

Liberalism to Realism: Economic Interdependence on Political Relationship in Sino-Japanese Case

Jian Tian^{1,a,*}

¹*Episcopal High School, Alexandria, 22302, United States of America*
a. JianTianregister@outlook.com

**corresponding author*

Abstract: This paper discussed the correlation between economic interdependence and political relationship through case studies on the Franco-German relationship and the Sino-Japanese relationship. First, the paper focused on analyzing the Franco-German relationship through liberal theories. The result shows that economic interdependence has an effect on countries' political relations. Then, a counterargument to the Sino-Japanese case was presented to show that political relationships and economic interdependence are independent factors. Realism applied better in Sino-Japanese relations in the 21st century than liberal theories. This work has contributed to indicating that the economic theory of liberalism has flaws in scenarios outside of Europe. Also, economic interdependence and political relationship have been supported to be independent factors.

Keywords: China, Japan, economic, relationship

1. Introduction

Following South Korea, Japan was China's second largest exporter in 2021, exporting 8.4% worth of products [1]. China was Japan's biggest exporter exporting 25% worth of goods in 2021, surpassing the United States' 11% [2]. In 2021, Japan's exports to China were \$206.2billion and imports from China was \$165.9billion. Japan's Direct Investment in China was listed as \$3.4billion and China's Direct Investment was \$0.5billion in 2020 [3]. Following South Korea, Japan was China's second largest exporter in 2021, exporting 8.4% worth of products [1]. China was Japan's biggest exporter exporting 25% worth of goods in 2021, surpassing the United States' 11% [2]. The economic interdependence built a friendly bilateral relationship between China and Japan starting from the 1970s to 2000s. However, Sino-Japanese relationships have been deteriorating since entering the 21st century due to a shift in power dynamics that made China rely less on Japan. The question raised "What's the role of economic exchanges in Sino-Japanese political relations. More generally, what's the relationship between economic and political relationships?"

China has the 2nd highest nominal GDP in the world, and Japan has the 3rd highest nominal GDP in the world. China and Japan's status as the leading powers in Asian Pacific region can possibly be influential to situations of other countries in East Asia, affecting multilateral trade and countries' relations. Therefore, understanding their bilateral relationship is essential.

The paper argues that the economic and political relationships are independent factors. Increasing economic interdependence between China and Japan will not influence their political relationship in a positive way.

The paper will first present a realist's approach to the relations between economic exchange and relationships between two countries. Second, a counterargument drawn on liberalism will be presented, with the Franco-German case as an illustration. Later, a Sino-Japanese case will be presented to answer the question of the paper. Then, the Franco-German case will be revisited to demonstrate why liberal explanation is spurious. At last, a conclusion will be drawn to summarize the paper.

2. A Realist Approach

Realism gained popularity after the Second World War and focuses on statism, survival, and self-help, and zero sum. Statism focuses on the state being a unitary factor. State's goal is to protect itself in the world. Self-Help is the term that is used to describe states that have to rely on themselves for their survival. Zero-Sum indicated that there is a limited quantity of security and the increase in security for a state will lead to the decrease in another. Realism makes an emphasis on the states' security over economic exchanges in determining relations between two countries [4]. Concepts of absolute and relative gains are also presented in the realist theory. Economic relative gains will lead to the security loss of another state [5].

In the Sino-Japanese case, if the realist theory is correct, their relationship should be determined by their response to the security issues. Thus, their relationship will not be determined by the economic exchanges. In contrast to realism, a liberal approach offers a different hypothesis.

3. A Liberal Approach from European Union to Franco-German Relations

Unlike the realist approach, the liberal approach concludes that Sino-Japanese relations will benefit from economic exchanges. The economic theory of liberalism is that countries' relations benefited from economic exchanges. In the minds of liberals, economic interdependence is one of the main factors in the cooperation of countries. Compared to realists, securities are not valued as much as a factor of cooperation [6,7].

The development and the history of the European Union revolves around a liberal approach. After World War II, Germany and France signed the Schuman Declaration on May 9th, 1950. The purpose of the Schuman plan was identified as the reconstruction after World War II and to pacify the relations between France and Germany. The Schuman plan promoted the creation of the European Coal and Steel Community (ECSC) containing France, West Germany, Italy, Belgium, Netherlands, and Luxembourg, which are the founding members of the later European Union. The government claimed with this economic interdependence of steel and coal production, the possibility of having war will be "not merely unthinkable, but materially impossible" [8]. As two main countries of the EU, the establishment of the EU was an approach of liberalism.

President Charles de Gaulle and Chancellor Konrad Adenauer signed the Elysée Treaty on January 22nd, 1963, as the symbol of the establishment of their friendship. Propelled by the primary six countries that signed the ECSC, the European Economic Community (EEC) was formed for the creation of their economic interdependence. The purpose of the EEC was to change the circumstances of their trade and build the foundation of their relationship. Free transfer of products, services, people, and capital were developed through the EEC's creation of the common market [9].

Under the Merger Treaty of 1965, the European Coal and Steel Community, European Atomic Energy Community and the European Economic Community were unified. Later, Custom duties were stopped within trade of the EEC countries. The Maastricht Treaty was signed on November 1st, 1993 for the creation of the European Union (EU). The treaty was in place for the increase of economic integration among European countries, which led to the creation of the euro, a single currency in the future.

In the history of the creation of the European Union, reliance on economic exchanges for the development of friendship have been successful in preventing conflicts.

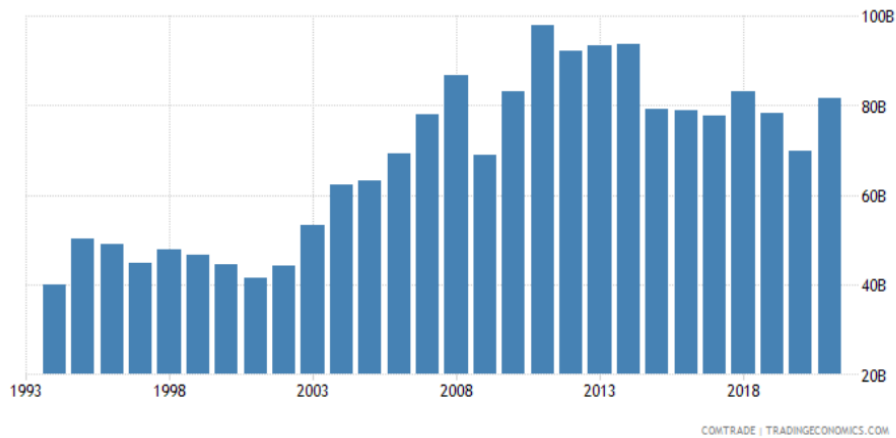


Figure 1: France Exports to Germany [10].

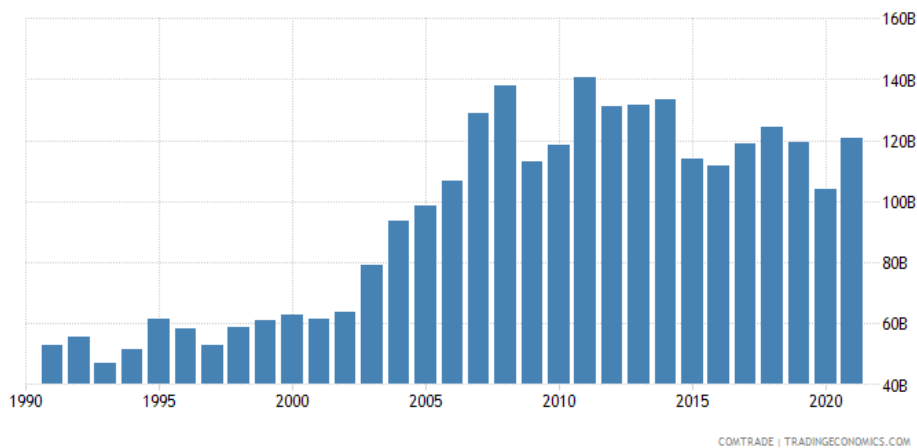


Figure 2: Germany Exports to France [11].

The success of the Franco-German relationship is an example of liberalism under the formation of the European Union. France and Germany are two countries that faced similar situations to China and Japan.

Both of the cases revolve around neighboring countries that experienced major conflicts in World War II. Post-war Germany and France shared views on recovering societies by cooperation. The development of Franco-German relations revolves around the establishment of economic exchanges between countries in order to prevent major conflicts. France and Germany are two leading countries in the European Union. The creation of the economic communities and European Union increased economic interdependence between France and Germany.

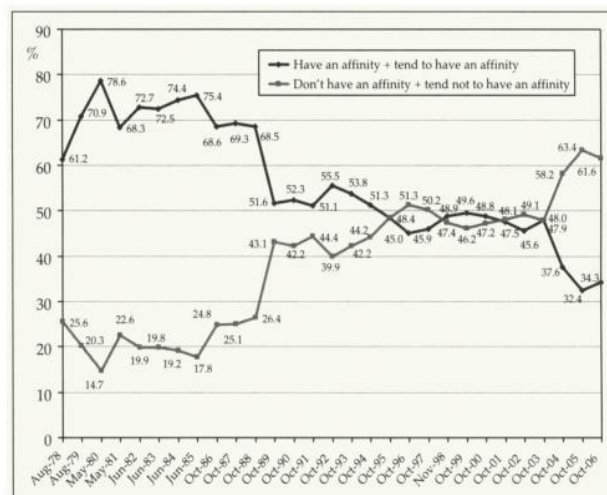
Figure 1 presented France's imports from Germany. Figure 2 presented Germany's imports from France. January 1st, 1999, the euro was launched. On January 1st, 2002, banknotes and coins were launched. Both graphs have shown an increase in economic exchanges between France and Germany starting from 2002, indicating the success of the European Union and the euro in increasing economic interdependence of both countries. 7.5% of Germany's exports are to France, which was Germany's third largest importer in 2021 following the United States and China [12]. 14% of France's exports are to Germany, which was France's largest importer in 2021 [13]. Their success in developing

economic exchanges resulted in a friendship. The Federal Foreign Office of Germany claimed that “France is Germany’s closest and most important partner in Europe. There is no other country with which we coordinate so regularly and intensively at all political levels and in all areas.” [14]. France and Germany’s alliance is a clear indicator of their friendship. After a European perspective of economic interdependence leading to a rise in political relations, an Asian perspective should be evaluated as well.

4. China and Japan: 20th Century

China and Japan entered a period of prosperous economic exchange starting from the 1970s, which laid a foundation upon their further political relationship. After the Sino-Japanese war lasted from 1937 to 1945, China and Japan developed a diplomatic relationship on September 29, 1972. With the establishment of bilateral relations, China and Japan came close in economic and cultural exchanges. Japan sought China’s potential market, and China showed interest in acquiring Japan’s technologies. The Long Term Trade Agreement (LTTA) was signed by China and Japan on February 16, 1978. Deng Xiaoping initiated the Open-Door Policy in 1979. Overseas Development Assistance (ODA) to China was also proposed by Japanese Prime Minister Ohira Masayoshi in December of 1979. The economic dependence on each other further developed their political relationship. Japan’s foreign direct investment (FDI) started to play a role in the 1990s after the Investment Protection Pact was signed in August 1988 [15]. The signing of the Long Term Trade Agreement can be inferred as a catalyst for Sino-Japanese relations in 1978. Open Door Policy and the Overseas Development Assistance act as similar factors in 1979. In 1978, a \$20-billion trade agreement that would last 8 years was put in action for both sides. Economic exchanges have played a major role in the developmental stage of their relationship.

The Treaty of Peace and Friendship between Japan and China was signed on August 12, 1978 benefited from their economic exchanges. Japan helped China in modernizing China by increasing ports, oil facilities, power plants, and railroads. In return, Japan received China’s market. Deng Xiao Ping shared his thoughts in 1978 that Maoists focused too much on ideologies and revolution, instead, he supported modernization and the development of economics. He believed that socialism can also develop a market economy. He believed in making a few industries rich and then making everyone rich [16]. Deng decided to leave the historical conflicts behind and set the main focus on developing economics.



Source: Cabinet Office, “Gaiko ni kansuru Yoron Chosa (Public Opinion Poll on Foreign Policy & Diplomacy),” annual.

Figure 3: Japanese Affinity Toward China [17].

Apart from the government's views. Public opinion is another indicator of the political relationship between two countries. Figure 3 indicates Japan's affinity towards China. From 1978 to the mid-1990s, Japan's Affinity towards China outweighed not having an affinity, which was the same time period that Deng Xiaoping was in office (1982-1987) that focused on building an economic relationship with Japan. Therefore, Sino-Japanese increase in economic interdependence before the 21st century resulted in their positive political relationship.

The Sino-Japanese relationship has similar approaches as France and Germany. They both built an economic interdependence that prevented major conflicts, contributing to the economic theory of liberalism. Unlike the alliance made by France and Germany, starting from the mid-1990s, Sino-Japanese relations have been questioned due to a series of conflicts focusing on territorial disputes and issues of nationalism.

5. 21st Century: Sino-Japanese Relations

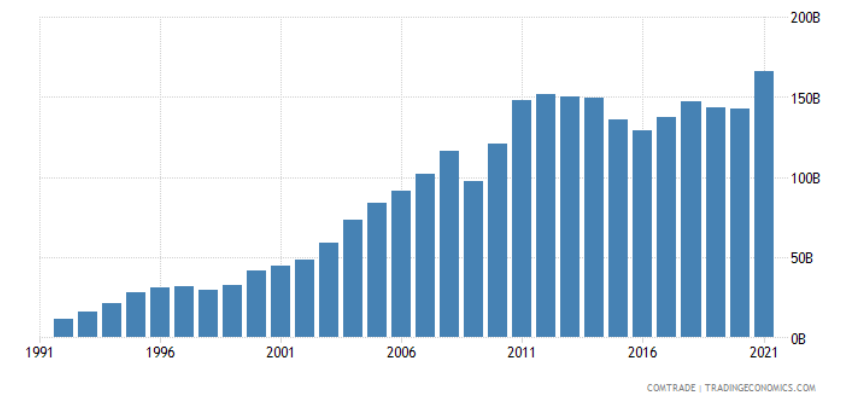


Figure 4: China Exports to Japan [18].

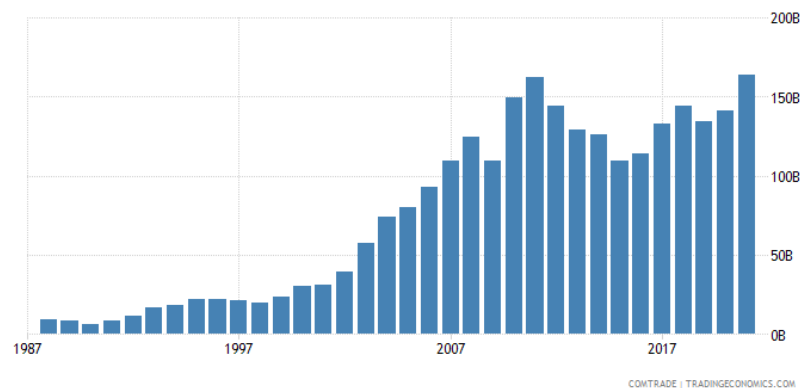


Figure 5: Japan Exports to China [19].

First, entering the 21st century, the interdependence economically between China and Japan increased, following the main trend in global trade. 25% of Japan's imports are from China, which is the highest among all countries [2]. 8.4% of China's imports are from Japan, which is the second largest following South Korea [1]. Figure 5 shows China's imports from Japan. Figure 4 shows Japan's imports from China. Over the last two decades, economic exchanges between China and Japan have increased dramatically.

According to the economic theory of liberals, their economic ties should develop their relationship in a positive way. However, their relationship has been deteriorating, forming "Hot in economics, cold in politics." due to problems of nationalism and territorial disputes. Therefore, an analysis of the

relationship between economic exchanges and bilateral relations would be required in order to indicate their future relationship.

One of the issues of nationalism initiated when Prime Minister of Japan Junichiro Koizumi visited the Yasukuni Shrine on August 14, 2001. The government and citizens of China raised strong discontent promoted by nationalism [20]. The Yasukuni Shrine honors Class-A war criminals. Junichiro Koizumi ruled from April 26, 2001 to September 26, 2006. During his rule, he visited the Yasukuni Shrine 6 times. Japan Prime Ministers' regular visit to Yasukuni Shrine intensified the conflict with China. On December 26th, 2013, Japanese Prime Minister Abe Shinzo visited the Yasukuni Shrine again [21]. In April of 2005, China initiated mobs and protests against the Japanese government due to a problem in historical textbooks. According to China and South Korea, Japan altered facts about their invasion in the early 20th century on their history textbooks [22].

Territorial conflicts over Diaoyu/Senkaku Islands and different views on Taiwan are fundamental problems that lie between Sino-Japanese relationships. In 2005, Japan and the United States made an agreement on the issues in Taiwan. China, on February 20th, 2005 denounced this statement [23]. Territorial conflicts have escalated in Diaoyu/Senkaku Islands since 2010 when a Japan's boat collided with China's boat. There was intensive nationalism involved in both countries after the incident [24]. In 2012, the United States stated their status quo as believing that the Diaoyu/Senkaku Islands belong to Japan. President Obama, in 2014, stated that the Article 5 of the U.S.-Japan Security Treaty will remain in Diaoyu/Senkaku Islands [25]. China's government and Japan's government discussed in 2014 on improving Sino-Japanese Relations. They came up with multiple points and one of them was to prevent the further conflict in the Diaoyu/Senkaku Islands [26]. On July 5th, 2022, Chinese Navy and Airforce began activities around the disputed territories. In the Regular Press Conference, Foreign Ministry Spokesperson Zhao LiJian answered, "Diaoyu Dao and its affiliating islands have always been part of China's territory." [27].

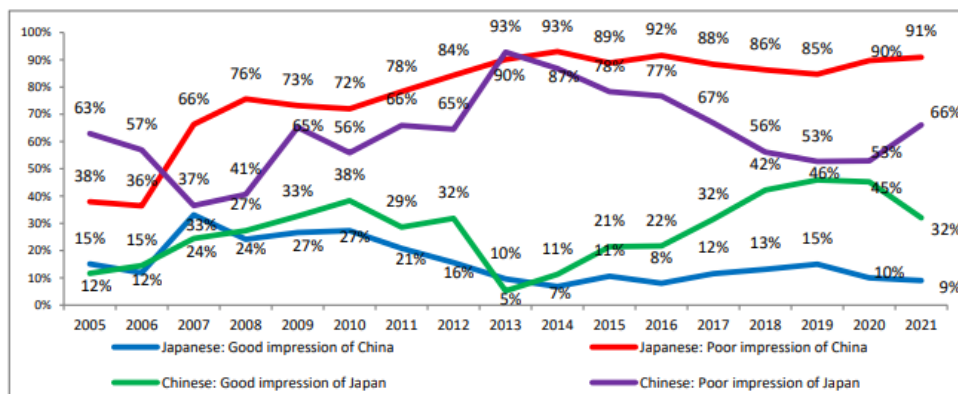


Figure 6: China and Japan's Impression of Each Other [28].

Starting from the 21st century, issues between two countries have resparked, inferring the flaws of theories of liberalism. The Sino-Japanese relationship reached a dilemma with 90% of Japanese having a bad impression of China and 93% of Chinese having a bad impression of Japan as presented in Figure 6.

China and Japan's conflicts entering the 21st century revolve around nationalism and territorial disputes. As two countries became strong nations in the Asian Pacific Region, their historical issues began to rise over the economic exchanges.

In the 1980s, Japan's influence on China ensured the peaceful relationship between two countries because economic development plays a role in Deng's ideologies. China depended on Japan in establishing its role in the Asian Pacific Region and Japan would benefit from China's market. China

surpassed Japan's GDP in 2010. In 2022, China remained as the largest exporter since 2009, exporting 3.36 trillion US dollars worth of goods [29]. Compared to China's booming economy and economic independence, Japan had a relative decline.

Despite still having a relatively strong economic interdependence. In realist theory, the rise of China and the relative decline of Japan will lead to the deterioration in their relationship. Japan's increase in friendship with the United States have indicated their need for protection involving security issues. The United States serving as a leading global power will result in their need for the prevention of the rise of China as well, which have shown in their trade war. The power transition theory from the realist hypothesis supported that change in power dynamics can also result in security issues [30]. The overtaking of territorial disputes and the nationalism of both countries have shown that development of economies is no longer a decisive factor between both ends. Even if they compromised in not having major conflicts, their territorial disputes is an indication of their deterioration in relationship. Furthermore, the opinion polls from the public indicated that the dissatisfaction toward each other increased entering the 21st century. With the success in establishing status in Asian Pacific area, they began a search for self-interests, which can be shown in the dispute of Diaoyu/Senkaku Islands.

In summarization of Sino-Japanese relationships, economic bonds laid a foundation of their relationship by preventing major conflicts in harming each other's interests, but cannot prevent the deterioration of their relationship due to the shift in power dynamics that required them to act differently to hold self-interests.

With the application of creating an economic interdependence, France and Germany have proved that close economic ties does lead to a closer political relationship. However, the Sino-Japanese case has proven the flaws of liberalism in its application to certain Asian countries. From the Sino-Japanese relationship, we can learn that economic exchanges and the political relationship are two independent factors. China's rise has made China's reliance on Japan decrease overtime leading to the establishment of a more assertive position. China's rise as an economic power and Japan's alliance with the United States indicated the difficulty for China and Japan to cooperate. Therefore, the economic theory of liberalism should be questioned in its application in Asian countries.

6. Reevaluation of the Franco-German Relationship

In the Sino-Japanese case, political relationship's independence from economic exchanges was supported and the explanation for the success of liberal theories will be needed in application of the Franco-German case. In the western world, the Franco-German friendship was an indication of the success of liberalism. One main reason for the success of Franco-German friendship is because they are under threat of one common enemy, which is the Soviet Union. The USSR had the strongest economy after 1945 in Europe and also developed as a military power. Under the threat of the Soviet Union, the demand for cooperation was created [31].

7. Conclusion

At the start of the paper, the question of the relationship between economic interdependence and the political relations have been proposed. The paper argued that the political relationship between countries is independent from its economic interdependence. Then, the usage of the Sino-Japanese case proved the flaws of the theory of liberalism and showed the applicability of the realist theory. The Sino-Japanese case is a representation of economic interdependence and political relationships being independent factors

This research has contributed to an evaluation of the Sino-Japanese relationship that their economic interdependence is independent from their relationship. The future of Sino-Japanese

relations cannot be determined by purely economic aspects. Additionally, the theory of liberalism is more euro-centric and other factors have been proved to be more influential than economic interdependence.

References

- [1] Trading Economics. "China Imports by Country." Trading Economics. Accessed July 1, 2022. <https://tradingeconomics.com/china/imports-by-country>.
- [2] Trading Economics. "Japan Imports By Country." Trading Economics. Accessed July 24, 2022. <https://tradingeconomics.com/japan/imports-by-country>.
- [3] Ministry of Foreign Affairs of Japan. "Japan-China Relations (Basic Data)." Ministry of Foreign Affairs of Japan. Last modified February 24, 2022. Accessed July 1, 2022. <https://www.mofa.go.jp/region/asia-paci/china/data.html>.
- [4] Waltz, Kenneth Neal. *Teoría De La Política Internacinal*. Buenos Aires AG.: GEL, 1988.
- [5] Grieco, Joseph M. "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism." *International Organization* 42, no. 3 (1988): 485-507. <http://www.jstor.org/stable/2706787>.
- [6] Russett, Bruce M., John R. Oneal, and Michael L. Berbaum. *Triangulating Peace: Democracy, Interdependence, and International Organizations*. New York: Norton, 2001.
- [7] Keohane, Robert O. *After Hegemony*. N.p.: Princeton University Press, 1984. <http://www.jstor.org/stable/j.ctt7sq9s>.
- [8] European Union. "Schuman declaration May 1950." European Union. Accessed July 24, 2022. https://european-union.europa.eu/principles-countries-history/history-eu/1945-59/schuman-declaration-may-1950_en.
- [9] European Union. "Treaty of Rome (EEC)." EUR-Lex. Accessed July 24, 2022. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM:xy0023>.
- [10] "France Exports to Germany." Chart. Trading Economics. July 2022. Accessed July 30, 2022. <https://tradingeconomics.com/france/exports/germany>.
- [11] "Germany Exports to France." Chart. Trading Economics. July 2022. Accessed July 30, 2022. <https://tradingeconomics.com/germany/exports/france>.
- [12] Trading Economics. "Germany Exports By Country." Trading Economics. Accessed July 24, 2022. <https://tradingeconomics.com/germany/exports-by-country>.
- [13] Trading Economics. "France Exports By Country." Trading Economics. Accessed July 24, 2022. <https://tradingeconomics.com/france/exports-by-country>.
- [14] Federal Foreign Office. "Germany and France: Bilateral relations." Federal Foreign Office. Last modified July 7, 2022. Accessed July 24, 2022. <https://www.auswaertiges-amt.de/en/aussenpolitik/france/209418#:~:text=France%20is%20Germany's%20closest%20and,levels%20and%20in%20all%20areas>.
- [15] Chiang, Min-Hua. "Contemporary China-Japan Relations: the Politically Driven Economic Linkage." *East Asia* 36 (November 16, 2019): 27-58. <https://doi.org/10.1007/s12140-019-09321-x>.
- [16] Zhang, Wei-Wei. *Ideology and Economic Reform under Deng Xiaoping, 1978-1993*. London: Kegan Paul International, 1996. Accessed July 7, 2022.
- [17] "Japanese Affinity Toward China (1978-2006)." Chart. https://www.jstor.org/stable/42704578?seq=4#metadata_info_tab_contents.
- [18] "China Exports to Japan." Chart. Trading Economics. July 2022. Accessed July 30, 2022. <https://tradingeconomics.com/china/exports/japan>.
- [19] "Japan Exports to China." Chart. Trading Economics. July 2022. Accessed July 30, 2022. <https://tradingeconomics.com/japan/exports/china>.
- [20] The Washington Post. "Japanese Leader Visits Provocative War Shrine." August 14, 2001. Accessed July 6, 2022. <https://www.washingtonpost.com/archive/politics/2001/08/14/japanese-leader-visits-provocative-war-shrine/82fc49b8-3f25-4871-81a3-25d0cc5298dd/>.
- [21] McCurry, Justin. "Japan's Shinzo Abe angers neighbours and US by visiting war dead shrine." *The Guardian*, December 26, 2013. Accessed July 6, 2022. <https://www.theguardian.com/world/2013/dec/26/japan-shinzo-abe-tension-neighbours-shrine>.
- [22] Choe, Sang-Hun. "Japan textbooks set off new furor." *The New York Times*, April 6, 2005. Accessed July 6, 2022. <https://www.nytimes.com/2005/04/06/world/asia/japan-textbooks-set-off-new-furor.html>.
- [23] The New York Times Company. "China Denounces United States-Japan Agreement on Taiwan." *The New York Times*. Last modified February 20, 2005. Accessed July 24, 2022. <https://www.nytimes.com/2005/02/20/international/asia/china-denounces-united-states-japan-agreement-on-taiwan.html>.

- [24] Zhai, Yida. "Discourse Power: Sovereignty Claims over the Diaoyu/Senkaku Islands." *Territory, Politics, Governance* 9, no. 2 (November 15, 2019): 203-21. <https://doi.org/10.1080/21622671.2019.1687324>.
- [25] Manyin, Mark E. "The Senkakus (Diaoyu/Diaoyutai) Dispute: U.S. Treaty Obligations." *Congressional Research Service*, March 1, 2021. Accessed July 5, 2022. <https://sgp.fas.org/crs/row/R42761.pdf>.
- [26] Ministry of Foreign Affairs of Japan. "Regarding Discussions toward Improving Japan-China Relations." Ministry of Foreign Affairs of Japan. Last modified November 7, 2014. Accessed July 5, 2022. https://www.mofa.go.jp/a_o/c_m1/cn/page4e_000150.html.
- [27] Ministry of Foreign Affairs of the People's Republic of China. "Foreign Ministry Spokesperson Zhao Lijian's Regular Press Conference on July 5, 2022." Ministry of Foreign Affairs of the People's Republic of China. Last modified July 5, 2022. Accessed July 5, 2022. https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/202207/t20220705_10715827.html.
- [28] "Impression of the other country – Survey data from 2005 to 2021." Chart. Accessed July 31, 2022. <https://genron-ppo.net/en/pp/docs/211025.pdf>.
- [29] Statista. "Value of export of goods from China from 2011 to 2021(in billion U.S. dollars)." Statista. Last modified March 2022. Accessed July 7, 2022. <https://www.statista.com/statistics/263661/export-of-goods-from-china/#:~:text=In%202021%2C%20China%20exported%20approximately,compared%20to%20the%20previous%20year.>
- [30] Smith, Paul J. "China-Japan Relations and the Future Geopolitics of East Asia." *Asian Affairs: An American Review* 35, no. 4 (January 2009): 230-56. <https://doi.org/10.3200/AAFS.35.4.230-256>.
- [31] Rosato, Sebastian. *Europe United*. N.p.: Cornell University Press, 2011. <http://www.jstor.org/stable/10.7591/j.ctt7v6mc>.