

Chapter 4

The Political and Economic Importance of China: A Japanese View

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CHINA is unique. It does not even fit the concept of nation in the normal sense of the word. It is the founder of and indisputable heir to a civilization that reigned over half the Asian continent for thirty to forty centuries. All nations in East Asia, from Vietnam to Korea and Japan, recognized the supremacy of Chinese civilization as the foundation of the political as well as the cultural order of the region.

However, the power and prestige of China began to decline about 200 years ago. China experienced considerable difficulty in mounting an effective defense against the inroads into the region of Western imperialism. The ancient world of East Asia, loosely centered around China, was no match for the growing industrial and military might generated by the nation-state system of the Western world.

As soon as the old empire showed signs of disintegration, the imperialists—Britain, France, Germany, and Russia—began to compete with each other in extorting from China a variety of concessions and extraterritorial rights. Even Japan, which had effectively emulated the nation-state concept and had quickly built up its own strength, joined in the scramble for the loot. At that juncture, China looked forlorn indeed, as though it were passing into obscurity, following in the steps of such other great civilizations as Egypt, Greece, and Rome.

In spite of all the odds against it, however, China made a spectacular comeback after World War II and played a central role once again in the affairs of the region. With the inception of the People's Republic of China (PRC) in 1949, China was transformed from what Mao Zedong called a "semi-colony" to a "candidate superpower," wielding decisive influence over the competition between the United States and The Soviet Union.¹

This paper reviews some aspects of China's postwar behavior that set it quite apart from other countries; examines the way its present leadership weighs priorities and shapes policies; and considers briefly some of the implications for the region.

Since its foundation, the dominant ethos of the People's Republic of China was never to allow itself to be dominated or exploited by others. This was a reflection partly of its humiliating past and partly of its sheer size and sense of status.² Unlike many other newly independent countries, China did not succumb to a narrow, chauvinistic nationalism. Rather, it chose to participate actively in global politics and to assert its influence either by working with, or opposing, one or the other—and sometimes both—of the superpowers.

Few countries were able to stage such open hostility toward the superpowers as China did. During the 1950s and 1960s, China kept pouring harsh and vituperative criticism upon the United States, whom they designated as enemy number one. Later on, China switched to identifying the Soviet Union as its archenemy, and towards the end of the 1970s, China's foreign policy centered around the endeavor to mobilize the world in an anti-Soviet crusade.

Surprisingly, neither the United States nor the Soviet Union was able to retaliate against China or coax it to change its stance. Until the mid-1970s, the United States was engaged in an extensive "containment of China" policy, sending massive military contingents to East Asia. However, it had to confine its offensive to China's periphery—namely, Korea and Vietnam—and never dealt the slightest blow to China's mainland. Likewise, the Soviets were utterly incapable of making an effective response to China's anti-Soviet rhetoric and watched helplessly China's affront to its position as supreme leader of the communist world. Moreover, whatever program or strategy the Soviet Union had for East Asia was seriously fragmented and rendered ineffective as a result of its rivalry with China.

Obviously, China's sheer size and its geopolitical location contributed to its "immunity" to superpower pressures. However, it was also true that China was persistent in trying to fend off possible threats from the superpowers by carrying out activist—and often quite enterprising—foreign policy. For instance, China was quick to cultivate relations with such renegade satellites in Eastern Europe as Romania and Albania as insurance against intimidation by the Soviet Union. This policy was effective in eroding some of the Soviet dominance of the communist camp, thus saving China from complete ostracism of that camp.³

Since the middle of the 1950s, China has propounded the idea of the inevitability of nuclear war and has declared that it has little to fear from it. This was the Chinese way of saying that it could not be intimidated by the nuclear threat. Mao Zedong's famous comment that even if 300 million Chinese perished, China would survive—a remark that reportedly frightened Krushchev—was made in the same context. As for any other nation, the ability to deal with the superpowers on an equal footing depended on China's ability to persuade itself, as well as the superpowers, that it had no fear of a nuclear attack.⁴

China's view of the world and of its own security needs are somewhat similar to those of the superpowers. In 1980 Deng Xiaoping explained to a group of Japanese visitors that the global power equation between the United States and the Soviet Union had been reversed, largely because of United States failure in Vietnam. This, according to Deng, whetted the appetite of the Russians and raised their expansionist ambitions to a dangerous level. He interpreted the Vietnamese invasion of Cambodia, which occurred earlier that year, as nothing less than part of Soviet strategy to "contain China," and dominate Asia. He urged, therefore, that the rest of the world should now join hands to hit the Russians hard whenever and wherever they poked out their head—be it in Afghanistan or in Cambodia—and give them a lesson by making them "bleed."⁵ True to these words, China carried out a punitive strike against the Vietnamese in February 1979, at the considerable risk of provoking Soviet intervention.

China's apparent readiness to use military force to support its foreign policy is another factor that makes it unique in the present world.⁶ Few would deny that China's intervention in the Korean War altered the course of world history. China's nuclear arsenal, which

is not inconsiderable, did not stir much fear in Japan or Europe. However, the superpowers have taken China's nuclear capacity quite seriously since it began nuclear tests in the 1960s.

China has demonstrated an outstanding level of farsightedness and flexibility in shaping its foreign policy; one case in point is the Sino-U.S. rapprochement in 1971. When its vital interests were at stake, China was able to cast aside past precedents and bureaucratic doldrums and pursue geopolitical logic quite rationally. Similarly, China has demonstrated, time and again, its courage in breaking out of the past and experimenting with the future in its internal policies, too, as attested to by the series of events from the Great Leap Forward to the Cultural Revolution, to the current audacious experiment of incorporating a market economy into a communist system.

The latest example of China's outstanding flexibility is the agreement it signed with the United Kingdom in 1984 concerning the return of sovereignty to Hong Kong. The concept of "one country, two systems," which was purportedly developed by Deng Xiaoping as the basic framework for governing Hong Kong's future, is not only bold but also quite unconventional for any nation of the world, let alone a communist one.

In a way, China's relations with Hong Kong resemble those of a huge corporation, long suffering from inefficient management, outdated technology, and falling profits, trying to revitalize itself by acquiring a small but highly modernized, fast-growing company. As long as the new subsidiary is allowed to retain the style and freedom of its operation, the parent company should be able to derive considerable benefit, not only from the profits the subsidiary may generate, but also through the challenge and stimulation the merger will bring to the entire organization of the old company.

The thrust of the Hong Kong agreement looks somewhat like the relations an ancient Chinese empire might have pursued with its tributary states. The old imperial administration was not fussy about the government structure of the vassal states, as long as they recognized the ultimate supremacy of China, and, more importantly, provided it with economic benefits as well as security around its periphery. Thus, the "one country, two systems" is an ingenious and resourceful concept because it seems to mesh not only with China's socio-economic needs but also with its historical ethos and behavior patterns. With its probable implication to the Taiwan ques-

tion, this may turn out to be an important cornerstone of the future order of East Asia.

China's foreign policy, which swayed far to the side of the United States in the early 1980s, is now moving back towards the middle, in line with China's changing perceptions and priorities.⁷ China's leaders may have believed that, due to the Reagan administration's military build-up, the disparity that had been in favor of the Soviet Union was now about to be closed; and hence there was less need for China to support the United States. Also, the Chinese might have realized that a one-sided alliance with the United States would narrow, rather than widen, its policy options. On the other hand, the excessively pro-U.S. position was inconsistent with China's traditionally supportive position vis-à-vis the Third World, and it also could alienate China's own people, who tend to react against the West's corruptive and polluting influence upon Chinese society.

This will probably mean that China will pursue, at least for the coming years, a foreign policy that is better balanced, lower-keyed, and more rational than in the past. However, China's avowed commitment to its options will not easily be compromised, because it stems from the nation's deepfelt sense of its role and status. The kind of pragmatism practiced by Japan, which puts economic interests above most other priorities, is not acceptable to China's leadership. Whether China can sustain its current drive for "modernization" would perhaps depend on whether the fruits of its endeavors can generate and maintain a sense of confidence compatible with the aspirations and self-esteem of its people.

Since the introduction of a contract responsibility system into its agricultural sector in 1979, China's economy has been consistent in showing robust growth—a demonstration of the outstanding entrepreneurial prowess of the Chinese people. During the sixth Five-Year Plan period (1981–85), grain output increased 16.6 percent, resulting in the dramatic reduction of imports. Also, cotton production grew by 100 percent, making China—a long-time major importer—self-sufficient in raw cotton, enabling the government to lift the rationing of cotton textile. In 1984 China exported 500,000 t/s and 200,000 t/s of feed grain (maize) to Japan and South Korea, respectively.⁸

With official blessing for farmers to launch a variety of side businesses, there was an explosive expansion of small-scale

industries—from transportation to handicrafts, poultry farming to fish hatcheries—whose output increased three times from \$12 billion in 1980 to \$38 million in 1984. The number of people engaged in such activities expanded from 30 million to 62 million in the same period, increasing per-capita farm income 13.5 percent every year.

However, by the time the government announced its “Decision on Reform of the Economic System” in October 1984, China’s economy was obviously overheated. Industrial output in the first half of 1985 recorded a staggering 23 percent increase, putting severe strain on China’s meager infrastructure in such areas as energy, transportation, and port facilities, as well as on its foreign exchange reserve. Price reform, one of the principal features of the “Decision,” although partial, accelerated inflationary pressures, while a number of irregularities and cases of corruption were reported, in part, a result of the decentralization of economic decision making.⁹

As in many other developing countries, Chinese society is still saddled with age-old socio-economic problems that impede modernization. A study of the prewar Chinese economy points out, among other things, the lack of a consolidated national market inhibiting the development of a modern industrial economy. Although there were brisk commercial activities throughout the country, the majority were rent-seeking activities, primarily serving individual interests, with little concern for, or understanding of, the goals of a national or public economy. There was little differentiation in people’s minds between public and private interests, thus defying efforts to develop modern economic institutions.¹⁰

The Kuomintang party recognized these weaknesses, but was unable to address them, largely because of the pressing need to fend off imperialist pressures, particularly from Japan. The Communist party of China was also conscious of the “semi-feudal and semi-colonial” features of traditional Chinese society and knew that these must be removed before it could hope to communize the country. However, having been forced to involve itself in global politics immediately upon its accession to power, it had little time or energy to grapple with these basic problems. As a result, many of the old legacies remained intact under the harsh communist rule that was not sophisticated enough to deal with these sensitive problems.

Therefore, the current drive for “modernization” is, in fact, re-

quired and obliged to carry out two different types of reform concurrently as prerequisites for its success. On the one hand, it has to push through an overall shift from a planned economy to what the Chinese call "socialist commodity economy," while on the other hand, it has to endeavor to alter China's age-old socio-economic norms and attitudes to make them more amenable to the demands of a modern economic system.¹¹ Deng Xiaoping calls this a "second revolution," and, as such, it presents untold challenges to him and his successors for many years to come.

Arguably, however, the present leadership may well be best equipped to carry out this task. For one thing, they have been successful in projecting broad congruence between its political goals and economic purposes. Many governments in the past failed to modernize China, partly because their priorities were obviously contradictory. The fact that the present government suffers much less from ideological rigidities than previous ones is helpful, too.

The coming to power of the present administration at the end of the 1970s helped reinforce the trend of depoliticization of the Asian-Pacific region. If anything, it reduced considerably the danger of large-scale armed conflicts, a far cry from the 1950s and 1960s when the entire region was embroiled in hot and cold wars. This is generating a spirit of contagious optimism throughout the region, providing the psychological underpinnings for its already robust trend of economic growth.

The region's growth will obviously be beneficial to China's efforts to modernize. It will provide China with favorable impetus in many areas, including overseas markets, investment, finance, and technology transfer. For the region, on the other hand, China's growth could be a mixed blessing. Many of the industries China promotes will pose direct competition to the region's exports to third markets, if not to the share in their domestic markets. Also, developing countries of the region will have to compete with China for limited resources of aid, finance, and investment from developed countries, notably Japan and the United States. Also, the presence of overseas Chinese communities in many countries in Southeast Asia can cause a myriad of social and political problems, particularly if China chooses to use these ethnic Chinese minorities for its own political purposes.¹² Nonetheless, the benefit of a sustained growth

of a 1.2-billion-people economy is hard to deny. At the very least, it will enlarge the size of the region's economy, providing a continuous basis for growth in other Asia-Pacific economies.

Japan remained, by and large, a passive partner in its early postwar relations with China, adjusting itself to the vicissitudes of China's political mood. Trade relations through unofficial channels grew modestly but steadily. After the normalization of relations in 1972, Japan continued to maintain a low posture through the post-Mao convulsions, hoping for a return to stability. When the present leadership took power and launched the "modernization" program, Japan was eager to help. By this time, because of its own outstanding economic success, Japan saw its role as reinforcing the positive elements in Chinese economic policy, which it believed would stabilize both China and the region. Bilateral trade increased nearly ten times during this period, from \$1.1 billion in 1972 to \$10.3 billion in 1981.

China-Japan relations have never been as pervasive as they are now. Apart from their economic transactions, interaction between the two countries—in sports, culture, tourism—is massive and cordial. However, it is not clear whether a close political partnership will develop. China appears not very tolerant of a rival power center in the region. Although it is now resigned to Japan's economic dominance over East Asia, China would perhaps be loathe to see it translated into political influence.

On various occasions in the recent past, China has engaged in campaigns of criticism against Japan, presumably to teach Japan a lesson. The vicious warning against a revival of Japan's militarism was initiated by Zhou Enlai in 1971 and lasted about a year before it was abruptly discontinued prior to the normalization of relations in 1972.¹³ The textbook issue ravaged the relationship for exactly seven weeks in the summer of 1982 and was withdrawn a few weeks before Prime Minister Suzuki's Beijing visit. The Yasukuni Shrine issue was of considerable embarrassment to the Nakasone administration in 1985. All these issues were related to Japan's militaristic past, and, understandably, this memory is still prominent in Chinese minds. At the same time, some of this criticism was obviously a ploy to placate domestic opposition. However, the Chinese also know perfectly well that criticism of the past is the most effective instrument for cutting Japan down to size and dampening

any ambition it may have for political leadership in the region. It would, therefore, be quite natural for the Chinese to choose to use this weapon from time to time as a reminder to the Japanese of their annoyance.

This may seem to dictate a prudent and low posture on the part of Japan, not only for its own peace of mind, but also to be effective in its supportive role for China and the region. After all, history shows that Japan's over-involvement with China and its imperialist ambitions brought the United States into the region and led to the precarious Sino-U.S.-Japan triangle that eventually led the whole region to a devastating war. In the world of the 1980s, this particular triangle is unlikely to develop because of the far more dangerous prospect of superpower confrontation. However, the potential for such competition remains inherent in the geopolitics of the region. Therefore, Japan may be well advised to be sensitive in its relations with China, and to confine itself largely to the role of facilitator in the socio-economic development of the region.

NOTES

1. Harry Harding, "Change and Continuity in China's Foreign Policy," *Problems of Communism* (March-April 1983), 14.
2. Tatsumi Okabe, "Chugoku no Taigai-Shisei to Taigai-Imceji," in *Chugoku Gaiko* (China's Foreign Policy), ed., Tatsumi Okabe (Tokyo: Japan Institute of International Affairs (JIIA), 1983), 4-5.
3. William E. Griffin, "China and Europe," in *The China Factor: Sino-American Relations and the Global Scene* (New Jersey: Prentice-Hall), 163-65.
4. Okabe, op. cit., 15.
5. Deng Xiaoping, in a conversation with Japan's Trilateral Commission delegation, Beijing, May 1980.
6. Harding, op. cit., 14.
7. Ibid., 8-9.
8. Economic Section, American Embassy, *Foreign Economic Trends* (Beijing: July 1985).
9. Far Eastern Economic Review, *Asia Yearbook 1986*.
10. Tatsumi Okabe, "Chugoku-shiki Shakai-Shugi Shiron," in *Chugoku Shaki-Shugi no Saikento* (Reexamination of Chinese Socialism) (Tokyo: JIIA, 1986), 166-70.
11. Ibid., 161-66.
12. Zakaria Ahmad and Paul Chan, "China's Role and Relations with ASEAN: Issues and Prospects" (Unpublished paper presented at the Interim Conference of the 4th Phase of the Asian Dialogue, Hong Kong, February 24-25, 1986).
13. James Reston, Interview with Zhou Enlai, *New York Times*, August 10, 1971.