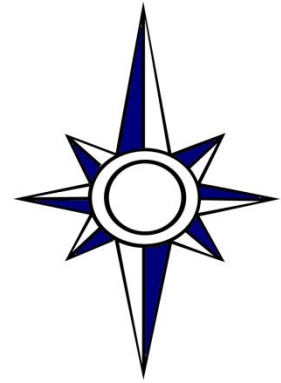


Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



Japan-China Relations: Troubled Waters

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The quarter started well. The Kan government, emphasizing efforts to strengthen economic ties with China, appointed Niwa Uchiro, former president of the trading giant Itochu Corp., as Japan's new ambassador to China. Talks to implement the June 2008 agreement on joint development of the East China Sea began in Tokyo in late July. Prime Minister Kan and all Cabinet members refrained from visiting Yasukuni Shrine on Aug. 15. In early September, Japan began the destruction of chemical weapons left behind in China by the Imperial Army at the end of the war. The quarter, however, ended in controversy. Sparked by the Sept. 7 incident in which a Chinese fishing boat operating near the Senkaku Islands collided with two Japanese Coast Guard ships, relations quickly spiraled downward. The Japanese Coast Guard detained the captain and crew setting off a diplomatic row that led to the Japanese ambassador being called in for a midnight demarche as well as the personal involvement of Premier Wen Jiabao before Japanese prosecutors released the ship's captain on Sept. 24. China's call for compensation and an apology went unanswered as of the end of the quarter.

State of the relationship: public opinion

On Aug. 16, unadjusted GDP figures released by Japan's Cabinet Office revealed that in the April-June quarter China became the world's second largest economy. Though long-anticipated, the changing of places was front page news in Japan. Meanwhile, the Japanese think tank Genron NPO and *The China Daily* released the results of their annual joint survey of public opinion. Genron polled 1,000 Japanese, while *The China Daily* interviewed 1,617 Chinese across five major cities including Beijing and Shanghai. The polling indicated that 72.0 percent of Japanese held an unfavorable image of China, virtually unchanged from 73.2 percent in 2009, while 55.9 percent of Chinese said they had an unfavorable image of Japan, down from 65.2 percent in 2009.

Behind the numbers, Japanese respondents cited Beijing's response to food safety issues as well as China's "apparently self-centered behavior" in efforts to secure natural resources, energy and food as reasons for their unfavorable image. Chinese respondents cited the Sino-Japanese War and Japan's failure to properly recognize its wartime aggression as reasons for their unfavorable image.

* The views expressed in this article are the views of the author alone and do not represent the views or policy of the National Defense University, the Department of Defense, or the U.S. government.

While large majorities in both countries (81.5 percent in Japan and 92.5 percent in China), recognize the relationship as “important,” many said that disputes over territory and marine resources as well as a mutual lack of confidence are obstacles to the development of the relationship. In response to a multiple-choice question, 47 percent of Japanese said they perceive a military threat from China, while 52.7 percent of Chinese held a similar perception of Japan.

At the end of August, the sixth annual Tokyo-Beijing Forum met in Tokyo to discuss “Asia’s Future: Japan and China’s Contribution.” Among those participating were Wang Chen, director of China’s State Council Information Office, Li Zhaoxing, chairman of the Foreign Affairs Committee of China’s National People’s Congress, Chief Cabinet Secretary Sengoku Yoshito and former Prime Minister Fukuda Yasuo. Sengoku told participants that the two countries shared interests in exploring the possibilities for bilateral cooperation in energy, the environment, and disaster relief and that these cooperative efforts are “linked to regional as well as global peace, stability, and prosperity.” Addressing the results of the Genron NPO-*China Daily* survey, Sengoku acknowledged that there is room for improvement in Japanese feelings toward China. China’s Ambassador to Japan Cheng Yonghua called for high-level efforts to strengthen common understanding. Former Minister of Defense and LDP heavyweight Ishiba Shigeru noted that China in the past had been the world’s largest economy and that today it was not unnatural for China to aspire to that position again. Ishiba asked that China take steps to improve its transparency, but noted that it would be a mistake to call China a threat.

Japan’s new ambassador to China

On July 31, Niwa Uchiro, Japan’s new ambassador to China, arrived in Beijing. A former president of Itochu Corp., Niwa is the first private citizen to serve as ambassador to China since the normalization of relations in 1972. Niwa told reporters that he would “like to do my job with patriotism and a pro-China spirit,” and that he would spare no effort to stabilize the peace and livelihood between the two peoples. The new ambassador focused on economic relations between the two countries, including free trade agreement (FTA) negotiations, making the point that Japan should not be left behind in the FTA race among Asian countries and that it is essential that, to the extent possible, the Japan-China FTA should be advanced without delay.

Before departing for Beijing, Niwa, speaking in his individual capacity, ventured into security issues saying that China’s transparency was “increasing but still not sufficient.” He also offered the view that as an economic and military great power, it is essential to recognize that China’s words and actions have significant international impact. Touching on China’s 21 consecutive years of double-digit increase in defense spending, he said that “this perhaps was only natural for a great power.” On the pending negotiations over the East China Sea, he saw the effort as calming the waters, including the South China Sea and, linked to regional as well as global peace and stability.

State of the relationship: Yasukuni Shrine

On Aug. 8, Prime Minister Kan Naoto in a speech at Kumamoto criticized former Prime Minister Koizumi Junichiro for his visits to the Yasukuni Shrine, asserting that such visits had led to

stagnation in high-level political contacts between Japan and its Asian neighbors. Earlier, on Aug. 6, Foreign Minister Okada Katsuya told reporters that he would not pay homage at the shrine and on Aug. 15 Prime Minister Kan, all 17 Cabinet members of his government, and all top political appointees stayed away from Yasukuni. In advance of the 100th anniversary of Japan's annexation of Korea, Kan issued a statement expressing Japan's remorse and reflection. The *Yomiuri Shimbun* reported that the Chinese government refrained from commenting on the statement, but that China's dailies did carry the news under the headline "Japan's Apology, Some Asking Only Korea?" However, a supra-partisan delegation of 41 Diet members, including Liberal Democratic Party (LDP) President Tanigaki Sadakazu, LDP Secretary General Oshima Tadanori and former Prime Minister Abe Shinzo and Tokyo Gov. Ishihara Shintaro, did pay homage at the shrine.

During the run-up to the DPJ presidential election, Ozawa Ichiro told reporters that the original intent of the shrine was to honor those who had died fighting in Japan's wars and went on to point out that the Class A war criminals enshrined at Yasukuni failed to meet that qualification. Were the shrine to revert to its original intent, foreign leaders would have no grounds for criticizing visits to Yasukuni by Japan's prime ministers.

Security

In late June, Japanese media carried reports of People's Liberation Army (PLA) Navy exercises, including live-fire drills scheduled to run from June 30 through July 5. A Chinese source told the *Asahi Shimbun* that the exercises were to counter the planned US-ROK naval exercises. On July 3, two PLA warships, a guided missile destroyer and a frigate, transited in international waters between Okinawa's main island and Miyakojima. Throughout the quarter, Japanese media paid close attention to the PLA Navy, and both Chinese and US naval exercises in the East China Sea, the Yellow Sea, and the South China Sea as shown by the following reports:

- July 29 *Mainichi Shimbun*: reported with the caption "SDF Going Out to the Open Sea; Expanding Operations; Keeping an Eye on China";
- Aug. 2 *Yomiuri Shimbun*: reported on late-July PLA Navy live-fire exercises in the South China Sea carried out in advance of the ASEAN Regional Forum meeting in Hanoi and aimed at "checking" the US and ASEAN;
- Aug. 11 *Asahi Shimbun*: reported on the front page with aerial photographs the construction of land-based runways from which the PLA Air Force could practice aircraft carrier takeoffs and landings;
- Aug. 17 *Asahi Shimbun*: interviewed former US Joint Chiefs of Staff Chairman Richard Myers who observed that "China is beginning to become a major military power";
- Aug. 18. *Yomiuri Shimbun*: reported with the caption "Concerns over China's Military Expanding Blue Water Activities," including a map of first and second island chains and a summary of the US Department of Defense report on China's military;

- Aug. 19 *Yomiuri Shimbun*: reported, with photograph, Ground Self-Defense Force (GSDF) exercises aimed at landings on Japan's "distant" islands, in particular in the southwest (Senkaku) Islands, described as areas of increasing Chinese activity;
- Aug. 25 *Asahi Shimbun*: referenced US Pacific Command (PACOM) Commander Adm. Robert Willard's remarks on China's Anti-Ship Ballistic Missile (ASBM) capability and its anti-access naval strategy.

In late July, the Advisory Council on National Security and Defense Capabilities in the New Era, chaired by Sato Shigetaka CEO of the Keihan Electric Co., submitted its report to the prime minister's office. The report found the Cold War posture of basic defense capability no longer appropriate for the current security environment and called for a defense posture capable of dealing with terrorist attacks on domestic facilities, cyber-attacks on government entities, and multiple emergencies, including the Korean Peninsula, the Taiwan Strait, and "limited small-scale invasions." The panel recommended that the SDF shift from a balanced deployment pattern across the country to one that focuses on Okinawa and the Southwest Islands.

The report also recommended that collective self-defense be reinterpreted to authorize interception of missiles targeted at the US and that SDF training should include such contingencies. Easing the principles on arms exports to allow Japanese companies to participate in international development and production projects were also recommended. However, on Aug. 8, Prime Minister Kan told the Upper House Budget Committee that his government did not intend to revise the present constitutional interpretation on the exercise of the right of collective self-defense or alter the ban on arms exports and would continue to uphold Japan's three nonnuclear principles.

Earlier, on July 24, the *Sankei Shimbun* reported that the Ministry of Defense had decided to call for an increase in submarine strength from the present 18 to 20 vessels in the National Defense Program (NDP) due to be submitted by the end of the year. The build-up of submarine forces would be the first since the NDP was initially submitted in 1976. In its report, the *Sankei* also called attention to the increasing capabilities and activity of the PLA Navy. In August, the *Yomiuri Shimbun* reported that the Maritime Self-Defense Force (MSDF), in addition to the proposed increase in the submarine fleet, will submit a budget request calling for the construction of an estimated 20 surveillance ships and that the GSDF intends to submit a budget request that will support deployments to Okinawa and Yonagumi Island. The story noted that the increases were aimed at deterring Chinese naval activities.

On Sept. 10, the Cabinet approved the Ministry of Defense White Paper – 2010 Defense of Japan. It cited China's lack of transparency, rapid growth and modernization of the PLA, and the expansion of its military activities from the East China Sea to the Pacific Ocean as "causes of concern" for "the region and the international community" that required "careful analysis."

Senkaku Islands and the EEZ

On July 13, the Kan government adopted a basic program to implement the recently passed law covering Japan's distant islands. The law, which took effect on June 24, designated the distant

islands as a base point from which Japan's Economic Exclusive Zone (EEZ) is calculated and provides for measures to protect against erosion and the construction of commercial port facilities on Okinotorishima and Minamitorishima, both designated as bases of operations in the preservation of national territory. Earlier, on July 3, the Ministry of Land, Infrastructure, Transport and Tourism announced that plans to rebuild the 20-year-old concrete bulwarks around Okinotorishima are being developed.

On Sept. 7, a Chinese fishing trawler collided with the two Japanese Coast Guard ships north of one of the Senkaku Islands within Japan's claimed EEZ. After contact, the Chinese ship attempted to flee. Coast Guard ships pursued and Coast Guard personnel boarded the trawler for inspection. That evening Chief Cabinet Secretary Sengoku and senior officials from the Foreign Ministry and Coast Guard met to develop a response. Saiki Akitaka, director general of the Asian and Oceanic Affairs Bureau, telephoned Ambassador Cheng Yonghua to protest the actions of the Chinese ship.

In Beijing, the Foreign Ministry's spokesperson Jiang Yu told the media that China was "seriously concerned over the Japanese action" and had "made solemn representations with Japan." Jiang reiterated China's historic claim to sovereignty over the area and demanded that Japan's Coast Guard refrain from taking so-called "law-enforcement activities" in Chinese waters. On Sept. 8, China's Assistant Foreign Minister Hu Zhengyue called Ambassador Niwa to protest Japan's action and demand the release of the ship's captain and crew and assurances of the ship's safety. At the same time, 30-40 Chinese protestors appeared in front of the Japanese embassy and demanded an apology. The incident was headlined in China's newspapers. The next day *Xinhua* reported Vice Foreign Minister Song Tao had called in Ambassador Niwa and urged Japan to stop the "illegal interception" of Chinese fishing ships.

Prime Minister Kan took the position that since Japan's actions were based on Japanese law and strictly correct, Japan's response would continue. Chief Cabinet Secretary Sengoku noted that Chinese fishing activities within Japanese waters are increasing and the government would deal with the incident "fair-and-square in accordance with the law." The government would handle the incident "calmly" in a way that it "does not get over-heated."

On Sept. 10, the Coast Guard handed over the Chinese captain of the fishing boat, Zhan Qixiong, to prosecutors for further investigation and a decision on indictment for obstructing the Coast Guard in the execution of its duties. The Coast Guard also released statistics that showed a significant increase of Chinese fishing activity in the area of the Senkaku Islands, including one case in which close to 70 Chinese ships were confirmed as fishing illegally in waters near the islands. Meanwhile, Foreign Minister Okada told a press conference that it was "extremely regrettable" to find that the Chinese media were portraying the Japanese Coast Guard as the cause of the incident. This, he noted, was contrary to the facts and hoped Beijing would deal with the matter in a calm manner, making clear that he did not want to escalate the incident.

In Beijing, on Sept. 9, Foreign Ministry spokesperson Jiang Yu told reporters that China had dispatched "a fishery law-enforcement ship to relevant waters to conduct Fishery Administration activities according to Chinese law with an aim to safeguard fishery production as well as the safety of Chinese fishermen's lives and property."

Jiang reiterated China's historic claim to the islands and went on to say that "it is absurd and invalid that Japan applies its domestic law to Chinese fishing boats working in those waters and absolutely unacceptable to China." She called for the immediate release of the captain, crew, and the boat in order "to avoid further escalation." The spokesperson pointed to the "highly sensitive" nature of territorial and sovereignty issues and cautioned that "improper handling will have a serious impact on the overall interest of China-Japan relations. Japan should have a clear understanding of that." The next day China's Foreign Minister Yang called in Ambassador Niwa for a third time since the Sept. 7 incident. Japanese embassy sources said that Yang had reiterated China's position on sovereignty and again called for the release of the captain and the ship. On Sept. 10, Yang again called Niwa to the Foreign Ministry to protest Japanese actions.

Stepping up diplomatic pressure on Tokyo, State Councilor Dai Bingguo, at midnight Sept. 11, called in Ambassador Niwa for a meeting that lasted 45 minutes, according to Japanese embassy sources. Dai urged Japan "not to make a wrong judgment on the situation" but to "make a wise political resolution" and immediately release the crew and ship. Niwa reiterated Japan's position that the Chinese ship had acted to obstruct Japanese authorities from carrying out their official duties, while illegally fishing in Japanese waters; Japan would "solemnly handle the case in strict accordance with domestic law." The ambassador asked China to deal with issue "calmly and carefully" so as to sustain "strategic relations of mutual benefit."

Japanese authorities released 14 crewmen of the fishing ship as well as the ship itself on Sept. 13, while continuing to detain Captain Zhan. The crew arrived in Fuzhou later that day. China's netizens hailed the release as a diplomatic victory.

Also on Sept. 13, the Chinese embassy in Tokyo informed the secretariat of the Lower House that the scheduled five-day visit of Li Jianguo, vice chairman of the Standing Committee of the National People's Congress would, for "various reasons" not take place. Chief Cabinet Secretary Senkoku found the decision "extremely regrettable." Given present tensions, he thought it all the more reason for parliamentarians "to meet and engage in frank discussions away from the level of the central governments." Sengoku also intimated that, unlike 2009, a Japan-China summit would not take place this year at the UN General Assembly (UNGA).

On Sept. 14, Assistant Foreign Minister Liu Zhenmin again called in the Japanese ambassador to demand the release of the ship's captain and on Sept. 19 Vice Foreign Minister Wang Guangya took his turn with the ambassador. Meanwhile in Japan, the Ishigaki court on Sept. 20 decided to extend the detention of Captain Zhan through Sept. 29. Beijing's response was to demand his immediate release, making the point that "if Japan acts willfully, making mistake after mistake, China will take strong countermeasures and all the consequences will be borne by the Japanese side." On Sept. 21, Beijing ruled out a Wen-Kan get together at the UNGA in New York City, observing the present environment was not "appropriate" for a meeting.

In New York on Sept. 22, Premier Wen, in a speech to a gathering of Chinese nationals and Chinese-Americans, raised the political stakes when he criticized Japan for arresting the Chinese captain, finding Japanese actions "completely illegal and unreasonable." He "strongly urged the Japanese side to release the captain immediately and unconditionally." Wen continued: "If the

Japanese side insists on acting arbitrarily, the Chinese side will take new action. Japan will have to take all the responsibility for the serious consequences.” In Tokyo, Chief Cabinet Secretary Sengoku called for high-level talks at the earliest opportunity to resolve the issue. Asked if he heard Chinese media reports of Wen’s remarks, he said he was aware of the reports but had yet to confirm them. In a reply to Sengoku, China’s Foreign Ministry released a statement rejecting a high-level meeting and adding “Japan’s sneaky excuses are futile.”

At the UNGA, Foreign Minister Maehara met Secretary of State Clinton on Sept. 23. Clinton used the occasion to reaffirm that the US-Japan Security Treaty covered the Senkaku islands.

On Sept. 24, the Naha Prosecutor’s Office announced the release of Captain Zhan. At a press conference, Deputy Prosecutor Suzuki Taro told reporters that it was “inappropriate to detain any longer and continue investigations.” He explained that the decision was reached based on “considerations about the Japan-China relationship.” In Tokyo, Chief Cabinet Secretary Sengoku said that the decision to release Zhan was taken independently by the local prosecutors, while denying any influence on the part of the Kan government. Sengoku explained that he “understood that the prosecutors reached the decision based on criminal law.”

Shortly after Zhan’s release, China’s Foreign Ministry demanded an apology and compensation from Japan for its “illegal detention” of the captain. The statement, released on Sept. 25, said that “Japan’s detention, investigation or any other form of judiciary measures are unlawful and invalid...infringed on China’s territorial sovereignty ... and violated the human rights” of the Chinese people.

In Tokyo, Foreign Ministry spokesperson Sato Satoru found China’s action “groundless” and “totally unacceptable.” The following day, Prime Minister Kan announced that he had “no intention at all “of apologizing or paying compensation.” The Senkakus, he noted, “are an integral part of Japanese territory.” Kan said that the prosecutor had made his decision based on domestic law, while “thinking about the nature of the incident comprehensively.” Chief Cabinet Secretary Sengoku took a similar line and then went on to say that he believed that “we are at the stage of enhancing our strategic and mutually beneficial relationship with China.” However, he emphasized “at this point, the ball is in their court.”

Meanwhile, outside the diplomatic arena:

- The Japanese embassy in Beijing issued a caution to the Japanese community to be sensitive to the possibility of anti-Japanese demonstrations and Chinese nationalism in the context of the Sept. 18 anniversary of the Manchurian Incident; demonstrations did take place at the embassy and Japanese consulates in Shanghai and Shenyang but under police control; no injuries or property damage was reported;
- At the request of Beijing’s Public Security, authorities at the Japanese school in Beijing postponed its sports day scheduled for Sept. 18;
- In addition to the demonstrations outside the embassy, a beer bottle was thrown at the wall of the consulate in Guangzhou;

- Metal pachinko balls were thrown into the Japanese school in Taijin;
- Chinese activists in Hong Kong jostled with police in front of the Japanese consulate, while a ship with 2 Taiwanese activists entered Japan's EEZ on Sept. 13 and returned to Taiwan the next day;
- At the request of Chinese authorities, a delegation of Japanese university students cancelled their planned visit to the Shanghai expo;
- Land, Transport, Infrastructure, and Tourism Minister Mabuchi declined a request for a courtesy call by Zhang Xilong, deputy chief of China's Tourism Administration, who was attending an APEC meeting in Nara. Zhang returned the favor by not attending the Mabuchi-sponsored reception, and, at a post-conference meeting with reporters put the responsibility for the incident squarely on Japan;
- In response to the extended detention of Captain Zhan, Beijing suspended ministerial and high-level exchanges with Tokyo;
- Organizers of a Shanghai concert by the Japanese pop group SMAP announced postponement of the Oct. 10 event;
- Ceremonies marking the 20th anniversary of Fudan University's Japan Research Center, scheduled for Sept. 26, were postponed on Sept. 23;
- Representatives of China's tourist industry were reported as being asked by government officials to exercise restraint in organizing and publicizing tours to Japan;
- On Sept. 22, the organizing committee of the Asian Environmental Forum meeting announced that China's ambassador would not be making his scheduled address;
- On Sept. 22, Japan's National Governor's Conference announced that the Japan-China Governors conference scheduled to meet in Tokyo on Oct. 28 would be postponed as a result of a communication from China's Foreign Ministry.

East China Sea

On July 27, negotiations to implement the June 2008 agreement on joint development of natural resources in the East China Sea began at the Foreign Ministry in Tokyo. The Japanese team was led by Saiki Akitaka, director general of the Bureau of Asian and Oceanic Affairs, and Ishida Toru, director general of the Natural Resources and Energy Agency; the Chinese team was led by Ning Fukui, director general of the Bureau for Boundary and Ocean Affairs. Before the meeting, Prime Minister Kan told reporters that he hoped the talks would result in the East China Sea becoming a "sea of fraternity." Foreign Minister Okada said that he was deeply moved that the long-sought negotiations had actually begun. However, a senior Japanese Foreign Ministry source told the *Nikkei Shimbun* that he was not optimistic about an early conclusion of the

negotiations. Another senior unidentified Foreign Ministry official involved in Japan-China relations told the *Sankei Shimbun* that “In no time, the East China Sea will become China’s ‘core interest’ like the South China Sea.” He went on to say that “China is now a ‘military expansion’ concern for more than the United States.”

On Sept. 11, China’s Foreign Ministry, citing Japan’s “so-called legal actions” in the arrest of the captain of the Chinese fishing boat by Japanese authorities, announced postponement of the scheduled mid-September round of negotiations on the East China Sea. *Xinhua* quoted Foreign Ministry Spokesperson Jiang Yu as saying “The Japanese side has ignored China’s repeated solemn representations and firm opposition and obstinately put the Chinese captain under arrest.” Jiang warned, “Japan ... will reap as it has sown, if it continues to act recklessly.”

On Sept. 16, Foreign Ministry sources in Tokyo revealed that a Japan Air Self-Defense Force (JASDF) *P3C* had observed drilling equipment being transported to China’s offshore platform in the Chunxiao (Shirakaba) gas field. Foreign Minister Okada told reporters that drilling activities had not been observed and that, in reply to a Japanese government inquiry, Beijing had informed Tokyo that what had been observed were actions to repair the platform. Okada, however, made the point that if drilling activities were to begin, the actions would violate China’s commitments. On the evening of Sept. 17, newly appointed Foreign Minister Maehara Seiji told reporters that, if drilling activities were confirmed, Japan would take “appropriate actions.” Unidentified Foreign Ministry sources speculated that China had acted to increase pressure on Japan to release Captain Zhan, who was arrested in the fishing boat incident.

Meanwhile, in Beijing, Foreign Ministry spokesperson Jiang Yu told the media that China had “full sovereign rights and jurisdiction” over the gas field and that its activities were “reasonable and legitimate.” Jiang also confirmed that China had sent Fishery Administration ships into the East China Sea to protect Chinese fishermen and to “strengthen law-enforcement activities in our relevant waters to safeguard China’s maritime rights and interests.”

On Sept. 18, Prime Minister Kan met Foreign Minister Maehara, Chief Cabinet Secretary Sengoku and senior Foreign Ministry officials at his official residence to discuss actions Japan could take if China began drilling in the Chunxiao field. The Japanese media reported that a plan for Japan to conduct its own drilling near the Chinese facility was under consideration.

Business and economics: rare earth

In early August, the *Asahi Shimbun* reported that Beijing in July had decided on a 40 percent cut in its export of rare earth metals, which are essential to the production of hybrid cars and domestic electronics. News of the decision led to a 30 percent spike in the price of the metals.

On Aug. 18, Kondo Yosuke, parliamentary secretary of the Ministry of Economy Trade and Industry traveled to Beijing to meet with Ministry of Commerce officials in an attempt to maintain exports at 2009 levels. Kondo’s efforts proved unavailing, with Chinese authorities citing environmental issues in the mining of the metals as well as the fact that the 2009 export target had not been fully used. Accordingly, the Chinese officials explained that even at this year’s lower level of exports, there would be no reason for concern.

Ten days later, Foreign Minister Okada traveled to Beijing to attend the High-Level Economic Dialogue on Aug. 28-29. Okada, however, failed in efforts to reach an agreement that would increase China's export volume of rare earth metals. Premier Wen Jiabao said that restrictions on exports had been adopted to avoid overexploitation and extended to China's own domestic industries, asking for Japan's understanding, while, at the same time, assuring Okada that that China would not suspend exports.

A Keidanren delegation led by Chairman Yonekura Hiromasa meeting Vice Premier Li Keqiang on Sept. 8 had no better luck with its efforts to persuade China to increase the exports of rare earth metals. Li read from the same talking points used by Wen, citing overexploitation, environmental concerns, and the need to avoid uncontrolled development as the reasons to maintain the present level of exports.

On Sept. 23, as the fishing boat controversy continued to escalate, the *New York Times* reported that industry sources had obtained information that China was moving to cut rare earth metal exports to Japan in an effort to increase pressure on Japanese industry and in turn the Kan government for a resolution of the issue. China's Ministry of Trade denied the reports.

Outlook: The final quarter of 2010 will be an exercise in picking up the pieces of the ship incident. Repairing the damage will not be an easy task.

Chronology of Japan-China Relations July - September 2010

July 1, 2010: China welcomes Japan's easing of visa requirements for individual Chinese citizens visiting Japan.

July 3, 2010: Ministry of Land, Infrastructure Transport and Tourism announces plans to reinforce breakwaters around Okinotorishima.

July 3, 2010: Two People's Liberation Army (PLA) warships transit between Okinawa and Miyakojima in international waters.

July 9, 2010: Toyota Motors says it is open to pay increases for Chinese workers and announces plans to expand production in China. Honda Motors announces plans to increase production by 28 percent in the second half of 2012. Auto parts maker Denso announces plans to expand capacity in China.

July 13, 2010: Kan government adopts basic program covering Japan's distant islands.

July 13, 2010: Japanese police authorities visit China and meet Public Security officials in connection with the January 2008 *gyoza* poisoning incident – their third visit to China and first since the March 2010 arrest of the Chinese suspect.

July 16, 2010: Strike hits Honda factory in Foshan, China.

July 20, 2010: Maritime Self-Defense Force (MSDF) Chief of Staff Akahoshi Keiji announces MSDF training fleet will make a port call in Tsingtao in mid-October.

July 20, 2010: Chief Cabinet Secretary Sengoku Yoshito informs reporters that the Kan government has decided on a comprehensive policy, including legislation, to secure remains of Japanese soldiers who died in China and Southeast Asia.

July 27, 2010: Negotiations to implement the June 2008 agreement on joint development in the East China Sea begin in Tokyo.

July 27, 2010: Chinese authorities announce July 17 arrest of three Japanese nationals for possession of amphetamines.

July 30, 2010: Japan Tourism Agency announces 5 to 6 fold increase in Chinese visitors in July 2010 over 2009.

July 31, 2010: Japan's new ambassador to China, Niwa Uchiro, arrives in Beijing.

Aug. 5, 2010: Honda Motors reports 12 percent increase to 56,688 vehicles sold in China in July 2010 over July 2009; Toyota reports an increase of 1 percent to 64,200 vehicles.

Aug. 8, 2010: Prime Minister Kan Naoto in speech in Kumamoto blames Koizumi visits to Yasukuni for downturn in Japan's relations with its Asian neighbors

Aug. 15, 2010: Prime minister and Cabinet members refrain from visiting Yasukuni shrine; 41 Diet members along with LDP Secretary General Tanigaki, former Prime Minister Abe and Tokyo governor Ishihara do pay homage at the shrine

Aug. 16, 2010: GDP figures for April-June quarter reveal that China is now world's second largest economy surpassing Japan.

Aug. 19, 2010: METI Parliamentary Secretary Kondo Yosuke tells reporters that Japan has asked China not to reduce export of rare earth minerals.

Aug. 27, 2010: Council on National Security and Defense Capabilities submits report to Prime Minister Kan.

Aug. 29, 2010: Foreign Minister Okada meets Foreign Minister Wang Jiechi in Beijing; discussion focuses on Six-Party Talks.

Aug. 31, 2010: Foreign Minister Okada meets Wu Dawei, China's special representative to the Six-Party Talks; Okada reiterates caution on resumption of Six-Party Talks.

Sept. 2, 2010: Senior Vice Minister of the Cabinet Office Hiroka Hideo announces that Japan has begun destruction of chemical weapons abandoned in China by the Imperial Army.

Sept. 7, 2010: Chinese fishing boat collides with Japanese Coast Guard ship in waters around Senkaku islands; captain, crew, and ship are detained.

Sept. 8, 2010: Japan's Ambassador Niwa is called to Chinese Foreign Ministry; China demands release of captain, crew, and the fishing boat being held by Japan.

Sept. 9, 2010: Ambassador Niwa is called to Chinese Foreign Ministry; China demands release of captain, crew, and fishing boat.

Sept. 10, 2010: Japanese Coast Guard hands over captain of Chinese fishing ship to prosecutors for possible indictment for obstructing Coast Guard in exercise of its duties.

Sept. 10, 2010: Foreign Minister Yang calls in Ambassador Niwa to demand release of captain, crew, and ship.

Sept. 10, 2010: Japanese Cabinet approves 2010 Defense White Paper.

Sept. 11, 2010: China's Foreign Ministry, citing the fishing boat incident, announces postponement of East China Sea negotiations.

Sept. 11, 2010: Okinawa officials approve prosecutor's request for detention of captain of Chinese fishing ship.

Sept. 11, 2010: Narita District Immigration Office reports the number of Chinese visitors entering Japan at Narita Airport from July through the end of August came to approximately 106,000 an increase of 1.8 times over 2009.

Sept. 11, 2010: State Councilor Dai Bingguo calls Ambassador Niwa for midnight meeting to protest Japanese actions and demand release of captain, crew, and boat.

Sept 11, 2010: Chinese surveillance ship approaches Japanese research ship on eastern side of Japan's claimed mid-line boundary; demands research activities be halted; Japan protests through diplomatic channels

Sept. 13, 2010: China cancels planned 5-day visit to Japan of vice chairman of Standing Committee of National People's Congress

Sept. 13, 2010: Japanese authorities release crew and ship.

Sept. 14, 2010: Ambassador Niwa called to Chinese Foreign Ministry; China's demands release of ship's captain.

Sept. 16, 2010: Japanese Foreign Ministry reveals that a Japan Air Self-Defense Force *P-3C* observed drilling equipment being transported to China's drilling platform in Chunxiao (Shirakaba) natural gas field.

Sept. 16, 2010: Minister of Land and Transport Maehara Seiji visits Japan's Coast Guard station in Ishigaki in connection with Chinese fishing boat incident; praises Coast Guard actions.

Sept. 17, 2010: Prime Minister Kan appoints Maehara as foreign minister.

Sept. 17, 2010: Foreign Minister Maehara warns that Japan will take appropriate actions if drilling activities are observed at the Chunxiao (Shirakaba) natural gas field.

Sept. 18, 2010: Prime Minister Kan and Cabinet officials discuss responses to Chinese actions in Chunxiao (Shirakaba).

Sept. 19, 2010: Ambassador Niwa called to Chinese Foreign Ministry; China's demands release of ship's captain.

Sept. 20, 2010: Ishigaki court extends detention of Chinese captain through September 29.

Sept. 20, 2010: China detains four Japanese nationals employed by Fujita Construction for entering a restricted military area without permission in Shijiazhuang, Hebei Province.

Sept. 21, 2010: China rules out Wen-Kan meeting during UNGA in New York.

Sept. 22, 2010: Premier Wen in speech in New York demands release of ship's captain.

Sept. 22, 2010: China's releases 2010 Diplomatic White Paper; devotes an entire chapter to China's borders and maritime rights.

Sept. 22, 2010: Japan's National Governors Conference announces postponement of Japan-China Governors Forum scheduled for Oct. 28.

Sept. 23, 2010: Secretary of State Hillary Clinton affirms that the US-Japan Security Treaty extends to Senkaku islands; Secretary of Defense Robert Gates and Chairman of the Joint Chiefs of Staff Adm. Mike Mullen make similar statements.

Sept. 23, 2010: Following APEC forum on tourism in Nara, Zhang Xilong blames Japan for fishing boat incident; warns of downturn in Chinese tourists to Japan.

Sept. 24, 2010: Ishigaki prosecutors announce release of Chinese captain; further investigation deemed "inappropriate."

Sept. 25, 2010: Japanese diplomat meets four detained Japanese nationals in Shijiazhuang, Hebei Province

- Sept. 25, 2010:** Beijing calls for an apology from Japan over fishing boat incident;
- Sept. 26, 2010:** Prime Minister Kan refuses to apologize to China for the fishing boat incident
- Sept. 26, 2010:** Japanese embassy requests early resolution of four detained Fujita employees.
- Sept. 27, 2010:** Chief Cabinet Secretary Sengoku suggests that China pay for repair of Japanese Coast Guard ship; says China is responsible for putting relationship back on track.
- Sept. 27, 2010:** Japan National Tourist Organization announces that the number of Chinese visitors to Japan hit 1.04 million January to August, topping the 1.01 million for all of 2009.
- Sept.28, 2010:** Jiang Yu tells media that China highly values the Japan relationship but repairing relations will require the two countries to meet halfway and will require Japan to take “candid and practical actions.”
- Sept. 28, 2010:** Japanese are arrested for throwing flare at the Chinese Consulate in Fukuoka.
- Sept. 29, 2010:** Ten Chinese ships sited in waters near the Chunxiao (Shirakaba) gas field.
- Sept. 29, 2010:** Trading companies report China’s export of rare earth metals has resumed.
- Sept. 30, 2010:** China releases three of four detained Fujita Construction employees.