

Looking Back and Looking Forward

By Koichi Fukuhara

Japan accounts for a quarter of China's external trade and extends numerous forms of cooperation, including government loans, to its giant neighbor. Present Sino-Japanese relations are said to be the best in their 2,000-year history. But while no serious problems remain outstanding between the two countries, one must not forget the passion and leadership with which many Japanese business leaders have worked to make Japan-China relations what they are today. Five of these men discuss the outlook for the future of Sino-Japanese ties.

Kaheita Okazaki [Standing adviser of the Japan-China Economic Association and former president of All Nippon Airways]

Okazaki has taken an interest in China and things Chinese since he befriended a Chinese student during his school days. While dealing with the Chinese as an official with the Japanese Embassy in Beijing immediately after World War II, he reaffirmed his belief that the Chinese are friends of Japan in Asia. Through meetings with then-premier Zhou Enlai, Okazaki also came to believe in friendship with the Chinese Communists, whom he found fundamentally different from the Russians. In the difficult period preceding the normalization of Sino-Japanese diplomatic relations, he devoted himself to developing ties as a representative of the so-called Memorandum Trade Office, the forerunner of Japan's embassy in the People's Republic.

"A nation's economy as it develops must be open both at home and in the world at large. Japan, China and Korea should not

only be partners, but should be aware that they make up an open economic region headed for economic integration.

It was only natural that Japan help China in the Baoshan steel mill project. There was no place in Japan to build such a mill. Only by this kind of undertaking can Japan find a way to survive in the future. Despite this, Japan was only worried about China's ability to repay its loans. Japan's behavior when the Chinese economy was badly off track and business talks with China came to a halt was particularly bad. It's a pity that Japan did not take a more neighborly attitude and work with China to help it get back on course.

China seems to be moving to make better use of highly productive private resources rather than state-run enterprises. It will be a tough job for China to change structures left over from the old feudal bureaucracy. But the country remains rich in resources despite delays in its modernization. It has raw materials and purchasing power. So some 30 years hence, China will wield the world's supreme economic power."



Yoshihiro Inayama [President of the Federation of Economic Organizations (Keidanren), adviser to the Japan-China Economic Association, and former president of Nippon Steel Corp.]

In March 1958, Inayama visited China as the head of a steel industry mission and concluded a five-year steel accord

which provided for bartering Japanese steel products for Chinese coking coal and iron ore. In August 1972, he headed a businessmen's mission to China on the eve of the normalization of diplomatic relations. Inayama has consistently contributed to the overall, long-term expansion of trade between the two countries. He led Nippon Steel in helping China build the Wuhan steel mill (contracted in 1974) and the Baoshan steel mill (contracted in 1978). This massive effort by Nippon Steel with China was a model of economic and technological cooperation.

"While Zhou Enlai was alive, China laid the foundation for economic development through normalizing diplomatic ties with Japan. Even during the time of the so-called Gang of Four, the worst could be prevented, and the country's political foundation became if anything firmer. Deng Xiaoping inherited the Zhou line, realizing that China could learn from economic development in free countries even while retaining a Marxist government.

China first introduced technological innovation and the piece-work payment system in agriculture, quickly enriching its villages and enabling the country to invest in industry. Most developing countries tend to think first of building steel mills or bridges. But China turned to agriculture, a great decision indeed. In addition, China has no accumulated debts and holds \$15 billion in foreign exchange. When major projects failed, the Chinese did not hesitate to put them right. In the case of the Baoshan steel mill, China delayed conclusion of a contract with us and dealt us a damage.



Kaheita Okazaki

Yoshihiro Inayama

Saburo Okita

Den Kawakatsu

Yaeji Watanabe

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It is because of such corrective action that China has avoided the burden of accumulated debts.

I believe the potential for China's development is enormous. It won't be accomplished in one fell swoop, but slowly through a succession of corrective readjustments. Japan should look ahead, visualize China's possible development, and plan its own actions accordingly, taking care not to swarm too hastily into China."

Saburo Okita [President of the International University of Japan and former foreign minister]

Okita was born and went to school in Dalian, China. Before the war, he worked as an engineer at the Beijing Office of the Asian Development Agency, a prewar Japanese government organ founded to coordinate Japan's China policy. In January 1979, at the recommendation of Yoshihiro Inayama, he again visited China to introduce Japan's postwar economic development experience to Chinese officials. Since then, Okita has presided over the Japan-China Economic Knowledge Exchange Association, a forum for periodic exchanges with Chinese economists. As foreign minister, he accompanied then-Prime Minister Masayoshi Ohira to China in late 1979. In February 1981, Okita represented the Japanese government during negotiations with China on the problem of suspended business talks.

"From 1980 to 1983 the Chinese economy grew at an annual rate of about 10%. This growth rate is unusually high, but I think the Chinese economy will continue to expand at least 5-6% annually for considerably longer. Deng's avowed goal of more than quadrupling production by 2000 stands a pretty good chance of success.

China's present per-capita income of \$300 a year is only a thirtieth of Japan's, but if China steadily develops its economy and increases its purchasing power, then the Japanese economy too stands to gain.

China is worried about last year's \$2 billion trade deficit with Japan. Japan should boost imports from China as much as possible. China is also unhappy about the progress of Japanese investment in China, which, it says, accounts for only an eighth of total investment compared with Japan's one-quarter share of China's external trade. While Japanese enterprises are cautious about in-

vesting overseas, Japan is offering official aid in substantial sums. Such low-interest and long-term funds are used for railways, harbors and hydraulic power generation."

Den Kawakatsu [Chairman of Nankai Railroad Co. and vice-president of the Japan-China Economic Association]

In 1953, the Japanese Diet (parliament) passed a suprapartisan resolution calling for the promotion of trade with China and dispatched a parliamentary delegation to the country.

Kawakatsu joined this mission on the recommendation of the Osaka Chamber of Commerce and Industry, the Japan Spinners' Association and spinning industry leaders. One of the founders of the Association for the Promotion of International Trade, Japan, he served as director general of its Kansai headquarters and association vice-president. He has contributed greatly to economic interchanges between Japan and China through his active role in the Osaka business community.

"China's present open-door policy is confined within the framework of its planned economy, and is an experiment by trial and error. I am surprised by the present rapidly widening income gap in China. When I meet Chinese leaders like Yao Yilin (deputy premier) and Gu Mu (former deputy premier), I advise that China be selective in the approaches it adopts from countries or it will have to spend many years on readjustments. In my view, China should proceed selectively with its open-door policy, if it is to avoid situations like the drastic drop in its foreign currency reserves late last year. If China gets away with it, it will be able to achieve stable economic development.

China's seventh five-year plan that is due to unfold next year will be very important for Japan-China economic relations in the 21st century. Chinese leaders often visit Europe, America, and Japan to collect information that will help them run their economy and handle relations with other countries from a worldwide perspective. Japan should listen carefully to what China says and, with a clear understanding of its own position, make its response."

Yaeji Watanabe [Lawyer, former director general of the Japan-China Economic Association, former director-general of the International Trade and Industry Bureau, Ministry of International Trade and Industry]

As a MITI bureaucrat, Watanabe facilitated vinylon plant exports to China by Kurashiki Rayon Co., which later gave rise to the controversy over the so-called Yoshida letter*. On the government side, Watanabe actively contributed to the normalization of economic ties between Japan and China. For example, he created a China academy within MITI to give officials a better understanding of Chinese problems, and threw his wholehearted support behind the Japan-China Memorandum Office headed by Kaheita Okazaki. As a lawyer, patent attorney and consultant, he is now engaged in economic and cultural exchanges with China, including technological cooperation and joint business undertakings.

"The smooth development of economic relations between Japan and China could be a good model for solving the east-west and north-south problems now plaguing the world. Helping China succeed in its open-door policy is a worldwide task, and one that of course cannot be performed by Japan alone. I hope that America will give China more help. There are many projects in which Japan and the U.S. can effectively cooperate in tie-ups with the Chinese.

Japan-China cooperation is not enough if it is limited to political and economic fields. Rather, it should include culture, ideology and the peoples' daily life. What must be created first of all is an environment in which Japanese are seen as good and reliable people with an understanding of China.

To this end, we must expand facilities for Chinese to learn Japanese, and develop know-how that will help Japanese quickly learn Chinese. Another idea might be a campaign to appreciate, in Chinese, the Chinese poetry that Japanese have long been familiar with in translation. My wish is to see the flowers of economic cooperation blossom on a cultural foundation."

*Yoshida letter

In 1964, Shigeru Yoshida, the late former prime minister who still had a strong influence on Japan's policy making, wrote a private letter to a Taiwanese leader during a visit to Taiwan, pledging to have the Japanese government not use its funds for exports to China on a long-term deferred payment basis. The letter offended the Chinese government, which canceled Japan-China contracts on Japan's plant exports to China.