

## **EAI Weekly Talking Point**

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### ***Triangular relationship between China, Japan and the United States***

China and Japan's recent relations have seemingly improved, with both sides holding high-level economic dialogues. The amicable economic gestures between China and Japan can be explained by the ongoing trade friction between China and the United States, and the pressure from United States to narrow trade deficit with Japan. However, the overall relationship between China, Japan and the United States is not an equilateral triangle. The United States and Japan share a close alliance based on common interest and values, which will survive beyond the presidential term of Donald Trump. It is a multifaceted relationship with a habit of cooperation in the field of security. The security alliance is fundamental to US-Japan relations, with a common interest to check the rise of China.

In the short term, China and Japan will tactically move closer together based on a common economic interest in opposing the unilateral trade pressure imposed by the United States. The United States will continue to increase pressure on Japan in terms of trade. Similarly, competition is intensified between the United States and China (first and second largest economies) as their gap narrows. As a result, there is a relatively lower level of rivalry between China and Japan. This is partly due to the widening gap between them, whereby China has significantly surpassed Japan in terms of gross domestic product and defence budget. Additionally, in certain economic sectors, Chinese and Japanese manufacturing chains are in fact complementary.

In response to the trade friction, China's strategies as of now are to support domestic growth, seek trade allies and narrow the technological gap with the United States. This provides the incentive and motivation for China to cooperate with Japan. As China shifts from growth-driven by fiscal capital investment to productivity-driven growth, it is natural for China to invite more investments from other countries such as Japan, which has extra investments to be channelled to China. There is also opportunity for China to cooperate with Japan in boosting the former's productivity in software (e.g. designs and management styles), and to learn how to safeguard its technologies.

In the long run, however, it is difficult to tell how this trilateral relationship will unravel. On one hand, trade tension between Japan and the United States is not new; it can be traced back to the 1970s. The United States nuclear umbrella over Japan and their security ties make it difficult for this bilateral relationship to shift. On the other hand, whether the rise of China can drive the Japan-US alliance closer depends on the threat that China brings. The economic integration between China and Japan serves to constrain the friction between these two countries, and may also limit the tightening of Japan and US alliance.