

# EAST ASIA INSIGHTS

## TOWARD COMMUNITY BUILDING

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## A Japanese Perspective on the China Question

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Chinese President Hu Jintao's five-day visit to Tokyo in early May 2008 holds important implications for Japan-China relations. Indeed, much of what was accomplished warrants commendation, in particular a joint statement calling for a "mutually beneficial relationship based on common strategic interests" and an agreement between the two sides to collaborate on regional and global issues running the gamut from UN Security Council reform to climate change to human rights. Significantly, President Hu clearly acknowledged Japan's postwar development as a peaceful nation and pledged to adopt a "forward-looking" approach to relations.

Nevertheless, the fact remains that what emerged from the summit were mainly symbolic expressions of will rather than concrete plans for solving bilateral issues and tackling regional and global challenges. It is perhaps premature, therefore, to claim that a "warm spring" is already upon us. The Japanese media's coverage of the summit, for example, revealed how deeply cynicism and skepticism continue to permeate Japanese views of China. Moreover, particularly with regard to contentious issues such as the joint development of gas fields in the East China Sea, it is as yet unclear when or if these statements will result in substantive action.

The tragic earthquake that occurred in Sichuan Province only a few days after President Hu's return has sent shockwaves through the international community and understandably precluded any opportunity for further reflection on the summit's outcome. Nevertheless, the summit provides an excellent context for engaging in a deeper discussion about Japan-China relations. In addition to presenting a Japanese perspective on "the China question," the following essay also offers a series of policy prescriptions about how Japan should engage its increasingly powerful neighbor in the years ahead.

### **A Japanese Perspective on Japan-China Relations**

The tension that defines contemporary relations between Japan and China is deep-rooted. Several of the primary factors are as follows.

#### **The role of identity**

The role of identity is often overlooked in analyses of contemporary Japan-China relations. Remarkable achievements prior to World War II, coupled with Japan's phenomenal postwar economic recovery, have given rise to a benign superiority complex vis-à-vis China among the Japanese people. These same

developments generated a complicated mixture of veneration and resentment toward Japan among the Chinese people, particularly given the perception that Japan's successes upset the traditional balance of power in the region.

In the context of already widespread concern about the relative decline of Japan's global influence, Japanese apprehension about the implications of China's current rise is sometimes rooted less in concerns about China's absolute growth than in its expansion relative to Japan. In other words, it is based on fears that Japan will find itself relegated to its premodern-era status as a subordinate power in East Asia.

### The rise and fall of the "China economic threat theory"

China has achieved average annual growth rates of 9.7 percent over the past 30 years and is on course to become the world's second largest economy by 2015. Until recently, many Japanese policymakers and businesses saw China's economic rise and inexpensive labor force as a threat to Japan's economy. However, over the last four or five years, what had been popularly referred to as the "China economic threat theory" has evolved into a "China pull theory." In other words, most large Japanese firms now see the Chinese market not as a threat but as a valuable business opportunity. Japan is currently the largest investor in China, having invested a total of more than US\$60 billion to date. It is now widely acknowledged in the Japanese business community that much of Japan's recent economic recovery can be attributed to China's rise—i.e., China's economic growth has "pulled" the Japanese economy out of the doldrums.

While it may be true that China's economic expansion is at least partially responsible for the recent turnaround of the Japanese economy, however, a comparative analysis of the gross domestic product (GDP) figures of both nations over time elucidates why many Japanese feel threatened by China's rise and are concerned about a relative decline in economic influence.

In 1980, Japan's GDP was approximately five times that of China. By the end of the decade, following a

period of remarkable growth and yen appreciation, the Japanese economy had expanded such that it was eight times that of China. However, as a result of Japan's economic stagnation in the 1990s, coupled with rapid growth in China, by 2005 the Japanese economy was only twice the size of China's. Furthermore, recent predictions suggest that if China's economic growth continues at a pace close to current rates, by 2030 China's economy will not only have caught up but will be several times larger than Japan's. It is unclear whether the Japanese people, who have long enjoyed their country's reputation as the world's second most powerful economy, are ready to accept these changes.

### China's military expansion

Japanese anxiety about China's military expansion stems from two distinct but related issues: (1) China's rapidly rising defense expenditures and capabilities, and (2) the relative lack of transparency in China's defense budget, which exacerbates uncertainties about Beijing's strategic intentions.

China's double-digit increases in defense spending over the last decade have attracted a substantial amount of international attention. Following a 17.6 percent increase (to US\$59 billion) in 2008, China's spending now ranks second only to that of the United States. Several provocative naval maneuvers by the People's Liberation Army (PLA) in and around Japan's exclusive economic zone in recent years, coupled with longstanding friction over territorial disputes, make it clear why Japan is concerned about China's military strength. This concern is likely to deepen as China continues to modernize and expand the capabilities of its navy and air force.

While it should be acknowledged that China's defense spending was below international norms until recently, a lack of transparency concerning the allocation of funds exacerbates existing concerns about the rapid pace of its military expansion. Many experts claim that Beijing does not include costs related to research and development, overseas weapon procurements, or support of the paramilitary People's Armed Police in its calculation, thus suggesting

that the official budget represents only a fraction of actual expenditures.

### The danger of collapse

While there is undoubtedly a substantial amount of concern in Japan about the long-term implications of China's expansion, Japanese policymakers and business leaders are, somewhat paradoxically, also seriously concerned about an economic slowdown or, even worse, a political collapse. Japanese leaders are very worried about China's domestic problems such as pollution, corruption, and a rapidly expanding gap between rich and poor. Domestic unrest in response to these issues could disrupt growth. Additionally, resource scarcity, coupled with dangerously low energy efficiency (currently only one-eighth that of Japan), could choke China's economy. Japan's economic wellbeing is so deeply intertwined with that of China that such a development could push Japan's economy back into a recession.

### China's foreign policy

For most of the recent past, China has maintained a relatively low-profile international posture and hesitated to adopt a role in global political and security affairs commensurate with its economic influence. Nevertheless, circumstances have begun to change over the last several years and China seems to be gradually embracing a role as both a regional and a global political superpower. China's increasingly assertive posture, which is visible in such initiatives as its resource diplomacy in Africa and South America, reveals both growing confidence and an increasing willingness to proactively and independently pursue its interests.

At present, China's priorities are domestic and, on the whole, the government has little interest in overseas adventurism. Rather, Chinese officials believe that the only way to solve domestic problems is to focus on maintaining growth. Given the high level of China's dependence on foreign trade (80 percent in 2005), Chinese leaders understand the necessity of a peaceful external environment. This understanding has led China to, among other things, peacefully settle the vast majority of its border disputes, actively

push for a China-ASEAN Free Trade Area, and create the Shanghai Cooperation Organization to consolidate ties with its neighbors in Central Asia.

Although it is highly probable that China will maintain its policy of "peaceful development" for the immediate future, there are legitimate concerns in Japan about how China's foreign policy line will change once it has completed its "rise." Will it become more aggressive once it has the capabilities necessary to pursue its interests with force, or will it abide by President Hu's pledge to pursue its interests peacefully within the existing global system? The illicit entry of a Chinese submarine into Japanese waters in 2004 and the satellite incident in 2007 have raised doubts about the degree of civilian control over the PLA. Furthermore, the fact that China is not a liberal democracy limits the extent to which the international community can trust Beijing's commitments and the degree to which Beijing can "build confidence" with other powers, such as Japan and the United States.

### Nationalism

Over the last few years, perceived Chinese hostility toward Japan has seriously damaged popular impressions of China within Japan and caused an upsurge in Japanese nationalism. There are many reasons for this development, such as the relative decline in Japan's regional and global influence, the virtual disappearance of the Keiseikai (Japan's pro-China faction) as a powerful entity within the ruling Liberal Democratic Party, and significant resentment toward the Chinese government's politicization of the history issue.

Chinese nationalism is also on the rise. Although the first exposure of many foreign observers to Chinese nationalism may have been the Chinese reaction to foreign protests over the Olympics and Tibet, the Japanese government has been dealing with anti-Japanese demonstrations in China intermittently over the last 25 years. The most recent incident culminated in an anti-Japanese riot in 2004 and massive demonstrations in 2005. Gradual liberalization of freedom of speech and the proliferation of the Internet and cell phones suggest that

mass nationalistic campaigns may continue into the future.

Fortunately, however, Beijing is aware that such demonstrations are dangerous, not only for China's relations with the outside world (particularly with Japan), but for the Communist leadership itself, which could very well become the next target of popular protest. For instance, immediately following the April 2005 anti-Japanese demonstrations, the government embarked on a widespread campaign to convince the Chinese people that stable relations with Japan are in China's interest.

### **Japan's Response: Comprehensive Engagement and Multilateralism**

How should Japan respond to China's economic, political, and military expansion? How can it ensure that fears about China's future course do not become a reality?

Given the immense opportunities provided by China's economic expansion and the extensive (and increasing) interdependency of the two nations' economies, it is abundantly clear that any attempt to contain China would be tantamount to Japan shooting itself in the proverbial foot. In stark contrast to containment, the most practical way forward has at its core (1) a policy of comprehensive engagement and (2) a focus on consolidating multilateral ties and rules-based cooperation throughout the region that aims to "minimize the negatives and maximize the positives" surrounding China's expansion.

The single most important and urgent objective of Japanese policymakers should be to achieve a "grand bargain" with China that places existing issues between the two nations in the context of a mutually acknowledged need to build healthier bilateral ties. The goal would be to create a win-win framework for future relations that constructively addresses existing issues between the two countries. For example, although it may no longer be appropriate for Japan to continue providing ODA to build economic infrastructure in China, certainly Japan can actively support Chinese efforts to improve energy efficiency and limit the environmental impact of economic development.

A grand bargain between China and Japan, the two most powerful nations in East Asia, is a prerequisite for creating healthy bilateral ties and consolidating long-term peace and stability in the region. Nevertheless, policymakers must also acknowledge that Japan and China are very different countries with different political systems, cultures, values, and visions for the region. Consequently, Japan must proactively engage China through multilateral frameworks as much as possible. Regional security is one example of an area that demonstrates the importance of engaging China through multilateral institutions.

China has a substantial number of nuclear weapons and its military expenditures already far exceed those of Japan. In short, China is big and getting bigger. It is unrealistic to expect that a non-nuclear power like Japan, which spends less than 1 percent of its GDP on defense, can provide an effective military deterrent against a state like China by itself. Rather than rapidly increasing its own defense expenditures, which would only lead to a destabilizing arms race, Japan should rely on the US-Japan alliance and other US security relationships in the region as a hedge against future uncertainties.

Unfortunately, however, 10 or 15 years from now the US-Japan alliance may no longer be able to provide a sufficient hedge against the military capabilities of China. In order to ensure that China's rise does not foment instability in the region, Japan and the United States must work together to consolidate inclusive multilateral frameworks throughout East Asia and gradually establish a norm of addressing problems in a cooperative manner. In addition to existing institutions such as the Six-Party Talks, the region is also in need of an East Asia Security Forum (EASF)\* to engage all states in the region in proactive operations to address nontraditional security issues such as maritime piracy, infectious disease, energy security, transnational crime, and the proliferation of nuclear weapons. Japan, China, and the United States should also institutionalize regular trilateral

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\* For more on the East Asia Security Forum proposal, see "East Asia Community Building: Toward an 'East Asia Security Forum,'" *East Asia Insights* 2, no. 2. (April 2007).

security dialogue as a complement to ongoing bilateral strategic talks. This will deepen confidence building and promote further transparency of both military capabilities and strategic intentions.

Unfortunately, Japan cannot take US participation in these fora for granted. Rather, it must proactively persuade Washington to maintain its military presence in the region and stay involved in efforts to consolidate intraregional ties through such multilateral initiatives as the East Asia Summit.

In the economic sphere, Japan must more assertively pursue bilateral and multiple economic partnership agreements (EPAs) with other states in the region. Although the spread of EPAs is only just beginning and the process of consolidating these nascent agreements may take many years, the long-term goal should be the creation of a region-wide EPA and economic community that is linked to the World Trade Organization and obeys the rules and obligations of the international system.

Another institution that could contribute to the consolidation of a rules-based economic system would be an "Asian OECD." This institution would serve as a valuable supplement to existing institutions such as the Asian Development Bank and provide guidelines for macroeconomic policy and such issues as investment, energy security, environmental protection, and provision of aid. In addition to serving as a valuable source for economic and social data, the "Asian OECD" would also serve as a multilateral forum for consultations among states in the region.

## Conclusion

There are many reasons for Japan to be concerned about China's future course. However impressive Chinese economic growth may be, China remains an enormous developing nation with serious governance issues. These problems are manifest in issues surrounding the Olympic Games, Tibet, and the current earthquake rescue operations. Nevertheless, the entire world has an interest in ensuring that China emerges peacefully and is enmeshed within the existing global system. Japan is no exception; indeed, it has an enormous stake in realizing this goal.

Recent developments, in particular President Hu Jintao's May 2008 visit to Tokyo, suggest that leaders in both countries have finally come to realize that confrontation serves neither country's interests and that both have much to gain from enhanced cooperation. However, we must not forget that it was only three years ago that relations between Japan and China reached a postwar low. While the warming of bilateral ties since the autumn of 2006 has been remarkable, relations between the two nations remain in a fragile state. Only time will tell whether the two nations have truly put the past behind them and are capable of working together to tackle the substantial regional and global problems that both countries will continue to face in the years ahead.

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## *East Asia Insights*

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