence of Taiwan which China feared would lead to a revival of Japanese militarism against China. The essence of Chou's fourth principle was that Communist China would not trade with Japanese firms and companies trading with and assisting Taiwan or South Korea.46 At the end of the new agreement both Communist Chinese and Japanese negotiators agreed that the deterioration of relations between the two countries was created

45 Lee, op. cit., p. 136.
by Sato's government and that the Japanese delegates would make an effort to dispel this obstruction.

The study of the patterns and techniques used throughout the history of Sino-Japanese trade relations shows that Communist China took the initiative and Japan responded. The volume of trade fluctuated according to political events such as: the Nagasaki flag incident, "Yoshida's private letter," Sato's visits to Taiwan and the United States, and the Sato-Nixon Communiques.

The techniques Communist China used varied according to the short-term objectives of Communist China. China appealed to a "broad political spectrum" in Japan through private agreements and exchange of unofficial private delegations. China threatened by way of suspending trade. China demanded and this demand appeared in the form of Chou's four political principles. Finally, China manipulated Japan especially with "friendly trade" and "memorandum trade." In short, trade was used as an instrument of political pressure and it reflected China's political aims.

Sino-Japanese trade went on, despite the fundamental differences in their concepts of the principle of "inseparability of politics and economics" and the principle of "separating economics from politics." It was because they both agreed at one point that principle is principle and reality is reality. They both claimed their own principle, but accepted the reality and compromised. From China's viewpoint, it was an "accumulative" approach for the eventual normalization of relations between the two countries. From Japan's point of view it also was a realistic approach.

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to maximize economic opportunities and minimize political involvement until the right opportunity came for normalization. By adopting and practising the policy of separating economics from politics, Japan looked for a bigger commercial opportunity in the future and also it served as a pipeline between the two big countries in Asia. Furui Yoshimi, who headed the Japanese negotiations for trade negotiations as a member of the L.D.P. had these words to say:

"Trade is the only political pipeline which connects Mainland China and Japan. In the case of Sino-U.S. relations, there is ambassadorial talk at Warsaw. Between Washington, D.C. and Moscow, there is a 'hot-line' connected. Imagine the relations between Japan and Mainland China without this pipeline? This line may be small and narrow, but it has a tremendous political significance for the future."48

Table 3

JAPAN'S TRADE WITH CHINA, 1950-1971

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports to China A</th>
<th>Imports from China B</th>
<th>Totals A + B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>$ 19,633 $0</td>
<td>$ 39,328 $0</td>
<td>$ 58,961 $0</td>
</tr>
<tr>
<td>1951</td>
<td>5,828 29.7</td>
<td>21,606 54.9</td>
<td>27,434 46.5</td>
</tr>
<tr>
<td>1952</td>
<td>599 10.3</td>
<td>14,903 69.0</td>
<td>15,502 56.5</td>
</tr>
<tr>
<td>1953</td>
<td>4,539 757.8</td>
<td>29,700 199.3</td>
<td>34,239 220.9</td>
</tr>
<tr>
<td>1954</td>
<td>19,097 420.7</td>
<td>40,770 137.3</td>
<td>59,869 174.9</td>
</tr>
<tr>
<td>1955</td>
<td>28,547 149.5</td>
<td>80,778 198.1</td>
<td>109,325 182.6</td>
</tr>
<tr>
<td>1956</td>
<td>67,339 235.9</td>
<td>83,647 103.6</td>
<td>150,968 138.1</td>
</tr>
<tr>
<td>1957</td>
<td>60,485 89.8</td>
<td>80,483 96.2</td>
<td>140,968 93.4</td>
</tr>
<tr>
<td>1958</td>
<td>50,600 83.7</td>
<td>54,427 67.6</td>
<td>105,027 74.5</td>
</tr>
<tr>
<td>1959</td>
<td>3,648 7.2</td>
<td>18,917 34.8</td>
<td>22,565 21.5</td>
</tr>
<tr>
<td>1960</td>
<td>2,726 74.7</td>
<td>20,729 109.6</td>
<td>23,455 103.9</td>
</tr>
<tr>
<td>1961</td>
<td>16,639 610.4</td>
<td>30,895 149.0</td>
<td>47,534 142.1</td>
</tr>
<tr>
<td>1962</td>
<td>38,460 231.1</td>
<td>46,020 149.0</td>
<td>84,480 177.7</td>
</tr>
<tr>
<td>1963</td>
<td>62,417 162.3</td>
<td>74,599 162.1</td>
<td>137,016 162.2</td>
</tr>
<tr>
<td>1964</td>
<td>152,739 244.7</td>
<td>157,750 211.5</td>
<td>310,489 226.2</td>
</tr>
<tr>
<td>1965</td>
<td>245,036 160.4</td>
<td>224,705 142.4</td>
<td>469,741 151.3</td>
</tr>
<tr>
<td>1966</td>
<td>315,150 128.6</td>
<td>306,237 136.3</td>
<td>621,387 132.3</td>
</tr>
<tr>
<td>1967</td>
<td>288,294 91.5</td>
<td>269,439 88.0</td>
<td>557,733 89.8</td>
</tr>
<tr>
<td>1968</td>
<td>325,439 122.9</td>
<td>224,185 83.2</td>
<td>549,624 98.5</td>
</tr>
<tr>
<td>1969</td>
<td>390,803 120.1</td>
<td>234,540 104.6</td>
<td>625,343 113.8</td>
</tr>
<tr>
<td>1970</td>
<td>568,878 145.6</td>
<td>253,818 108.2</td>
<td>822,696 131.6</td>
</tr>
<tr>
<td>1971</td>
<td>587,188 101.6</td>
<td>323,172 127.3</td>
<td>901,360 109.5</td>
</tr>
</tbody>
</table>

SOURCE: Asahi Janaru (Customs Division, Ministry of Finance, Japan), September 15, 1972, p. 19.
So far, the policy of "separating economics from politics" has been examined within the frame of international circumstances and how external factors outside Japan, including the attitude of Communist China, affected the Japanese government in pursuing this policy. No less important than external factors are the internal factors which influenced the formation and practice of this policy. It seems of utmost importance to analyze the internal aspect of Japanese politics in this last section.

Apart from trade interests which we observed in section three, the policy of separating economics from politics served mainly two purposes. One was that, to a certain extent, it met the popular demand for improved relations with Communist China, and the other was that it served the need of appeasing the opposition parties in Japan as well as the anti-mainstream factions within the governing Liberal Democratic Party. The former was related to the Japanese people in general and the latter was connected with Japanese internal politics.

Popular demand is a vague expression, but it represents the feeling of the Japanese people. At the bottom of their hearts, they have a feeling of guilt for the past acts of Japan. During eight years of war between 1937 and 1945 the Japanese army killed more than ten million Chinese and caused five billion dollars in war damage. Without the legal termination of war with Mainland China, twenty-seven years have passed, and during these years the Japanese have been somewhat frustrated by the feeling of
need to atone for Japan's past crimes. This feeling in general is well represented by the act of Prime Minister Tanaka when he stated his "profound self-examination for the great troubles Japan inflicted on China" at his first banquet in Peking in September last year.

Besides the feeling of guilt, there also is a feeling of affinity between the Chinese and Japanese, rooted in their common cultural, linguistic and racial background. For the Japanese, China has always stood "inside" and the western nations "outside." "Orientals" and "fellow Asians" are the words often used to describe this kind of affinity. Stemming from this feeling is the sort of moral sympathy toward China. Both Japan and China went through the painful process of modernization; Japan successfully with "Meiji Isshin" and China not so successfully with the "Movement to Westernize" and a large segment of the Japanese intellectuals is sympathetic to the efforts of the Chinese people to modernize their society, even if these efforts are being made under the Communist regime.

It is very difficult to describe this kind of feeling as a "national feeling," but it may be safe to say that the Japanese, in general, tend to be swayed by the "feeling" or the "mood" rather than by sound logical reasoning. This common cultural feeling cut across the political lines and culminated in a popular demand for better relationships with Mainland China. The policy of "separating economics from politics" didn't meet this demand all the way, but a trading relationship was better than

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49 Asahi Shinbun, September 29, 1972, p. 3.
50 A movement to modernize Japan in the era of Emperor Meiji.
no relationship at all. It was short of normal, diplomatic relations, but it provided a relief or comfort that a Japan-China relationship is there if only in the form of trade. The policy of "separating economics from politics" gave them the hope that the policy would eventually end up with the normalization of relations between the two countries. In defending the policy of "separating economics from politics," former Prime Minister Sato said that the principle will not continue forever, and the government is just waiting for the right time for normalization. 52

The impact of the China policy upon Japanese internal politics has always been one of the intense and controversial issues in Japanese politics. The opposition parties sharply opposed the government policy of "separating economics from politics," but the policy also divided the members of the governing Liberal Democratic Party. Before the signing of the agreement for the normalization of diplomatic relations on September 29 of last year, the opposition parties have been constant critics of the policy.

The China policy of opposition parties varied. The policy of the Japan Socialist Party, the major opposition party in Japan, appeared very clearly in its four principles for Sino-Japanese friendly, diplomatic relations which J.S.P. announced after the fifth visit to China by the members of that party in November, 1970. The four principles contained:


2. The party is against the government policy of treating China as an enemy and upholds the view that there is only "One China." It also urges the abrogation of Japan-

Nationalist China Peace Treaty.

3. It accepts the view of the inseparability of politics and economics, and,

4. It has organized a united front to accommodate all the forces which stand for an early agreement to Sino-Japanese diplomatic relations.  

The party also urged the conclusion of a Sino-Japanese non-aggression pact immediately following the normalization of diplomatic relations.

The Japan Democratic Socialist Party, the second major opposition party, is less drastic in opposing the government policy than the J.S.P. It upheld the idea of "One China and One Taiwan" but argued that Peking, not Taipheh, should be regarded as the legitimate government of China. The Nationalist government should be recognized as a temporary government of the area it now controls, and the ultimate status of Taiwan should be determined by the will of the Taiwanese and Mainland Chinese residents on Taiwan. The D.S.P. also urged the government to change its foreign policy that blindly followed the United States and undertake an early conclusion of diplomatic relations with Communist China as a basis for peace in Asia.  

The Japanese Communist Party, the smallest segment of the opposition, in terms of representatives in the Diet (36 seats in the lower house) advocated the immediate abrogation of the peace treaty with Taiwan and immediate restoration of relations with Communist China. This policy, in its apparent form, was similar to that of the J.S.P., but the J.C.P. stood more firmly against the United States' Far-Eastern policy. It also urged

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The "end" of the U.S.-Japan Security Treaty. 55

The impact of these differing views and policies toward Communist China held by the opposition parties upon Japanese government is not very significant, as would be the case in the United States where the major two-party system is practised, but the successive L.D.P. government had to take them into consideration for political stability as well as for the survival of their own party. As far as Japanese-China policy was concerned, the government in pursuing the policy of separating economics from politics has been in the defensive side in the face of those views which came from the opposition parties.

Much more significant than the views and claims of opposition parties is the split of opinions and factions on the China policy among the L.D.P. members. On the China issue, L.D.P. has been divided into a pro-Peking group and a pro-Taiwan group. The pro-Peking group was a combination of about 86 Diet members from both houses and represented by the Asian Africa Study group (Ajiya-Afurika Mondai Kenkyu Kai). The group was led by such members as Fujiyama Aiichiro, Matsumura Kenzo, Furui Yoshimi, and Miki Takeo, the most outspoken critics within the governing party. To them it was unrealistic to recognize Nationalist China as the only legitimate government of China. It is Communist China, after all, which has controlled the mainland with 800 million people since 1949, and it was unnatural that Japan should leave her relations with China in a state of war and follow the "policy of containment." 56 They, therefore, favored the recognition of Peking

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55 Ibid., p. 798.
instead of Taipeh, and pressed for the expansion of trade through the conclusion of an official agreement and not by means of unofficial agreements.

The Pro-Taiwan group, on the other hand, based its claim on the basis that it is with Chiang Kai-shek's government that Japan fought and Japan must be bound by the Sino-Japanese Peace Treaty. Japan also should not forget the generous "favours" which Chiang Kai-shek provided right after the end of the Second World War by returning two million Japanese living in China safely to Japan and not claiming any reparations from Japan. The Pro-Taiwan group was represented by about 161 Diet members who belong to the Asian Problems Study Group (Ajiya Mondai Kenkyu Kai). The group included such senior members of L.D.P. as Kishi Nobusuke, Fukuda Takeo and Ishii Mitsuijiro who have been the chief faction leaders backing Sato. They are the more right-wing conservatives who have pursued an anti-communist line, and they maintained the rigid position that Taiwan should continue to receive recognition as the only legitimate representative of China. They, however, had no objection to trade with Communist China, provided that it did not damage relations with either Taiwan or the United States.

If the claims of pro-Taiwan group, as represented by the government policy of separating economics from politics, are carefully examined, this group did not deny the necessity of eventual normalization of diplomatic relations with Communist China. It only hesitated to betray Japan's friendly allies, the United States and Taiwan. Fukuda, as the foreign minister of Japan under Sato, called Japan's policy toward China "duck diplomacy." "A duck in its appearance doesn't seem to be swimming, but under the surface of water it is paddling constantly."57 He also defended the

57 Mainichi Shinbun, November 20, 1971, p. 4.
government policy saying that "the normalization of diplomatic relations with Communist China is our national task. We are working to achieve this goal, but we should keep our international faith in the process." The split over the China issue among L.D.P. members cut across the main factional divisions and its impact is felt every two years when there is the party presidential contest. Actually, the chief objective of a faction is to obtain Cabinet, Diet and party leadership posts for their members, but China policy is often used as the focal point to improve their position in the inner party leadership contest. Aiming at the presidential election which was held in July last year, anti-main stream factions made a big issue of the China policy of the mainstream. The Dietmen's League for Normalization of Japan-China Relations was formed on October 21, 1970 and this supra-party league included the opposition party members of the J.S.P., D.S.P. and Komeito, as well as 28 L.D.P. members and they severely criticized the China policy of the Sato government. Especially after Communist China was admitted to the United Nations in October 1971, 12 members of the L.D.P. abstained in the non-confidence vote against Fukuda, the foreign minister, along with opposition party members. It was the first time the anti-Sato factions acted out their discontent in not voting for the government, and they included such pro-Peking members as Fujiyama, Utsunomiya and Furui. Miki Takeo was in the forefront of criticising the government when he said "The Prime Minister ignored the opinion of the inner party group" for Japan's

58 Mainichi Shinbun, October 18, 1971, p. 2.

policy toward China. 60

Thus, in Japanese politics, factionalism, policy issues, and vote-getting measures for the party leadership post intermingled together, and the eventual aim of raising the China policy issue was to get the votes for the leadership contest.

It may sound paradoxical that the governing party members such as Fujiyama, Matsumura and Furui, committed to the promotion of trade with Communist China, openly criticized so often the policy of their own party government, but the Sato government was unofficially able to use them for leading to the eventual diplomatic normalization between both countries.

Now that the agreement for the normalization of Sino-Japan relations is signed as of September 29, 1972, the controversial issue of "separating economics from politics" has become a story of the past. Japan recognized the People's Republic of China as the sole legitimate government of China and Japan fully understood and respected the Chinese claim that Taiwan is an "inalienable part" of Chinese territory.

From the policy of separating economics from politics, which was the official policy of Japan between 1952 and 1972, the following conclusions can be drawn.

The chief cause of adopting and pursuing the policy of separating economics from politics stemmed, above anything else, from international circumstances in which Japan found herself as a defeated nation after the Second World War. The opposition voices in Japan criticized the China policy, saying that the policy was based on a fiction that the Nationalist government in Taiwan represented the whole of China.

But from the position of the Japanese government, it was not because the government did not realize the existence and importance of Communist China on the mainland that she did not recognize Communist China. There was not much room for Japan to follow an independent course of action toward China.

The policy of separating economics from politics was based on the reality of international politics and it represented a "wait and see" attitude until the right time for the change came.
The admission of Communist China to the United Nations in 1971, Nixon's visit to China in February, 1972, and the eventual change of the policy of the United Nations gave Japan the opportunity to change her policy and recognize mainland China. In this respect, Japan even jumped ahead of the United States in the normalization of diplomatic relations and Japan now claims that she is ready for "independent diplomacy" in a new era for Asia.

The policy of separating economics and politics allowed Japan to be able to put her one foot on Taiwan and one on China, without hurting any allied countries. Trading relationships with China were possible because China also saw the advantage of maintaining that relationship. Since the agreement on normalization of Sino-Japanese relations, Japan now appears eager to maintain trading relationships with Taiwan, and hence the adoption of the policy of separating economics from politics for the other China. But, that policy toward Taiwan will not cause much controversy in Japanese internal politics as it did toward Communist China. Korea also has to readjust her policy toward North Korea and Communist China according to the changes and shifts of the policies of the United States and Japan. In order to do so, it is very important to evaluate where Korea should stand in the newly established relationship between Japan and Communist China.

Historically, Japan has pursued a Korean policy by which Japan could check the influence of other nations in Korea which threatened Japan. The main cause of the Sino-Japanese war in 1894 and the Russo-Japanese war in 1904 stemmed from Japan's belief that the influence of either China or Russia was the immediate threat to Japan. The Taft-Katsura agreement
in 1905 gave Japan a free hand in Korea, and it opened the way for Japan to proclaim outright annexation in 1910. The Taft-Katsura agreement gave Japan complete domination of Korea and expressed hope for peace in the Far East, but it became the main cause of unrest and war between Japan and China. After the Second World War Korea was divided into two sections along the 38th parallel. Instead of allowing one power to dominate Korea, Korea came under the influence of three big powers, China, the Soviet Union and the United States, and Korea became a focal point in the cold war. The Sato-Nixon Communiqué of 1969 reaffirmed Japan's commitment to Korean defence in Article 4 that said, "the security of the Republic of Korea was essential to Japan's own security."

Thus, Korea in the past has experienced three different waves of influence from the big powers around her, and she now has to find her new role in the changing circumstances of international relations. On one hand, Korea has to face a new Japan that emerged as an economic big power and may start to take the place of the United States as the guarantor of security in non-Communist Asia. On the other hand, Korea also has to accept the reality that Communist China now has a new forum in which to press her views on Korean affairs through her admission to the United Nations.

Situated between these two big powers in Asia, Korea should get over the "cold war consciousness" and halt the policy of unmitigated hostility toward North Korea and Communist China. Korea also should be careful that Japanese economic power in Korea should not turn into political or military power. Communist China has already warned against signs of rising militarism in Japan and any sign of such a move by Japan would invoke

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immediate reaction from Communist China. History in Korea tells the lesson that Korea should not invite one power to chase the other power from the Korean peninsula. This has been Korea's fate since the Sino-Japanese war of 1894-95.

With the normalization of Sino-Japanese relations, Korea also should find her role in pursuing "independent and positive" action in this new relationship. The talks between North and South for the eventual unification of Korea and the new constitution of South Korea which was adopted in 1972 reflect Korea's attempts to adjust herself to this role.
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