

Separating Economy from Politics? Japan's Coexistence Strategy with Two Chinas in the 1960s

Seung-Hee Oh and Eunbong Choi

Why did Japan insist on a policy of “separation of economy from politics” in the 1960s? This policy had ambiguous and contradictory ideas in its definition and practice. This article aims to explain the policy of the separation of economy from politics with empirical methodology. It attempts a content analysis of the Japanese “Diplomatic Bluebook” that was published from 1957 to 1972. The research’s most important finding is that this policy needs to be understood in light of identity—the Chinese representation issue. Japan designed this policy to find a way of standing against the “One China” policy that the PRC and the ROC insisted upon. The policy was an expression of Japan’s strategy for coexistence with two Chinas. It reflected Japan’s dilemma, in which it was caught between Cold War international constraints and its own national interests in both personal and economic exchanges. As a result, the policy functioned as both a facilitator and a retardant of bilateral cooperation.

Key Words: Sino-Japanese relations, Japanese foreign policy, coexistence strategy, separation of economy from politics, Chinese representation issue

The Government of Japan recognizes that Government of the People’s Republic of China as the sole legal Government of China. (Article 2, the Sino-Japanese Joint Communiqué in 1972)

On 29 September 1972, Japan and the People’s Republic of China (PRC)

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announced diplomatic normalization. It had been twenty-three years since the PRC began governing the mainland of China. It was the Republic of China (ROC) that was a counterpart of the Japanese government before that day.

It was not a simple question for Japanese government to choose only one government for the representative Chinese government. Since the establishment of the PRC in 1949, two Chinese governments coexist—in Beijing and in Taiwan, respectively. From its establishment, the PRC insisted that the international society recognize the Beijing government as the sole legitimate Chinese government. It set the rule that the improvement of relations with PRC directly meant diplomatic cessation with ROC, so-called “One China Policy”.

After being defeated in the World War II, Japan was under the control of the United States. It tried to be independent with the 1951 San Francisco Treaty, but it was under the constraint of the Peace Constitution and the U.S-Japan Security treaty. However, there was a discrepancy between US and Japan on the China policy. It was only in the 1970s that the reconciliation movement between the US and China was realized. However, the China and Japan had tried to develop ties from 1949. For Japan, there were tremendous interests, including people and property in the Chinese mainland that Japan had left during World War II. About 35,000 Japanese were left in the mainland China right after the end of the war (National Diet Minutes 1957). Also, the mainland, with a population of 700 million, was a promising market that could not be neglected for Japanese economic development (Ministry of Foreign Affairs of Japan 1971).

The Japanese government could not ignore China's ideological base in the international political sphere, but it emphasized that Japan and China were close historically, geographically, economically, and culturally (Ministry of Foreign Affairs of Japan 1957). So it was argued, Japan and China needed to establish contact with each other. And this was not simply a matter of diplomatic recognition between governments. Japan, also, sought trade with the communist camp and operated its commercial relations independent from political factors (Ministry of Foreign Affairs of Japan 1957).

Japan sought a solution to overcome the conflict between the Cold War's international constraints and its interests. Japan tried to find a way to make this compatible through non-governmental economic cooperation. While maintaining diplomatic relations with the ROC, the Japanese government approached the PRC to open economic relations. It is the principle of separating economy from politics, and its official expression, “separation of economy from politics,” appeared in 1963 (Ministry of Foreign Affairs of Japan 1964).

On the other hand, the PRC government tried to establish official diplomatic normalization based on economic cooperation. This was based on the principle

of the “inseparability of economy and politics.” The two principles were seemingly incompatible, but they shared the purpose of enhancing bilateral relations. On the way to diplomatic normalization, Japan and the PRC tried to continue to develop their economic relations.

As soon as US and China relations improved, Japan and China normalized their relations. Some might say that the surprise turning of the US policy toward China had the direct affect of the establishment of normalization between Japan and China. However, it is more important to note that Japan and China had made efforts to enhance their relationship since the 1950s. Under US constraint, Japan set the logical argument to access to Beijing and maximize its national interest. And when the US President Richard Nixon made his visit to China, it gave Japan a chance to realize their long-cherished desire of normal relations with the PRC. In 1950s and 1960s, Japan was reading the context of the international relations and tried not to engage in it. In 1970s, the international political structure surely changed, and Japan applied the changes to policy at a very rapid pace (Oh 2013). The Nixon Shock was a “critical juncture” for the road to the normalization. It, however, cannot fully explain the entire normalization process (Choi and Oh 2012).

The purpose of this research is to understand fundamental bilateral relations between Japan and the PRC in 1960s, before the Sino-Japanese Normalization. In order to figure out Japan’s policy, this paper examines the Japanese “Diplomatic Bluebook,” a report published annually by the Ministry of Foreign Affairs of Japan since 1957. The annual report describes international political trends, Japan’s diplomatic policies, and important activities of the previous year. The contents of the book are posted on the official website of the Ministry. The overall format is as follows: Japan’s region-by-region and country-by-country diplomatic activities, crucial diplomatic documents of the year, trade data, personal exchange records, and other miscellaneous information. This research utilizes these documents and analyzes Japan’s official perspectives on the PRC.

Based on this review, it can be said that the policy was Japan’s coexisting with two Chinas. The policy for the separation of economy from politics itself is contradictory and ambiguous. It was an approach based on a unique idea to have separate relations with the PRC and the ROC. This idea was designed to overcome the Japanese government’s dilemma posed by the Cold War and the One China policy. It is somewhat helpful in that the policy made bilateral cooperation possible. Actually, Japan was able to reach diplomatic normalization with the PRC in the early phase of the *détente*. At the same time, however, the policy made the Japanese government maintain a status quo, so it had seldom changed diplomatic relations with the PRC and the ROC in twenty-three years. In this regard,

the strategic separation functioned as both a facilitator and a retardant of bilateral cooperation.

LITERATURE REVIEW: POLICY OF SEPARATION OF ECONOMY FROM POLITICS

It has been the main argument that economic cooperation in the private sector between Japan and the PRC paved the way for Sino-Japanese normalization in 1972. Tanaka (1996) described the process of private trade between Japan and the PRC in three phases: formation, severance, and resumption. He also explained how private trade was influenced by the political background of the two countries. Mori (2006, 68) pointed out that private relations had been sought in various ways within the constraints of the Cold War, US-Japanese relations, and Japan-ROC relations.

Many researchers acknowledge the existence of private economic cooperation between Japan and the PRC (e.g., Cho 1989; Iriye 1990; Tanaka 1996; Mori 2006). However, they have different opinions on whether this private economic cooperation facilitated the Sino-Japanese normalization. Tanaka insists that private economic trade was limited by the PRC's Cultural Revolution and Japan's hardline policy (Tanaka 1996). Mori (2006) assesses the two trade institutions—the Liao-Takasaki (L-T) Trade Agreement and the Friendship Treaty—at the stable level. The economic cooperation was possible based on friendships at the private level. Mori did not make any clear comment on the relevance of private economic exchange to normalization in 1972, but she did not see the private economic trade as a negative.

So, what did make the Sino-Japanese normalization possible? A lot of researchers explain that Sino-Japanese normalization was a product started by the Nixon Shock—the surprising announcement by US President Nixon that publicized his visit to Beijing before May 1972. Those studies basically set the international background or US foreign policy as an independent variable and set Sino-Japanese relations as a dependent variable (e.g., Mori 2006; Soeya 1995). It is no doubt that the Sino-American reconciliation created a favorable climate between Japan and the PRC. However, it should be noted that the independent context in Japan and the PRC has been neglected in the research of the Sino-Japanese relations (Yin 2007). Likewise, previous studies overemphasized exogenous factors and therefore overlooked the process of the normalization. This research puts more focus on endogenous factors in Sino-Japanese relations. Therefore, it will give the perspective to see the both exogenous and endogenous factors in Sino-

Japanese relations.

As one of the outstanding differences from Sino-American relations, Japan adopted a policy of the separation of economy from politics. However, this phrase sounds very dubious when one is reminded of the process of economic development in postwar Japan. Japan is well known for its state-led economic development. The former Prime Minister Yoshida Shigeru established a strong policy guideline called the “Yoshida Doctrine,” which put more priority on economic development based on the military cooperation with the U.S., and the Liberal Democratic Party (LDP)-led Japanese politics usually followed Yoshida’s postwar idea. Is this separation policy toward the PRC an exception to the Yoshida Doctrine? Why Japan did design the “separated” approach to economy and politics?

There are various interpretations of the policy of separation of economy from politics. Michael H. Armacost and Kenneth B. Pyle (2001) interpreted that it was actually two policies based on highly calculated political considerations. Chalmers Johnson (1986) explicated that it was a camouflage for Japan’s mercantilist foreign policy. Soeya Yoshihede (1995) explained that it just meant economic exchange within limited political permission, lacking strategic thinking. However, Iriye Akira (1990) appraised it as creative diplomacy with a desire for peaceful foreign policy. There are different arguments on whether the policy is more political or economic, strategic or non-strategic, and whether it is a policy toward China or general international policy.

Recently, there are more complex explanations of this policy. Seung-won Suh (2011) analyzed the policy from multiple non-Cold War perspectives such as the rejection of the Chinese principle of the inseparability of politics and economy, skeptical responses to the U.S. containment policy toward the PRC, and Japanese non-military economic diplomacy. Choi and Oh (2011) explained the policy in the pursuit of the “equidistance strategy,” making it possible to interaction both the PRC and the ROC. The equidistance strategy was suggested by the British government in order not to sever its relations with the PRC (Hosoya 1994, 249). The main ideas of Japan’s equidistance strategy are as follows; firstly, it does not exclude PRC in its foreign relations, and secondly, it postpones choosing the representative government of China as long as possible. In this regard, the policy contains Cold War and non-Cold War natures and it is not only about political or economic affairs, but also the matter of identity.

Therefore, it is very important to understand the purpose of the separation of economy from politics. Does this policy simply indicate a total division between the two sectors? If so, there would be no correlation between economy and politics. However, this is neither possible nor desirable when the two countries have positive relations.

This policy did not come about in a positive political situation that could be helpful for economic exchange; the policy is in the context of an unfavorable political situation. That means the politics and economy are not totally divided. Political and economic relations may have significant correlations, but the point is to limit the negative political influence on the economy. Sino-Japanese relations before 1972 were in such a situation. In this regard, this research verifies whether economic exchange between Japan and the PRC was possible even in the unfavorable political climate.

In sum, there is a correlation between economy and politics. It is generally expected that unfavorable political relations can decrease economic exchange, showing a direct correlation. However, the purpose of the separation policy is to limit the influence of unfavorable political factors on economic cooperation. Therefore, if the economic factors have positive correlations even with unfavorable political factors, it can be said that the policy did exist and was effective. Furthermore, this research will figure out what kinds of political factors have strong relations with economic cooperation. It will verify “the inseparability” of the separation of economy from politics.

RESEARCH DESIGN: CONTENT ANALYSIS

DATA COLLECTION

This research identifies political factors and economic factors from the Japanese “Diplomatic Bluebook.” The political factors are coded as the number of the remarks by the Japanese government on political relations with the PRC. To operationalize the political factor, we attempt a content analysis of the bluebook; and economic factors are accounted for by the amount of trade between Japan and the PRC. The value of trade with the PRC was recorded in the diplomatic bluebook, and the net total of Japanese trade as a percentage of bilateral trade was available in the “Trade Statistics of Japan” database.

The annual diplomatic document clarifies the general framework of Japanese diplomacy, describes the various issues of the year, and precisely articulates the government’s position on diplomatic issues.

It is a very fundamental document to analyze the perception of the Japanese government in that it contains documents with summaries and evaluations. The words and sentences are carefully constructed and selected for each year’s official diplomatic bluebook. The bluebook represents the diplomatic positions of the Japanese government, and it is meaningful to analyze the construction of its contents—what is included and what is excluded both have profound significance.

This research analyzed contents of diplomatic bluebooks from 1957 to 1972 (Table 1); these cover the period of Japanese diplomacy from 1956 to 1971. There are some excluded contents in the first book. The 1957 book has some summary of diplomatic activities before 1956, but they are insufficient to compare with other years. Also, the 1973 book has large amounts of content about Sino-Japanese normalization. Because this research is about the policy of separation of economy and politics before the normalization, the 1973 book was excluded for research purposes.

Table 1. Data Collection: Japanese Diplomatic Bluebook

Number	Year	Title	Published Month	Periods Covered*
16	1972	"Diplomatic Bluebook" (in Japanese: <i>Recent State of Our Diplomacy</i>)	1972.7	1971.3.31~1972.3.31
15	1971		1971.7	1970.4.1~1971.3.31
14	1970		1970.6	1969.4.1~1970.3.31
13	1969		1969.6	1968.4.1~1969.3.31
12	1968		1968.10	1967.4.1~1968.3.31
11	1967		1967.11	1966.4.1~1967.3.31
10	1966		1966.8	1965.4.1~1966.3.31
9	1965		1965.7	1964.4.1~1965.3.31
8	1964		1964.8	1963.4.1~1964.3.31
7	1963		1963.8	1962.1.1~1963.3.31
6	1962		1962.6	1961.1.1~1962.3.31
5	1961		1961.3	1960.1.1~1961.3.31
4	1960		1960.6	1959.1.1~1959.12.31
3	1959		1959.4	1958.1.1~1958.12.31
2	1958		1958.3	1957.7.1~1957.12.31
1	1957		1957.9	~1957.6.30

The diplomatic bluebooks of the years before 1971 can be seen in Japanese version of the website.

Source: Ministry of Foreign Affairs of Japan 1957-1972

The contents of the bluebook are arranged in three parts. The first part contains general remarks with a macro approach, such as global trends, general keynote addresses of Japanese diplomacy, etc. The second part deals with particular explanations with details on each country or in special issue areas like economy, environment, technology, etc. The third part offers crucial documents of the year, including signed agreements, records of summits and personal exchanges, results of trade, etc.

Sino-Japanese relations are recorded in each year's diplomatic bluebook. The

contents can be divided into international, bilateral, and domestic relations. Most remarks about the PRC can be found in the section titled "Asian Relations." Sentences with the word "China" or "PRC" were extracted from. Also, all of the contents labeled in the index with "China" or "PRC" were included. Most of the contents unrelated to the PRC or China were excluded. Therefore, this research demonstrates the official position of the Japanese government on issues in Sino-Japanese relations.

The values of trade with the PRC are also recorded in the diplomatic bluebooks.¹ This research set four dependent variables for economic factors: exports to the PRC, imports from the PRC, the net total of bilateral trade, and the proportion of trade with the PRC. Exports, imports, and net totals of bilateral trade are absolute values of trade between Japan and PRC. The unit of the figures in Japan's customs statistics is millions of dollars.

OPERATIONALIZATION

Remarks about political factors were coded as the number of sentences. In most cases, each sentence contained one fact. If there was more than one fact in a given sentence, the phrases were counted corresponding to each category. For example, there were sentences like "Japan's Chinese policy premises that, on the one hand, it has a peace treaty and diplomatic relations with ROC, and on the other hand, it has to establish actual relations with mainland China with 700 million people." Even though this is one sentence, it includes both *Japan-ROC (Positive)* relations and *Japan-PRC (Positive)* relations. This sentence counted in both variables.

The sentences extracted from the diplomatic bluebooks between 1957 and 1972 are categorized as follows (Table 2).

The first two factors were collected from the comments on international relations. The first political factor, *PRC-International Relations (Positive)*, indicates that the Japanese government acknowledged the PRC's status in international relations to be important. For instance, the number of countries that established diplomatic relations with the PRC increased, the role of the PRC in the Communist bloc became crucial as the PRC increased exchanges with Asian countries.

¹ The Diplomatic Bluebook contains the political remarks and economic results of the previous year. There are several political remarks to interpret the economic results. The authors tried to control the time lag of the bilateral trade by using the same source of each year's diplomatic bluebook.

Table 2. The Political Variables

Category	Independent Variables	Sentences
International Relations	<i>PRC-International Relations (Positive)</i>	Other countries' recognition of the PRC government, status in the Communist bloc or Asia, etc.
	<i>PRC-International Relations (Negative)</i>	Criticism from the international society, failure of entry into the UN, Sino-Soviet conflicts, etc.
Bilateral Relations: Japan-PRC	<i>Japan-PRC(Positive)</i>	Conclusion of an agreement, personal exchange, emphasis on economic importance
	<i>Japan-PRC(Negative)</i>	Termination of a contract, criticism of PRC, conflicts(Nagasaki flag incident, Japanese-hostage abduction, etc.), etc.
Bilateral Relations: Japan-ROC	<i>Japan-ROC(Positive)</i>	Political exchange, personal exchange, economic importance, sharing values of liberal democracy, etc.
	<i>Japan-ROC(Negative)</i>	Disputes over Senkaku islands,etc.
PRC	<i>PRC's Condemnations of Japan</i>	Remarks on PRC's announcementblaming Japan, calling Japan to account on the bilateral conflicts
Other*	<i>Other</i>	Unrelated to PRC or ROC, unclear position

The category of "Other" is used to include all the sentences of the documents. It is not an independent variable.

The second political factor, *PRC-International Relations (Negative)*, means that the Japanese government judged that the PRC's international relations had been worsened. For example, there are remarks about the criticism toward the PRC for its nuclear experiment, its non-admission to the United Nations, etc.

The third through sixth variables came from the arena of bilateral relations. The third variable is *Japan-PRC (Positive)*, indicating positive political relations with PRC. There are remarks about the newly signed agreements, increased exchange of people, and the importance of relations with the PRC.

The fourth variable is *Japan-PRC (Negative)*. This variable includes the remarks about the nullification or procrastination of agreements, Japan's condemnations of the PRC, and conflicts like the Nagasaki flag incident and the Senkaku/Diaoyudao disputes.

The fifth variable is *Japan-ROC (Positive)*. This includes statements that Japanese government evaluated the political relations with ROC as positive: the importance of relations with the ROC, increases of personal exchange, the importance of relations with the ROC, and emphasis on the shared value of liberal democracy with ROC.

The sixth variable is *Japan-ROC (Negative)*. The Japanese government recorded negative relations with ROC, like the Senkaku/Diaoyudao disputes, political conflicts, etc.

The last variable is the *PRC's condemnations of Japan*. The Japanese govern-

ment recorded PRC remarks blaming Japan in the diplomatic bluebooks. This is different from other independent variables in that the remarks originally came from the PRC government. The number of sentences on the remarks about the PRC's condemnation of Japan indicates how the Japanese government accepted and reacted to the PRC's claims.

In sum, there are seven independent variables about political relations. The positive remarks and negative remarks were divided into *PRC-International Relations*, *Japan-ROC relations*, and *Japan-PRC Relations*. Because the number of remarks was measured in an interval scale, the positive remarks and the negative remarks each have their own meaning so that they cannot be offset. For instance, if there were six remarks on *Japan-ROC (Positive)* and six remarks on *Japan-ROC (Negative)*, this cannot be offset to 0 remarks, which would there were not any remarks about Japan-ROC relations. Therefore, positive remarks and negative remarks need to be kept separate.

Likewise, it can be easy to have prejudice on the correlations between the variables, like *PRC-International Relations (Positive)*, *Japan-PRC (Positive)*, and *Japan-ROC (Negative)*. There are not any preconditions for the correlations among these factors. *PRC-International Relations (Positive)* does not assure *Japan-PRC (Positive)*. Also, *Japan-PRC (Positive)* does not guarantee *Japan-ROC (Negative)*.

The seven independent variables have individual meanings and influences. This research uses multiple regression analysis and verifies whether there is any correlation among them.

On the other hand, there are four dependent variables representing the economic relations between Japan and PRC. To be more specific, these are the amount of exports to the PRC (Model 1), the amount of imports from the PRC (Model 2), the net total of imports and exports (Model 3), and the ratio of trade with the PRC to trade with all countries (Model 4). The unit of the figures is millions of dollars, and they are taken from Japan's customs statistics. The annual trade values came from the diplomatic bluebooks and data of Japan's trade statistics.

EMPIRICAL RESULTS AND IMPLICATION

Table 3 shows the results of the multiple regression analysis. Model 1, Model 2, Model 3, and Model 4 had statistical significance. Overall, political variables may be highly correlated with economic factors.

PRC-International Relations (Positive) has negative correlations with statisti-

cal significance in Model 2 and Model 4. *PRC-international Relations (Negative)* has complex correlations, but it is not statistically significant.

These results reflect the international background of the Cold War. The Japanese government participated in the COCOM (Coordinating Committee for Export Control to Communist Areas) and CHINCOM (the Chinese division of COCOM). Therefore, exports to PRC could not easily be increased regardless of whether PRC-international relations were positive or negative. However, imports from the PRC were able to be increased in some cases. The Japanese government did take heed of international opinions about the PRC and followed the limitation strategy of the liberalist bloc. However, it increased the proportion of bilateral trade by increasing the import from the PRC. Model 2 and Model 4 demonstrate the purpose of the separation of economy from politics: enhancing economic exchanges under unfavorable political situations. It seems that the Japanese government exhibited policy flexibility in trade with the PRC.

In the bilateral relations between Japan and the PRC, *Japan-PRC (Positive)* is positively correlated and *Japan-PRC (Negative)* is negatively correlated with economic factors. When the Japanese government had a positive perception of Japan-PRC relations, economic exchange increased. Also, when the Japanese government had a negative perception of Japan-PRC relations, economic exchange decreased. This result raises a question about the separation of economy and politics. It instead supports the PRC's argument of the inseparability of economy and politics. However, it should be noted that the proportion of trade with the PRC increased even during periods of negative relations between Japan and the PRC (Model 4).

In addition, there are interesting results in bilateral relations between Japan and the ROC. The most powerful political variable is *Japan-ROC (Positive)*. It shows the highest correlations with statistical significance in every model. This is because the Japanese government seldom made remarks on the ROC before 1962. It is quite similar to the fact that trade exchange rapidly increased after 1962. So why did the Japanese government increase the remarks on the ROC after 1962? This is the most important finding of this research, and it is discussed in the following chapter.

The last variable, *PRC's Condemnations of Japan*, reflects the character of the policy of the separation of economy and politics. Even though the PRC's remarks blaming Japan increased, the economic relations in every model show positive relationships, but these are not statistically significant. It means that there were some cases in which unfavorable political factors did not hamper the economic exchange.

Table 3. Correlations between Politics and Economy

Variables	MODEL 1	MODEL 2	MODEL 3	MODEL 4
	Exports to PRC	Imports from PRC	Net Total of Bilateral Trade	Proportion of Trade with PRC (%)
<i>PRC-International Relations(Positive)</i>	-28.262 (36.935)	-59.114* (16.350)	-87.376 (52.7)	-0.404* (0.134)
<i>PRC-International Relations(Negative)</i>	-65.828 (46.220)	17.364 (20.460)	-48.463 (65.900)	0.434 (0.167)
<i>Japan-PRC(Positive)</i>	19.974 (12.601)	12.668 (5.578)	32.642 (17.966)	0.113* (0.046)
<i>Japan-PRC(Negative)</i>	-14.639 (15.867)	-1.577 (7.024)	-16.216 (22.623)	0.120 (0.057)
<i>Japan-ROC(Positive)</i>	53.282** (12.533)	43.5*** (5.548)	96.782*** (17.870)	0.328*** (0.045)
<i>Japan-ROC(Negative)</i>	-15.533 (21.825)	-13.266 (9.661)	-28.799 (31.117)	-0.169 (0.079)
<i>PRC's Condemnations of Japan</i>	44.317 (23.193)	10.739 (10.267)	55.055 (33.069)	0.019 (0.084)
Constant	80.001 (102.528)	-13.802 (45.387)	66.199 (146.185)	-0.255 (0.371)
F-Value	6.122**	11.115***	7.276**	9.748**
R2	0.843	0.907	0.871	0.895
N	16	16	16	16

Note: 1) the numbers indicate the non-standardized regression coefficient (B) and standard error in parentheses, and 2) * p<.05, ** p<.01, ***p<.001.

STRATEGY OF COEXISTING WITH TWO CHINAS

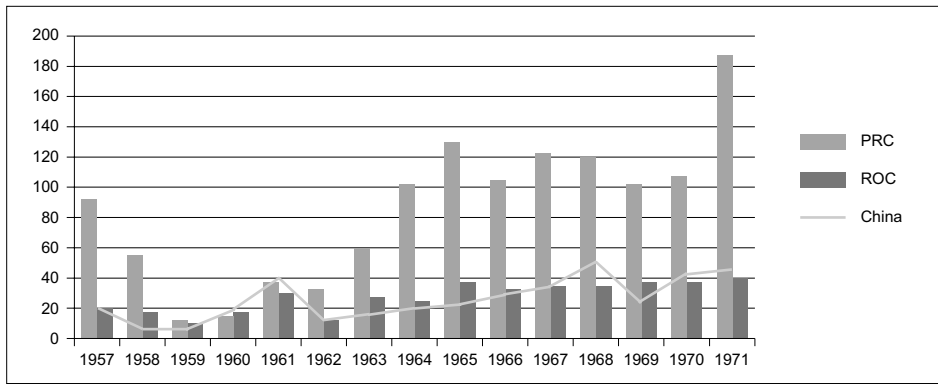
The empirical results suggest that there was a turning point in the Sino-Japanese relations. The Nagasaki flag incident caused economic severance from 1958 to 1962. Bilateral trade dropped rapidly and stagnated for about four years. The political conflicts directly cut off the economic exchanges—an obvious case of the economy being inseparable from politics, as advocated by the PRC government.

To break the economic deadlock, Japan and the PRC established private trade institutions. In 1962, Japan and the PRC established some trade institutions, like L-T Trade and Friendship Trade.

L-T trade was established by the Liao-Takasaka Agreements in 1962, in which the PRC's Liao Chengzhi and Japan's Takasaki Tatsunosuke agreed to build trade. Takasaki was a member of the House of Representatives of Japan and of

the Liberal Democratic Party and was the head of MITI (Ministry of International Trade and Industry). Liao Chengzhi was the deputy director of the State Council's Office of Foreign Affairs and participated in most of the negotiations of Sino-Japanese relations. It is important to clarify that it was politicians who pioneered the Sino-Japanese non-governmental or private trade institutions.

Figure 1. Remarks on the PRC and on the ROC in the “Diplomatic Bluebook”



Source: Ministry of Foreign Affairs of Japan 1957-1972.

As Japan-PRC economic exchange increased, the Japanese government increased its remarks on the PRC and ROC (Figure 1). This reflected the coexistence strategy making favorable relations with both PRC and ROC. Also, the Japanese government had to persuade the US government to make it possible to have economic relations with a communist country; at this time, the policy of separation of economy and politics was carried out not only for the PRC but also for the ROC and the US.

For Japan, relations with the PRC and the ROC were not a zero-sum game. The PRC and the ROC both insisted on a “One China” policy, which made the selection of a sole Chinese government a zero-sum game. However, the Japanese government tried to make both relations compatible with its coexistence policy. The PRC condemned it as a “Two China” policy, which went against decolonization and nation-state building. However, in the Japanese perspective, the policy did not pursue the division of China. The goal of Japanese government was to make coexistence with two governments possible.

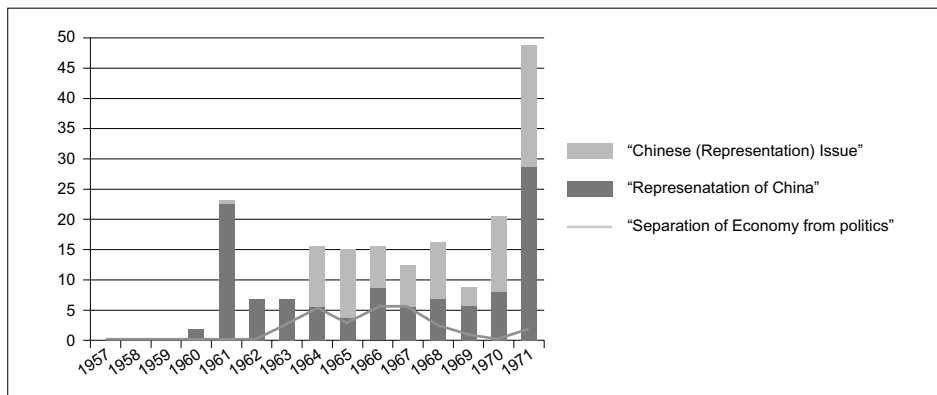
The concept of coexistence strategy is different from an equidistance strategy. Both the equidistance strategy and the coexistence strategy indicated the Japanese perspective on the Chinese representation issue. The equidistance strategy meant the neutral posture of the Japanese government toward the PRC

and the ROC. It explains the situation of trying to avoid a decision on the Chinese representation issue. It seems to fit the explanation of Yoshida Shigeru's perspective on Chinese representation issue during the San Francisco Conference in the early 1950s (Choi and Oh 2011). However, the coexistence policy was to assume a more active posture in the China problem. It was an alternative to a One China policy; Japan did not want to be embroiled in the One China/Two China controversy. Japan tried to clarify the just existences of both the PRC and the ROC, and tried to have relations with both governments. Japan argued that it was not about the division of a nation, but about the separation of political and economic spheres, "the separation of economy from politics". It can be said that the Japanese policy on the Chinese representation issue shifted to the coexistence strategy in the 1960s from the equidistant policy in the early 1950s.

Before the Nagasaki flag incident in 1958, the Japanese government tried to persuade the PRC about the separation of economy from politics to make the equidistance policy sustainable. However, it was not easy, as one can see from the relations between 1958 and 1962. However, since 1962, the PRC and Japan have shared common interests in their need for stable economic exchange. In this sense, there was no controversy about the separability or inseparability of economy from politics. Both governments wanted economic development.

However, the PRC was anticipating the spillover effects, which meant that economic relations promote political relations. The ROC and the US were suspicious about Japanese intentions. The Japanese government tried to reassure them with the policy of separation of economy from politics. Japan insisted that economic cooperation with the PRC was not related to political recognition.

Figure 2. Number of words in the "Diplomatic Bluebook"



Source: Ministry of Foreign Affairs of Japan 1957-1972.

The Japanese government developed unique approaches to two Chinese governments, and it was not merely about economic affairs and political affairs. It involved the matter of the identity of the Chinese government. Specifically, it was about Japan's recognition policy on the Chinese representation issue. The word, "Separation of Economy from Politics", became the official expression of Japanese government with the Chinese representation issue (Figure 2). Japan designed a policy of coexistence with two Chinas, standing against the "One China" policies insisted upon by the PRC and the ROC. Because neither the PRC nor the ROC welcomed the coexistence strategy, Japan tried to protect its strategy with the idea of the separation of economy from politics.

CONCLUSION

The purpose of this paper is to verify the Japanese government's coexistence strategy. Japan tried to clarify the just existences of both the PRC and the ROC, and tried to have relations with both governments. Japan argued that it was not about the division of a nation, but about the separation of political and economic spheres, "the separation of economy from politics". In order to verify this coexistence strategy, this paper attempted a content analysis of Japanese Diplomatic Bluebook. Both political factors of *Japan-PRC (Positive)* and *Japan-ROC (Positive)* have positive correlations with Japan-PRC economic relations.

The policy of separation of economy from politics was born of controversy and ambiguity. Actually, the economic sphere was not divided from the political situation, and economic changes were claimed to be private in origin but they were actually government-led exchanges. The actors in Sino-Japanese relations could not deal with economy and politics separately, and Japanese business had close connections to domestic politics.

The apparent contradiction between Japan's separation policy and the inseparability policy of the PRC could be resolved by economic developments. Private economic diplomacy was a cover to protect state-led economic development. The economy is not and cannot be separate from politics. Separating economy from politics was a limited and passive policy that blocked the influence of unfavorable political situations in the economic arena and would not have been considered in a favorable political situation.

Before the diplomatic normalization between Japan and the PRC, the policy of the separation of economy from politics contributed to bilateral economic exchanges. The idea of "separation" offered a rationale to justify national interests and was asserted not only to PRC but also to the ROC and the US. Before the

1960s, the policy was applied to re-establish economic relations with the PRC, but after 1962, the policy was used to persuade the ROC to continue and enhance Japan's economic relations with both the PRC and the ROC.

In this sense, the separation of economy from politics was based on Japan's strategy of coexisting with both Chinas. It was an approach intended to overcome the conflicts between international anti-communist ideology and Japan's national interests in both personal and economic exchanges. On the one hand, the policy achieved its ostensible purpose. This policy was actually effective in that it made the bilateral cooperation possible. Japan was able to achieve diplomatic normalization with the PRC in the early phase of détente, much earlier than Sino-American normalization in 1979.

On the other hand, however, the policy had attracted the Japanese government to maintain a status quo, so it seldom changed diplomatic relations with either Chinese government for twenty-three years. The Japanese government had maintained relations with the PRC without diplomatic normalization. Japan had kept a status quo until 1971, when the PRC was admitted to the United Nations. In this regard, the policy intending the separation of economy and politics functioned as both a facilitator and a retardant of bilateral cooperation.

Analysis of the separation of economy from politics is important in that this policy represented the characteristics of political economy in postwar Japan. Also, Japan tried to create a flexible idea to advance its national interests under international constraints. This research should shed a new light on current understandings of the Cold War in Asia.

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