



**HÁSKÓLI ÍSLANDS**

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**MA-ritgerð í alþjóðasamskiptum**

## **The US-Japan-China Triangle: Shifting Power Balances in East Asia and the World**

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## **Abstract**

The three-way relationship between the United States, Japan and China in East Asia will shape the future of the region and China's quest for a rightful portion of power in East Asia and the world. The future regional status of Japan and the US depends on how they engage China – whether they do it unilaterally, bilaterally or multilaterally. The success or failure of those choices can in turn have significant influence on China's rise to eventual global power status. The three countries have been successful to various degrees in their bilateral relations, but significant challenges remain and new ones have emerged on all fronts. Furthermore, each corner of the triangle is facing a number of domestic and security policy challenges that will shape their status in the region going forward.

The conclusion is that the triangular relationship and East Asia in general would benefit most if the US, Japan and China moved forward through a combination of bilateral and multilateral approaches including the search for common or compatible interests. For the US and Japan these methods present the best way to influence the paths China chooses and shape what kind of regional and global power it becomes in the future. For China they provide the best method to improve its image and reassure its neighbours in the region and beyond as China's leadership is set to play a more prominent and also a more connected role in both the regional and global balances of power.

## **Preface**

During my undergraduate study at the University of Iceland I got the opportunity to live and study in Japan for one year as an exchange student at Kansai Gaidai University. As my first experience of living abroad and in a different continent, the stay had a big impact on my world view and cemented my interest in the politics of Japan and other East Asian states. Of particular interest to me were the various disputes and topics of debate between Japan and its close neighbours. After returning to Iceland I wrote my BA thesis on the international disputes surrounding Japanese Prime Ministerial visits to the Yasukuni Shrine and decided to pursue an MA degree in International Relations.

During the study I started to develop a more coherent understanding of the forces at work in East Asia and the importance (and complication) of the US-Japan-China triangle for the region and beyond. In particular I was interested in what sort of changes the shifting balance of power in East Asia might bring, and how the United States, Japan, and China might respond to this shift.

Throughout my studies, and especially during the writing of this thesis, I have benefited greatly from the constant support and patience of my family. Various friends and colleagues also came to my aid from time to time and I would like to thank them for their input and support. In particular I would like to thank Alyson Bailes for her excellent guidance and invaluable input from the idea-phase all through to the completion of this thesis.

This master thesis is the final assignment in the MA studies of International Relations at the University of Iceland. It accounts for 30 ECTS credits and the instructor was Alyson Bailes, Adjunct Lecturer at the University of Iceland.

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## **1. Introduction**

This essay will seek to explore the changing security environment, relations and balance of power between the three main powers influencing East Asia: Japan, the United States and China. Relations between these three countries will shape the future of East Asia and the path China takes towards global power status. The rise of China and its quest for what it sees as its rightful portion of power in the region and the world has already assumed centre stage. Japan remains the largest economy in East Asia, but faced with China's rising economic and military might and the relative decline of US power, Japanese leaders will have to seriously consider the future role of the Self Defence Forces and the Japan-US Security Treaty while at the same time tackling the economic problems at home. The US has a strong naval presence in East Asia, but its military is already overstretched. Faced with economic recession at home and pressure to reform the military after setbacks in Iraq and Afghanistan, the US must for the first time contemplate a future where it will no longer exert the single dominant influence in East Asia. The future regional status of Japan and the US depends on how they engage China, whether they do it unilaterally, bilaterally or multilaterally. The success or failure of those choices can in turn have significant influence on China's rise to eventual global power status.

Regardless of theory, the US, China and Japan must carefully examine the various options they have at each time, and carefully evaluate what course of action will best balance between what they want and what they are prepared to give up in return. The big question for the region is how the US-China-Japan relationship will evolve. How the US and Japan choose to engage China, and the resulting relationships and developments, will not only determine the future of US-Japan and Japan-China relations, but also set the stage for the future of US-China relations in other parts of the world. The questions are whether one vision trumps the others or whether the result will be a compromise between all two or more of

them; whether existing relationship will grow or decline, and whether new ones, possibly multilateral, will be formed.

In Chapter two the concept of balance of power is explored from the theoretical perspectives of liberalism and realism before looking at the possible patterns of balance that the world may be heading towards in this century. No matter which way the world goes, it is already certain that China will be of central importance, and nowhere is that clearer than in East Asia.

In chapter three the different bilateral sides of the triangle are explored and an overview given of where the respective relationships have been successful and where there remain challenges that may hinder the development of closer ties and cooperation. The different multilateral approaches are then explored from the viewpoints of each country.

The fourth chapter goes over the different domestic and security challenges facing each corner of the triangle and highlights likely policy paths. The United States, Japan and China are each going through a period of great transformation and change: the US and Japan are seeking economic recovery, the US is facing military overstretch, Japan is coming face to face to significant societal changes, and China is emerging as both a great military power and an economic superpower.

The final part of the essay brings the other two parts together and puts them into context for the possible future developments in the region and beyond. The conclusion is that the trilateral relationship and East Asia would benefit most if the United States, Japan and China moved forward through a combination of bilateral and multilateral approaches. For the US and Japan these present the best way to influence the paths China chooses and shape what kind of regional and global power it becomes in the future. For China they provide the best method to improve its image and reassure its neighbours in the region and beyond as China's leadership is set to influence and also to link more together the regional and global balances of power.



## **2. Liberalism, Realism, and the Balance of Power**

There are several political theories which attempt to explain the behaviour of nations in the international system, most prominent among them being realism and neoliberalism. Proponents of these theories are trying to interpret and explain how the system functions – why states act the way they do – and in a sense trying to influence the foreign policy of states. While realism tends to focus on the tendency towards conflict between states, liberalism tends to focus on how states cooperate to prevent such conflict. Neither theory manages to perfectly explain the real actions of states in the anarchic international system, but these theories and their proponents arguably do impact the way leaders of governments shape their foreign policy. During the Cold War the *balance of power* between the United States of America and the Soviet Union was an integral part of how all states formed their foreign policy, but the balance of power is not a new concept for it has arguably impacted states', and before that city-states', foreign policy for thousands of years. The balance of power is usually categorised as an integral part of realist thought, and seen as incompatible with the peaceful solutions and multilateral ways of liberalism; but as will be discussed in chapter 2.3, the balance of power fits well, and some argue belongs, within liberal international relations theories. The balance of power in East Asia today is being shifted by the fast rise of China's status to that of an economic superpower with considerable military might. The manner and outcome of how the US and Japan choose to engage China will not only set the stage for the future balance of power in East Asia, but also determine the future of US-Japan relations and set the tone for the future manner of US-China relations.

### **2.1 Liberalism**

The basis of liberalism is that people are rational and good, and thus predisposed to cooperate with each other. While war and injustice is not always inescapable, states are always capable of bettering themselves and achieving peace through

cooperation.<sup>1</sup> The international system is chaotic, but rational behaviour and virtuous human nature leads states to find peaceful solutions to their conflicts. A key factor of this cooperative peace is interdependencies formed through free trade: economically interdependent states are unlikely to war against one another because the resulting costs would be far greater than the potential benefits.<sup>2</sup> This belief in cooperation and interdependencies is reflected in the view that the main actors in the international system are not just states but also international organizations, non-governmental organizations (NGOs), and businesses.<sup>3</sup>

States choose to cooperate in the international system, and the system functions nicely because states have voluntarily established a number of international institutions for the purpose of facilitating cooperation and peace. In these institutions a framework for continued beneficial interaction and cooperation in the future has been created, giving states a sense of security when they act through them. As such, involvement in international institutions appears to reduce the likelihood of hostility between states as they will instead seek to reach settlements and solve their problems through the diplomatic channels provided in the various institutions.<sup>4</sup> Furthermore, through international institutions, states have created international laws and regulations which all signatory states must abide by. Should a state break international laws, the relevant institutions can impose punishment ranging from international humiliation for a minor violation, all the way to exclusion from the international community, or even military action, in extreme cases. Institutions, just like states, are therefore important parts of the international system, of which they are both “reflections and participants”.<sup>5</sup> However, the disadvantage of institutions is that they can never coerce a state to

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1 Mingst, Karen A. *Essential of International Relations*. 3rd ed. New York and London: Norton & Company, 2004. Page 62.

2 Ibid., page 63.

3 Ibid. Page 65.

4 Abbott, Kenneth W., and Duncan Snidal. "Why States Act Through Formal International Institutions." *The Politics of Global Governance: International Organizations in an Interdependent World*. Ed. Paul F. Diehl. 3rd ed. Boulder: Lynne Rienner, 2005. 25-59. Page 26.

5 Abbott, Kenneth W., and Duncan Snidal. "Why States Act Through Formal International Institutions." Page 30.

act; the coercion has to be performed by other states. Nonetheless states often seek the assistance of institutions for conflict prevention or solution.<sup>6</sup>

Cooperation and peace between states is also more likely if the states generally share the same values and/or goals, an opinion reflected in the 'democratic peace' theory: democracies are unlikely to attack each other and are more peaceful than non-democracies. This thesis seems to stand true,<sup>7</sup> but putting on a sceptic's glasses, an 'autocratic peace' theory could perhaps prove equally accurate. Because of the mutual economic benefits it brings them, democratic states are likely to cooperate in their campaign for a liberal economic system. States reduce trade barriers between each other and form economic interdependencies as they start to rely on export, import, outsourcing and foreign labour to manage their economic growth, a development commonly known as globalization. In the course of this process there is, however, a risk that states may lose control of the forces driving globalization – the business corporations – resulting in increased inequality both within and between states. States who want to defend themselves against such developments have reacted by banding together and cooperating through international treaties and institutions to coordinate their economic policies and regulate the drivers of globalisation.<sup>8</sup> States will therefore always be better off if they chose to cooperate with each other and focus on creating mutual benefits instead of competing in a zero-sum game of power.

Liberalism is not a single theory. The most prominent sub-theory is neoliberal institutionalism, which arrives at a different explanation for why states choose to cooperate. According to neoliberalism, people, and thus states, are self-interested, power-hungry, and always looking for ways to maximize their profits. Because states are repeatedly confronting each other in a kind of “prisoner's dilemma”, it

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6 Bennett, A. LeRoy, and James K. Oliver. *International Organizations: Principles and Issues*. Seventh ed. New Jersey: Prentice Hall, 2002. Page 3.

7 Statistical analysis does suggest that this theory holds true, see for example Dixon, William J., “Democracy and the Peaceful Settlement of International Conflict.” *American Political Science Review* 88(1994), pages 14-32; and Hagan, Joe D., “Domestic Political Systems and War Proneness.” *Mershon International Studies review* 38:2 (October 1994), pages 183-207.

8 Beetham, David. *Democracy: A Beginner's Guide*. Beginner's Guides Series. Oxford: Oneworld Publications, 2006. Pages 56-59.

becomes in their best long-term interest to cooperate with each other;<sup>9</sup> “[g]iven the appropriate institutional structure [states'] interests could be made to balance each other out, aggregating to the social welfare.”<sup>10</sup> Through consecutive successful cooperation in 'prisoner's dilemma'-type situations, states can maximise “the sum of benefits [which] therefore becomes a politically feasible and perfectly sensible aim.”<sup>11</sup> In this way neoliberalism can be looked at as a kind of compromise between Liberalism and Realism.

Multilateralism, where multiple countries work together on a given issue, reflects well the ideas of shared values and/or goals, the long-term advantages of cooperation, balancing of interests and maximising benefits. Most international institutions are multilateral in nature, but multilateralism does not require the establishment of an overarching institution. Multilateralism allows states to deal with various problems that they otherwise would not be able to handle individually, including the attempt to construct rules or some kind of governance approach to their interactions. This can have a certain calming influence on the states that take part in it, not only because they balance each other, but because they start to understand each other better and see where they have interests in common.<sup>12</sup> Multilateral approaches can be especially important in regions where international institutions are few and limited, and states are facing specific problems that would best be solved through cooperation. Furthermore, multilateral approaches can be adapted to the changing interests and behaviour of states. While multilateralism is fully compatible with liberal ideas about cooperation between states, and fits into the framework of realism as well, it is also a part of the ideas of constructivism; that human practice can transform the

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9 Mingst, Karen A. *Essential of International Relations*. Page 64.

10 Boucoyannis, Deborah. "The International Wanderings of a Liberal Idea, or Why Liberals Can Learn to Stop Worrying and Love the Balance of Power." *Perspectives on Politics* 5 (2007). Page 704.

11 Underdal, Arild. "The Outcomes of Negotiation." *International Negotiation: Analysis, Approaches, Issues*. Ed. Victor A. Kremenyuk. 2nd ed. San Francisco: Jossey-Bass, 2002. 110-25. Page 114.

12 Bailes, Alyson. Personal interview. 30 Mar. 2009.

international system, transform the behaviour of states, and create a sort of collective identity.<sup>13</sup>

## 2.2 Realism

Standing in stark contrast to liberalism and constructivism are the self-help focused arguments of realism. Realism describes people as rational, but primarily selfish and power-hungry. States are simply large groups of organized individuals and their primary goal is the selfish pursuit of power.<sup>14</sup> Realism doubts the viability of ever eradicating war and conflict, as it describes the international system as an anarchic arena where selfish states “struggle for power”.<sup>15</sup> States are neither created equal nor do they grow and develop equally. To manage their insecurities, states use deterrence and seek to balance the system in such a way that no single state can emerge as overwhelmingly powerful.<sup>16</sup> However, as states are constantly seeking to improve their relative power, the balance can never become permanent. Realism characterised the real-life conduct of international relations between the United States and the Soviet Union during the Cold War and it is safe to argue that realism has been a “dominant theory in the history of International Relations.”<sup>17</sup>

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13 Wendt, Alexander. "Anarchy Is What States Make of It: The Social Construction of Power Politics." *International Organization* 46.2 (1992): 391-425.

14 Mingst, Karen A. *Essential of International Relations*. Page 66.

15 Walt, Stephen M. "International Relations: One World, Many Theories." *Essential Readings in World Politics*. Ed. Karen A. Mingst and Jack L. Snyder. 2nd ed. The Norton Series in World Politics. New York and London: Norton & Company, 2004. 4-11. Page 5; and Mearsheimer, John J. "The False Promise of International Institutions." *The Politics of Global Governance: International Organizations in an Interdependent World*. Ed. Paul F. Diehl. 3rd ed. Colorado and London: Lynne Rienner Publishers, 2005. Page 63.

16 Mingst, Karen A. *Essential of International Relations*. Page 66.

17 Hollis, Martin, and Steve Smith. *Explaining and Understanding International Relations*. Oxford: Oxford University Press, 2003. Pages 27-28. For more on realism throughout the centuries see: Thucydides. "Melian Dialogue." *Essential Readings in World Politics*. Ed. Karen A. Mingst and Jack L. Snyder. 2<sup>nd</sup> ed. New York and London: Norton & Company, 2004; and Mearsheimer, John J. "The False Promise of International Institutions." *The Politics of Global Governance: International Organizations in an Interdependent World*. Ed. Paul F. Diehl. 3rd ed. Colorado and London: Lynne Rienner Publishers, 2005; as well as the writings of Morgenthau, Machiavelli, St. Augustine and Hobbes.

Realists see states as the key actors on the international stage and object to the liberalist idea that international institutions are of any significant relevance. In their eyes, international institutions do little more than reflect the power balance between the great powers; and since institutions have no coercive methods to force states to comply with laws and regulations, the states are free to choose their course of action and will always choose according to their national interest.<sup>18</sup> States seek to increase their own power while at the same time diminishing the power of competitors in a zero-sum competition of relative gains and losses. However it is precisely this “balance of power logic” which can lead states to “cooperate against common enemies.”<sup>19</sup> At the same time, cooperation will always be marred by suspicions of cheating and the security considerations of relative gains. While states will seek cooperation to balance the system when power is stacked against them, when the power calculus is in their favour they will do everything in their power not only to protect the status quo, but to further shift it to their advantage.

While realists maintain that international law and institutions can only explain limited economic cooperation and have little or no effect on state behaviour,<sup>20</sup> realists do sometimes find some use for them. International law can have a calming effect on the anarchy in the international system, but the reason why states choose to comply is because at that moment it is in their best self-interest to do so.<sup>21</sup> International institutions require collective actions to function, yet those are particularly vulnerable to cheating and free-riding, and the prospect for long-term gain is thus vague at best. Although realists do not see much value in participating in international institutions or multilateralism as such; find it hard to believe that institutions have a peace-bringing effect; and would in fact be ready to abandon them immediately if they seemed to no longer be the right instrument for achieving a state's goals, there can be a practical benefit to using them. Groups of more than two states can be used in a *multilateral* way to achieve a

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18 Mearsheimer, John J. “The False Promise of International Institutions.” Page 61.

19 Ibid. Page 64.

20 Mearsheimer, John J. “The False Promise of International Institutions.” Pages 73 and 90.

21 Mingst, Karen A. *Essential of International Relations*. Page 191.

specific result favourable for a state's national interest.<sup>22</sup> Preserving a multilateral framework can prove more likely to advance a state's goals than disbanding it altogether: but as soon as this is not true, multilateralism can and will be abandoned. On this view, multilateralism should therefore be used only when it is judged more likely than bilateralism to protect a state's national interest.

Neorealist theory has a slightly different approach from traditional realism. It focuses less on human nature and more on the anarchy of the international system and the struggle for states to survive in this rule-less environment. In terms of security and cooperation, if states can build defences that make it prohibitively expensive to invade, and those defences are not threatening to other states, the likelihood of other states pursuing expansionist strategies will diminish and the possibility of cooperation emerges.<sup>23</sup> Realism can be criticized for downplaying or even ignoring economic factors, but neorealists attempt to rectify this. They see the states controlling the international economy in a way that maximises their power where “international economic regimes are embodiments of structural power in the international system.”<sup>24</sup> According to Robert G. Gilpin there are three political foundations for liberal economic theory:

The first is a dominant *liberal* hegemonic power or, I would also stress, liberal powers able and willing to manage and enforce the rules of a liberal commercial order. The second is a set of common economic, political, and security interests that help bind those states together. And the third is a shared ideological commitment to liberal values.<sup>25</sup>

It can therefore be argued that neorealism is more optimistic than realism and, even, a sort of middle ground between realism and liberalism. It does open the possibility of cooperation, but acknowledges the problems of unbalanced relative gains in the security context.

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22 Bailes, Alyson. Personal interview. 30 Mar. 2009.

23 Walt, Stephen M. "International Relations: One World, Many Theories." Page 5.

24 Hollis, Martin, and Steve Smith. *Explaining and Understanding International Relations*. Page 37.

25 Gilpin, Robert G. "The Richness of the Tradition of Political Realism." *Neoliberalism And Its Critics*. Ed. Robert O. Keohane. New York: Columbia University Press, 1986. 301-321. Page 312. Emphasis in the original.

### 2.3 The balance of power

The balance of power is in many ways a core principle in the realist approach to international relations. In the chaotic international system, states base their foreign policy on pursuing their perceived national interest, rather than some abstract harmony. Each state has to survive on its own merits and weaker states may feel compelled to band together against stronger ones to balance the system in an attempt to prevent any state from becoming too powerful. As such states may not be explicitly acting in a balancing way, but rather pursuing a policy of self-preservation.<sup>26</sup> A *multipolar* balance of power emerges with several relatively equal great powers keeping each other in check through shifting alliances and thus protecting the balance. A *bipolar* balance of power emerges when there are two superpowers and several great powers. The balance in such a system is a “balance of terror” where alliances are dominated by one of the two superpowers and the lesser powers ally with them on an ideological basis or even out of fear, with the alliances remaining permanent.<sup>27</sup> War is significantly different depending on the type of balance. In a multipolar system, war is a natural occurrence and part of rebalancing the system. In a bipolar system, war between the superpowers “would be an all-out affair of complete mutual destruction.”<sup>28</sup> Kenneth Waltz has argued that a bipolar system is more stable than a multipolar one, while Morgenthau argues that multipolarity is most stable.<sup>29</sup>

A third kind of balance is a unipolar one with one dominant superpower and several great powers. In a unipolar system there is one superpower which projects power in all regions of the world. Each region has great powers, which may or may not be in a close alliance with the superpower. The superpower will use its allies and its military and economic power in each region to create a certain status quo where other, possibly hostile or otherwise non-cooperating states are at a definite power disadvantage against the superpower and its allies. Should the

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26 Boucoyannis, Deborah. "The International Wanderings of a Liberal Idea." Page 711.

27 Hollis, Martin, and Steve Smith. *Explaining and Understanding International Relations*. Page 103.

28 Ibid., pages 103-104.

29 Walt, Stephen M. "International Relations: One World, Many Theories." Page 5.



stability of a unipolar system be threatened, for example by a hostile or non-cooperative state growing in power, the unipolar system is uniquely capable of responding to that threat. The alliance may attempt to keep the non-cooperative state down, possibly through aggressive actions, and prevent it from gaining power or forming new alliances. This has the unfortunate side effect of increasing the risk of hostilities as the non-cooperative state, and possibly other states in the region, will feel threatened in an unjust way. A second option is for the alliance to further strengthen its power base and military capability in an attempt to keep the status quo at the same level as before, but at the same time risking a security dilemma and possibly increasing the risk of war. These two methods may upset the superpower's allies in the region because if war breaks out they will be the front line and suffer the most while the superpower dictates the action from a comfortable distance. Another side effect to those two options is that some of the superpower's allies closest to the rising state may, for various reasons (e.g. political, economical or cultural), choose to break the alliance and side with the rising state. A third way is to get the previously non-cooperative state to cooperate with the alliance or, if active cooperation is unlikely, to shape its choices in such a way as to minimise the risk of hostilities. The most successful method may be to use economic incentives to lure the troublemaker into the globalized world of economic interdependencies where war will be too costly to be justifiable. Thus the superpower and its allies can attempt to guide the rise of a new power in such a way that it becomes a non-threatening and cooperative member of the international system, be that a uni- or multipolar system. These scenarios have been developed for the purpose of the present work and will be built on and picked up later in relation to the real-life case of China, which they closely match.

The balance of power, as mentioned above, is a core principle of today's realist approach to the international system. In his book, *Diplomacy*, Henry Kissinger describes the two balance of power models of the 19<sup>th</sup> century, the British and the Bismarck models, as follows:

The British approach was to wait for the balance of power to be threatened directly before engaging itself, and then almost always on the weaker side; Bismarck's approach sought to prevent

challenges from arising by establishing close relations with as many parties as possible, by building overlapping alliances systems, and by using the resulting influence to moderate the claims of the contenders.<sup>30</sup>

While the British approach is perhaps classifiable as purely realistic, Bismarck's approach is somewhat more akin to today's liberal model of overlapping economic interdependencies leading to balance, which leads to questions on whether the balance of power concept is perhaps not such a uniquely realistic idea. In fact Deborah Boucoyannis describes balance of power as a “defining Liberal principle, underlying Liberal constitutionalism as much as Liberal economics.”<sup>31</sup> The basic ideas of liberalism are interdependencies between states and an effective international framework which eventually lead the system to a relatively peaceful status of equilibrium where state's self-interests balance each other – in other words a balance of power. The rational self-interested preservationist actions of states in an interdependent world lead to a balance of power, even though that balance may not have been their explicit intention. Boucoyannis contends that realism predicts concentration(s) of power “destabilizing the system and threatening the security of individual units” while liberalism has from the beginning been more concerned with the creation of balance.<sup>32</sup>

As stated in the realism chapter above, states are not created equal, and their unequal growth can lead to a concentration of power and an imbalance in the system. According to Mearsheimer's “offensive realism”, it is to be expected that power and geostrategic pressures will lead states to aggressive actions in order to expand their power, and these aggressions will pay off as has been repeatedly shown throughout history.<sup>33</sup> Concentrations of power weaken the balance of the system and Mearsheimer is saying that great powers will always behave in a

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30 Kissinger, Henry. *Diplomacy*. New York: Simon & Schuster, 1994. Page 835.

31 Boucoyannis, Deborah. "The International Wanderings of a Liberal Idea." Page 703. In the article Boucoyannis goes over the history of liberalism and argues that modern liberalism has drifted too far from the original theories, and even that realists have borrowed or claimed certain liberal ideas which modern liberals therefore renounce as realist. In essence she is arguing that liberals should reclaim the balance of power.

32 Boucoyannis, Deborah. "The International Wanderings of a Liberal Idea." Page 704.

33 Mearsheimer, John J. *The Tragedy of Great Power Politics*. Reprint. New York & London: W. W. Norton & Company, 2003.

destabilizing manner in their quest for expansion, power and influence. 'Offensive' realists maintain that balancing is ineffective while 'defensive' realists assert the opposite, but both agree that states act aggressively and that such behaviour is the result of the structure of the international system.<sup>34</sup>

Security considerations and self-interest are parts of both liberalism and realism, but the theories differ on how to manage those interests. While realism predicts the consolidation of power and thus unbalancing of the system, liberalism is more optimistic in its focus on interest balancing interest. While balance of power is generally looked at as an integral part of realist theory on international relations, we can see that historically it may have originated with liberal theorists and that it fits well within the framework that liberalism presents for balance in international relations, be it security or economy related.

## **2.4 Today's balance of power**

The world today is governed by one superpower, the United States, and several great powers – national and institutional like the European Union – each pursuing their own interests. The balance of power is changing and the great democratic powers of the western world are looking eastward and observing the rising power of communist China. It is hard to say what kind of balance the world is heading towards, but we can be certain of two things: (i) even though the economic power of the U.S. may be diminishing, it will still remain the sole military superpower for the foreseeable future; (ii) China will be an important element of each great power's foreign policy and balance-of-power planning.

There are three scenarios of balancing that are more likely than others in these circumstances: (1) we may witness the birth of a complicated multipolar balance with many new great powers, amongst whom China will be first among equals, but the U.S. still in a dominating position; (2) with China's economy certain to become the largest in the world, we may witness a concentration of power in two (ideological) camps, the East, led by China, and the West, led by the United

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34 Boucoyannis, Deborah. "The International Wanderings of a Liberal Idea." Page 714.

States; (3) the world may be heading towards a new concentration of power in three camps: the United States, the European Union and China, with the other great powers either remaining neutral or allying where they see fit. This third scenario assumes a continuing or growing degree of separateness between the US and European approaches, allowing somewhat different qualities of relations between them and China. It is this author's view that the third path of balance is the most likely for three reasons. China is rising fast towards economic superpower status, it is not lagging too far behind in its military capability, and China has high hopes and ambitions for its future status and role not only in East Asia but the whole world. When China reaches that level of economic and military power, there are only two entities capable of challenging it: the United States and the European Union, which between them also share the military might of NATO, but do not necessarily share the same policy on how to handle global power relations, specific challenges and crises.

The three previously mentioned balance-of-power scenarios have one thing in common: China will assume a role of central importance. China is a nuclear power; it has a permanent seat on the United Nations Security Council; its economy is predicted to overtake the U.S. economy in this century; it has made other economies largely dependent on its own economy; it has massive foreign reserves; it has made numerous strategic investments all over the world giving it leverage in those areas and guaranteeing natural resources for itself for the next several decades; and it is single-mindedly modernising its military both to protect its own territory and acquire options for the long-distance projection of power. A continuing peaceful rise will eventually put China in the position of wielding significant soft power – more in some regions than others – but China's focused military modernisation and increasingly confrontational manner on certain issues suggests that China is planning to eventually wield the double weapon of soft and hard power on a superpower level.

The world saw a concentration of power during the Cold War resulting in a bipolar system where both superpowers actively tried to affect the balance in their favour. After the collapse of the Soviet Union the world was thrust into a unipolar

balance with the United States as the hegemonic leader influencing the world based on its values and national interest. Today we see the rise of several great powers that are capable of threatening the hegemony of the United States, gradually forcing the system to change from a unipolar to a multipolar one. The United States will remain the sole superpower for the coming decades, but the number of great powers is increasing and no one can say how they will see best fit to protect their national interests in the future. Unless the United States can manage the rise and evolution of these new great powers, the balance may be tipped against it as the new powers assert their independence and seek to increase their power and influence in the world. If it is naïve to hope for the emergence of a system “in which a balance of power is reinforced by a shared sense of [democratic] values,”<sup>35</sup> it follows that the US will have to push forward in ways that provide concrete deterrents and inducements for differently-minded players if it is to maintain its status.

In East Asia we are witnessing the most immediate threat to the United States' unipolar balance where the rise and success of China threatens to destabilize the hitherto US-enforced security and economic environment, thus undermining the status of the United States in the region. China is furthermore the first of the new national great powers to have progressed from being a great regional power to having serious global influence. The challenge facing the United States is where and how to confront and manage China: whether to do it peacefully through the international framework as liberalism would suggest, or whether the balance should be sought through more direct, and possibly aggressive, realist measures. At the same time, Japan, whose only ally in the region is the United States, is also facing the same treat of a rising China, but for Japan the threat is potentially much more significant because China is its next-door neighbour and a country with which relations have been strained for decades. Strategic planners and policymakers in the US, China and Japan are outlining their visions for East Asia, defining the purposes and principles of their respective relationships, and identifying the next actions for the achievement of their national interest.

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35 Kissinger, Henry. *Diplomacy*. Page 834.

## 2.5 Theoretical conclusions

Theories in international relations are unable to accurately predict the future or explain the actions and behaviour of states. There are no unbreakable laws or rules of international relations, which coupled with the unpredictability and fallibility of human behaviour makes it unrealistic for states to base their decision-making process solely on international relations theories. Realism and liberalism see the international system, cooperation and competition in different lights. While both agree that wars can be justifiable, they disagree on the necessity of conflict. Liberalists view the actors in the international system as interdependent, they see a community of states, and they admit to the anarchy in the system. They believe that interdependent states are more likely to cooperate even though they base their choices solely on their national-interest. Through interdependencies the system will arrive at a balance of power so the anarchy can be managed. Realists, on the other hand, describe unmanageable anarchy, actions based on selfish calculations of zero-sum power, and destabilizing concentrations of power.

States seek national security and economic growth which are arguably two sides of the same coin. In *The Art of War* (Sun Tzu) the following is said about a state's military: "The military is a great matter of the state. It is the ground of death and life, The Tao of survival and extinction."<sup>36</sup> This view is the cornerstone of realism today. However, it is how the military is used which is of most importance: "Therefore, one hundred victories in one hundred battles is not the most skilful. Subduing the other's military without battle is the most skilful."<sup>37</sup> This is perhaps the liberalist way; through making other nations economically dependent on itself and thus growing its economy, a state can achieve its security goals without the risk and expense of conflict and perhaps even without being seen as a threat by others – a sort of peaceful rise like the one pursued lately by China. In the US-China-Japan trilateral relationship the respective economies are (to varying degrees) dependent on the economic health of the others – especially now during

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<sup>36</sup> Tzu, Sun. *The Art of War*. Trans. Denma Translation Group. Boston: Shambhala Publications, 2001. Page 3.

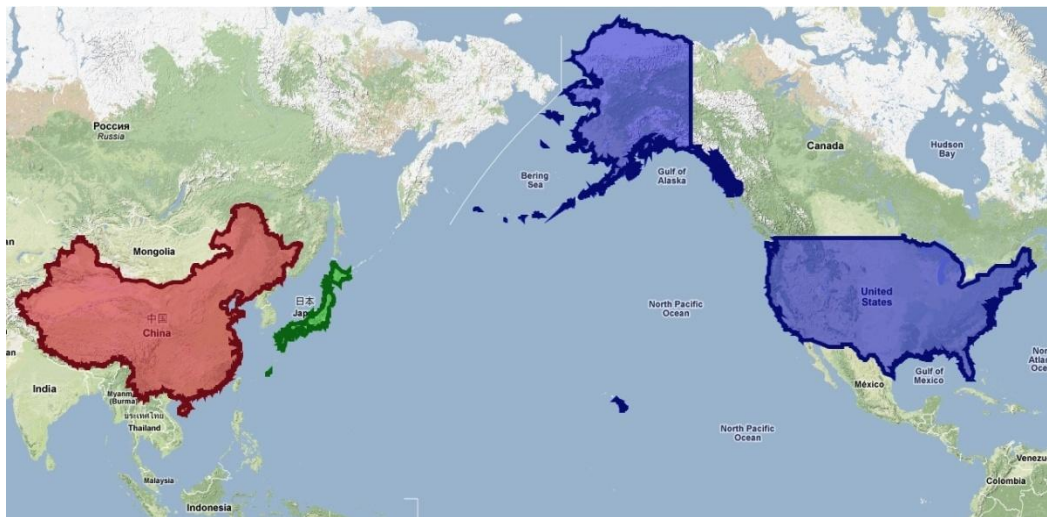
<sup>37</sup> Ibid. Page 9.

the global economic crisis. Can any one of them risk damaging the economic relationship with the other(s)?

### 3. The Japan-US-China Triangle

Despite the distance between China and Japan on one hand, and the US on the other, Japan-US-China trilateral relations will be at the centre of the balance of power development in East Asia this century. A few of the things that characterize the Japan-US-China relationship are: it is playing out in a volatile region with numerous unresolved problems; it is a relationship which in itself is not institutionalised; the countries have different views of their future roles in the region; they use different relationships and different institutions; and each wing of the triangle has its own underlying problems.

*Figure 1: Geography of the trilateral relationship*



Source: Google Maps.

#### 3.1 Japan

Japan has pursued a strategy of pacifism since the end of the Second World War and is at present a state with severe limits on its capability to project power in East Asia. Faced with the dwindling power of the US and the rising power of China – two great powers pursuing their national interest on a foundation of realist calculations and power – Japan seems like the odd one out. Observing that at present Japan cannot cope alone with the rapid rise of China's military and



economic power in the region, as well as a nuclear North Korea, now more than ever Japan needs the support of its only ally, the United States. Making use of this, the US has been pressuring Japan for a long time to pull more weight in the region and take a more active part in the alliance, but the issue is controversial within Japan and the alliance remains one where even a commitment to collective self-defence on Japan's part is constitutionally impossible (see chapter 4.1.1 on Japan's governance challenges). When it comes to the challenge posed by China, Japan faces potential sidelining or abandonment by the US as US-China issues are increasingly being dealt with on a bilateral basis where Japan has little or no influence. Were Japan to give in to recent US requests, revise its constitution and become a strong military partner at the US's side, Japan might secure US support here and now, but would then face the risk of entanglement in domestically unpopular US policies and operations not only in Asia but also in other parts of the world. In addition to domestic opposition, it is almost certain that Japan's neighbours would react unfavourably to the prospect of a more militaristic Japan.

In the next couple of decades Japan will have to learn to live with a stronger China and a more distant US, but how it chooses to face this challenge will define its future status in East Asia and the future of the Japan-US Alliance. While the relationship with the United States will remain central to its security, Japan will have to increasingly rely on itself as it seeks to influence the growth of East Asia.

### **3.2 The United States**

Since the end of the Cold War the United States has projected its power both militarily and economically in other regions of the world. The US views itself as an Asia-Pacific power and as such will keep pushing both to maintain its bilateral links and for involvement in all multilateral efforts in the region. The US has had a particularly strong position in East Asia with military bases in South Korea and Japan, and a strong yet controversial relationship with Taiwan. However, the US is now restructuring and consolidating its forces – in general drawing them back from the mainland to gain flexibility with less friction with the local population and less obvious risk-sharing. While the US faces recession at home and pressures

to decrease its military expenditure, China is moving steadfastly towards becoming the dominant military and economic power in East Asia. China is already challenging US influence in the region as well as in other parts of the world. As the relative power of the US declines and that of China rises, the biggest challenge facing the US in East Asia is how it can influence China's rise and shape it into a cooperative non-expansionist state while at the same time standing firm against China's military challenge, particularly with regard to the possible use of force against Taiwan.

The close Japan-US alliance has had a stabilising effect in East Asia by reassuring Asian countries who suffered under Japan's militaristic expansion in World War II. While the Japan-US bilateral alliance is championed as the cornerstone of US Asia-Pacific policy, it remains to be seen if the Obama Administration will seek changes to the alliance and whether the US-Japan relationship will remain as important as before. This will in large part depend on how Japan supports and contributes as the US tackles challenges in Asia and other parts of the world, and how important the US views Japan for its policies going forward, including responses to the global economic recession.

The balance of power in East Asia is shifting away from the US and Japan, and if the US cannot count on Japan to pull more weight in the face of this rearrangement, the Japan-US alliance will surely see some fundamental changes. The US cannot afford to wait for Japan to overcome its constitutional challenges and reluctance to act, and neither can it sit idly by and hope that China's rise will be a smooth one for the US. However, the US must not act too swiftly or irresponsibly because its best bet may lie in multilateralising the Japan-US-China triangle in more ways than one. Ideally the US should pursue an "Asia strategy that has room both for China and Japan to serve as responsible regional stakeholders of interests and power, working more collaboratively than in zero-sum conflict."<sup>38</sup> The struggle will be to convince both Japan and China of the mutual gains possible through this approach, while the US for its part might need

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<sup>38</sup>Clemons, Steven. "Clinton's Visit to Japan: Japan must receive attention it deserves." *New America Foundation*. 15 Feb. 2009. 22 Feb. 2009  
<[http://www.newamerica.net/publications/articles/2009/clintons\\_visit\\_japan\\_10922](http://www.newamerica.net/publications/articles/2009/clintons_visit_japan_10922)>.

to transfer to Asia some of the multilateral skills it has deployed – and honed through many setbacks – in the European theatre.

### 3.3 The People's Republic of China

The 19<sup>th</sup> and 20<sup>th</sup> centuries are often referred to, respectively, as the British and American centuries. In 1985, and even earlier, leaders in Asia had begun talking of “a coming economic leap that would propel them into an 'Asian Century.’”<sup>39</sup> This great economic leap has largely come true and is still driving Asia forward today, with the People's Republic of China at its forefront. This incredible shift has resulted in the 21<sup>st</sup> century being referred to as the Asian Century, and some would even go so far as to call it the ‘Chinese Century’.<sup>40</sup> Before the world economy took a nosedive in 2008, the Chinese economy was expected to surpass the Japanese economy in the near future, surpass the US economy by 2035 and be double its size by the middle of the century.<sup>41</sup> The Chinese economy may be showing some signs of slowing down, but it is still doing considerably better in terms of growth and fiscal strength than the US and Japanese economies.<sup>42</sup> The Chinese leadership has carefully crafted China's economic rise and at present China can leverage economic influence in every region of the world, including the United States themselves. But China does not only plan to be rich, it also plans to be strong. The balance of power is shifting in China's favour, and the Chinese leadership sees itself as having every right to pursue its strategy of military modernisation. China has been single-mindedly updating and strengthening its military in line with the country's economic rise and in a decade or two China will be capable of confidently protecting its interests in Asia and, for that matter, projecting its power and protecting its interest in large parts of the world.

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<sup>39</sup>*Security and development assistance hearings before the Committee on Foreign Relations, United States Senate, Ninety-ninth Congress.* Washington D.C.: U.S. G.P.O., 1985. Page 541.

<sup>40</sup>Fishman, Ted C. "The Chinese Century." *New York Times* 4 July 2004. *New York Times*. 24 Mar. 2009 <<http://www.nytimes.com>>.

<sup>41</sup>Keidel, Albert. "China's Economic Rise—Fact and Fiction." *Carnegie Endowment For International Peace*. July 2008. Page 1.

<sup>42</sup>"China grows faster amid worries." *BBC News*. 16 July 2009. The BBC. 18 July 2009 <<http://news.bbc.co.uk/2/hi/business/8153138.stm>>.

While China will not be able to seriously challenge the US global military might in the near future, China will assume economic leadership in East Asia which coupled with its military build-up in the region may pose a serious security challenge to Japan's security confidence and the US's military stance. The question for the US, Japan and the rest of Asia is how they can shape China's rise, but for China the question is how it will shape the region – its spheres of interest and influence. While the US and Japan will have to learn to live with a strong China, China does not have to 'learn to live with' a weaker US and Japan. It stands to reason that China will seek to shape to its own advantage the relative decline of these two powers in East Asia.

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### 3.4 Different sides of the triangle

The following tables and figures offer a comparison of the main features of each state and the main components of the three-way balance of power between them. The economic figures illustrate both the shifting trends of power and the high degree of interdependence between all three states.

*Table 1: General comparison between Japan, USA and China*

	USA	Japan	China
<b>Geography</b>			
Area (km2)	9.826.630	377.835	9.596.960
<b>Population</b>			
Population in 2009 (millions)	314,659	127,156	1.345,751
Relative %	17,60%	7,11%	75,28%
Median age	36,5	44,4	33,8
Life expectancy	79,2	82,7	73
Population in 2050 (millions)	403,932	101,659	1.417,045
Relative %	21,01%	5,29%	73,70%
Median age	41,7	55,1	45,2
Life expectancy	83,3	87,2	79,3
2009-2050 population difference	+28,4%	-20,1%	+5,3%
<b>Economic estimates (2008)</b>			
GDP (\$ trillion)	14,334 (1st)	4,844 (2nd)	4,222 (3rd)
- Per capita (\$)	47.025 (17th)	37.940 (22nd)	3.180 (104th)
GDP – PPP (\$ trillion)	14,334 (1st)	4,405 (3rd)	7,89 (2nd)
- Per capita (\$)	47.025 (6th)	34.501 (22nd)	5.943 (97th)
Gen. Government Gross Debt	62% of GDP	199% of GDP	...
<b>Other</b>			
Military expenditure (\$ billions)	607	46,3	84,9*
Human Development Index	15th/179	8th/179	94th/179
TI Corruption Perception Index (lower is better)	18th/180	18th/180	72nd/180

\* Chinese values are estimates.

Sources: Population: UN Department of Economic and Social Affairs. Area: CIA World Factbook. Economy: International Monetary Fund. Military: SIPRI Military Expenditure Database (values are in constant (2005) US\$). HDI: UN Development Programme. Corruption: Transparency International.

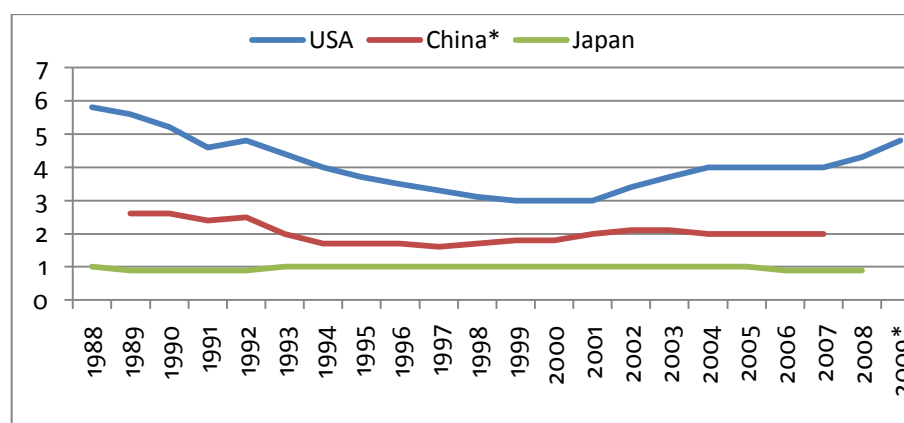
Table 2: Military Expenditure

Rank	Country	Spending (\$b.)	World share (%)	spending per capita (\$)	% of 2007 GDP	Change, 1999-2008 (%)
1	USA	607	41,5%	1967	4,0%	66,5%
2	China	84,9	5,8%	63	2,0%	194,0%
3	France	65,7	4,5%	1061	2,3%	3,5%
4	UK	65,3	4,5%	1070	2,4%	20,7%
5	Russia	58,6	4,0%	413	3,5%	173,0%
6	Germany	46,8	3,2%	568	1,3%	-11,0%
7	Japan	46,3	3,2%	361	0,9%	-1,7%
8	Italy	40,6	2,8%	689	1,8%	0,4%
9	Saudi Arabia	38,2	2,6%	1511	9,3%	81,5%
10	India	30,0	2,1%	25	2,5%	44,1%
11	South Korea	24,2	1,7%	501	2,7%	51,5%

Table taken from SIPRI Yearbook 2009, page 182.

The military spending figures are converted into current US dollars using 2008 market exchange rates. If GDP-based PPP rates were used, China's figure would be comparatively more favourable. For comparison see SIPRI Yearbook 2008, Table 5.2 on page 178.

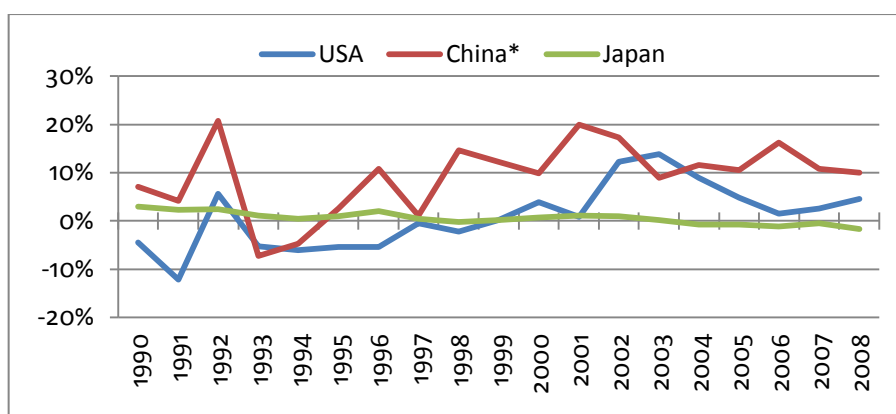
Figure 2: National Security Spending as % of GDP



\* Chinese numbers and 2009 US numbers are estimates

Sources: Stockholm Peace Research Institute and United States Office of Management and Budget

Figure 3: Percentage Changes in National Security Spending



\* Chinese numbers are estimates

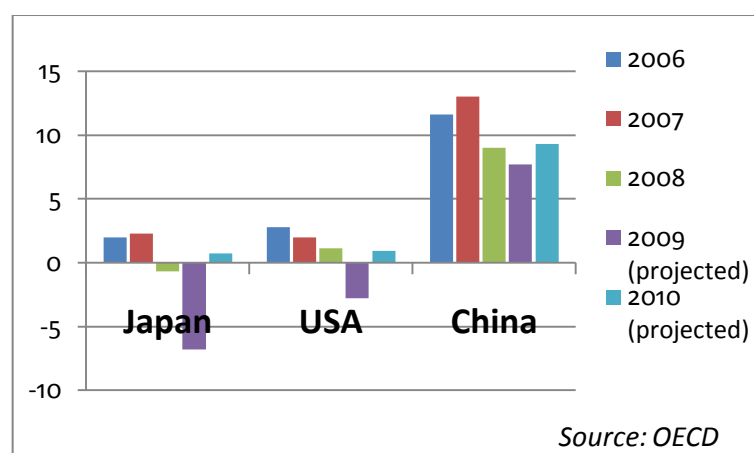
Sources: Stockholm Peace Research Institute

Table 3: Military Presence in East Asia in 2006 (thousands)

	Total	Ground	Air	Maritime	Marine corps
<b>China</b>	2.255	1.600	400	255	-
<b>Japan</b>	240	148	46	44	-
<b>South Korea</b>	688	560	64	63	-
<b>North Korea</b>	1.106	950	110	46	-
<b>Taiwan</b>	290	200	45	45	-
<b>United States</b>					
Hawaii	59	15	28	7,5	8,5
Japan	51,6	1,8	13	20,8	16
South Korea	30,6	21	9	0,4	0,2
Guam	4,2	-	2,1	2,1	-
US Total	145,4				

Source: CSIS, The Asian Conventional Military Balance 2006, <http://csis.org/>

Figure 4: Recent and projected GDP % changes



Source: OECD

Table 4: 2008 US-Japan-China Imports and Exports (US\$ millions, %)

United States			Japan	China
United States	exports	-	66.600	71.500
	%	-	5,1%	5,5%
	imports	-	139,2	337.800
	%	-	6,6%	16,1%
Japan	exports	136.200	-	124.035
	%	17,6%	-	15,9%
	imports	77.017	-	142.337
	%	10,2%	-	18,8%
China*	exports	212.760	96.120	-
	%	17,7%	8,0%	-
	imports	68.560	129.740	-
	%	7,0%	13,2%	-

\*Chinese numbers based on first 10 months of 2008

Sources: Japan External Trade Organization, U.S. Census Bureau, Ministry of Commerce of the People's Republic of China

Table 5: Most important import/export countries

United States		Japan		China	
export	import	export	import	export	import
China (3rd)	China (1st)	USA (1st)	China (1st)	USA (1st)	Japan (1st)
Japan (4th)	Japan (4th)	China (2nd)	USA (2nd)	Japan (3rd)	USA (4th)

\*Rankings under China based on first 10 months

Sources: Japan External Trade Organization, U.S. Census Bureau and Ministry of Commerce of the People's Republic of China

## Japan – US relations

The relationship between Japan and the United States has remained very strong since after the Second World War and the cornerstone of that success is the Japan-US security alliance. Japan is the US's most important ally in East Asia, and although Japan has many friends, the US is the only nation with specific military commitments to Japan. Furthermore, the security alliance remains central to US's Asia-Pacific policy, and to Japan's East Asia policy.<sup>43</sup> In recent years the two states have been further consolidating their relationship, seemingly in an effort to

<sup>43</sup> Funabashi, Toichi. "Keeping Up With Asia: America and the New Balance of Power." *Foreign Affairs* 87.5 (2008): 110-25.



hedge against China's rise and maintain a military status-quo in East Asia. The US and Japanese economies are also closely connected; the US is Japan's largest export market and second largest source of imports,<sup>44</sup> while Japan is the fourth largest export market and source of imports for the United States (second on both accounts outside of North America).<sup>45</sup>

At the end of the allied occupation of Japan in 1952, the United States and Japan signed a security pact, later to be replaced in 1960 by a revised security treaty, the *Treaty of Mutual Cooperation and Security between the United States and Japan*.<sup>46</sup> This treaty has remained at the centre of the strong alliance between these two nations and established Japan as the focal point of the US's Asia policy. The strong Japan-US alliance has had a calming and reassuring effect on East Asia as the Asian states that suffered under Japanese colonialism and/or aggression in the first half of the 20<sup>th</sup> century can accept a partially armed Japan guided by the US, but not a remilitarized Japan with no one to hold it back. As such, the close relationship with the US and the US presence in and around Japan contributed positively to Japan's international relations in East Asia.

From the point of view of the United States, the Japanese alliance and the US military bases in Japan significantly contribute to US security strategy in East Asia by facilitating the deployment and maintenance, at acceptable cost, of US forces in the Asia-Pacific area. Support of US-led counter-terrorism operations in Afghanistan and the war in Iraq were huge steps forward for Japan, pushed through the national legislature (the Diet) despite serious opposition, and the US acknowledges that. The question for the US is whether or not Japan can keep the momentum going. The US has proposed changes to the relationship that would emphasize interoperability and integration, strong maritime defence cooperation,

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<sup>44</sup> "Japan's International Trade in Goods(Yearly)." *Japanese Trade and Investment Statistics - JETRO*. May 2009. Japan External Trade Organization. 21 July 2009  
<<http://www.jetro.go.jp/en/reports/statistics/>>.

<sup>45</sup> "FTD - Top Trading Partners." *Foreign Trade Statistics*. Dec. 2008. U.S. Census Bureau. 21 July 2009 <<http://www.census.gov/foreign-trade/statistics/highlights/top/top0812yr.html>>.

<sup>46</sup> In Japanese: 日本国とアメリカ合衆国との間の相互協力及び安全保障条約

ballistic missile defence, and more Japanese participation in international peace and humanitarian operations.

The Democratic Party of Japan (DPJ) secured a landslide victory in the August 30 elections, hopefully ending the political turmoil that has characterized Japanese politics since Prime Minister Koizumi stepped down in September 2006. The DPJ is unlikely to change Japan's foreign policy in any significant way, and members of the party are strong supporters of the US alliance, but constitutional amendments and thus a more meaningful cooperation with the US may be delayed further under a DPJ-led government, particularly with the Social Democratic Party and the People's New Party on board. Furthermore, as the Japanese population ages, pressure on the government to pay more attention to domestic rather than international matters may further hamper forward movement in the US-Japan security relationship. High ranking DPJ member Katsuya Okada stated in February 2009 that the Japan-US alliance "should be a framework to deal with global warming and poverty; it is wholly unnecessary to limit it to military affairs."<sup>47</sup> Okada emphasised the importance of US bases in Japan for both the defence of Japan and activities in East Asia, but this suggestion for a new direction may be an effort in the face of Japan's inability to lower the constraints on its security cooperation ability to instead open new paths of cooperation.

The US is willing and able to consolidate the US-Japan security alliance and increase cooperation, and the policymaking elites in Japan favour increased security cooperation as well as taking the alliance in new directions. Whether or not Japan can rise up to the challenge will determine its place and purpose not only in the US-Japan security alliance but also in the emerging new balance of power in East Asia.

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<sup>47</sup> Harris, Tobias. "The birth of the post-1996 alliance." *Observing Japan*. 24 Feb. 2009. 27 Feb. 2009 <<http://www.observingjapan.com/2009/02/birth-of-post-1996-alliance.html>>.



## Japan – China relations

East Asia's long term future will be shaped in a large way by the rise of China, the question of Chinese democratization, and by the evolution of China-US and Japan-China relations. The Japan-China relationship has had its ups and downs over the decades, but during the terms of Japanese Prime Minister Junichiro Koizumi the relationship reached a particular low. Koizumi annually visited Yasukuni Shrine, a Shinto shrine honouring the memory of Japanese war-dead, including convicted Class A war criminals. China and other East Asian states objected to these visits, claiming that Japan was denying its belligerent past,

dishonouring those who suffered under Japanese rule, and undermining the supposed sincerity of Japan's numerous official apologies for its war-time aggressions. Successive LDP Prime Ministers Shinzo Abe, Yasuo Fukuda and Taro Aso did not visit Yasukuni Shrine in an official capacity, and Japan-China relations improved steadily under each of them. It has to be considered very unlikely that DPJ Prime Minister Yukio Hatoyama will visit the shrine. Prime Ministers Abe and Fukuda both visited China during their terms, and during Chinese President Hu Jintao's visit in May 2008 the two countries agreed to hold annual summits to further improve their relations, improve environmental protection technology cooperation, and increase cultural exchanges.<sup>48</sup> In this first visit by a Chinese leader in 10 years, President Hu brought a message of "forward looking" friendship and cooperation.<sup>49</sup> Japanese elites will certainly welcome the possibility of a more deeply integrated Japan-China relationship; after all there are numerous areas in which Japan and China have mutual interests, chief among them building towards an East Asian Community, regional stability, and developmental assistance in East Asia. However, doubts will remain as to the 'true' intentions of the Chinese leadership, how far cooperation should go (for example in security), and how to juggle the US and China arms of the trilateral relationship. In addition there are still numerous unresolved and ongoing disputes and disagreements such as history issues, territorial disputes, transparency in military build-up, and resentment over internal affairs meddling.

Despite remaining relatively low on the radar today, the issue of historical memory will regularly flare up. Parts of China suffered greatly under Japanese aggression and occupation during WWII, with the 'comfort women'<sup>50</sup> issue and in particular the so called Nankin Atrocity remaining vivid in Chinese memory still today. Japan has stirred up the history issue in the past mainly in two ways: through Prime Ministerial visits to Yasukuni Shrine, and through historically revisionist textbooks passing government screening. The Yasukuni shrine is now

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<sup>48</sup> Chanlett-Avery, Emma. Japan-U.S. Relations: Issues for Congress. CRS Report. United States Congress. Washington DC: United States Congressional Research Service, 30 Dec. 2008. Obtained from WikiLeaks website on 20 June 2009. <<http://www.wikileaks.com/leak/crs/RL33436.pdf>>. Page 7.

<sup>49</sup> Ibid. Page 7.)

<sup>50</sup> 'Comfort women' were women forced into prostitution by the Japanese military.

a nonissue since no Prime Minister has visited the shrine after Koizumi left office. On the other hand, the revisionist textbook issue has resurfaced regularly and has been met with condemnation from Chinese authorities and other Asian states.<sup>51</sup> Textbooks funded by rightwing organizations can be rather ambiguous on issues such as comfort women, the Nankin Atrocity (“The Nankin Incident” in Japanese textbooks), and even downplay Japanese aggression and intent during the war. Prime Minister Abe further enraged Asian nations when he denied the Japanese military’s involvement in the ‘comfort women’ issue, resulting in the US Congress passing a resolution calling for the Japanese government to “genuinely apologize to the comfort women,”<sup>52</sup> and thus involving the US-Japan Alliance in the debates. The most recent history-related incident involved the dismissal of Air Self-Defence Force (ASDF) Chief of Staff, Toshio Tamogami, after he wrote an essay “justifying Japan’s military actions in Asian countries before and during World War II” and denying any wrongdoings by the Japanese military.<sup>53</sup> China and other East Asian countries had by that time already expressed their outrage and condemnation, but in the aftermath it was revealed that Tamogami had previously published an essay along similar lines in an internal ASDF publication, thus supporting claims by China and others that extreme nationalism and history revisionism runs deep within Japan’s Self Defence Force. Mismanagement of the history issue can only sabotage Japanese moves for Japan-led multilateralism and harmony in East Asia, and does little to help the Japan-China relationship.

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<sup>51</sup> Rather than being produced and/or published by the state or under strict government supervision, Japanese textbooks are written by the publishers, screened by the Ministry of Education, and then each school selected what textbooks it will use.

<sup>52</sup> Nozaki, Yoshiko, and Mark Selden. "Japanese Textbook Controversies, Nationalism, and Historical Memory: Intra- and Inter-national Conflicts." *The Asia-Pacific Journal* (2009). *The Asia-Pacific Journal: Japan Focus*. 13 June 2009 <<http://www.japanfocus.org/-Mark-Selden/3173>>.

<sup>53</sup> "Chronology: November-December 2008." *Japan Echo* 36.1 (2009): 5-6. Tamogami was immediately retired from his post for contradicting the government’s official statement on wartime responsibility, but instead of being dismissed in disgrace he was retired with a ¥60 million allowance

Japan has unresolved territorial disputes with all its neighbours, including China. The dispute with China involves the Senkaku/Diaoyudao Islands and a more

Figure 5: Territorial Disputes in



Source: The Economist

general difference over how far the two countries' Exclusive Economic Zones (EEZ) reach in the East China Sea.<sup>54</sup> The contested area in the East China Sea is of great economic interest because it contains potentially rich gas and oil fields, is rich in fish, and the seafloor has vast deposits of metals.<sup>55</sup> After years of disputes the countries agreed in 2006 to turn the sea from a "Sea of Confrontation" to a "Sea of Peace,

Cooperation and Friendship," resulting in a June 2008 agreement on "joint approaches to the exploitation of hydrocarbons in the East China Sea through the conclusion of a bilateral treaty."<sup>56</sup> However, negotiations on such a bilateral treaty have not even started yet, and to further complicate matters the Republic of Korea has claims in the north part of the overlapping EEZs, Taiwan in the south, and China has already started deep-sea exploration in the area.<sup>57</sup> The Chinese EEZ claims include all possible gas fields, and the contested areas have been the scene of military face-offs in the past with both militaries claiming to be operating in their own EEZs. Furthermore, the matter can never be solved as long as the matter of the Senkaku/Diaoyudao Islands remains unsolved. The uninhabited islands were incorporated into Japan in 1895 and are currently administered by Japan as the de facto owner. China has claimed them since 1970, and Taiwan has laid

<sup>54</sup> China cites the 1958 Geneva Convention on the Continental Shelf which extends a country's border as far as its underwater continental shelf, while Japan cites the 1982 UN Convention on the Law of the Sea (UNCLOS).

<sup>55</sup> Drifte, Reinhard. "Territorial Conflicts in the East China Sea - From Missed Opportunities to Negotiation Stalemate." *The Asia-Pacific Journal* 22-3 (2009). *The Asia-Pacific Journal: Japan Focus*. 30 May 2009 <<http://www.japanfocus.org/-Reinhard-Drifte/3156>>.

<sup>56</sup> Ibid.

<sup>57</sup> Clampitt, Brian. "Japan Barely Afloat in the East China Sea." *Stimson*. 14 July 2008. The Henry L. Stimson Center. 22 Feb. 2009 <<http://www.stimson.org/pub.cfm?ID=641>>.

claim to them as well.<sup>58</sup> The area around the islands is potentially rich in gas and oil, as well as being strategically important for both sides. The disputes have led to confrontations by the militaries and nationalists of both sides and have the potential to upset relations in the future as well as further complicating the EEZ disputes. A solution to the EEZ and Senkaku/Diaoyudao disputes seems very unlikely because of the legal rigidity on both sides, and the way this is playing out does not bode well for other territorial disputes that Japan and China have with their neighbours.

The countries are doing much better when it comes to economic cooperation and their economies are now closely entwined (see Table 4 and Table 5 on page 32). The increasing trade has also brought with it an increase in foreign direct investment as Japan has hooked into the Chinese economic rise. Since the Asian Economic Crisis of 1997 the countries in East Asia have generally been improving their economic cooperation as well as becoming more entwined in each other's economies. Tackling the latest and ongoing world financial crisis has had a further positive effect on economic cooperation between Japan, China and South Korea. In December 2008 the countries had a trilateral meeting in Japan where they agreed to heighten cooperation and help the hard-hit South Korean won.<sup>59</sup> This move on China's part is remarkable because it clearly signifies that China is willing and ready to support regional stability and is prepared to play a burden-sharing role with Japan and the United States in that regard. However this also highlights the different effects the economic crisis has had on Japan and China. After several years of economic stagnation, Japan's GDP has now contracted by 12.7% year-on-year, the largest contraction since the 1974 oil crisis.<sup>60</sup> Meanwhile the Chinese economy grew by nearly 8% in the second quarter of 2009 and GDP rose by 6.1% in the first quarter.<sup>61</sup> The differentiated impact of the economic crisis has not only fundamentally affected the shifting balance of power between Japan

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<sup>58</sup> Drifte, Reinhard. "Territorial Conflicts in the East China Sea." <<http://www.japanfocus.org/-Reinhard-Drifte/3156>>.

<sup>59</sup> Shiraishi, Takashi. "From the Editor." Editorial. *Japan Echo* 36.1 (2009): 2-4.

<sup>60</sup> Shiraishi, Takashi. "From the Editor." Editorial. *Japan Echo* 36.2 (2009): 2-4

<sup>61</sup> "China grows faster amid worries." *BBC News*.  
<<http://news.bbc.co.uk/2/hi/business/8153138.stm>>.

and China but also improved China's international standing while Japan's economic contraction has impacted Japan's image in a negative way. Interestingly China is now in the position of a key economic partner of Japan while at the same time being arguably the single largest military threat to Japan.

As China has repeatedly stated in the past, it does not appreciate other states interfering in how the Chinese government handles its internal affairs. Japan and the United States have encouraged China to take steps towards democratization and increased transparency in China's governance and decision-making, as well as making comments on the status of human rights in China. In April 2008 the Japanese Foreign Minister met his Chinese counterpart in Tokyo and used the opportunity to urge China to release more information on the earlier violent protests in Tibet and encouraged direct talks with Tibet's exiled spiritual leader, the Dalai Lama.<sup>62</sup> More recently, in July 2009, Rebiya Kadeer, exiled Uighur<sup>63</sup> activist and head of the Uighur World Congress, visited Japan. Although she did not meet with any officials, she had a meeting with the ruling Liberal Democratic Party (LDP), after which she stated she "received the impression that [the LDP] will not accept China's continued oppression of the Uighurs."<sup>64</sup> Earlier that month the world had witnessed several days of violent protests between Uighur and Han Chinese in the Xinjiang region in of China. The Chinese authorities warned that Kadeer's visit might adversely affect Japan-China relations.<sup>65</sup> In considering these exchanges between Japan and China one must bear in mind the perceived obligations that Japan has as a strong ally of the United States and as a democratic state with proclaimed great respect for human rights. If Japan were to back down, stop criticising alleged human rights abuse in China and refuse visits by controversial figures because China demands it, that will make Japan look weak in the face of Chinese pressure and damage Japan's international reputation. On the other hand, by openly criticizing China and allowing such visits Japan is

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<sup>62</sup> "Chronology: March - April 2008." *Japan Echo* 35.3 (2008): 5-6.

<sup>63</sup> The Uighur are an ethnic minority in the north-west of China.

<sup>64</sup> "China protests over Uighur tour." *BBC News*. 29 July 2009. The BBC. 29 July 2009 <<http://news.bbc.co.uk/2/hi/asia-pacific/8173730.stm>>.

<sup>65</sup> Linyan, Wang. "China unhappy with Japan giving visa to separatist." *China Daily* n.d. *China Daily Website*. 29 July 2009 <[http://www.chinadaily.com.cn/china/2009-07/28/content\\_8479227.htm](http://www.chinadaily.com.cn/china/2009-07/28/content_8479227.htm)>.



damaging the already frail political relationship with China. It is a lose-or-lose-some-more situation for Japan while it can be looked at as a win-win situation for China, especially in keeping domestic resentment against Japan alive as a unifying factor.

Still, relations are improving between Japan and China. Senior figures on both sides are visiting more often and their visits have an air of friendship and cooperation. Despite all of their disagreements there are several areas where they can find common ground and cooperate in mutually beneficial ways. A clear sign of the improving relationship between the two powers is that after the devastating earthquake in Sichuan province in China, the first foreign assistance that Beijing accepted was a team of 60 Japanese rescue experts.<sup>66</sup> Additionally, the Democratic Party of Japan (DPJ) secured a landslide victory in the recent elections, and one of its campaign promises was to build closer ties with China and pursue a more independent foreign policy. A continued upward trajectory of their respective relationships holds great regional opportunities for both countries.

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<sup>66</sup> Chanlett-Avery, Emma. Japan-U.S. Relations: Issues for Congress. 30 Dec. 2008. The exposure the Japanese team got in Chinese media was a huge bonus for the Japanese image.



Adapted from CRS Report "The Rise of China and Its Effect on Taiwan, Japan, and South Korea: U.S. Policy Choices"

## US – China relations

US relations with China improved considerably during the terms of US President George W. Bush (2001-2009) who chose to engage with China in positive, bilateral and multilateral ways, and President Obama's Administration seems set on continuing that engagement on all levels. The US realizes that whatever path China chooses for its economic, political and security policy, that path will affect the US's ability to protect and manage its interests in the future. China already has global reach through its economy and investments, and although it may take decades, it is only a matter of time until China can project its military power to large parts of the globe. The steps that the US and China take in their relations do

not only affect the East Asian region, but are of real importance to the whole world. The United States and its allies can try to hedge against China in East Asia and bind it in bilateral and multilateral frameworks in an attempt to shape its rise, and they will undoubtedly achieve some levels of success; but any too-open attempts at pushing China back or containing it will become seriously risky if push ever comes to shove.

Despite its difficulties, the US-China relationship has been characterised by increased engagement, particularly through the Strategic Economic Dialogue (SED, see below) and through calls for closer high-level military dialogue in response to several incidents between the two sides' naval forces. Bilateral and multilateral frameworks are increasingly employed by both countries to overcome areas of debate and suspicion such as transparency in military modernisation and budgeting, and intellectual property rights. Despite some setbacks, the relationship is generally moving forward in a positive way and will continue doing so as long as the countries can focus on mutually beneficial areas, such as the economy, and confidence-building measures in other areas. Tensions in some fields should not prevent progress and cooperation in others.

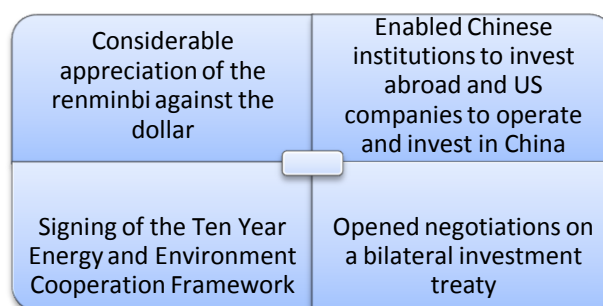
The two most important bilateral frameworks between the United States and the People's Republic of China were the Strategic Economic Dialogue (SED) and the Senior Dialogue, which have now been combined into the US-China Strategic and Economic Dialogue (S&ED). The SED allowed the leaders of both countries to meet twice a year and have high-level discussions on economic cooperation. Similarly the Senior Dialogue provided both the opportunity to discuss strategic matters and issues of mutual concern at a high level. The S&ED was established by President Barack Obama and President Hu Jintao, and expands on the SED and Senior Dialogue:

[T]he S&ED will focus on addressing the challenges and opportunities that both countries face on a wide range of bilateral, regional and global areas of immediate and long-term strategic and economic interest. Through the Dialogue, and in its economic and strategic tracks, the Secretary of State, the Secretary of the Treasury, and their colleagues in the President's Cabinet will

pursue in-depth discussions with their respective Chinese counterparts.<sup>67</sup>

China's top two priorities going forward are territorial integrity and economic growth. There are numerous economic and strategic issues that China and the US have yet to solve and numerous more will undoubtedly arise in the coming years. Through the S&ED the countries can better resolve their differences, identify and advance their common interests, and thus strengthen and stabilize their ties. Sustained economic growth is hugely important for China and to achieve it China needs improved integration into global trade, financial and investment markets – this is where the US can successfully influence how China moves forward.<sup>68</sup> A healthy economy and sustained economic growth in China is not only essential for China's internal stability, because if the Chinese economy should falter the global effect may be no smaller than the ongoing financial crisis, potentially destabilizing the US economy and national economies all over the world.<sup>69</sup> The SED has been successful because it focuses on engagement at the highest level between equals with executive authority. Additionally, these regular top-level meetings and communications have facilitated interaction, respect, trust and friendship on a personal level – a business practice especially important when building relationships in China.

*Figure 6: Some successes of the Strategic Economic Dialogue*



<sup>67</sup> "Fact Sheet: U.S.-China Strategic and Economic Dialogue ." *United States Department of the Treasury*. Apr. 2009. 31 July 2009  
<<http://www.ustreas.gov/press/releases/reports/sed%20fact%20sheet.pdf>>.

<sup>68</sup> Paulson, Henry M., Jr. "A Strategic Economic Engagement: Strengthening U.S.-Chinese Ties." *Foreign Affairs* 87.5 (2008): 59-77. Pages 59-60.

<sup>69</sup> Ibid. Page 65.

The Chinese economy's fast growth was in large parts fuelled by the need to satisfy the USA's steadily growing consumption needs, and over the years the two economies have become increasingly interdependent (see Table 4 and Table 5 on page 32). Seeing how important continued economic growth is for China and how almost all Chinese decision-making can be viewed through an economic lens, it is no wonder that the most successful – relatively speaking – bilateral framework between the two has revolved around economic matters. Unresolved areas of dispute include the large trade deficit, undervaluing the Chinese currency, intellectual property rights enforcement, consumer safety standards, 'dumping' of cheap Chinese products in the US, and Chinese energy investments in troubled countries such as Iran and Sudan.

During the election campaign in the US, then presidential candidate Barack Obama said it was time to strengthen the bilateral partnerships with Japan, South Korea, Australia and India "to create a stable and prosperous Asia", and time to engage China on "common interests like climate change."<sup>70</sup> The Obama Administration's Asia policy has been emerging and its theme seems to be 'cooperation for prosperity and friendship' with China taking the position of central importance and India and Japan coming close behind. President Obama is continuing and improving on President Bush's work when it comes to China, but also trying to strengthen relations with other Asian states and Russia. Secretary of State Hillary Clinton said during her visit to China in February that China would not be the US's adversary but rather that the US and China would benefit greatly from building "on areas of common concern and shared opportunities."<sup>71</sup> Clinton's visit also highlighted a change in priorities where the US is now shying away from humanitarian issues and instead pressing forward with China on tackling the global economic crisis, climate change, the spread of nuclear weapons

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<sup>70</sup> Obama, Barack. Ronald Reagan building, Washington DC. 16 Jul 2008. Performance. Guardian.co.uk. 5 Aug. 2009 <<http://www.guardian.co.uk/world/2008/jul/16/uselections2008.barackobama>>.

<sup>71</sup> Kessler, Glenn. "China Is at the Heart of Clinton's First Trip." *The Washington Post* 15 Feb. 2009. *Washington Post*. 5 Aug. 2009 <<http://www.washingtonpost.com/wp-dyn/content/article/2009/02/14/AR2009021401382.html>>.

and confronting transnational threats.<sup>72</sup> Coming out of the S&ED in July, President Obama stated (i) that the US-China relationship will “shape the 21st century, which makes it as important as any bilateral relationship in the world”; (ii) that US-China relations could be improved and gaps bridged through constructive bilateral relations; and (iii) that international institutions could be “updated” to allow growing economies like China to “play a greater role that matches their greater responsibility.”<sup>73</sup> Obama said he does not believe China has questionable ambitions or that the US should pursue a strategy of containment, but rather that he believes in:

... a future where China is a strong, prosperous and successful member of the community of nations; a future when our nations are partners out of necessity, but also out of opportunity. This future is not fixed, but it is a destination that can be reached if we pursue a sustained dialogue like the one that you will commence today, and act on what we hear and what we learn.<sup>74</sup>

China-US military relations improved during the latter part of the Cold War, especially after the close-down of conflict in Viet Nam, because the countries shared a common strategic interest – containing the Soviet Union. In the Shanghai Communiqué in 1972, the Joint Communiqué on the Establishment of Diplomatic Relations in 1979, and the US-PRC Joint Communiqué of 1982, the United States and China agreed that neither they nor any other “country or group of countries” should “seek hegemony in the Asia-Pacific region”.<sup>75</sup> This spirit of cooperation lasted until the end of the Cold War brought new strategic considerations.

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<sup>72</sup> Spencer, Richard. "Hillary Clinton: Chinese human rights secondary to economic survival." *The Daily Telegraph* 20 Feb. 2009. *Telegraph.co.uk*. 5 Aug. 2009  
<<http://www.telegraph.co.uk/news/worldnews/asia/china/4735087/Hillary-Clinton-Chinese-human-rights-secondary-to-economic-survival.html>>.

<sup>73</sup> Obama, Barack. United States. White House. Remarks by the President at the U.S./China Strategic and Economic Dialogue. Washington DC: 2009. Web.  
<[http://www.whitehouse.gov/the\\_press\\_office/Remarks-by-the-President-at-the-US/China-Strategic-and-Economic-Dialogue/](http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-at-the-US/China-Strategic-and-Economic-Dialogue/)>.

<sup>74</sup> Ibid.

<sup>75</sup> "The Three Communiqués." *The Heritage Foundation*. Heritage Foundation. 8 Feb. 2009  
<[http://www.heritage.org/research/asiaandthepacific/asiabriefingroom\\_3communiques.cfm](http://www.heritage.org/research/asiaandthepacific/asiabriefingroom_3communiques.cfm)>.

While economic cooperation and dialogue is going relatively well, relations between the US military and the PLA are comparatively poor. Both countries seem to view each other's military activities with a very high degree of suspicion and recent years have seen a number of unfortunate encounters between their naval forces – incidents that could have been minimized or even avoided completely if sufficient frameworks and communication had existed. In fact the hotline established in April 2008 between the Chinese Defence Ministry and the Pentagon seems to be hardly used at all. However, the bilateral frameworks that do exist and could mitigate military relations are the Defence Consultative Talks (DCT) between the US Defence Department and the People's Liberation Army of China, and now the improved S&ED. At a DCT meeting held in June, after a nearly 18 month hiatus, it was agreed to organize a future meeting on maritime security as well as agreeing to high-level military meetings.<sup>76</sup> A good gesture, but it remains to be seen if it bears any fruits.

*Table 6: Military confrontations between the US military and the PLA*

Date	Location	Incident
November 2007	Hong Kong	Several US ships denied Thanksgiving stop in Hong Kong. China cites US arms sales to Taiwan and awarding a medal to the Dalai Lama.
March 2009	Yellow Sea	Surveillance ship UNSC Victorious confronted by Chinese patrol vessel and maritime surveillance aircraft.
March 2009	South China Sea	Surveillance ship UNSC Impeccable is confronted by Chinese patrol ships and civilian fishing boats within China's EEZ but outside its territorial waters while surveying possible submarine traffic in the area. The US was acting within international law (ships may pass through EEZ) and responded by sending a guided missile destroyer to protect the UNSC Impeccable.
May 2009	Yellow Sea	UNSC Victorious confronted by Chinese patrol vessels.
June 2009	South China Sea	Chinese submarine damages an underwater sonar array being towed behind US destroyer USS John S. McCain.
Sources: CNN, MSNBC, BBC,		

<sup>76</sup> Jishe, Fan. "Sino-US military ties warming up, but still cool." *China.org.cn*. 30 June 2009. State Council Information Office. 31 July 2009 <[http://www.china.org.cn/international/2009-07/01/content\\_18049517.htm](http://www.china.org.cn/international/2009-07/01/content_18049517.htm)>.

No matter the amount of confidence-building measures, the US and China will never manage to build genuine trust on a military-to-military level for as long as the US continues weapons sales to Taiwan. China remains unshakable in its position towards Taiwan and criticises the US harshly for defying the One-China policy through its interactions with Taiwan. The improved cross-straits relations could offer an opportunity for the US to gracefully change course without looking like giving in to Chinese demands. Instead a less confrontational US approach could be framed as the next natural step on the road towards normalizing relations between China and Taiwan while at the same time significantly improving the US-China atmosphere. The US would of course retain the power to resume weapons sales to Taiwan at any moment, but this would be a unique opportunity to reduce the temperature over a uniquely risky flashpoint. After all, the only possibility of war between the US and China is if China should pursue military action against Taiwan, and while China-Taiwan relations are improving the US has no practical or moral reason to refuse to contribute to that progress.

The Six Party Talks between China, North Korea, the US, South Korea, Japan and Russia on the denuclearization of North Korea have provided a multilateral framework where China and the US are the main players. China has played the important role of North Korea's friend and persuader, repeatedly calming tensions and bringing North Korea back to the negotiation table. This has provided a good opportunity for China to improve its image as a responsible stakeholder in the region and improved relations with the US. Whether this multilateral framework can lead to a more permanent organization for the governance of regional security matters remains to be seen, but it is a venue through which China has gained considerable benefit, advancing its national interests vis-à-vis Korean stability and its skills and reputation in constructive multilateralism at the same time.

The question that will plague US-China relations going forward is the question of whether or not China seeks hegemony in East Asia. The US has a great investment in maintaining the current status quo in East Asia while China wants to assert itself as a great power and assume its rightful place as East Asia's leading country. As a result the two countries perceive each other as strategic rivals and



will frame their strategy in response to that. The US's apparent default strategy in recent years, of pursuing military hedging and containment against China while at the same time asking for closer economic cooperation and accepting a deepening financial dependence, seems like a strategy destined to produce a China even more determined to break out militarily, rather than one that emerges as a global power enjoying friendly relations with the US and a centre of stability for the region.

### **Multilateral approaches**

From the US perspective multilateral frameworks may not be the most feasible approach, but they may be the most appropriate and perhaps even most effective way to shape China into a responsible stakeholder in the region. With power comes responsibility and bringing China into more seats of power in multilateral frameworks and cooperation could cater to China's desire to present itself internationally in a more positive light. However true, offering China more power under the currently strained US-China relationship is a very risky strategy, particularly if it is looked at from a purely realist point of view. But the US may be unable to sustain the status quo for very much longer by the more traditional, direct, and therefore costly and risky means of local balancing as it is already facing economic setbacks at home and military overstretch with Iraq and Afghanistan. Furthermore, economic containment of China is now impossible as the Chinese economy has taken a central position in East and Southeast Asia where every other economy has latched into it so as not to be left behind. At first glance, the most logical choice for the US would be to try to channel "the burgeoning Chinese economic clout into paths consistent with U.S. goals in the region" – stability, economic freedom and the democratization of China.<sup>77</sup> The multilateral path may be the best way forward for shaping China's rise by encouraging patterns in which China seeks increased influence through positive

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<sup>77</sup> Nanto, Dick K. and Emma Chanlett-Avery. The Rise of China and Its Effect on Taiwan, Japan, and South Korea: U.S. Policy Choices. CRS Report. United States Congress. Washington DC: United States Congressional Research Service, 13 Jan. 2006. U.S. Department of State, 20 July 2009. <<http://www.fas.org/sgp/crs/row/RL32882.pdf>>. Page 39.

and constructive economic and diplomatic policies.<sup>78</sup> Much the same could, indeed, be said of scenarios at the global level where Chinese influence in such contexts as the UN Security Council and top economic flora is already an irreversible reality.

Japan can select from a few ways forward with regard to multilateralism and China. Japan could focus entirely on strengthening the Japan-US Security Alliance and refrain from doing anything that could possibly endanger it – in other words, take no multilateral steps forward unless the US approves. This would hamper meaningful new multilateral frameworks being created in East Asia because Japanese participation is essential for any such moves, and the US would oppose any such frameworks unless it had membership. This approach runs the risk of further alienating Japan from its East Asian neighbours, in particular China, and aggravating distrust among the South-East Asian states and South Korea all of whom have invested strongly in multilateralism. A second path could be to forge an independent multilateral approach towards East Asia with no US involvement. The report produced by an official policy review on Japan's goals in the 21st century emphasizes that based not only on the geographic proximity and cultural ties, but also on the future potential of the region, Japan should strive to further strengthen cooperative relations within East Asia.<sup>79</sup> The authors of the report stress the importance of strengthening and institutionalizing relations in East Asia to bring stability and increased economic cooperation to the region and, in turn, to Japan. An example would be the creation of an Asian Investment Bank (previously shot down by the US and Japan) and an East Asian Community where the US could at most hope for an observer seat. In this way Japan could hope to improve Japan-China ties through multilateral cooperation and essentially send the message (to China) that East Asian nations can move forward together without the US breathing down their necks. A third path would be a middle ground between the first two where Japan continues strengthening ties with the US, as the

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<sup>78</sup> Christensen, Thomas. "Shaping China's Choices." Princeton University, Princeton. 17 Nov 2008. Performance. <<http://academicearth.org/lectures/shaping-chinas-choices>>.

<sup>79</sup> Prime Minister's Commission on Japan's Goals in the 21st Century. "Japan's Goals in the 21st Century. 'The Frontier Within: Individual Empowerment and Better Governance in the New Millennium.'" *Prime Minister of Japan and his Cabinet*. Jan. 2000. Cabinet Secretariat. 30 June 2009 <<http://www.kantei.go.jp/jp/21century/report/pdfs/>>. Chapter 1, page 19.

US is Japan's most important security partner, but moves forward on the creation of an East Asian Community as part of a more developed national balancing-act. This approach could satisfy Japan's security needs and at the same time satisfy the US, to some degree, by bringing China into positive and constructive economic and diplomatic frameworks.

China is essentially in a position where it can pick whatever course it wants. Economically it is doing better than the US and Japan with growth remaining steady at eight percent while the US and Japan are facing recession at home. Other countries in East Asia have hooked into the Chinese economy to various degrees through investments and imports while China has invested greatly in their economies. From a purely realist perspective China could be expected to push ahead with its military build-up and modernisation, continue its soft power strategy, assert its spheres of influence, increase investments in other economies in the region, and persuade other countries in the region into bilateral alliances as a first step towards establishing military bases abroad. However, this approach may be untimely and unnecessary.<sup>80</sup> China needs to further improve its image as a responsible stakeholder in East Asia and build trust before it starts on the offensive. Instead of furthering bilateral ties, establishment of new multilateral frameworks for security and economic cooperation may be the best course of action. Not only will it give other countries the idea that they can influence Chinese decision-making, but it will also increase trust and respect towards China. The logical step forward for China would therefore be to pursue a strategy of friendly and responsible multilateralism while at the same time pushing forward with modernizing and strengthening its military. Furthermore, through multilateral frameworks China will be able to better protect several of its national interests,

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<sup>80</sup> Similar choices and consideration arise over Chinese relations with partners in other areas of strategic interest to the US, such as Latin America and Africa. Recent Chinese deals in these regions, for energy supplies in particular, have been viewed by some as part of a strategic offensive including deliberate cultivation of states in bad odour with the West, and have also been criticized for ignoring proper human rights and development-policy standards. See for example Phillippe D. Rogers, "Dragon With a Heart of Darkness?—Countering Chinese Influence in Africa," *Joint Force Quarterly*, No. 47, 4th Quarter 2007. Some signals given by Chinese policy-makers in 2009 have indicated awareness of the risks of overreach in this context and seem to be designed to convey that China will stay within the limits of practical economic logic in its 'empire-building'.

address transnational threats, and influence the formation and mending of international and regional regulations.

## **4. National Starting Points**

### **4.1 Japan**

Japan's emergence out of World War II is emblemized by the Japan-US alliance and rapid economic recovery. US military protection allowed Japan to focus entirely on rebuilding its economy and infrastructure, and then to focus on continued economic growth. The US alliance also helped Japan regain trust and build diplomatic and economic relations with its Asian neighbours. In the span of a few decades Japan managed to rebuild itself from the ashes and transform to one of the leading economies in the world.

The period of Japan's 'rise' in the 1970s-80s raised many of the same concerns and debates in the West as China's rise does now, notably over economic competition. But it peaked early, followed by what is often called the 'lost decades' after the Asian crash of the early 1990s. Today Japan faces a number of inherited and new domestic, security and foreign policy challenges, and how it tackles them will determine Japan's future position in East Asia and the world.

#### **4.1.1 Domestic challenges**

The domestic challenges Japan is faced with can be mainly divided into two groups: governance challenges and growth potential. The issues include possible constitutional change, the unstable political situation typified by the landslide election defeat in August 2009 of the long-time ruling party LDP<sup>81</sup>, the rapidly aging population, the increasing number of poor young people, limited immigration, and economic recession.

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<sup>81</sup> The Liberal Democratic Party (LDP) was in power for most of the time since its formation in 1955.

## ***Governance challenges***

The Japanese constitution, drafted under the Allied occupation in 1946, imposes strict restrictions on Japanese military contributions in a national or international setting. In particular, Article 9 states the following:

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.<sup>82</sup>

Despite constitutional interpretations allowing for the establishment of Japan's Self Defence Forces (SDF), Article 9 has been interpreted in such a way that the SDF can only react to prevent a direct attack on Japanese territory. This means that collective self-defence, as well as any military contribution to security missions abroad, is impossible. There are certainly elements within the Japanese ruling elite, particularly in the Liberal Democratic Party (LDP), that would like to see the constitution amended to allow broader security operations. However, any moves towards amending the Japanese constitution to allow for more flexibility have met resistance within the political parties, from the general population, and from Japan's neighbours in East Asia who frown upon the prospect of a more militarized Japan with fewer restrictions on its Self Defence Forces. Nonetheless two thirds of the House of Representatives do favour constitutional amendments and public opinion polls show increasing support for constitutional revision.<sup>83</sup> The issue is therefore not if the constitution should be amended, but how, and then if the changes will be voted through. Amendments must be approved by two-thirds of each house of the Diet and then receive a simple majority in a national referendum. Constitutional amendments would certainly be welcomed by the US,

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<sup>82</sup> "The Constitution of Japan." *House of Councillors, The National Diet of Japan*. 3 Nov. 1946. Government of Japan. 27 June 2009 <<http://www.sangiin.go.jp/eng/law/index.htm>>.

<sup>83</sup> Chanlett-Avery, Emma. Japan-U.S. Relations: Issues for Congress. CRS Report. United States Congress. Washington DC: United States Congressional Research Service, 20 Feb. 2008. U.S. Department of State. 20 June 2009 <<http://fpc.state.gov/documents/organization/103704.pdf>>. Page 19.

but Japan would have to work hard to build confidence within East Asia. Current leader of the ruling Democratic Party of Japan (DPJ), Yukio Hatoyama, suggested in 2005 that the LDP and DPJ could collaborate to bring about constitutional change, and that if the DPJ came to power, it would like to “take advantage of that momentum to proceed with constitutional amendments.”<sup>84</sup> It remains to be seen if Hatoyama will follow through with this now that he is Prime Minister.

The second challenge is the turmoil that has characterized Japanese politics after LDP leader and Prime Minister Junichiro Koizumi (2001-2006) left office. Successive Prime Ministers Shinzo Abe, Yasuo Fukuda, and Taro Aso all started well but soon faced negative opinion polls, struggles in the Diet, and fallout within their own party. However, this kind of instability is nothing new for Japan. Over the last 20 years Japan has had 13 Prime Ministers.<sup>85</sup> Excluding Koizumi and his five years, this equates to a little over a year in power for each Prime Minister. In the past the LDP has managed these difficulties as the party enjoyed a secure majority in both houses of the Diet, but from July 2007 the opposition Democratic Party of Japan (DPJ) controlled the less powerful House of Councillors (upper house) while the LDP controlled the House of Representatives (lower house). The two houses being controlled by separate parties made it extremely difficult to pass legislation and reach compromises. Neither the LDP nor DPJ seemed to satisfy more voters than they disappointed, and the average voter seems rather apathetic towards a future under either's leadership.<sup>86</sup> Nonetheless, the DPJ secured a supermajority in the September 2009 lower house elections, and since it now has majority in both houses it looks like political stability should be ensured. However, there is a possibility that legislation could be blocked in the upper house, and to prevent that the DJP formed a coalition with the Social Democrats and the New People's Party. The DPJ is inexperienced with

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<sup>84</sup> Kajimoto, Tetsushi. "LDP, DPJ could amend Constitution together in three years: Hatoyama." *The Japan Times Online*. 10 Feb. 2005. The Japan Times. 7 Sept. 2009  
<<http://search.japantimes.co.jp/cgi-bin/nn20050210a4.html>>.

<sup>85</sup> Kusano, Atsushi. "Time for Change." *Japan Echo* 36.1 (2009): 38-42. Page 40.

<sup>86</sup> In a poll on December 20, 2008, the LDP had satisfied 20% and disappointed 69% of respondents; the DPJ 17% and 48%; the LDP was object of hope for 42% and worry for 86%; the DPJ 55% and 75% . See: Shiraishi, Takashi. "From the Editor." Editorial. *Japan Echo* 36.1 (2009): 2-4. Page 4.

a majority of its MPs sitting in parliament for the first time, and the coalition with the Social Democrats and People's New Party may become a rocky one when it comes to foreign policy. This inexperience and differing views could potentially lead to insecurity and instability going forward.

### ***Growth potential***

The Japanese population is rapidly aging and with that change come increased societal and economic challenges. The Japanese median age is expected to rise from 44 years to 55 years by 2050 while the population is expected to decrease by over 20% (See Table 1 on page 29). In 2005 the proportion of those 65 or older was 20%, exceeding the child population (0-14) by a factor of 1.5, and expected to rise to a staggering 40% by 2050.<sup>87</sup> The child population and productive-age population are decreasing while the aged population is increasing. This change is already straining the social security system where pension funds and healthcare require more resources, prompting discussion of tax increases to prevent reduced services.<sup>88</sup> The OECD's "Pension at a Glance 2009" report shows that people entering the workforce can expect to receive a payout of only 33,9% of salary when they retire, the second lowest figure in the OECD where the average is 59%. In addition, the report shows that 22% of those over the age of 65 have an income below the OECD poverty threshold, compared to the OECD average of 13%. To further highlight the pension funds' troubles, the report points out that Japan is the OECD's "oldest" nation with just 2,6 workers per retiree while the OECD average is four workers.

Despite modest GDP growth and increasing business profit from 2002 until the current economic crisis, average monthly wages in Japan did not increase over that period but rather declined by nearly 3%.<sup>89</sup> This development has followed the emergence of what has been termed the 'working poor' or the 'lost generation'<sup>90</sup> –

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<sup>87</sup> Japan's Ministry of Internal Affairs and Communication. Population of Japan 2005. Chapter II: Population by Sex and Age. Tokyo: GPO, 2005. Online. Statistics Bureau. 15 Aug 2009. <<http://www.stat.go.jp/english/data/kokusei/2005/poj/pdf/2005ch02.pdf>>. Page 6.

<sup>88</sup> Aso, Taro. "Leadership for a Vibrant Japan." *Japan Echo* 35.3 (2008): 32-38. Page 32.

<sup>89</sup> Nariai, Osamu. "Problems With Employment." *Japan Echo* 35.3 (2008): 7-9. Page 7.

<sup>90</sup> See: Suzuki, Kensuke. "Looking Beyond the Lost Generation." *Japan Echo* 35.3 (2008): 10-13



nonregular and temporary employees who receive considerably lower wages than regular employees, very limited benefits, and job safety measured in months or even weeks.<sup>91</sup> Of course the situation varies among the whole class of nonregular employees, but they do amount to almost 34% of the workforce.<sup>92</sup> As corporations tend to favour new university graduates when recruiting regular employees, there is a chance that a significant proportion of the working-age population will remain stuck in a situation of limited economic security.

Immigrants can contribute considerably to the economies and labour markets of the countries where they reside through taking on jobs and supplying needed service and expertise where there may be insufficient native supply. This will become increasingly important for Japan as the working-age population shrinks and the elderly population grows. In 2008 the proportion of non-Japanese living in Japan was merely 1,4%.<sup>93</sup> Japan is a largely homogenous society with a unique language and culture which presents certain barriers to the successful integration of immigrants into society. Japan needs an immigration policy that attracts immigrants – from unskilled workers to highly specialized professionals – to live and work in Japan, contribute to Japan's international competitiveness, and counterbalance the population decrease.

Like the US and China, Japan is tackling the results of the global financial crisis. It had been warned that if “resource supplies and markets were to be disrupted and the international economic order destroyed, the foundations of the Japanese economy and the livelihoods of the Japanese people would be jeopardized.”<sup>94</sup> While the effects of the global financial crisis are not quite that drastic, it has had a huge effect on the Japanese economy as Japan's GDP contracted by 12.7% year-on-year – the largest contraction since the 1974 oil crisis and the largest drop in

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<sup>91</sup> Nariai, Osamu. “Problems With Employment.” Pages 8-9.

<sup>92</sup> Ibid. Page 8.

<sup>93</sup> “Population by Age (Single Year), Sex and Sex ratio - Total population, Japanese population, October 1, 2008.” *Statistics Bureau*. 1 Oct. 2008. Japan's Ministry of Internal Affairs and Communication. 15 Aug. 2009 <<http://www.e-stat.go.jp/SG1/estat/XlsdlE.do?sinfid=000002630326>>.

<sup>94</sup> Prime Minister's Commission on Japan's Goals in the 21st Century. “Japan's Goals in the 21st Century.” Chapter 1, Page 18.

the G7 group.<sup>95</sup> This is largely due to a huge drop in exports and the yen's strength leading to lower export profits.<sup>96</sup> However, the strong yen does also open possibilities for Japanese corporations, who may be better off financially than many of their international competitors, to acquire foreign businesses.<sup>97</sup> One of the most ambitious plans has been suggested by Akio Mikuni in an article titled "A Japanese Marshall Plan for the United States" and involves Japan offering the US low-interest loans, forgiving repayment on treasury bonds, and helping the US increase its domestic production and thus increasing Japan's capital exports.<sup>98</sup> The article argues that manufacturing must replace the consumer as the driving force in the US economy, and that the foreseeable contraction in Japanese exports to the US can be reversed through exports of manufacturing equipment. Although this seems rather optimistic, Japan must pursue drastic actions if it is not to plunge into yet another period of economic stagnation.

Relatively untapped sources of highly capable workers in Japan are women and the recently retired. Retirement age is 60 and many of the recently retired may be capable of working a few more years. The low labour force participation of women presents a larger opportunity. In 2005 only 48,8% of women were participating in the labour force – the same ratio as in 1950 – while the ratio was 75.3% for men.<sup>99</sup> A large proportion of Japanese women have university education and instead of settling for the position of a housewife they could be contributing immensely to the Japanese economy through regular employment. The Japanese government and the labour market would be advised to incorporate a new policy of work-life balance and improve working conditions to lure a larger proportion of this highly educated group into the active workforce.

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<sup>95</sup> Shiraishi, Takashi. "From the Editor." Editorial. *Japan Echo* 36.2 (2009): 2-4. Page 2.

<sup>96</sup> In the case of Honda, for example, a 1 yen drop in the dollar/yen exchange rate leads to an 18 billion yen decline in operating earnings. See Takashi, Shiraishi. "From the Editor." Editorial. *Japan Echo* 36.1 (2009): 2-4. Page 2.

<sup>97</sup> Kojima, Akira. "Financial Shock." *Japan Echo* 36.1 (2009): 5-6.

<sup>98</sup> Mikuni, Akio. "A Japanese Marshall Plan for the United States." *Japan Echo* 36.1 (2009): 28-31.

<sup>99</sup> Japan's Ministry of Internal Affairs and Communication. *Population of Japan 2005. Chapter IV: Labour Force Status*. Tokyo: GPO, 2005. Online. Statistics Bureau. 15 Aug 2009. <<http://www.stat.go.jp/english/data/kokusei/2005/poj/pdf/2005ch04.pdf>>. Page 30.

#### **4.1.2 Main security challenges**

The three main security challenges facing Japan are the relative decline of US power, future role of the Japan-US alliance, transformation towards becoming a 'normal' nation, the Chinese military threat, and the North Korean nuclear threat. These challenges could be harder to tackle if the general public remains apathetic towards Japan's security considerations and opposed to increasing the SDF's operational capabilities.

##### ***Relative decline of US power***

Faced with limited national security spending, China's rising economic and military might, and the relative decline of US power, Japanese leaders will have to seriously consider the future role of the Self Defence Forces and the Japan-US Security Treaty. The US has a strong naval presence in East Asia and bases in several countries, but its global military presence is already overstretched. Faced with economic recession at home and pressure to reform the military after setbacks in Iraq and Afghanistan, the US and Japan must for the first time contemplate a future where the US will no longer exert the single dominant influence in East Asia. Already the US is moving its forces off mainland Japan to the smaller islands and putting more emphasis on the fleets and mobility. The US has built up its military force and forward projection forces over decades and will remain the sole military superpower for decades to come, but Japan has to come to grips with the fact that China is fast moving toward the position of the greatest military power in East Asia. The balance of power in East Asia is changing and if Japan feels threatened by that change it will have to step up to the challenge and make significant changes to its own legislation, constitution and SDF forces, and/or find other ways to contain and reduce the risk of China's strength being deployed against Japanese interests.

##### ***Japan-US Alliance***

In the beginning the US alliance allowed Japan to spend less on its defences and focus instead on the economy. Today the alliance allows Japan to spend much less than would otherwise be needed to secure the country. If Japan would switch to

unilaterally achieving its national security the cost would be enormous and the move would in all likelihood not produce a meaningful increase in security, but instead “be liable to destabilize the global security system and to produce needless friction and tension in relations with other countries in the region.”<sup>100</sup> In January 2000 the *Prime Minister's Commission on Japan's Goals in the 21st Century* produced a report “on the desirable future direction of Japan to which the next generation of Japanese can aspire in the new century.”<sup>101</sup> The report describes the Japan-US alliance, along with the European link, as the “firmest foundation of Japan’s foreign relations”, as having contributed to Japan’s security and national interests, and as a relationship that must be strengthened further in the 21<sup>st</sup> century.<sup>102</sup> Relations between the United States and Japan became especially strong during the two terms of Japanese Prime Minister Junichiro Koizumi (2001-2006) who got along exceptionally well with US President George W. Bush. During Koizumi’s terms in office Japan actively supported the US-led “War on Terror”, including the war in Afghanistan and then the war in Iraq,<sup>103</sup> thus raising the alliance to new heights in terms of security cooperation. While cooperation between Japan and the US has increased in recent years, the US would still like to see Japan take big strides forward in terms of autonomy, security cooperation capability, and initiative to handle matters in East Asia in a more independent way.

There is a twofold concern within Japan when it comes to the alliance and whether or not Japan can take the necessary steps towards a more assertive foreign policy, for example with constitutional amendments and new legislations. The first dilemma is over possible abandonment by the US versus the need to pay a price for continued US commitments to Japan through entanglement in US-led operations in other parts of the world that have little or no direct link to Japan’s

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<sup>100</sup> Prime Minister's Commission on Japan's Goals in the 21st Century. "Japan's Goals in the 21st Century." Chapter 1, page 18.

<sup>101</sup> Prime Minister's Commission on Japan's Goals in the 21st Century. "Japan's Goals in the 21st Century." Profile, page 1. The commission was composed of 16 private citizens, all experts in their respective fields.

<sup>102</sup> Prime Minister's Commission on Japan's Goals in the 21st Century. "Japan's Goals in the 21st Century." Chapter 1, page 19.

<sup>103</sup> Chanlett-Avery, Emma. Japan-U.S. Relations: Issues for Congress. 30 Dec. 2008. Pages 4-5.

interests. The second dilemma lies between free-riding on the US security guarantee versus forming a more autonomous and assertive foreign policy. Pushing through new security related legislation is important for Japan because its current role within the Japan-US alliance must be re-examined in the face of new regional and global challenges, especially if Japan wants to pursue a strategy of hedging against China's rise alongside the US (and possibly other like-minded states in and around East Asia). Facing China's rise to power, Japan must ensure that it does not remain passive and marginalized or adopt a purely negative stance, since the US might then start distancing itself from Japan and engaging with China on a mostly bilateral basis where it will be near impossible for Japan to influence the outcome to protect its interests. Japan could portray itself to the US as a reliable partner and trusted advisor, one which the US can look to for counsel on matters even outside of East Asia. For this to succeed, however, the two nations must share a similar vision for both the future of their relationship and the future of East Asia. That means a shared East Asia policy and strategic outlook, something that will take significant effort on the Japanese side for several reasons. At macro-level, Japan is still essentially a regional player that finds it hard to think at the level of global balance where both China and the US are at home. More concretely, bilateral relations are troubled by issues that include: domestic opposition to US military bases and frustrations with the base restructuring process; budgetary pressures for the continuation of Japanese host-nation support; constitutional and legal constraints on SDF participation and joint training; and a slow negotiating process overall. At the same time as Japan must strive to become more of a manager in the bilateral relationship, the Japanese government has to ensure that the Japanese people understand that it is in their vital interest to maintain and strengthen the relationship with the US.<sup>104</sup> This means that the Japanese public may have to learn to accept Japanese 'entanglement' in US-led operations in other parts in the world. All this must be managed while keeping underlying populist/nationalist instincts in check and without souring day-to-day relations with China.

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<sup>104</sup> Japan's Goals in the 21st Century. Chapter 6, page 12.

It is easy to conclude that if Japan manages to change its constitution and become more useful, so to speak, for the US's security strategy in East Asia, Japan will be contributing more but receiving fewer benefits.<sup>105</sup> However, the other side of the coin is that in the coming decades Japan may need the US's support in East Asia even more than the US needs Japan. Although Japan is arguably the largest economy in Asia, has contributed immensely to the region in terms of economic aid and development, and its exports and imports are very important to other Asian countries, its relations with many of its neighbours are still strained and could not be called relations of true friendship and trust. Numerous geographical disputes remain unresolved, and it is only a matter of time until China takes over from Japan to establish itself as the economy of primary importance in East Asia, the largest East Asian military power, and therefore the country with the largest influence in the region, matched only by the US. While Japan may not be able to hold on to the number one spot in Asia for much longer, it will be able to do much better with the US at its side than without it. With that said, the risk is that Japan may appear as yes-man next to the US. To counter that perception Japan may decide that while making every effort to keep the relationship with the US strong, it must find an independent foreign policy shelf for itself, for example through a push for regional multilateralism with China on the basis of equality. For that reason it is important to pursue a "relationship of strategic reciprocity" with China while making it absolutely clear that Japan is "making cooperation with the United States its top priority as a matter of choice."<sup>106</sup>

A DPJ-led government in Japan may put more emphasis than before on Sino-Japanese relations, but high ranking DPJ members have suggested the Japan-US alliance should move from being strictly a security cooperation alliance towards tackling new challenges such as global warming. Additionally, Ichiro Ozawa, the de-facto leader of the DPJ, has expressed his desire for a more equal partnership between the US and Japan and more assertive national foreign affairs and defence

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<sup>105</sup> Japan is probably observing the experience of European allies who have had to share the burden of a new US global agenda on terrorism and rogue states while US direct support for their continent's security has dwindled.

<sup>106</sup> Akita, Hiroyuki, et al. "Foreign Policy in 2009: Balancing Autonomy and Continuity." *Japan Echo* 36.2 (2009): 49-53. Page 50.

policies.<sup>107</sup> The DPJ manifesto before the August 2009 elections also proposes that Japan will play a more pro-active role in peacekeeping operations and the fight against nuclear proliferation, despite being rather vague in how that should be accomplished.<sup>108</sup> After securing victory, Prime Minister Hatoyama was quick to reassure President Obama that the American alliance was the “foundation” of Japanese foreign policy, and that the alliance “should be further strengthened in a constructive, future-oriented manner.”<sup>109</sup> However, the DPJ coalition partners have already stated that they will accept nothing less than an “aggressive” stance in renegotiating the bilateral agreement and force relocation.<sup>110</sup> Additionally, Hatoyama has indicated that he intends to end the Japanese refuelling mission in support of coalition activities in Afghanistan, despite the US asking for its continuation.<sup>111</sup> Prime Minister Hatoyama needs to prepare concrete proposals for how Japan and the US can cooperate against regional and global challenges, and this may involve a complete turnaround from how the DPJ acted as an opposition party.

### ***The Chinese threat***

China’s rise presents a dilemma for Japan. On the one hand China is one of Japan’s most important business partners, Japanese corporations have invested greatly in China, and the countries’ political relations have been improving over recent years. On the other hand China’s continued rise towards the position of paramount economic and military power in East Asia, and increased assertiveness in various territorial disputes certainly presents a security threat to Japan and

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<sup>107</sup> Ozawa wrote *Blueprint for a New Japan* where he expresses these ideas. After a scandal where Ozawa’s political aide was arrested for taking illegal contributions from a construction company, Ozawa resigned as party leader. Nonetheless, he is the architect of the DPJ lower-house electoral victory and will undoubtedly remain the behind-the-scenes leader of the DPJ.

<sup>108</sup> "Manifesto 2009." *The Democratic Party of Japan*. 18 Aug. 2009. 29 Aug. 2009 <<http://www.dpj.or.jp/english/manifesto/manifesto.html>>.

<sup>109</sup> Fackler, Martin. "Japan’s New Leader Reassures U.S. on Alliance." *The New York Times* 4 Sept. 2009, New York ed.: A8. *The New York Times*. 5 Sept. 2009 <<http://www.nytimes.com/2009/09/04/world/asia/04japan.html?ref=asia>>.

<sup>110</sup> Allen, David. "Japan to revisit base plan, SOFA." *Stars and Stripes*. 11 Sept. 2009. U.S. Department of Defense. 13 Sept. 2009 <<http://www.stripes.com/article.asp?section=104&article=64680>>.

<sup>111</sup> "Hatoyama firm: MSDF tour to end." *The Japan Times Online*. 1 Sept. 2009. The Japan Times. 13 Sept. 2009 <<http://search.japantimes.co.jp/cgi-bin/nn20090911a2.html>>.

Japanese interests. It is hard to judge in what ways China will assert its power towards Japan in the future, but Japan's current strategy towards the Chinese threat is that of consolidating the US alliance to militarily and economically hedge against China, but at the same time trying to bind China in international and multilateral frameworks of responsibility. Japan's China-policy is made difficult by some basic factors: even leaving aside the antipathies and unresolved issues left over from history, China's is a communist regime, and the lack of both transparency and checks-and-balances in China fuels Japanese mistrust and suspicion towards Chinese decision-making.<sup>112</sup>

Some military officials in the Japanese SDF have a high degree of suspicion towards China and its 'real' motives for rapid military modernization and build-up.<sup>113</sup> A matter of concern is that of civil-military control – are the civil authorities truly in charge at all times, or is the PLA occasionally acting independently? Examples where it is unknown if the PLA were acting independently or if the actions were authorized by the government are the 2004 Chinese submarine incursion into the waters of Okinawa, the anti-satellite test in early 2007, and when a Chinese admiral suggested to his US counterpart in 2007 that China and the US should split the Pacific between them.<sup>114</sup> Daniel Kliman makes the case that the unpredictability of Chinese behaviour consistently leads to worst-case assessments of Chinese intent, which, coupled with the perceived lack of Japanese influence on Chinese policymaking, makes it very difficult for Japanese policymakers to change their track.<sup>115</sup> In fact, most of the SDF officers and Japanese Ministry of Defence officials Kliman spoke to "seem to believe that China, at least in the mid- to long-term, will adopt a hostile posture toward Japan."

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<sup>112</sup> Kliman, Daniel. "China: Japan's Rising Power Conundrum." CSIS Japan Chair Forum. Center for Strategic and International Studies, Washington DC. 15 July 2009. Performance.

<sup>113</sup> Chanlett-Avery, Emma. Japan-U.S. Relations: Issues for Congress. 30. Dec, 2008. Page 7.

<sup>114</sup> Kliman, Daniel. "China: Japan's Rising Power Conundrum." Performance.

<sup>115</sup> Ibid.



### ***The North Korean threat***

Perhaps the most obvious threat and the one the Japanese public is most made aware of by the media is the North Korean threat. North Korea abducted several Japanese in the past to train spies and the issue has remained a barrier to any sort of normalization of the two countries' relationship.<sup>116</sup> In the last decade North Korea has on several occasions launched missiles into the Sea of Japan, or even over Japan, seemingly in an attempt to show that it has the capability to strike at Japanese soil whenever it might be necessary. In response Japan launched its first spy satellite in 2003 in order to independently monitor North Korean threats.<sup>117</sup> North Korea's missile capability is made all the more worrying by the 2006 North Korean nuclear test establishing it for certain that North Korea possesses nuclear weapons. In April 2009 the North Korean missile program moved to the next step with an attempt to launch a satellite, in other words a missile capable of carrying a sizable nuclear warhead, over Japan. It is therefore of upmost importance for Japan that North Korea abandon not only its missile but also its nuclear weapons program as it poses both a direct threat to Japan and destabilizes the already weakened Nuclear Non-proliferation Treaty (NPT). Should North Korea receive the internationally acknowledged status of 'nuclear weapons state', it may lead to a domino effect in East Asia where other Asian nations will want to develop nuclear weapons of their own to hedge against North Korea and each other – a choice against which Japan itself has exceptionally strong inhibitions. The NPT would probably not be able to survive such a scenario, putting Japan in the uncomfortable situation of having to rely more than before on the US nuclear umbrella and the US-Japan missile shield. Additionally, a stronger missile shield may be seen as provocative to China and lead to increase in the quality and quantity of Chinese nuclear forces. In all likelihood North Korea will simply use its missile and nuclear capability as a bargaining chip in the Six-Party Talks (or

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<sup>116</sup> Several Japanese citizens were abducted by North Korea in the 70s and 80s and their fates and/or whereabouts remain undisclosed by the North Korean government. Previous Prime Ministers have maintained hard-line positions and pushed the issue within the Six-Party Talks with little effect other than spoiling the negotiations and sidelining Japan in a certain way. To remain relevant within the SPT framework Japan may need to compromise on this issue, a move that would certainly meet popular opposition in Japan.

<sup>117</sup> Chanlett-Avery, Emma. The Changing U.S.-Japan Alliance: Implications for U.S Interests. Washington DC: United States Congressional Research Service, 10 Dec. 2008. Obtained from WikiLeaks website on 22. April 2008. < [http://www.wikileaks.com/wiki/CRS:\\_Japan-U.S.\\_Relations:\\_Issues\\_for\\_Congress%2C\\_December\\_30%2C\\_2008](http://www.wikileaks.com/wiki/CRS:_Japan-U.S._Relations:_Issues_for_Congress%2C_December_30%2C_2008)>. Page 5.

bilaterally with the US) to get the concessions it wants, but it nonetheless has the potential for upsetting the region.

The flipside of this situation is that it has provided Japan with the threat of a violent and unpredictable outlaw. This is a threat which the Japanese public can understand and has been used extensively by pressure-groups within Japan who push for both constitutional amendments and a more assertive capability for the Japanese SDF. Although the possibility of a North Korean nuclear strike on Japan must surely be low (the consequences for North Korea would simply be too great) the missile and nuclear programs pose risks for Japan that need to be eliminated. At present the Six-Party Talks seem the best platform to influence North Korea, but in order to facilitate this result Japan may need to compromise and back completely away from the comparatively minor, though politically major abductees' issue.

### ***Nationalistic feelings***

When it comes to the textbook issue discussed in chapter 3.4 on Japan-China relations, the nationalist opinion is that (a) the details of events from World War II are disputable and unfair interpretations were made by the victors at the unjust Tokyo Trials; (b) textbooks shape the image young Japanese have of their country and themselves, and therefore, to create a generation of proud and nationalistic Japanese, the young should not be taught about the (debatably) wrong things Japan did in the past but rather focus on the good things Japan has done in order to develop a patriotic love for one's country among Japan's young.<sup>118</sup> The worry is that while nationalism is growing in other East Asian countries, particularly in China, the Japanese with their self-imposed historic limitations will be left behind when China, driven by nationalistic fervour, starts to assert itself in more force in the region. In other words, the new generation has to be willing and capable to tackle and adjust to the new balance of power in East Asia and stand up to future national security threats. The flipside of the issue is that a more nationalistic and patriotic Japan bent on developing its own independent security capabilities could

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<sup>118</sup> Nozaki, Yoshiko, and Mark Selden. "Japanese Textbook Controversies, Nationalism, and Historical Memory: Intra- and Inter-national Conflicts." <<http://www.japanfocus.org/-Mark-Selden/3173>>.

endanger closer cooperation with the US, and the path towards increased nationalism needs to be balanced very carefully so as to not sour relations with Japan's neighbours.

### ***Becoming a more 'normal nation' in response to challenges***

In the sense of constitutional and legal restrictions preventing Japan from fully contributing to international military, security, peacekeeping and peace-building missions, Japan is not what could be termed a 'normal nation.' The United States pressed Japan to rearm as early as the Korean War in the 1950s, but Japan resisted and chose to instead focus on its economy. The economic focus continued and Japan eventually started using its economic might to help regional stability in East Asia and build regional economic cooperation frameworks in the 70s and 80s.<sup>119</sup> Around that time an internal debate began on how Japan could contribute more to world peace, for example through the dispatch of personnel to peacekeeping. It was not until the early 90s when the International Peace Cooperation Law was passed that Japan could for the first time participate in a UN-led peacekeeping operation.<sup>120</sup> Gradually this led to the Japanese public's growing acceptance of SDF contributions to international security operations. Put in the context of Japanese ambitions to become permanent members of the United Nations Security Council, Japan needs the public acceptance, political will, and capacity to partake in international peace operations. A deeper debate within Japan may be necessary to convince the Japanese political class and the public that the risks associated with contributing more to international security are worth taking. That debate may become a stepping stone towards a deeper discussion on security matters, new legislation, and constitutional amendments to allow collective self-defence and contributions to more security operations. Under Prime Minister Koizumi (2001-2006) Japan moved significantly forward by adjusting its security stance and highlighting the need for "a military that employs 'multifunctional flexible defence forces' to deal with the changing security environment" and a perception

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<sup>119</sup> Japan's Goals in the 21st Century. Chapter 6, page 11.

<sup>120</sup> Ibid. Page 11.

shift towards viewing Japan's security in connection with broader international stability.<sup>121</sup>

Under Prime Minister Koizumi the Minister of Foreign Affairs and head of the Defence Agency were replaced by right leaning and even militarist individuals<sup>122</sup> - a sign of the new national security emphasis within the LDP. It was under Koizumi that Japan deployed military forces in Afghanistan and Iraq to provide non-combat support for allied forces, agreed to strengthen military cooperation with the US and committed to take on a more active non-combat role in East Asian and global security.<sup>123</sup> Prime Minister Abe (2006-2007) succeeded Koizumi and managed further to upgrade the Japanese Defence Agency to a Ministry of Defence, although he came short of establishing a National Security Commission.<sup>124</sup> All the efforts and commitments Japan has made to bilateral security cooperation with the US could be considered a conscious response to pressure put on the Japanese government by the US in the wake of 9/11 to show more than just diplomatic support in the war on terrorism. But it could also be interpreted as a response to the fear of abandonment – Japan may not be able to rely as strongly on US support against China as it could during the Cold War against the Soviet Union. Should the Japan-US relationship falter in the face of a more powerful China, at least Japan has already taken large strides towards a more autonomous security policy.

As discussed above, Japan faces isolation in East Asia despite its efforts to strengthen bilateral relations with other East Asian countries. Japan has been somewhat reluctant to pursue deep multilateralism in East Asia as a self-contained region as is evident by its opposing the Asian Investment Bank, wanting to expand the ASEAN+ to Australia, New Zealand and India, and in some ways by Japan's attempts to exclude China from originally West-leaning groupings. Japan

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<sup>121</sup> Chanlett-Avery, Emma. The Changing U.S.-Japan Alliance: Implications for U.S Interests. Page 4.

<sup>122</sup> Penn, Michael. "Japan's Persian Gulf Policies in the Koizumi Era." *Foreign Policy in Focus*. 30 June 2006. Institute for Policy Studies. 10 Aug. 2009 <<http://www.fpiif.org/fpiftxt/3336>>.

<sup>123</sup> Chanlett-Avery, Emma. Japan-U.S. Relations: Issues for Congress. 30 Dec. 2008. Summary.

<sup>124</sup> Ibid. Page 8.

has been more at home with bilateralism; in wider groups like APEC where the US and Canada can ensure balance; or in the less formally institutionalized 'trilateral' US-Japan-EU relationship of leading democracies. Now, however, Japan has come to grips with the reality that it cannot assume the position of East Asia's leading country or exclude China as it is nearly impossible to compete with China's influence. China's rise is also bringing Beijing more options to 'exclude' Japan itself, as has happened with the Russian-Chinese-led Shanghai Cooperation Organization (SCO).<sup>125</sup> Instead Japan needs to try to work together with China through multilateral frameworks such as the ASEAN+3 and possibly an East Asian Community to build regional cooperation in East Asia.<sup>126</sup> Regional cooperation frameworks need to be institutionalized and strengthened because if successful they have the potential of not only bettering relations with other countries but also of preventing conflicts in the region, confidence building through multilateral operations, deepening trust, strengthening regional security, arms control and getting China more involved as a responsible stakeholder. In essence Japan would be smart to create frameworks that can complement the increasingly strong security personality of ASEAN and promote the development of a pan-Asian community.<sup>127</sup>

#### **4.1.3 Japan's future in East Asia**

Japan certainly has ambitions for the future. Japan wants to be involved in international security activities, the construction of an international security system, the reorganization of the international economic order, and wants to

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<sup>125</sup> Members: China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. Observers: India, Iran, Mongolia, Pakistan. While the SCO cannot hope to hedge against NATO it does however strengthen military cooperation, ease border tension between the member countries and improve relations. It also places great emphasis on the non-interference in other states' internal affairs. For further information on the SCO and how China uses it see for example: Bailes, Alyson, et al. *The Shanghai Cooperation Organization*, SIPRI Policy Paper No. 17. Accessable at: <[http://books.sipri.org/product\\_info?c\\_product\\_id=338](http://books.sipri.org/product_info?c_product_id=338)>, and Sznajder, Ariel P. "China's Shanghai Cooperation Organization Strategy." *Journal of International Policy Solutions* 5 (2006): 93-102. *University of California - School of International Relations and Pacific Studies*. 14 Sept. 2009 <<http://irps.ucsd.edu/faculty/journals/journal-of-international-policy-solutions/volume-5-spring-2006.htm>>.

<sup>126</sup> Samuels, Richard J. *Securing Japan: Tokyo's Grand Strategy and the Future of East Asia*. Cornell Studies in Security Affairs. New York: Cornell University, 2007. Page 166.

<sup>127</sup> Prime Minister's Commission on Japan's Goals in the 21st Century. "Japan's Goals in the 21st Century." Chapter 1, page 19.

become a permanent member of the UN Security Council as a representative of the non-nuclear civilian powers.<sup>128</sup> It wants to strengthen the Japan-US-China relationship and may be moving towards deeper multilateralism in East Asia. In short, Japan wants to further establish itself in the international arena and, in particular, in East Asia to at least retain its current position in the face of China's rising influence. The domestic obstacles to those goals are a structurally weak parliament, a weak Prime Minister's office, and a slow and change-resistant bureaucracy. With a DPJ Prime Minister, majorities in both houses of the Diet, and the party having promised to decrease the power of the bureaucracy, it will be interesting to see if the DPJ can overcome these challenges in the coming months and years.

The US-Alliance will remain central to Japan's security policy and it is of upmost importance for Japan to further consolidate the relationship. Ballistic missile defence, a deeper integration and interoperability of the nations' militaries, stronger maritime defence cooperation, and international peace and humanitarian operations are respectable and achievable future goals for the alliance from the Japanese side.<sup>129</sup> At the same time Japan will have to carefully balance between increased strength of the bilateral alliance and a Japanese autonomous foreign and defence policy in East Asia.

To achieve its goal of staying relevant in East Asia, Japan would be well advised to craft new multilateral ways forward. Bilateralism can only get it so far in a region where it is viewed through a historical lens, and with a population in decline, aging society, economic troubles, and relative decline of US power, the multilateral approach may be the most profitable way forward for Japan to both build stronger relations with its neighbours and forge an independent path for itself – a path of balance between multilateralism, reciprocity with China, and a stronger Japan-US alliance.

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<sup>128</sup> UN Security Council Reform is unlikely to happen, and China has already said it will block a permanent seat for Japan. For a more detailed analysis of UNSC reform, see the following article by James Paul and Céline Nahory at the Global Policy Forum website:  
<<http://www.globalpolicy.org/component/content/article/200/41131.html>>

<sup>129</sup> See a deeper discussion in: Chanlett-Avery, Emma. The Changing U.S.-Japan Alliance: Implications for U.S Interests. 10. Dec, 2008. Pages 5-9.

## 4.2 The United States

The US fought three major wars in the Asia-Pacific region in the 20th century and it remains "an indispensable fixture in the security, economic, and social fabric" of the region.<sup>130</sup> Early in the Cold War, the US chose to promote multilateral solutions in Europe with NATO and the European Economic Community. In East Asia the US faced the challenge of countering communism, containing Russia (and perhaps to a lesser extent China), and turning Japan into a non-threatening ally. Instead of using similar solutions as in Europe, the US chose to establish a system of "hubs and spokes" through bilateral security alliances and military bases in countries such as the Philippines, South Korea and Japan, and building a "triangular trade system among Japan, the United states, and Southeast Asia."<sup>131</sup> It can be argued that the European system allowed for the creation of a European identity while the Asian system fostered nationalism and discouraged any sort of moves towards building a regional community or a common Asian identity.<sup>132</sup> Now that the global balance of power is shifting towards Asia with China and India emerging as great economic and military powers, the importance of Asia for the United States should not be understated. It has become, perhaps for the first time outside wartime conditions, a major factor in how the US's global role and destiny will evolve, and not just a matter of securing specific regional interests. If the US wants to retain its position as a global military and economic superpower it needs to remain absolutely committed to the East Asia region and consolidate its relationships with allies and friendly nations there. The bilateral and multilateral strategies the US settles on may determine in the short term what direction China-US relations take, and in the long term shape what kind of superpower China becomes. It may be in the US's greatest interests to encourage strong multilateralism in East Asia as the best, or at least the most reliable, recipe for stability in the region. East Asia also presents significant opportunities for the US to push forward in areas such as collaboration on future global financial and trade regulation and economic recovery, clean energy, climate change, stopping the

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<sup>130</sup> Funabashi, Toichi. "Keeping Up With Asia: America and the New Balance of Power." Page 125

<sup>131</sup> Shiraishi, Takashi, and Caroline Sy Hau. "Beyond the Spell of "Asianism."" *Japan Echo* 36.3 (2009): 32-37. Page 36.

<sup>132</sup> Ibid. Page 36.

spread of nuclear weapons, and confronting transnational threats such as human trafficking, diseases and terrorism.

After two terms under President Bush it could be said that the political system 'corrected itself' with Obama securing the presidency. However, the Bush Administration left behind a huge mess that now needs to be untangled and straightened out by the Obama Administration. That task covers domestic matters, foreign policy, bilateral and multilateral relationships with other states, international institutions and multilateral relationships.

#### **4.2.1 Domestic challenges**

The domestic challenges facing the United States are mainly twofold: managing a polarized political system and achieving economic recovery.

##### ***Governance challenges***

The 'honeymoon period' of Obama's presidency has passed. The administration is still struggling with Afghanistan and Iraq, with even Democrats doubting Obama's Afghanistan policy,<sup>133</sup> and as the economic difficulties are being felt all over the country people want to see some real changes for the better. President Obama set out to try to bridge the gap between Republicans and Democrats, to work towards some sort of consensus and cooperation between the two, but when it comes to it the political system may already have become too polarized. Both sides are quarrelling more than they cooperate on working together towards the common goal of recovering America's economy. Additionally, Obama is pushing through healthcare reform to give healthcare to as many Americans as possible, but the republicans are lobbying as hard as possible against it. The economic recovery package and healthcare debate are but two of many fields where it seems the democrats and republicans will have a hard time reaching a consensus, and this is causing delays in the implementation of all sorts of policies. The democrats may have the upper hand at the moment with the presidency and majorities in

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<sup>133</sup> Schmitt, Eric, and David E. Sang. "Obama Facing Doubts Within His Own Party on Afghanistan." *The New York Times* 11 Sept. 2009, New York: A1. *The New York Times*. 11 Sept. 2009 <[http://www.nytimes.com/2009/09/11/world/asia/11military.html?\\_r=1&hp](http://www.nytimes.com/2009/09/11/world/asia/11military.html?_r=1&hp)>.



both the Senate and House of Representatives, but with the economy stalling, increasing fiscal deficit and further job losses predicted, that majority may not hold for as long as the democrats need, at which point the political situation may get worse before it gets better.

### ***Growth potential***

By 2005 the United States population is predicted to increase by almost 30% (see Table 1 on page 29), and that increase will largely be due to immigration. The present economic situation and rising unemployment rate may put some damper on immigration, but it should be expected that the US will retain a comparatively low median age which will be important for its economic recovery and growth.

The global economic downturn had its origins in the subprime mortgage crisis in the United States. The US economy has contracted and with it contracted most of the world's economies, some more severely than others. In early 2009 the US director of national intelligence identified the economic crisis as potentially the "United States' number one national security threat" in the sense that it has global implications and has hit developing economies hard, potentially sparking instabilities and nationalistic responses.<sup>134</sup> For the US to turn around its economy it needs to strengthen domestic manufacturing companies to serve a greater proportion of domestic consumption and increase exports. The disequilibrium of the US's huge current account deficits fuelling other countries' huge current account surpluses has caused currency instability. Coupled with the economic crisis this has led to questioning at the G20 of the dollar's role as the global reserve currency,<sup>135</sup> with Zhou Xiaouchuan, chief of the People's Bank of China, openly calling for the dollar to be replaced.<sup>136</sup> If the US were to fix its account deficit in a short period of time, however, the result would be disastrous for many other economies that have depended on exports to the US, leading them to make serious adjustments and possibly leading to a chain reaction and political

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<sup>134</sup> Schrage, Steven. "The London Summit." *Center for Strategic and International Studies*. 25 Mar. 2009. 26 Mar. 2009 <<http://csis.org/publication/london-summit>>.

<sup>135</sup> Kojima, Akira. "Financial Shock." Page 25.

<sup>136</sup> "China argues to replace US dollar." *BBC News*. 26 June 2009. The BBC. 10 Sept. 2009 <<http://news.bbc.co.uk/2/hi/business/8120835.stm>>.

instability.<sup>137</sup> In addition, such measures might cause a huge drop in the value of the dollar and seriously upset those countries who have amassed a large reserve of US dollars – namely Japan and China.

The US is economically bound to East Asia. Asian production in the late 20<sup>th</sup> century fuelled American consumerism, and China and Japan are the US Government's two largest foreign creditors.<sup>138</sup> Both countries have a huge stake in the US recovery, but at the same time hold great political sway over the US economy. Were either country to start selling US debt, it would impede US borrowing and increase interest rates, in turn jeopardizing the US's economic recovery plans. Japan, as a trusted ally of the United States, can be counted on to bear in mind the interests of the US, but where the Chinese stand is hard to say. China is even believed to be purchasing more US debt through other countries, making it harder to accurately say how much is held by China and helping its exports to the US by allowing China to maintain the artificially low value of the yuan while strengthening the dollar.<sup>139</sup>

### ***Attitudes toward Japan and China***

The United States is neither unfamiliar nor uncomfortable with Chinese or Japanese culture as large numbers of Japanese and Chinese citizens live and work in the US. The US has grown closer to Japan for practical and ideological reasons, but this has also led to friction in issues such as US basing arrangements in Japan, US military conduct, and attitudes in the Six-Party Talks. When China's rise evokes strong reactions in Congress these seem founded partly by protectionist instincts and partly by generalized distrust of China's Communist regime, its lack of transparency and its motives. However, the publicity and apparent credence given in US circles to very high and alarmist estimates on Chinese military spending, as well as to any incident with defence/security overtones (for example

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<sup>137</sup> Kojima, Akira. "Financial Shock." Page 26.

<sup>138</sup> "Major Foreign Holders of Treasury Securities." *U.S. Department of the Treasury*. June 2009. United States Government. 27 Aug. 2009 <<http://www.ustreas.gov/tic/mfh.txt>>.

<sup>139</sup> Faiola, Anthony, and Zachary A. Goldfarb. "China Tops Japan in U.S. Debt Holdings." *The Washington Post*. Ed. Brauchli Brauchli. 19 Nov. 2008. Washington Post Company. 26 Apr. 2009 <<http://www.washingtonpost.com/wp-dyn/content/article/2008/11/18/AR2008111803558.html>>.

the risk of a Chinese-Russian 'alliance'), suggests serious concern over US global supremacy being displaced by a still mysterious and unpredictable China. In contrast, Japan is not considered a threat to the US global position, and under President George W. Bush the US actively encouraged Japanese politicians to rid Japan of its post-WW2 strategic inhibitions.

#### **4.2.2. Main security challenges**

US allies in Asia who allow for forward positions of US forces are Japan, South Korea, Singapore and the Philippines. Additionally, Indonesia, Malaysia and Thailand cooperate with the US by hosting its radar network. However, the US's global military presence is overstretched and with the economic challenge at home it is unclear how the US can adapt to the shifting balance of power in East Asia. The challenges will be to seek more contribution from Japan, finding a way to manage through China's rise while supporting Taiwan, and stopping North Korea's nuclear and weapons programs.

#### ***Overstretched military***

With bases and access agreements throughout the world and more than one-third of its troops abroad or in international waters, Anita Dancs estimates the US spends approximately \$250 billion annually on maintaining its bases, fleets, troops and equipment outside the US.<sup>140</sup> After pullbacks in the 90s, a military policy under President George W. Bush's Administration expanded national security spending and the global military presence with military expenditure reaching "the highest level in real terms since World War II," of which the Afghanistan and Iraq operation have been almost entirely funded through borrowing.<sup>141</sup> The Obama Administration may be forced to decrease military spending as part of the economic recovery measures, but has little choice but to remain committed to its missions in Afghanistan and Iraq which will continue to

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<sup>140</sup> Dancs, Anita. The Cost of the Global U.S. Military Presence. Policy Report. Washington, DC: *Foreign Policy In Focus*, 6 July, 2009. Obtained from FPIF website on 20 July, 2008 < <http://www.fpiif.org/pdf/reports/0709costofempire.pdf>>. Page 1. Note that the report does not include subsidies from governments that host bases, three-quarters of which come from Japan.

<sup>141</sup> Perlo-Freeman, Sam, et al. "5. Military Expenditure." *SIPRI Yearbook 2009*. Ed. Bates Gill. Oxford: Oxford University Press, 2009. 179-211. Summary.

require substantial resources. At the same time, Obama's 2010 budget is requesting a record \$1.8 billion for improving the overseas presence, largely for rebasing and enhancing the US presence in Guam to where a large part of the mainland-Japan forces are relocating.<sup>142</sup> This strategy may seem at odds with the current economic situation and the nature of the security challenges facing the US – transnational terrorism, nuclear non-proliferation, regional instability and climate change – which require international cooperation more than they do larger military budgets. It could however also reflect a shift back towards placing more weight on long-term US territorial anchors abroad, as opposed to former Defence Secretary Donald Rumsfeld's push for essentially home-based and 'light' mobile intervention forces.

The US maintains a sizable military presence in East Asia with its fleet, bases and access agreements. However the US is on the other side of the Pacific, tackling economic recession, bogged down in Afghanistan and Iraq, and facing pressures to decrease its military expenditure. During the last Bush Administration the US tried to square the circle by making its forces globally more flexible rather than tied down in a particular continent, thus in Japan's case aiming to pull stationed forces out to the smaller islands and focusing more on the fleet with ships serving as mobile bases. It was reasoned that this way US forces would be less pinned down to serving other countries' purposes but rather free to pursue the US's interests against possibly new directions of attack. Then again, by de-regionalizing its presence in East Asia the US may not only be upsetting old local relationships but compromising its ability to control the region – in a broader strategic and political sense – as well as it could in the past. East Asia is rapidly changing and a US distracted by events in other parts of the world faces the risk of constantly being a step behind developments in the region.

### ***Japan-US Alliance***

The year 2010 will mark the 50<sup>th</sup> anniversary of the US-Japan Security Treaty. While the alliance remains one of the US' strongest bilateral alliances, it needs to

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<sup>142</sup> Dancs, Anita. The Cost of the Global U.S. Military Presence. Page 9.

adapt to the new challenges of the 21<sup>st</sup> century. From the US perspective, Japan needs to take on a more assertive and independent role in the region and implement new ways in which it can cooperate with the US on tackling regional as well as global issues. As previously discussed, Japan's contributions to both the Afghanistan and Iraq missions were a large step forward for Japan, and the US acknowledges this. As the US pulls its forces out of mainland Japan and pushes forward on making the military presence more mobile it will be expecting Japan to take on a larger role in maintaining regional stability. This could lead to the unfortunate situation of actually destabilizing the region as Japan's neighbours who still harbour historical grievances may feel threatened by a more empowered and assertive Japan. However, if the US wants to hedge against a militarily rising China it will need the cooperation of a more assertive Japan. President Obama may also be looking to Japan to contribute more outside East Asia – probably in Afghanistan – and seems unwilling to accept “marginal, symbolic contributions to the effort.”<sup>143</sup>

As previously noted, Prime Minister Hatoyama was quick to reassure President Obama that the American alliance was the “foundation” of Japanese foreign policy, and that the alliance “should be further strengthened in a constructive, future-oriented manner,” without going into any further details on what that might imply.<sup>144</sup> The Obama Administration is likely to welcome moves by the DPJ towards a more equal partnership as it would likely lead to a more assertive Japanese presence in the region. In any case, the DPJ does present itself as a party that the Obama Administration should be able to get along with very well. Although the DPJ may not be able or willing to push through any sort of revolutionizing new policy on security cooperation capacity or full cooperation in international security operations, it is a party that wants Japan to be more assertive in the East Asia region and deeply values the Japan-US alliance.

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<sup>143</sup> Harris, Tobias. "The birth of the post-1996 alliance."  
<<http://www.observingjapan.com/2009/02/birth-of-post-1996-alliance.html>>.

<sup>144</sup> Fackler, Martin. "Japan's New Leader Reassures U.S. on Alliance."  
<<http://www.nytimes.com/2009/09/04/world/asia/04japan.html?ref=asia>>.

If the US decides on a strategy of militarily hedging against China to keep it from asserting itself against US interests, it will need Japanese help. The Japanese SDF forces may also be able to contribute to burden sharing through increased participation in non-combat missions in the region and even in different parts of the world. As part of this effort it may be in the US's best interest to encourage more multilateral defence cooperation between the US, Japan and other allies in or around the region. Multilateralized defence and security cooperation may ease concerns in the region that a more assertive Japan is necessarily a threat. It may also help form a consistent military cooperation framework against a militarily rising China, or if China is involved, help soothe military relations with China. In any case, the Japan-US alliance is not going away and both nations therefore need to find new and creative ways forward for their cooperation to remain relevant. A possible course of action is building on such broad and inclusive multilateral models as the Six-Party Talks and forming new regional frameworks that cater to both Japanese and US interests.

### ***The Chinese threat***

In a July 31, 2008 hearing before the House Armed Services Committee, it is hard to interpret the words of Vice Admiral Bernard J. "Barry" McCullough, Deputy Chief of Naval Operations, as anything but a direct reference to the increasing military capabilities of China:

*"Rapidly evolving traditional and asymmetric threats continue to pose increasing challenges to Combatant Commanders. State actors and non-state actors who, in the past, have only posed limited threats in the littoral are expanding their reach beyond their own shores with improved capabilities in blue water submarine operations, advanced anti-ship cruise missiles and ballistic missiles. A number of countries who historically have only possessed regional military capabilities are investing in their Navy to extend their reach and influence as they compete in global markets. Our Navy will need to outpace other Navies in the blue water ocean environment as they extend their reach. This will require us to continue to improve our blue water anti-submarine and*

*anti-ballistic missile capabilities in order to counter improving anti-access strategies.*"<sup>145</sup>

In 2007 China showed the US it had developed an anti-satellite missile capable of taking out US satellites.<sup>146</sup> In early 2009 reports surfaced that the Chinese military had developed an anti-ship ballistic missile (ASBM) designed to destroy US Aircraft Carriers at distances up to 2000km<sup>147</sup> enabling China to strike US carriers in the central and western Pacific Ocean. Additionally the think tank RAND Corporation concluded in an August 2009 report that due to China's much improved air force and ballistic missile capabilities, China would be the victor if it came to an air war over Taiwan, although it would not be able to follow it up with a successful amphibious assault.<sup>148</sup> This coupled with the steady increase in Chinese national security spending and an increasingly assertive China in territorial disputes should perhaps make the US feel quite uneasy. The 2009 Department of Defence report *Military Power of the People's Republic of China* expresses worry over the rapid build-up of Chinese military power, describes the PLA as having transformed to an army "capable of fighting and winning short-duration, high-intensity conflicts along its periphery against high-tech adversaries", and depicts China's military rise as "changing regional military balances" as well as having implications beyond the region.<sup>149</sup> Nonetheless, the likelihood of actual war between the US and China, or China and Taiwan, must be regarded as minimal on account of the interdependence of the US and Chinese economies, and the closeness of the Chinese and Taiwanese economies. However,

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<sup>145</sup> United States. House Armed Services Committee. Statement of Vice Admiral Barry McDullough. Washington DC: GPO, 2008. Online. 19 Aug. 2009.  
<[http://armedservices.house.gov/pdfs/SPEF073108/McCullough\\_Stiller\\_Testimony073108.pdf](http://armedservices.house.gov/pdfs/SPEF073108/McCullough_Stiller_Testimony073108.pdf)>. Page 3.

<sup>146</sup> Gagnon, Bruce K. "Arms Race in Space." *Foreign Policy in Focus*. 19 Mar. 2009. Institute for Policy Studies. 30 Aug. 2009 <<http://www.fpif.org/fpiftxt/5971>>.

<sup>147</sup> "Report: Chinese Develop Special "Kill Weapon" to Destroy U.S. Aircraft Carriers." *U.S. Naval Institute*. 31 Mar. 2009. 15 July 2009  
<<https://www.usni.org/forthemedia/ChineseKillWeapon.asp>>.

<sup>148</sup> Axe, David. "Think Tank: China Beats U.S. in Simulated Taiwan Air War." *WIRED Danger Room*. Ed. Noah Shachtman. 9 Aug. 2009. 10 Aug. 2009  
<<http://www.wired.com/dangerroom/2009/08/think-tank-china-beats-us-in-simulated-taiwan-air-war/>>.

<sup>149</sup> United States. Department of Defence. *Military Power of the People's Republic of China*. Washington DC: GPO, 2009. Online. 31 Aug. 2009.  
<[http://www.defenselink.mil/pubs/pdfs/China\\_Military\\_Power\\_Report\\_2009.pdf](http://www.defenselink.mil/pubs/pdfs/China_Military_Power_Report_2009.pdf)>. Executive Summary, Page I.

the mere existence of the aforementioned Chinese ASBM seems to have created a panic within the US Navy whose emphasis on shallow-waters operations has been changed to a focus on deep-sea and anti-ballistic capabilities as a response.<sup>150</sup>

For the US, the security challenge comes from the simple knowledge of China's increasing capabilities and what China would hypothetically be able to achieve with them. Even though the likelihood of war is very small, the changes in the regional balance of power are worrying for the US, as are the implications of an improved Chinese reach and perhaps greater Chinese self-assertion in regions farther afield including the Indian Ocean, Africa and Latin America. Although China is far from having modernized its whole army, it is focusing on very high-tech capabilities. China's year-on-year national security spending is on a steady upwards trajectory and it is hard to see how the US can maintain its (considerable) lead without the active cooperation of friendly nations in the region. However, those nations' responses to the clearly visible Chinese military capability will certainly be formed with regard to economic dependencies, and that is where the US may be at a serious disadvantage.

It is not just the Chinese military capability that causes alarm, it is also the perceived lack of checks and balances, the completely concealed decision making process, and the lack of domestic transparency that causes unease within both the US and Japan. Finally the fact that China is a communist regime surely puts some within the US government in an uncomfortable situation when pushing for cooperation and reciprocity between the two nations. Until now the policy has been one of pushing for democratic change, a liberal market economy and human rights, and hoping for the emergence of a powerful middle class that would eventually push for change from within China.<sup>151</sup> Like other democratic nations the US must also maintain a principled position on issues like Tibet and the treatment of dissidents without letting the whole relationship become hostage to them. The final balancing act where the US is more directly involved than any

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<sup>150</sup> "Report: Chinese Develop Special "Kill Weapon" to Destroy U.S. Aircraft Carriers."  
<<https://www.usni.org/forthemedia/ChineseKillWeapon.asp>>.

<sup>151</sup> Nanto, Dick K. and Emma Chanlett-Avery. The Rise of China and Its Effect on Taiwan, Japan, and South Korea: U.S. Policy Choices. Page 32.



other power is the need to maintain support for Taiwan without taking on unsustainable obligations or actually encouraging Taiwanese intransigence towards Beijing (a risk much reduced after the latest change of government in Taipei.)

In its quest to shape China's rise the US must find whether bilateral relations or multilateral frameworks are the most favourable path towards making China a responsible stakeholder in the region and the world as a whole. These paths, however, have several risks which Gerald Curtis highlights in an article on US policy for East Asia.<sup>152</sup> Firstly a US-China 'G-2' – a forum where the US and China would work together on solving the world's problems as the two most powerful states on the planet – would "encourage China to believe that it has more power to influence global affairs than it actually possesses." Secondly, an institutionalized US-Japan-China relationship would give little benefit as it would make others, such as South Korea, anxious, China and Japan would each tug on the US's sleeves, and risk abandonment of ASEAN "as a useful neutral platform upon which these great powers can interact." Thirdly, Curtis suggests that institutionalizing the Six-Party Talks would give little benefit as the talks have failed to denuclearize North Korea and would be little more than a "talk shop" with unclear goals.

Certainly the US does not want China to feel overconfident about its role and capabilities for dealing with regional and global issues, but at the same time it needs to find a way to bind China in some sort of framework where China does feel it is assuming a worthy position. Perhaps the best way forward for the US will be to work further on the bilateral relationship through the S&ED and military consultations, and when it comes to multilateral frameworks, strengthen the ASEAN+3 framework or even support the establishment of an East Asia Community (EAC). If it comes to the establishment of an EAC then the US should try to get a seat on it, but if that is impossible it should at least hope to

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<sup>152</sup> Curtis, Gerald. "Obama and East Asia: No Room for Complacency." *Pacific Forum CSIS: Issues and Insights* 9.15 (2009): v-vi. Executive Summary. *Center for Strategic and International Studies*. 25 Aug. 2009 <<http://csis.org/files/publication/pac0958.pdf>>.

influence its structure and role as a framework where China's rise can be shaped in ways positive for US interests.

### ***The North Korean threat***

The failure, so far, of the Six-Party Talks to bring about the denuclearization of North Korea has left a unique and serious source of risk in place for the US and the East Asian region as a whole. The fact that North Korea has nuclear weapons destabilizes the Non-Proliferation Treaty and puts neighbouring countries at unease – especially Japan which is within striking range of North Korea's missiles. It would be very unfavourable for stability in the region if other countries were to start developing a nuclear arsenal as a response to North Korea, and such a development would certainly mark the end of the NPT. Additionally, with leadership change looming in North Korea there is no telling what route the new leadership will take in relations with the US, China, Japan, and other countries in the region. Sanctions have not worked, the Six-Party Talks have not worked, and threats will never work – not least because China will never back a showdown that might leave the country collapsed and millions of refugees streaming on to its own territory. North Korea's own obscure internal politics and volatility, currently heightened by a perhaps imminent change of leaders, add to the uncertainty and the difficulty of normal multilateralist or 'horse-trading' methods. It is hard to say what the US should do, but for the moment a resumption of the Six-Party Talks is the best hope, and there the most important seat is occupied by China.

A second worry is that North Korea may be supplying weapons and other hardware to states, state actors, and transnational groups with hostile policies towards the United States and/or the West. Already there are extensive UN Security Council sanctions against the sale of technology or materials that could be used by North Korea for its nuclear-, missile- and weapons programs, but nonetheless shipments with North Korean weapons are regularly intercepted.<sup>153</sup> Illegal weapon shipments from North Korea may be a small part of the global

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<sup>153</sup> Most recently in mid-July a large shipment of North Korean weapons on an Australian ship headed for Iran was intercepted by United Arab Emirates authorities.

picture, but stopping them is still very important for US security and the global fight against terrorism

#### **4.2.3 The United States' future in East Asia**

As has been stated above, East Asia will be very important for the United States in the coming decades, mainly because of the changes that are happening in the regional balance of power there, and because of the impact of China on the global balance of power. The US faces the challenge of consolidating its military presence and alliances in the face of the Chinese military threat, and maintaining a positive and calm relationship with China while at the same time preventing China from asserting any new territorial claims. The question of how China might possibly use its military capability will drive all security considerations as China continues its rise towards equality with the US.

It is likely that the US will push for more Japanese and South Korean involvement in militarily hedging against China, but when it comes to Japan it is unclear how much it can accomplish. It is hard for the US's allies in the region to seek closer economic ties with China and at the same time assist the US in militarily hedging against China. It may even become too much to ask if the global economic recession does not improve. The US has the upper hand now, with bases and access agreements in the region, but it is impossible to predict how the situation will be in 15-20 years. The US's top priority in East Asia will therefore be to maintain current relationships and try to deny China the opportunity to expand its own, while also keeping with China's military capability advances. A second priority will in all likelihood be multilaterally binding China in international institutions, *within the region* as well as globally. This comes second because unless the US creates such frameworks itself, it faces the possibility of having very little influence on them.

### 4.3 The People's Republic of China

China suffered through centuries of foreign exploitation and abuse, and that historical memory has undoubtedly had an effect on how the leadership has structured China's emergence from the late 20<sup>th</sup> century onwards. A strong defence of national interests, in particular against foreign demands, has been top priority. Diplomatic relations were established with the US and Japan in the 70s, and once it emerged from the chaos of the Cultural revolution, China was integrated into the East Asian economic order and transformed itself into a socialist market economy.<sup>154</sup> In a very short time China managed to modernize its economy – agriculture, industry, defence, science and technology – while remaining a communist state, “bringing it the broadest prosperity it had ever experienced.”<sup>155</sup> Today China is strengthening its international relations, running a huge trade surplus, investing strategically all over the world, and going through a very large societal change with the emergence of a middle class. China's “peaceful development”<sup>156</sup> is being carefully managed by capable leaders who probably look back in history to the time when China was the predominant power in East Asia – the ‘Middle Kingdom’ – and see that as the new benchmark for modern China. The forerunner in the ‘Asian century’ is China, the leading economic, military and political power in the region. However, China is also tackling a host of problems, new and old, internal and external. It is not easy to steer the most populous country in the world through such an incredible transformation, but China has so far managed quite well. At the moment the world, and especially the Chinese people themselves, are not wondering *whether* China will become a global power but *what kind* of power it will be, and with what implications for its own region and the whole global system.

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<sup>154</sup> Shiraishi, Takashi, and Caroline Sy Hau. "Beyond the Spell of 'Asianism.'" Page 36.

<sup>155</sup> Gamer, Robert E., et al. *Understanding Contemporary China*. Ed. Robert E. Gamer. 2nd ed. Introductions to the States and Regions of the Contemporary World. London: Lyenne Rienner, 2003. Page 81.

<sup>156</sup> The term “peaceful rise” was previously used by China but had begun to drop from the lexicon by 2004 in favour of the more broadly interpretable and acceptable “peaceful development.”

### **4.3.1 Domestic challenges**

It is easy to stare in awe at China's incredible accomplishments over the last few decades and conclude that the country is on the straight road to success. That road is in fact not straight and there are a number of river crossings on the way. The internal challenges are numerous and the following discussion is by no means exhaustive. The central government is generally very capable and its main challenge will be to tackle corruption, ensure oversight and stability, and deal with widening inequalities at home (both geographical and vertical) while moving the economy forward.

#### ***Governance challenges***

At least since Deng Xiaoping took over power from the 'Gang of Four', China's way of governing could be described as concerned more with results than with theories and principles. China's modern leaders are very well aware of the pitfalls of other nations who have shifted from a state controlled economy to a free market, and those who have similarly shifted from one political system to another. They are pragmatic and strategic thinkers who plan for the long term and study deeply where China and other great nations have gone wrong in the past so that modern China will not repeat those mistakes. With eight of the top nine party officials – the new generation of China's leaders – having engineering degrees,<sup>157</sup> the practicality and careful planning of their long-term approach should come as no surprise. These are technocrats running the country and no one doubts their ability to achieve performance, stability and prosperity. This is where China differs greatly from the US and Japan; with regular elections comes the pressure of offering short-term solutions or policies that cater to the mass public, but in many cases the politicians have no clear ways of guaranteeing net benefits in the present let alone the longer term. The Chinese leadership can set out a grand plan for the next decades and be relatively sure that they will still be around to implement the last bit of the vision. That does not mean, however, that achieving these goals will be easy. There are a number of challenges on the road ahead, but

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<sup>157</sup> Foroohar, Rana. "Why China Works." *Newsweek* 19 Jan. 2009: 24-29. Page 27.

those challenges also present great opportunities for China if they can be overcome successfully.

Corruption is perhaps the most serious governance challenge. The problem is that government officials are tempted by the unrestricted power placed on their shoulders as both policy implementers and economic principals who in some cases directly administer the local economy.<sup>158</sup> This is a failure of supervision by the central government and can in some cases lead to the people themselves taking retribution on the corrupt officials. With the advent of mass-communication technology the Chinese people are better able than before to solve the problem by themselves, so to speak, but this is paramount to public humiliation of the central authority. Weeding out corruption is essential as the public (or at least sectors of it) is already well informed on the nature of the administration around them – and increasingly, on foreign norms and parallels. However, China does not seem to be making much progress as according to Transparency International's Corruption Perceptions Index, China's status has dropped from being the 57<sup>th</sup> least corrupt country in 2001 to being the 72<sup>nd</sup> least corrupt in 2008.<sup>159</sup> Corruption is a serious challenge to the Chinese leadership, the people's confidence in the leadership, China's outward image – not least because of the way it links up with counterfeiting and poor product standards on which there have been several scandals lately – as well as China's ability to implement further economic adjustments.

### ***Growth potential***

China's economy may be huge and growing, but it is still poor compared to the US and Japanese economies when looked at in terms of GDP per capita. China's economic growth has been fast, steady and well managed, and 2009 growth

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<sup>158</sup> Ting Gong. "Corruption and local governance: the double identity of Chinese local governments in market reform." *Pacific Review* 19.1 (Mar. 2006): 85-102. *Academic Search Premier*. EBSCO. Landsbókasafn Íslands, Reykjavík. 3 Sep. 2009  
<<http://search.ebscohost.com/login.aspx?direct=true&db=aph&AN=20544343&site=ehost-live>>.

<sup>159</sup> From Transparency International website: "The TI CPI focuses on corruption in the public sector and defines corruption as the abuse of public office for private gain."  
<<http://www.transparency.org>>

prospects are far better than either Japan's or the US's with nearly 8% growth projected.<sup>160</sup> The comparatively enormous \$586 billion stimulus program is in no doubt responsible for a good chunk of this growth, but in terms also of fundamentals China seems to be in a far better shape than the US and Japan. China managed to shield itself from the global economic downturn better than the US and Japan in part thanks to state intervention and control: it protected its banking sector from large foreign investments, controlled the market in various ways not available in the West, and rejected the "financial innovations" that eventually brought on the global crisis and that have forced the US (among others) to instigate state control over a number of corporations and more belatedly to increase the role of the state.<sup>161</sup> The Chinese government has also increased investment in an effort to keep economic growth at or above 8% (the level seen as necessary to forestall serious social disruption and unrest). China may not have a free market and its statistics may be somewhat doctored, but the government is liberalizing the economy for example with privatization, loosening controls on the private sector, cutting fuel subsidies, and a land-reform program that would give peasants ownership and lease rights on their lands.<sup>162</sup> China is moving its economy, slowly but surely, towards more freedom and variety, and has consciously given this priority over embarking on any major political reforms. Stability is of paramount importance and drastic reforms over a short term may lead to dangerous instability that the government would be unable to control. Deng Xiaoping, who led the Chinese economic reform, described it as "crossing the river by feeling for the stones." There are still plenty of stones in the way, but at least China is moving towards the other side of the river. That other side, however, will probably be moulded into the form that fits China best.

Although the Chinese economy is doing better than the US and Japanese economies, the economic slowdown could have severe social effects within China. As noted previously, there is a view that anything less than the 8% growth

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<sup>160</sup> "China grows faster amid worries." *BBC News*.  
<<http://news.bbc.co.uk/2/hi/business/8153138.stm>>.

<sup>161</sup> Foroohar, Rana. "Why China Works." Page 25. For example China could command banks to limit housing loans, and then later offer incentives to increase sales.

<sup>162</sup> *Ibid.* Pages 26-27.

aimed for this year could lead to increased unemployment and social instability.<sup>163</sup> Workers' protests are nothing new in China, but with urban unemployment having reached 12% in 2008 the fear is that a further increase and the associated social effects could make the people question the Communist Party leadership.<sup>164</sup> Part of the solution will be to increase domestic consumption to drive the economy in the face of a possible drop in exports, but the Chinese economy will probably not grow to the numbers seen before until global demand picks up again. Part of the problem is that Chinese people do not have a strong social security system they can fall back on in times of need, driving households to set aside as much money as possible to cover the costs of a possible emergency in the future. This excessive saving hampers growth in consumer spending and holds back the economy. Increasing Chinese consumer demand is furthermore one of the points of emphasis on the US side of the S&ED and it is a problem the Chinese leadership fully acknowledges. A recent move towards addressing the problem is a new government supported pension scheme for rural workers and farmers where the government will pay for basic insurance.<sup>165</sup> Increasing consumer demand is just one of a number of domestic challenges the Chinese have yet to unlock, such as a widening gap between the rich and poor and differences between the coastal and rural regions. It is essentially a clash between Chinese traditions and culture and influences from abroad, and somewhere a middle ground has to be found that ensures stability and prosperity.

Immigration into China is not a concern at the moment. A greater concern is emigration of highly educated Chinese away from China – a brain-drain. In 1999, almost 90% of Chinese students receiving their Ph.D. degrees at US universities reported they were not planning on returning to China.<sup>166</sup> Graduate and Ph.D. students in China in 2002 also seem to have the common goal of studying abroad,

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<sup>163</sup> "China grows faster amid worries." *BBC News*.  
<http://news.bbc.co.uk/2/hi/business/8153138.stm> , and  
 "China 'faces most difficult year.'" *BBC News*. 5 Mar. 2009. The BBC. 6 Mar. 2009  
<http://news.bbc.co.uk/2/hi/asia-pacific/7925193.stm>.

<sup>164</sup> Ibid.

<sup>165</sup> "China to roll out rural pensions." *BBC News*. 5 Aug. 2009. The BBC. 6 Aug. 2009  
<http://news.bbc.co.uk/2/hi/asia-pacific/8186234.stm>.

<sup>166</sup> Cyranoski, David. "Plugging the brain drain." *Nature* 417.6890 (2002): 683. ProQuest Medical Library, ProQuest. Web. 4 Sep. 2009.



particularly in the US.<sup>167</sup> The situation in 2007 was no different with research showing that 70% of those who leave China to study never return.<sup>168</sup> There is no magic solution; perhaps higher salaries abroad tempt, or the different working conditions and career opportunities, or the possibility of having as many children as they want. Other countries such as Britain and the US want exceptional Chinese students at their schools, and they want them to remain and contribute to the economy. In 2010, 118.500 students left China to study abroad, and by 2010 that number is expected to reach 200.000. Bringing students and/or professionals back to China after studying abroad must be a part of the continued economic and educational transformation strategy.

#### **4.3.2 Main security challenges**

China faces numerous security challenges including the sheer size and diversity of China, securing food for its growing population, fighting pollution and environmental degradation, preventing a North Korean collapse, managing relations with Taiwan, and the future of the Japan-US security alliance.

#### ***Geographic scale and diversity***

China is both a very large and a very diverse country with many languages, religions, ethnicities and cultures, and has borders with many states, some of which remain disputed today. While the Han ethnic group officially accounts for more than 90% of the population there are also important linguistic and cultural differences within it from South to North and West to East. A diverse society such as China's has a number of complexities that can lead to instability if left unmanaged. There are two regions in particular that have been the source of social unrest in recent years: Tibet and Xinjiang. Tibet is administered by Chinese authorities as an inseparable part of China, but the exiled Tibetan government, led by the Dalai Lama, Tibet's spiritual leader, fights against alleged discrimination against ethnic Tibetans and for Tibet to have the status of an autonomous region

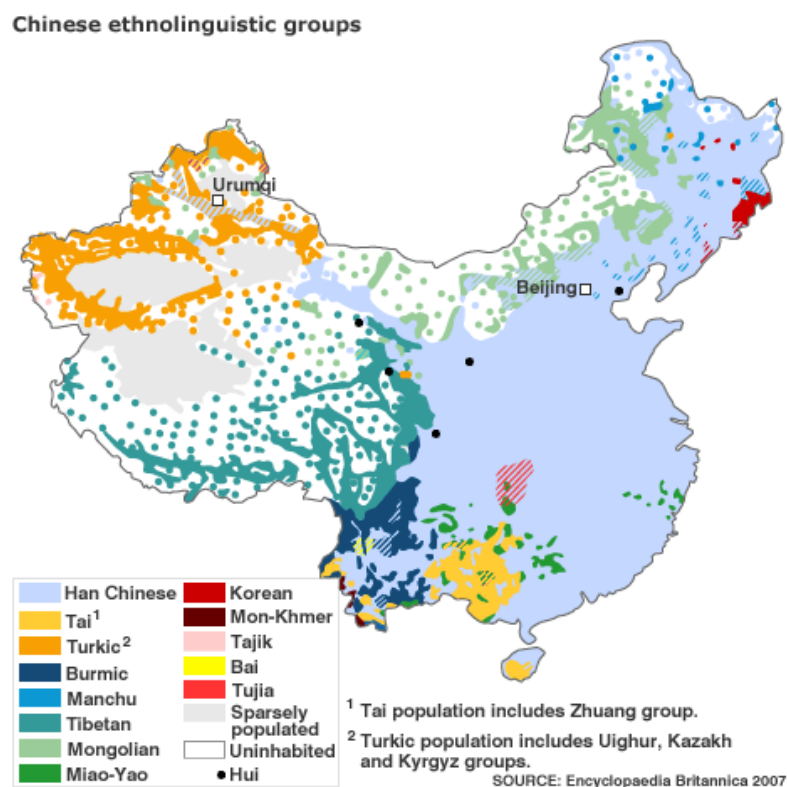
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<sup>167</sup> Ibid.

<sup>168</sup> Watts, Jonathan. "China fears brain drain as its overseas students stay put." *The Guardian* 2 June 2007: 22. [guardian.co.uk](http://www.guardian.co.uk). 3 Sept. 2009  
<<http://www.guardian.co.uk/world/2007/jun/02/internationaleducationnews.highereducation>>.

within China. The Chinese government will not accept this demand for 'independence' and views the Dalai Lama as a separatist threat. Early 2008 saw widespread protests in Tibet and neighbouring areas against the Chinese authorities, and the authorities received international criticism for their allegedly harsh crackdown on the protestors. Recently the Tibet debate got international attention in the run-up to the Beijing Olympics where the torch relay met with pro-Tibet demonstrators in various countries, making headlines all over the world.<sup>169</sup>

*Picture 1: Chinese Ethno-linguistic Groups*



*Source: Encyclopædia Britannica 2007*

Xinjiang is home to the Muslim Uighur ethnic minority. The Uighurs claim discrimination and marginalization at the hands of Han Chinese and separatist sentiment has been on the rise in the region.<sup>170</sup> As with Tibet, Xinjiang has an

<sup>169</sup> "Regions and territories: Tibet." *BBC News*. 13 May 2009. The BBC. 2 Sept. 2009  
 <[http://news.bbc.co.uk/2/hi/asia-pacific/country\\_profiles/4152353.stm](http://news.bbc.co.uk/2/hi/asia-pacific/country_profiles/4152353.stm)>.

<sup>170</sup> "Regions and territories: Xinjiang." *BBC News*. 15 July 2009. The BBC. 13 Aug. 2009  
 <[http://news.bbc.co.uk/2/hi/asia-pacific/country\\_profiles/8152132.stm](http://news.bbc.co.uk/2/hi/asia-pacific/country_profiles/8152132.stm)>.

exiled leader, and the Chinese government blamed the exiled Uighur leader for being behind the July 2009 large-scale violent protests in the region. The seriousness of the riots and their timing during the G8 meetings forced Chinese President Hu Jintao to leave the meetings early to tackle the crisis. Violence by Uighur separatists has been portrayed by Chinese authorities as religious extremism and terrorism, even linking the separatists to al-Qaeda. The July 2009 riots seemed, however, not to be so much about separatism or religion but rather an outbreak of anger over alleged marginalization and poor treatment. September 2009 saw new mass protests in the Xinjiang capital as thousands of Han Chinese gathered to protest the government's handling of alleged Han-targeted HIV-infected hypodermic needle stabbings by the Uighur.<sup>171</sup> These kinds of violent outbreaks and protests are certainly nothing new, but in today's world of global media and mass communication they damage China's internal and outward image and can cause unease in neighbouring countries. China faces the challenge of solving these matters in a peaceful way, and therein lays a great opportunity to both better China's image and increase confidence in China's capability to act as a responsible stakeholder in tackling East Asia's various troubles.

### ***Food- and environmental security***

Another big challenge is that of food security and food safety. Feeding the most populous country on earth is no small challenge, and the increasing economic wellbeing of a huge part of the Chinese population may lead to changing food consumption habits and demands. This may not only put significant strain on China's own domestic food production, but it could be argued that at present world population and consumption habits, coupled with the effects of global warming, the earth is already being pushed to the limit.<sup>172</sup> The fast development of the Chinese economy has come at a steep environmental price as "[d]eforestation, removal of ground cover and wetlands, water and air pollution, and giant

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<sup>171</sup> Wong, Edward. "New Protests Reported in Restive Chinese Region." *New York Times* 3 Sept. 2009. *New York Times*. 3 Sept. 2009  
<[http://www.nytimes.com/2009/09/04/world/asia/04china.html?\\_r=1&ref=asia](http://www.nytimes.com/2009/09/04/world/asia/04china.html?_r=1&ref=asia)>.

<sup>172</sup> See for example Tao, Fulu, et al. "Global warming, rice production, and water use in China: Developing a probabilistic assessment." *Agricultural & Forest Meteorology* 148.1 (07 Jan. 2008): 94-110.

engineering projects pose serious threats to China's food and water supplies, health and standard of living."<sup>173</sup> These problems may not yet be critical, but with global warming projections, water shortage and reduced agricultural yield would surely become the number one internal security problem.

A more immediately visible concern for the Chinese is the issue of recent food safety scandals in China. Early 2008 saw a scandal involving poisoned dumplings exported to Japan with several Japanese falling ill. The resulting media storm had a bad impact on the image of China-made food products. In late 2008 nearly 300.000 children in China fell ill after consuming milk powder with dangerously high levels of the chemical melamine.<sup>174</sup> The news spread quickly around China and the world, and resulted in demonstrators demanding justice. Those kinds of scandals have a serious effect on China's reputation as a food producer, and also worry the Chinese people who themselves have to trust the quality of the food products they purchase.

### ***Nationalistic feelings***

The Chinese people are both proud of their nation's past and present achievements and slow to forget injuries. Nationalism runs high and it has doubtless been a factor in China's rapid rise. China is not shy of showing off its various capabilities and can easily marshal its people towards a common goal such as the 2008 Beijing Olympics. However, the Chinese people sometimes take it upon themselves to marshal against a perceived injustice or lack of respect towards China. In April 2005 violent protests against Japan spread throughout China as people protested against controversial Japanese history textbooks and Japan's bid to become a permanent member of the UN Security Council.<sup>175</sup> In April 2008, pro-Tibet demonstrators managed to disrupt the Beijing Olympics torch relay in France. As a result thousands of Chinese demonstrated against France and western

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<sup>173</sup> Gamer, Robert E., et al. *Understanding Contemporary China*. Page 8.

<sup>174</sup> "Timeline: China milk scandal." *BBC News*. 20 Jan. 2009. The BBC. 2 Sept. 2009 <<http://news.bbc.co.uk/2/hi/asia-pacific/7720404.stm>>.

<sup>175</sup> "China rally prompts Japan protest." *BBC News*. 10 Apr. 2005. The BBC. 2 Sept. 2009 <<http://news.bbc.co.uk/2/hi/asia-pacific/4429509.stm>>.

media's unjust reporting on the Tibet issue.<sup>176</sup> These events certainly show how proud the Chinese are, but the question arises if the government can properly contain the nationalistic sentiment and channel it in positive instead of disruptive ways. Perhaps as a response to these kinds of worries the government is putting increased emphasis on patriotism in schools. As part of the school curriculum all primary and middle school students who returned to school in September 2009 watched the TV production *The First Lesson at the Start of School - I love you China* highlighting the achievements of China under the Communist Party, and the students followed it up with a report on its contents.<sup>177</sup> This was being done a few weeks before the 60<sup>th</sup> anniversary of the communists taking over China, seemingly in an effort to develop a "national spirit" among young children.<sup>178</sup> This may be a step towards developing stronger unity among the future generations of China who will have the duty to maintain China as a rich and strong country – the generation that will see China to a superpower status.

### ***The North Korean threat***

Chinese persuasion has been instrumental in the resumptions and the successes of the Six-Party Talks (SPT). The comparatively friendly relations between China and North Korea are not the only reason China has worked hard in the SPT framework. North Korean stability is very important for China because if North Korea were to collapse it would probably result in a huge inflow of refugees into China and potentially destabilize the region. China is the number one supplier of aid and has invested considerably in the country, seemingly in the hopes of changing the relationship from a 'special' one to a more 'normal' state-to-state relationship.<sup>179</sup> Another reason is that North Korea is useful as both a political ally

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<sup>176</sup> "China protests target CNN, French store." *CNN*. 20 Apr. 2008. Turner Broadcasting System, Inc. 4 Sept. 2009  
<<http://www.cnn.com/2008/WORLD/asiapcf/04/20/china.protests/index.html>>.

<sup>177</sup> Bristow, Michael. "China pupils told to love nation." *BBC News*. 1 Sept. 2009. The BBC. 3 Sept. 2009 <<http://news.bbc.co.uk/2/hi/asia-pacific/8231324.stm>>.

<sup>178</sup> Ibid.

<sup>179</sup> Glaser, Bonnie S. "Critical Questions: China–North Korea Relations." *Center for Strategic and International Studies*. 3 Jan. 2008. 15 Aug. 2009  
<<http://csis.org/publication/china%E2%80%93north-korea-relations>>.

and a buffer state against the US<sup>180</sup> – if an adversary would control the northern half of the peninsula it would represent a direct threat to Chinese security.<sup>181</sup> North Korea's unpredictability also increases the importance of China as the only country capable of influencing North Korean decision-making.<sup>182</sup> The question for China may in fact be what benefits, if any, improved US-North Korea relations would bring for China. North Korea may remain stable for the coming years (notwithstanding rumours of the increasing weakness or death of leader Kim Jong-il), but economic recovery and increased stability would certainly benefit China's strategic outlook.

### ***The Republic of China (Taiwan)***

Chen Shui-bian, president of the Republic of China (Taiwan) from 2000-2008, stated in his inaugural speech that as long as Beijing did not intend to use military force against Taiwan, he would "not declare Taiwan Independence, change our national title, push for the inclusion of the 'state-to-state' formulation in our Constitution, or promote a referendum on the question of independence or unification."<sup>183</sup> A few years later, in 2005, China passed a new law that gives it the right to use "non-peaceful and other necessary measures" against Taiwan in the case of a Taiwanese declaration of independence or if no hope remained for a peaceful unification (such as those already achieved with Hong Kong and Macao).<sup>184</sup> Cross-strait relations took a nosedive in 2007 with Chen delivering ever more provocative statements regarding independence, a new constitution, and

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<sup>180</sup> In 1961 the countries signed the "Treaty of Friendship, Co-operation and Mutual Assistance Between the People's Republic of China and the Democratic People's Republic of Korea." Also China came to the North's aid during the Korean War when US troops pushed too far north for comfort.

<sup>181</sup> Ong, Russell. "China, US and the North Korean issue." *Asia-Pacific Review* 13.1 (May 2006): 118-135. *Academic Search Premier*. EBSCO. Landsbókasafn Íslands, Reykjavík. 4 Sep. 2009 <<http://search.ebscohost.com/login.aspx?direct=true&db=aph&AN=20855721&site=ehost-live>>. Page 119.

<sup>182</sup> Ibid. Page 120.

<sup>183</sup> "President Chen reiterates "four noes, one without" policy." *GlobalSecurity.org*. 4 July 2003. 6 Aug. 2009 <<http://www.globalsecurity.org/wmd/library/news/taiwan/2003/taiwan-030704.htm>>.

<sup>184</sup> "China votes for Taiwan force law." *BBC News*. 14 Mar. 2005. The BBC. 6 Aug. 2009 <<http://news.bbc.co.uk/2/hi/asia-pacific/4346283.stm>>.

finally turning his own 'for noes' into the 'four wants'.<sup>185</sup> However, China-Taiwan relations have been steadily improving since Ma Ying-jeou took over as Taiwan's leader in May 2008. Chinese President Hu Jintao and Ma Ying-jeou even exchanged letters in July after Ma was elected chief of Taiwan's leading party. In his letter the Chinese President congratulated Ma, who has consistently advocated better relations with China, on his victory, and later the Chinese state-media suggested this could signal a historic meeting between the two.<sup>186</sup> Additionally the Chinese and Taiwanese economies have been moving a lot closer to each other in recent years and the economic consequences alone should be enough to avoid conflict or destabilizing actions by either party.

The US has stated repeatedly in the past that it does not support independence for Taiwan.<sup>187</sup> However, the US is committed to Taiwan's security and a peaceful solution to the cross-strait dispute. In China's view, the Taiwan issue is "the most sensitive and important issue in US-China relations,"<sup>188</sup> and the military build-up on the Chinese side reflects that. In response the Taiwanese President has expressed his will to increase military spending to 3% of GDP and the US government announced in 2008 "that it had approved arms sales to Taiwan worth \$6.4 billion."<sup>189</sup> Nevertheless, results of the previously mentioned RAND report suggest that China would win an air-war over Taiwan. This makes it clear that the cost for the US to come to Taiwan's aid increases year-by-year and if China has indeed developed a 'kill weapon' against US aircraft carriers then China has already raised the stakes for any direct US intervention. However, the ever more obvious facts of economic interdependence between China and the US on the one hand and China and Taiwan on the other will probably ensure the continuation of

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<sup>185</sup> Wang, Sheng-Wei. "For Whom the Bell May Toll?" *American Chronicle*. 1 May 2007. American Chronicle. 6 Aug. 2009 <<http://www.americanchronicle.com/articles/view/25791>>.

<sup>186</sup> LaFraniere, Sharon. "China's President Congratulates Taiwan Leader on Election as Chairman of Party." *The New York Times* 28 July 2009, New York ed.: A8. *New York Times*. 30 July 2009  
<[http://www.nytimes.com/2009/07/28/world/asia/28taiwan.html?\\_r=1&scp=1&sq=chinese%20taiwanese%20exchange%20letter&st=cse](http://www.nytimes.com/2009/07/28/world/asia/28taiwan.html?_r=1&scp=1&sq=chinese%20taiwanese%20exchange%20letter&st=cse)>.

<sup>187</sup> Bergstein, C. Fred, et al. *China's Rise: Challenges and Opportunities*. Washington DC: CSIS, 2008. Page 178.

<sup>188</sup> Ibid. Page 183.

<sup>189</sup> Perlo-Freeman, Sam, et al. "5. Military Expenditure." SIPRI Yearbook 2009. Ed. Bates Gill. Oxford: Oxford University Press, 2009. 179-211. Page 197.

an essentially self-restraining stance by both Chinese entities and further integration of the two Chinese economies.

### ***Japan-US Alliance***

From the Chinese point of view the Japan-US alliance was a positive thing in that it restrained Japan and prevented Japanese remilitarization.<sup>190</sup> This has changed in recent years – China has watched on as the Japan-US alliance consolidated significantly under the Bush and Koizumi administrations and Japan pursued a more aggressive security policy in the face of no discernable threat to its external security. With stronger Japan-US security ties, Japan furthermore saw fit to list Taiwan as “one of the ‘common strategic objectives’ between the United States and Japan in the Asia-Pacific region.”<sup>191</sup> The Chinese leadership believes that the US’s push for Japan to become a more ‘normal nation’ is a direct response to China’s rise and a part of the US strategy of militarily hedging against China in the Asia Pacific.<sup>192</sup> The historical memory of Japan’s actions on Chinese soil in the 19<sup>th</sup> and 20<sup>th</sup> century certainly colour China’s view of a more assertive and militarized Japan, and it is issues such as controversial Japanese textbooks, Yasukuni Shrine visits and unsatisfactory apologies for Japan’s past actions that contribute to the Chinese belief that “Japan is fundamentally incapable of behaving as a responsible power and achieving genuine reconciliation with its neighbours.”<sup>193</sup>

It can be argued that the Japanese SDF forces, in particular the maritime force, position Japan as a major military power in East Asia. After all it is one of the best funded and equipped militaries in the world (see Table 2 on page 30). After a meeting with US Secretary of State, Hillary Clinton, in February 2009, Ozawa Ichiro, then leader of the opposition DPJ party, said that a DPJ-led government would seek an equal partnership with the US by reducing the US military presence

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<sup>190</sup> Wu, Xinbo. "The End of the Silver Lining: A Chinese View of the U.S.-Japanese Alliance." *The Washington Quarterly* 29.1 (2005): 119-30. *The Brookings Institution*. 10 Aug. 2009 <[http://www.brookings.edu/articles/2006/winter\\_china\\_xinbo.aspx](http://www.brookings.edu/articles/2006/winter_china_xinbo.aspx)>. Page 119.

<sup>191</sup> Ibid. Page 119.

<sup>192</sup> Ibid. Page 120-21.

<sup>193</sup> Ibid. Page 123.



on the mainland and through Japan taking a “greater responsibility for its own defences, while the US military focuses on providing stability in East Asia.”<sup>194</sup> With the DPJ having taken power, its new leader, Yukio Hatoyama, was quick to state that the US alliance was the “foundation” of Japanese foreign policy, and that the alliance “should be further strengthened in a constructive, future-oriented manner.”<sup>195</sup> While ‘future-oriented’ is completely open for interpretation, it looks as though a more militarily capable China will further solidify US-Japan security cooperation in the future, regardless of what the DPJ said during the election campaign, and regardless of what the DPJ coalition partners demand. The topics of greatest significance in the US-Japan alliance will be the growing Chinese military might, the Korean peninsula and Taiwan, and should China ever come to using military force against Taiwan it has to be prepared to tackle both US and Japanese forces as a result.<sup>196</sup>

Stability in East Asia may be upset as a result of a militarized Japan and a stronger US-Japan alliance. If the bilateral relationship is supposed to improve the US’s regional security structure in the region, it represents a direct threat to China’s interests and influence and could lead to the entrenching of a basically bipolar balance of power and stiff strategic competition, making it hard to act on such common interests as exist for example in Korea.<sup>197</sup> If the US-Japan alliance will be positioned to contain China the result will be a China doing everything in its power to counterbalance this largest threat to its security.

### **4.3.3 China’s future in East Asia**

China is in the unique position of being able to profoundly influence how East Asia moves forward. China is already a global economic superpower, its military power already positions it as a regional military powerhouse, and every country seeks to improve relations with China. That is not to say that China will

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<sup>194</sup> Harris, Tobias. "What is Ozawa's angle?" *Observing Japan*. 26 Feb. 2009. 13 Apr. 2009  
 <<http://www.observingjapan.com/2009/02/what-is-ozawas-angle.html>>.

<sup>195</sup> Fackler, Martin. "Japan's New Leader Reassures U.S. on Alliance."  
 <<http://www.nytimes.com/2009/09/04/world/asia/04japan.html?ref=asia>>.

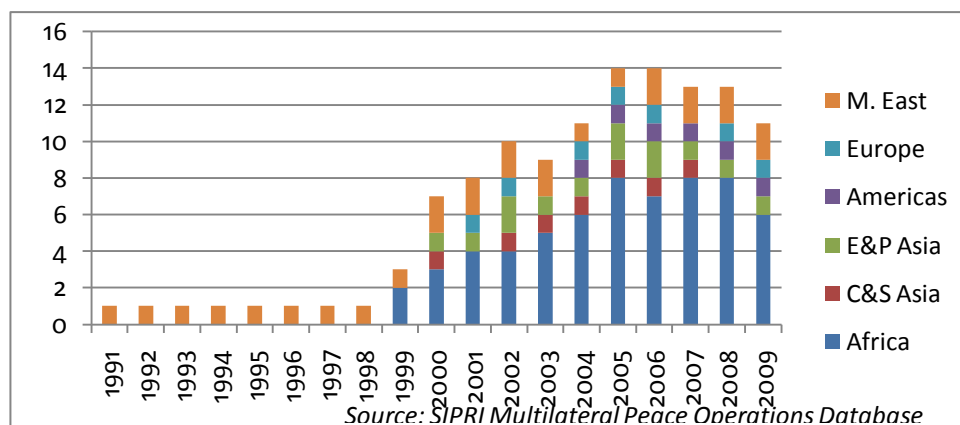
<sup>196</sup> Wu, Xinbo. "The End of the Silver Lining." Page 126.

<sup>197</sup> Ibid. Page 126.

drastically swerve away from its ‘peaceful development’ policy: a peaceful and stable East Asia is most advantageous for Chinese national interests, while a strained Cold War-style balance of power would undermine Chinese ambitions both by forcing it to divert more funds to the military and by ranging other countries more openly against it.

China’s political system, how it has handled its internal problems, and its concentrated military modernization has put the US and Japan at unease as they worry about China’s intentions in Asia. China will of course continue its military modernization in line with its economic rise and increase its capability for force projection beyond its borders. This does provide China with the ability to take a more active part in UN sanctioned international peace and restructuring operations as well as operations sanctioned by multilateral institutions in East Asia. By doing so, China could improve its image as a responsible stakeholder, strengthen bilateral and multilateral relationships, ease tensions in the region, and prepare the ground for the next step on its way beyond that of regional power. It is this author’s view that China would best be advised to pursue confidence building measures with the United States and Japan such as disaster relief exercises, peace building and reconstruction operations in East Asia, and joint approaches to securing sea-lines of trade in the Asia Pacific notably against non-state dangers. This could ease tensions between the three nations, help the Taiwan issue, and even ease the creation of an East Asian framework for peace and stability. After all it is most in China’s favour to ensure that East Asia remains a peaceful, stable, and economically rising region.

*Table 7: China’s Multilateral Peace Operations Participation*



## **5. Shaping a New World**

China is the driving force in upsetting the balance of power in East Asia, and during this transitional period the US, Japan and China will all struggle to ensure their power and secure their interests in the region. In the sphere of 'soft' security, with both its local and its global implications, it is certain that the possibility of mutually beneficial policies exists – including in the fields of energy security, climate change, and human security. There are also some strong apparent interests shared by all powers in combating non-state challenges such as proliferation, terrorism and piracy. However, when it comes to 'hard' security relations and military build-up, the different states are participating in a realist game of zero-sum competition with unclear consequences.

In the past we have seen that a country's emergence as great power can lead to increased influence and power being sought through militaristic expansion. It is still premature to suggest that China's 'peaceful rise' to global power status will necessarily follow a similar pattern, and it is in everyone's favour if it does not. If Japan-China relations, and in turn US-China relations (or vice versa), were to turn hostile the consequences would be a political freeze in East-Asia and a new Cold War with the US, Japan and their allies on one side, and China and its allies on the other. However, given the crippling effects this would have on all respective economies, it would require something on the level of a US and Japan supported Taiwanese declaration of independence or a Chinese use of force against any of its West-aligned neighbours for such a scenario to unfold.

As has been discussed, US-Japan-China relations face a number of challenges along each side of the trilateral relationship. It is the hope of American and Japanese leaders that China's rise can be guided in a peaceful and mutually beneficial way where China will emerge as a cooperative non-aggressive power. China on the other hand appears to be in the privileged position of being able to choose from any number of paths forward. China's economic rise cannot be

contained and its military rise, now focusing on quality over quantity, is already posing serious security considerations for the US, Japan and other nations in the region, as well as those one region further away like India.

## 5.1 Looking forward to a rich and strong China

It stands to reason that China will seek to shape to its own advantage the relative decline of US and Japanese power in East Asia. With the qualified exception of North Korea (where China seems confident of controlling multilateral input through the 6-party process) it is unlikely that China will imitate Russia in declaring its own ‘spheres of influence’,<sup>198</sup> or that it will build up new strategic groupings under its sole leadership. The desirable future from the Chinese perspective is hard to guess, but Table 8 below presents some of the possible regional and global results of China’s rise to prominence.

*Table 8: Possible Global and Regional Implications of China's Rise*

	Regional	Global
Positive	<ul style="list-style-type: none"> <li>• Stable multilateral balance with less US effort</li> <li>• Helps institutions become strong</li> <li>• Way open for democratic and economic reforms</li> <li>• Leads the region’s growth</li> <li>• Increased participation in regional peace-keeping operations</li> </ul>	<ul style="list-style-type: none"> <li>• Smooth change of power balance</li> <li>• Bridge between the North and the South</li> <li>• Respectable approach to global governance</li> <li>• Increased participation in global peace-keeping operations</li> </ul>
Negative	<ul style="list-style-type: none"> <li>• Old-style Chinese hegemony, including risk of backlash and conflict</li> <li>• No good choices for Japan</li> <li>• US may be drawn back in, in a risky way</li> <li>• Institutions sabotaged from within</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive and zero-sum use of strength</li> <li>• Retaining different values, e.g.: <ul style="list-style-type: none"> <li>&gt; Blocking western crisis handling</li> <li>&gt; Making questionable deals with warlords and oil producers</li> </ul> </li> </ul>

<sup>198</sup> Spheres of influence are areas/regions wherein it will not accept US or other interference.

China will in all likelihood seek to keep its economic modernisation at a steady pace and seek to strengthen and reform its domestic institutions to better handle the societal changes happening in the country. In foreign policy, bilateralism will in all likelihood continue to play a very important role on the more traditional sensitive issues, particularly with the US and Japan, and the Taiwan issue will never be discussed at a multilateral level. China will continue pursuing strategic partners and bilateral cooperative agreements in the region and cultivating the closer relationships it already has, including the relationship – in large part designed for mutual restraint – in the SCO with Russia. Furthermore, any attempts by the US to build ‘security communities’ in East Asia under the US's own control or with a purely US agenda will be blocked by China, and it is likely that pressure will be put on the Philippines, Thailand and Singapore (as well as ASEAN as an institution) to accept more Chinese military/security cooperation in order to push the US presence away.<sup>199</sup> The importance of bilateralism in all these respects does not change the fact that multilateralism is also an absolutely viable foreign policy option for China to protect its interests – but it does set limits to its significance, as further discussed below.

## **5.2 Shaping China’s choices**

China’s global influence is already an irreversible reality and it is clear that the US can no longer hope to sustain the status quo and manage East Asia in a unipolar way. Instead it must adjust to the emerging reality of an economically and militarily powerful China and find for itself a new role in the region. Similarly, Japan needs to adjust to the realities of the US’s and its own decline in the region by pursuing new means of securing its interests. The most logical choice for both the US and Japan would be to channel China into paths that are compatible with, and eventually help promote, democratization, stability and economic freedom in East Asia. The three parties’ converging interests must be highlighted and trilateral cooperation actively sought out. But rather than relying

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<sup>199</sup> Kurlantzick, Joshua. *Charm Offensive: How China's Soft Power is Transforming the World*. London: Yale University Press, 2007. Pages 213-214. In 2001 the US suggested the establishment of such a security community, but Chinese pressure on countries in the region ensured a rejection.

for this on the traditional methods of a US 'hub and spoke' leading to separate and possible conflicting bilateral transactions with the Asian powers, it may prove most beneficial to shape China's choices through more genuinely balanced and constraining multilateral frameworks, and to actively encourage it to seek increased influence through positive and constructive economic and diplomatic policies.<sup>200</sup>

*Table 9: Selected Regional Frameworks*

Name	Membership			Observer
Association of Southeast Asian Nations (ASEAN)				
Australia, New Zealand, United States Security Treaty (ANZUS)	US			
Democratic Pacific Union (DPU)	US	Japan		
The Asia-Pacific Economic Cooperation (APEC)	US	Japan	China	
ASEAN Regional Forum (ARF)	US	Japan	China	
Six Party Talks	US	Japan	China	
Council for Security Cooperation in the Asia Pacific (CSCAP)	US	Japan	China	
Asian Development Bank (ADB)	US	Japan	China	
East Asia Summit (EAS)		Japan	China	
ASEAN+3		Japan	China	
Shanghai Cooperation Organization (SCO)			China	
South Asian Association for Regional Cooperation (SAARC)			China seeks membership	US, Japan, China

China is already a member of all the major economic and security cooperation frameworks in the East Asian region. In addition, China is a member of the Shanghai Cooperation Organization (SCO) where neither the US nor Japan have any influence. Russia may not be 'at ease' with the reality of power-sharing that the SCO implies – in Central as well as East Asia – but saw its best choice as

<sup>200</sup> Christensen, Thomas. "Shaping China's Choices." Performance.  
<<http://academicearth.org/lectures/shaping-chinas-choices>>.

allying with China in the SCO as a means of managing the shift of power. In a sense the ASEAN community of states seems to have similarly found ways of climbing on to the Chinese bandwagon and balancing China in a kind of soft way when that suits its interests. China is also a permanent member of the UN Security Council, is on a trial membership with the World Trade Organization, started contributing to the International Development Association, joined the Financial Action Task Force,<sup>201</sup> and is in talks to join the Inter-American Development Bank.

China may sometimes be using multilateralism in 'realist' ways to keep US hegemony at bay (e.g. in the SCO), but that doesn't suggest that China will limit itself to such zero-sum uses in the near and longer-term future. On the contrary China may have seen clear ways in which 'real' multilateralism – implying structured engagement with states that have different objectives, and acceptance of some real compromise and discipline to serve common aims - suits its own medium to long term interests, and therefore may be making a considered effort to use it more consistently (and to keep other behaviours that conflict with it, such as expressions of bottom-up nationalism, in check). While the US was turning away from multilateral organizations under President George W Bush, China was by comparison presenting itself as more cooperative and approachable in multilateral frameworks. Its policy was that of fostering "a stable and peaceful international environment that is conducive to building a well-off society in an all around way" under the banners of "peace, development and cooperation."<sup>202</sup> Multilateralism has become important to China for improving its image, protecting its national interests, addressing transnational threats, stabilizing neighbouring countries,<sup>203</sup> and influencing the formation and mending of inter-national and regional regulations. In pursuing a multilateral solution China can always present

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<sup>201</sup> A multilateral agency linked to the OECD that assesses countries' efforts to combat money laundering and terrorist financing.

<sup>202</sup> Medeiros, Evan S. "China's International Behavior Activism, Opportunism, and Diversification." *JFQ: Joint Force Quarterly* (Fall2007 2007): 34-41. Academic Search Premier. EBSCO. Landsbókasafn Íslands, Reykjavík. 16 Sep. 2009 <<http://search.ebscohost.com/login.aspx?direct=true&db=aph&AN=27737943&site=ehost-live>>. Page 34.

<sup>203</sup> Gill, Bates, and Chin-hao Huang. "China's expanding peacekeeping role." SIPRI. SIPRI. Jan. 2009. 15 Sept. 2009 <<http://www.sipri.org/media/newsletter/essay/jan09/?searchterm=China>>.

cooperation and compromise with itself as a win-win scenario for other countries (who are willing to play by China's rules), and can use indirect as well as direct means to influence the paths those countries may pursue in their handling of China relations.

This aspect of Chinese behaviour presents a twofold opportunity for the US and Japan to work together multilaterally with China (a) on global challenges such as climate change, the economic downturn and energy security, and (b) on identifying regional issues which the five major powers of the Six-Party Talks can approach and solve through multilateral cooperation. Certainly there is overlap between the global and the regional agendas of common concern, but that can present opportunities rather than hindrances. Wu Xinbo argues from the Chinese perspective that "the evolving political, security, and economic trends in East Asia call for the creation of a new security arrangement – a security community that will meet the region's needs" including non-proliferation, stopping the spread of WMDs, fighting terrorism, and protecting commercial sea lanes.<sup>204</sup> True, the US, China and Japan already possess various bilateral and multilateral channels for dialogue and action on issues like conflict prevention, energy security, tackling the global economic downturn and climate change, but those topics could also fit within the agenda of such a new broad community. The creation of an East Asia Community possibly built on the recently formed EAS could be the start of such a security cooperation framework, but if following the EAS precedent the US would probably be excluded. That would be a worst case scenario for the US, but may in fact be in line with how China and (certain elements in) Japan would like multilateralism in the region to move forward. From the US point of view a multilateral framework including the five major powers of the six party talks, plus smaller regional players, would be much preferred. The purpose of that framework would be to both acknowledge China as the largest Asian power and provide a framework in which all states could "develop common interests and in the end gain a different and more positive perspective on their relationship."<sup>205</sup> A

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<sup>204</sup> Wu, Xinbo. "The End of the Silver Lining: A Chinese View of the U.S.-Japanese Alliance." Page 126.

<sup>205</sup> Green, Michael J., and Gill Bates, eds. *Asia's New Multilateralism: Cooperation, Competition, and the Search for Community*. New York: Columbia University Press, 2009. Page 71.



combination of bilateral and multilateral approaches present the best way to influence the paths China chooses and shape what kind of regional and global power it becomes in the future. Regardless of US participation in the multilateral solutions, such an approach provides scope for both China and Japan to act together as responsible stakeholders in East Asia.<sup>206</sup>

### 5.3 Accepting a new multipolar world and a China-led East Asia

*China is not a superpower, nor will it ever seek to be one. If one day China should change its color and turn into a superpower, if it too should play the tyrant in the world, and everywhere subject others to its bullying, aggression and exploitation, the people of the world should ... expose it, oppose it and work together with the Chinese people to overthrow it.*

- Deng Xiaoping, speech at the UN General Assembly, April 1974

The US-Japan-China relationship will determine stability in East Asia, the US-China relationship will shape the 21<sup>st</sup> century, and the regional and global balances of power will be brought together through Chinese leadership. How the US-Japan-China relationship will play out in East Asia is therefore of crucial importance not only for the region but for the evolution of the global balance of power. While it is easy to point out rational and mutually beneficial ways forward for the trilateral relationship, it is impossible to predict anything because there are also countless ways it could go wrong. Each country is facing difficult domestic challenges, the global economic downturn has not been reversed and is affecting the three countries in different ways – China's stronger rebound will tilt the balance of power between it and the other two – and the foreign policy decisions of each party can easily upset the relationship. Perhaps the largest question will be whether any of the three states under present systems of governance is truly ready for multipolarity and multilateralism and the changes that come with that shift.

In Japan's case the Democratic Party of Japan (DPJ) campaigned on the idea of a more independent foreign policy and stronger ties with Asia, in particular

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<sup>206</sup> Clemons, Steven. "Clinton's Visit to Japan: Japan must receive attention it deserves."  
<[http://www.newamerica.net/publications/articles/2009/clintons\\_visit\\_japan\\_10922](http://www.newamerica.net/publications/articles/2009/clintons_visit_japan_10922)>.

improved China-Japan relations. They seem to have acknowledged that although the Japan-US alliance will continue to be a cornerstone of Japanese foreign policy, the two countries cannot fully share an East Asia policy. Japan wants to contribute to the stability of East Asia and a crucial part of that is to maintain a peaceful coexistence with China. An Asia-centric policy carries the risk of undermining the Japan-US relationship, but has the potential to genuinely improve diplomatic relations with China. However, the inexperience of the DPJ-led coalition and the high level of dissatisfaction among the Japanese population (the DPJ is only slightly better liked than the outgoing LDP) make it impossible to predict how popular opinion will shift and how the DPJ coalition will shape foreign policy going forward. It is even possible that China will exploit their inexperience to its own advantage, perhaps even trying to drive a wedge between Japan and the US. Then there is the question of how the US will react to a more East Asia-focused Japan and whether the US will pressure Japan again to expand its military role both within and outside the region as China's power increases.

In Chinese-language journals, scholars argue that a new reality of a multipolar balance of power is emerging where China will be one of the great powers and the US will no longer be able to balance the world in a unipolar way.<sup>207</sup> Seeing also how China has at least been increasing its multilateral participation in recent decades it seems that the Chinese leadership is in many ways prepared for its emerging status as a regional leader and a major player in the global balance of power. There are however many factors that can affect that emergence. The domestic challenges are numerous and as recent months and years have shown it can be difficult to maintain domestic stability, especially if the Chinese economy slows down. Furthermore it is unclear how China will pursue relations with Japan on the one hand and the US on the other. It stands to reason that China will favour improving bilateral relations with the US and Japan, but will resist having them both influencing it in a single authoritative multilateral framework.

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<sup>207</sup> Kurlantzick, Joshua. *Charm Offensive: How China's Soft Power is Transforming the World*. Page 42-43. Kurlantzick cites a speech by professor Xia Liping of the Shanghai Institute of International Studies.

The United States is the world's only superpower, but its proportional power is in decline. The US is in the midst of an economic crisis and its military power is overstretched. It will still remain the largest military influence globally and in East Asia, but China is taking over as the main economic influence in the region while aiming to push the US military further away. The US has historically favoured bilateralism over multilateralism in East Asia, but if it focuses on bilateral relations with China it will be very difficult to influence its policies and actions towards other states in the region and beyond. Bilateralism and going it alone may simply not be enough anymore, but the existing bilateral channels could be used where necessary to prepare the ground for good multilateral results. It is unclear what policy the Obama Administration will pursue in East Asia, and that policy may change entirely depending on what actions China and/or Japan take. Even as the US and China have committed to economic cooperation, new trade disputes have emerged that officially are limited to specific questions of tariffs and 'dumping', but on which the nationalistic reaction in China could quickly make things take a turn for the worse.<sup>208</sup> This just goes to show that the relationship is still fragile and that economic hardship in the US can lead to more self-assertive as well as cooperative behaviour.

This dissertation has for the most part remained within the trilateral relationship to highlight the various challenges the respective relationships are coming up against, but there are various outside forces that can significantly influence how the relationships play out. China-India relations seem to have hit a rough spot, Russia might attempt to pull China back to its side against the US, the emergence of the BRIC powers (Brazil, India, Russia, and China) as a grouping with some parallel ambitions (as regards the substance and process of global governance) presents yet another area of uncertainty, and the creation of a G2 with the US and China or expansion of the G8 to include China may also have an effect on the triangle.

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<sup>208</sup> Bradsher, Keith. "China-U.S. Trade Dispute Has Broad Implications." *The New York Times* 14 Sept. 2009. *New York Times*. 15 Sept. 2009  
<[http://www.nytimes.com/2009/09/15/business/global/15trade.html?\\_r=1&ref=asia&pagewanted=all](http://www.nytimes.com/2009/09/15/business/global/15trade.html?_r=1&ref=asia&pagewanted=all)>.

The trilateral relationship between the United States, Japan and China has many potentials and possible pitfalls. Many of them have been covered in this essay, and some rational steps forward have been suggested, but the future of any side of the triangle has still further dependencies that need to be researched. The only thing that can be confidently stated is that moving forward in multilateral ways would be most beneficial for the three parties, the region, and the world.

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