CHAPTER FOUR

CHINA: ECONOMIC DEVELOPMENT AND WOUNDED FEELINGS

1. Diplomatic relations with Taiwan and economic relations with mainland China

Establishment of diplomatic relations with Taiwan

As we have seen in Chapter 1, neither the People’s Republic of China (PRC)—that is continental Communist China under Mao Zedong—nor the Republic of China (RC)—that is Taiwan under Chiang Kai-shek—was invited to San Francisco in September 1951 to participate in the Peace Treaty Conference. The fate of the bilateral relationship between Japan and China, whichever China it might be, was left to future negotiations.

After San Francisco, Prime Minister Yoshida took a very cautious approach. In the mid to long-term perspective he foresaw the possibility of a split between communist China and the Soviet Union, and he took ample time before making a decision as to which China to choose and finding a way to develop relations with communist China. One idea openly discussed was to establish a trade representative office in Shanghai.1 In the emerging Cold War tension in the Far East, this idea did not work. J.F. Dulles, US Secretary of State, made it clear to the Japanese that the only option open for Japan in the Cold War circumstances was to establish diplomatic relations with the Republic of China. On 24 December 1951, Prime Minister Yoshida sent a letter to J.F. Dulles, indicating Japan’s intention to establish diplomatic relations with the RC. Japan concluded a separate peace treaty with the RC on 28 April 1952, the day the San Francisco Peace Treaty came into force.

In order to preserve maximum flexibility for future diplomatic options, Japan tried to limit the application of the Peace Treaty with

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the RC to the territories under its control. The RC’s position was that it represented the whole of China. In a complicated structure of the Treaty itself, the Protocol, the Exchange of Notes and the Agreed Minutes, Japan and the RC both achieved their respective objectives by stating that the jurisdiction of the Treaty “shall be applicable to all the territories which are now, or which may hereafter be, under the control of”2 the government of the RC.

The Treaty also included two further important points: that the state of war between Japan and the Republic of China was terminated (Article 1) and that the Republic of China waived its right for reparations (Protocol 1 (b)).3 The fact that Chiang Kai-shek did not demand reparations was viewed as an honourable and generous gesture in Japan. As we will see below, both these points had repercussions twenty years later, when Japan tried to establish diplomatic relations with mainland China.

Ups and downs in the relationship with mainland China

The People’s Republic of China naturally expressed its anger at the conclusion of the Peace Treaty between Japan and Taiwan. After this initial stage of anger, however, Japan and the PRC moved into an interesting two decades of primarily economic relations.

While recognizing the RC as its political partner, the Japanese government did what it could to develop economic relations with mainland China. This policy was called the ‘principle to separate political and economic relations’ and was supported by the Japanese private sector, which sought to enhance its business interests with mainland China.

One of the main objectives of the communist Chinese government was to gain diplomatic recognition from Japan as the sole representative of China. Economic relations became an important tool of this political objective. The Chinese policy was called the ‘principle of inseparability of political and economic relations’.

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3 Taiwan was entitled to a ‘special arrangement’ because it formed a part of Japan when the war ended, based on Article 4 (a) of the San Francisco Peace Treaty. Since Japan and the PRC established diplomatic relations in 1972 before Taiwan and Japan could agree on this ‘special arrangement’, an unfinished task remained.