Session II: Changing Policy Outlooks towards the Asia-Pacific: Other Powers Involved

Prof. Dr. Masayuki Tadokoro
Keio University
Tokyo, Japan
Japan’s Reactions to Rising China

Masayuki Tadokoro

Introduction

A contrast between China’s impressive economic growth and military buildup and Japan’s stagnation both economically and politically portrays a seemingly sharp divide. Under such a rapid shift of power balance in favour of China, Realist IR theory predicts Japanese reactions such as balancing, bandwagoning and buck-passing. This parsimonious conceptual framework gives us useful insights to understand the behavior of states including Japan, but it inevitably misses many relevant subtle local conditions. This paper attempts to examine both centripetal and centrifugal forces at work in three domains of Japan’s relations with China.

The first is the geo-political domain. In discussing Japan’s security policy, one cannot overemphasize postwar Japan’s strategic identity, that is the fact that Japan has never been an independent strategic player comparable to the US and China since its defeat in WW2. Rather it has been trying to maintain its security as a subordinate ally of the US. Even during the peak of Japan’s economic bubble in the late 1980s and early 1990s, this postwar strategic identity of Japan never changed. This can be called Japan’s identity as a middle power. Given that, focusing upon the bilateral balance of power between Japan and China may not be as meaningful as it looks. While Japan’s security identity is deeply established and institutionalized, there has been always frustration resulting from dependence upon the US and attempts have been repeatedly made to expand Japan’s own diplomatic space. It, therefore, is by no means coincidence that the postwar Japanese foreign policy debate has been centered around its relationship with the US. Japan’s strategic role is also very much dependent upon Japan’s strategic relationship with the US. Thus, Japan’s security policy toward China cannot be understood in isolation from its alliance with the US.

The second is economic. Needless to say growing Chinese market is one of the most powerful attractions of China today. Nobody wants to lose economic opportunities in China and Japan is no exception. China is Japan’s traditional market. Particularly after the great depression in the 1930s where protectionist policies of the major Western Powers closed their Asian colonial markets to Japan’s exports, Japan’s reliance on the Chinese market inevitably expanded. China after all is always a giant market sitting next to Japan with the biggest population in the world, thus a natural economic partner for Japan. In the postwar world, however, it was mainly the US that offered Japan markets for its exports and that maintained the multilateral trade
network which gave Japanese vital access to natural resources. But since 2007 China has been Japan’s largest trade partner replacing the US and the volume of trade has been rapidly increasing. Given its remarkable growth over the last three decades and its immense potential for further growth, not surprisingly the Japanese business community has been increasingly seeing its future in relationship with China. In particular, considering the poor economic performance of the “West”, it sounds increasingly realistic in the ears of the Japanese business community that the centre of global economic gravity has unmistakably shifted to Asia. Nevertheless, here again the story may not be as simple as past trends suggest. Whereas China’s economic weight is an undeniable reality, the success of Chinese state capitalism coupled with the authoritarian regime allow Beijing to actively play geo-economic games. In addition, it seems that economic risks caused by the very rapid growth of China are now more appreciated by Japanese business circles.

The third is the socio-cultural domain. It is often underappreciated that Japan’s place in the global landscape has never been clear and simple. From the 19th century when racism was still commonplace, Japan was a black sheep in the world dominated by the “West”. Even under the Cold War after Japan’s economic presence within the Western American allies was firmly established in the 1960s Japanese were made to realize that after all they were not treated as a full member of the club of the Atlantic community. Many Japanese have dreamed of finding their home in “Asia”. Thus, “Pan-Asianism”, no matter how vague the actual contents of the term may be, has carried considerable appeal. In view of its size, tradition and politico-military capability, it goes without saying that Pan-Asianism without China does not make sense. But the public image of China, which used to be generally favourable even under the Cultural Revolution, has constantly worsened and it seems that today’s Japanese are much more impressed by societal differences from Chinese than commonality of traditions.

I. Geo-political dimension

China’s double digit increase in its defense spending has been going on over the last two decades, which made China by far the largest defense spender in the region, with a $89.8 billion budget in 2011 while Japan’s figure was $58.4 billion.¹ What is particularly worrying from a Japan’s viewpoint is in addition to its rapid modernization of nuclear capabilities, its rapid naval buildup coupled with increasingly assertive naval activities.

The list of incidents indicating Chinese increased naval activities in recent years that concern Japanese is extensive. To mention just some of them, in 2004, a Chinese submerged nuclear submarine in violation of international law passed through Japanese territorial waters. The Chinese authorities accepted the fact and attributed it to “a technical failure.” Chinese marine research vessels frequently conduct research within Japan’s EEZ without recourse to the agreed procedures leading to constant complaints from Japanese authorities. In 2008, two of these vessels entered Japanese territorial waters around the Senkaku Islands, which have been under Japanese effective control although China also claims sovereignty over them. In the same year, a Chinese destroyer transited through the Tsugaru Strait between Honshu and Hokkaido for the first time and sailed around the Japanese archipelago. In 2010, a Chinese naval flotilla consisting of approximately 10 destroyers and submarines passed through the southern part of the Japanese island chains into the Pacific. Those moves are seen by some in Japan as suggesting a strategy of encircling the whole Japanese archipelago. In the same year, a Chinese fishing boat entered Japan territorial waters surrounding the Senkaku Islands and rammed into a patrol boat of the Japan Coast Guard. The captain of the Chinese trawler, apparently drunk, was released presumably for diplomatic considerations by Tokyo after he was interrogated by a Japanese public prosecutor. The Chinese government rewarded Tokyo by demanding compensation and an apology while the captain received a hero’s welcome back home.
Japan reactions to the above mentioned developments appear rather lukewarm. There is no sign of an increase in Japan’s defense budget, which in fact has even slightly decreased over the last two decades. The allocation of budget among air, ground and maritime self-defense forces has not changed, and even after the ramming incident, defense of the Senkaku area is still handled by the Coast Guard rather than by the Maritime Self-Defense Force.

The apparent inaction on the part of Japan can be largely explained by its internal institutional constraints such as strict Constitutional constraints, anti-military public sentiments, and budgetary constraints due to slow economic growth. In addition, there was a change of government in Japan, with the DPJ (Democratic Party of Japan) government coming into power as a result of the general election in 2009. While the event was hailed by many as a dawn of a new era of democracy in Japan, the DPJ, consisting of very diverse groups of politicians ranging from anti-US former socialists to those who were once in the power center of the LDP (Liberal Democratic Party) that had ruled Japan since 1955, simply did not have any coherent foreign policy. At any rate, foreign policy was not their focus nor was it what they were elected for.

Still their election manifesto stressed “equal US-Japan relations”, an “independent foreign policy” as well as tighter relations with Asian neighbours and there was even a reference to the creation of an “East Asian Community.” Although the election manifesto may be seen as a list of flowery phrases with little concrete substance, this is designed to appeal to Japanese frustration with its subordinate relationship towards the US and represents an aspiration of a considerable part of Japanese society. The DPJ government headed by Yukio Hatoyama confused Japan’s security alliance with the US by his series of amateurish moves and hit a deadlock on the base issue in Okinawa. While he damaged relations with the US, his attempts to improve relations with China did not lead anywhere. He could not settle any outstanding issues with China such as overlapping claims of the EEZ in the East China Sea and joint development of undersea natural gas in the area. Rather, as is symbolized by the ramming incident in the Senkaku waters, the potentially pro-China DPJ Government headed by Naoto Kan who succeeded Hatoyama, had to learn hard lessons out of the humiliation they suffered from dealing with China. Even the Okinawan local Assembly, which is usually anti-US because of US base issues, quickly passed

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unanimous resolutions in response to the incident, one demanding Tokyo to more firmly claim Japan’s sovereignty over the islands the other condemning Beijing for violating Japan’s sovereignty. If there is a meaningful change at all in Japan’s foreign policy during the DPJ’s rule, it is that now there is a much more robust bipartisan consensus over Japan’s China policy and requirements for tighter alliance with the US to deal with China’s expanding naval activities.

Despite the political confusion at home as well as other internal constraints, the Japanese authorities have taken several steps to upgrade hedging against rising China. First, in December 2010, Tokyo adopted the NDPG (National Defense Program Guideline), to formulate its basic defense policy over the next 5 years. As the document had been mostly prepared under the former LDP government by the Japanese defense establishment rather than reflecting strong political wills of the DPJ government, it come with no surprise that there was no radical departure from preceding policies. Still it is obvious that now Japan’s defense resources are directed more in responding to China’s growing naval pressure. The key concept of the 2010 NDPG is “dynamic defense”, which means that in response to intensification of Chinese activities around Japanese territory, the SDF is to improve its mobility to defend Japanese territorial waters, air space, and offshore islands. It also puts more emphasis on defense in the South by relocating some of forces from the Northern area. It seems that Tokyo is increasingly addressing naval pressure from China by reorganizing its force structure without increasing the total scale of its forces.

Second, Japanese have been more actively developing their defense ties with like-minded countries in the region. In 2007, it announced with Australia Joint Declaration on Security Cooperation and in 2010 concluded the ACSA (Acquisition and Cross-Servicing Agreement). The two countries also conduct joint exercise and hold defense talks with the US. Whereas nobody expects Australia carries much tangible military weight in balancing China’s expanding military capabilities, it is hoped that the improved defense cooperation between the American allies in the region helps further institutionalization of defense network lead by the US. Japanese defense authorities have been pursuing tighter defense cooperation with the ROK for the same reasons although this is much harder due to Korean historical suspicion of Japan as well as the ROK’s critical need for cooperation from China in dealing with the DPRK.

Tokyo also has been trying to strengthen its tie with India. The two countries have been holding annual summit meetings since 2005 as well as defense ministers’ meetings. Joint statements and joint declarations have been issue over the last 4-5 years almost every year. Limited joint multilateral military exercises have been

conducted and a bilateral naval exercise is scheduled in June 2012. Perhaps more indicative is the distribution of Japan’s ODA (Official Development Assistance). While China was the largest recipient of Japan’s bilateral ODA for many years, in 2004 India replaced China and the scale of Japanese ODA to India has been rapidly increasing. It is undeniable that there is a long way to go before the relationship turns into tangible strategic assets for Japan. The relations may not go very far as India has its own independent strategic position and would not be interested in being dragged into troubles between the American ally and China. Still it is likely for Tokyo to continue investing its political capital into relations with India not only for purely security purposes but also for broader potential for political and economic cooperation with another giant in Asia.

Japan’s efforts to develop defense cooperation with countries mentioned above could be labeled as external balancing. But they are not seen as an alternative to the alliance with the US but as a means to institutionalize and somewhat multilateralize regional security arrangements where the US is still the ultimate security guarantor for Japan. To the chagrin of Japanese who desired greater distance from the US, it is now more widely accepted that there is no other way than strengthening security ties with the US in dealing with growing China.

Japanese policy makers at the same time, however, are aware of the risks caused by over-dependence upon the US. The possibility of Sino-US condominium over East Asia is a nightmare as Japan could be completely marginalized with no say over its own destiny. In fact, the uncoordinated unilateral rapprochement to China by the Nixon administration in the early 1970s is very well remembered as a traumatic experience within the Japanese foreign policy community. Japanese unwillingness for major military buildup and upgrading its security alliance with the US to a full-fledged one comparable to those with America’s NATO allies is partly motivated by the desire for double-hedging. After all whatever happens to political relations, Japan is destined to live next to giant China, with which Tokyo naturally wants to leave as much room as possible to develop constructive relationship.

II. Economic Domain

While China’s rise creates moderate balancing reactions from Japan, the remarkable growth of the Chinese economy is producing strong centripetal force toward China. China’s GDP surpassed that of Japan, replacing Japan as the second largest economy in the world. Many long-term economic projections also predict an even larger presence of Chinese economy. Given the size of its population and its traditional economic size, this may not be that surprising. Moreover, economies in the West are
suffering from serious troubles, which makes China’s state capitalist model of
development appear even more awesome.

From Japan’s economic interests, China’s economic rise obviously offers major
opportunities. It has been providing cheap and efficient labour forces which
immensely helped Japanese business. As China’s purchasing power increases, its
growth as a major export market can be a major source of growth for Japanese
economy. As Chinese economy grows, the pattern of division of labour also changes.
Chinese businesses are becoming increasingly strong competitors with those in Japan
but business competition must not be mixed up with strategic competition as there is
much larger room for joint benefits derived from competition in the open market.
After all it is commonsensical that having a rich neighbor is much better for your
well-being than a poor one.

Prosperous China was hoped by many Japanese to provide more than immediate
material benefits. The massive ODA Japan injected into China was motivated partly
by remorse for Japan’s imperial past in the first-half of the last century but more
importantly by its desire to reduce Japan’s dependence upon the US market by which
Japanese business and economic authorities hoped to find ways out of trade disputes
with the US in which they had bitter and humiliating experiences. In addition to that,
Japanese economic diplomacy was partly driven by a long-term vision to stabilize the
region by replacing the mode of regional politics from politics of ideology with
politics of productivity. The vision has largely come true when it comes to Japan’s
relations with ASEAN countries. Even with ROK, with which political relations are
always troubled, as Korean economic prosperity became an established fact, Japanese

![Shares to the Global GDP of the US, Japan and China](chart.png)
now feel much more relaxed with their relations with their immediate neighbor with whom most in Japan perceive to share civic values and daily life style.

It, however, is not clear how much Japan’s vision materialized with regard to China. The Maoist radicalism is now long gone. Expanded business ties have indeed created shared interests between the two countries. Some even say that despite differences between the two, at the end of the day, regional economic exchanges have created a sort of trans-East Asian consumer culture and civil society. What happens in the long-term future is naturally unknown but at this stage of history, even in this economic domain Sino-Japan relations, tangible disappointment is spreading in Japan.

First, as the Chinese economic presence grows, its geopolitical implications raised more salient concerns. As postwar Japan’s case clearly shows, it would be an overstatement to say that any country never fails to transform economic resources into military capabilities. But China appears to be shifting its emphasis away from the “low-profile” foreign policy towards strategic activism by rapidly acquiring power projection capability. Thus, it looks that rather than pursuing economic gains within the existing strategic framework, at least some groups within the Chinese leadership are now confident enough to more actively pursue geo-political goals even unilaterally if it is necessary rather than waiting longer until China becomes even more powerful. In other words, it seems that China now is increasingly driven by the logic of geo-economics rather than by the logic of economic interdependence.

The Chinese embargo of rare earth elements, which are indispensable for manufacturing specialized magnets, lasers, and advanced optical glasses, in response to the ramming incidents of Senkaku Islands in 2010 is illustrative of the trend. Japan was heavily dependent on such exports from China for the specialized material. But the incident was taken seriously as an indication of the growing willingness of China to flex its economic muscle for strategic interests, thereby representing risks involved in China business. As a result, Japanese business is now more actively hedging against the Chinese market. For example, Japan’s imports of the rare earth elements in 2011 were reduced by 34% and the prices of those materials which rose sharply after Chinese boycott came down considerably. This is largely due to innovations which allowed production without the special elements as well as efforts for diversification of supply sources.4

Apart from political risks mentioned above, purely economic risks involved in the Chinese economy are gradually appreciated by the Japanese business community. Chinese economic performance is clearly outstanding as Western economies have slowed under financial confusion. However, due to this great success, new types of economic challenges seem to be emerging. First, the rapid rise of wages and land

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4 Nihon KeizaiShimbun, June 1, 2012.
prices has been gradually undermining the Chinese competitive edge as a site for manufacturing. Labour unrest, such as violent labour disputes and strikes, appears to be increasing. Japanese corporations regard themselves as particularly vulnerable for China’s well known anti-Japan sentiments. Protection of intellectual property is also a source of constant concern for Japanese high-tech companies. Chinese economic governance, which is characterized by a very unique state capitalist model under the authoritarian regime, obviously lacks transparency and rule of laws comparable to that in Japan. Thus, although China is an indispensable component of Japan’s business today, the so called “China Plus One” strategy, which means diversifying their production sites mainly with ASEAN countries in order to reduce risks resulting from over-dependence upon China is now being accelerated by Japanese manufacturers.\(^5\) While Japanese simply cannot afford to lose the economic opportunities the China market offers, they are trying to hedge against negative impacts through diversification and innovations.

III. Socio-Cultural Domain

China’s historical hegemonic status in the regions was a norm rather than an exception until the end of the Ching Dynasty. Thus, the current rise of China may represent merely a process back to the default. The traditional regional order under Chinese dominance was conceptualized as Tianxia Order, which refers to the Sino-Centric hierarchical order where the Chinese emperor resides on the top of the hierarchy with the mandate given by the Heaven to rule lesser polities such as vassal states, tributary nations and barbarians depending upon how close it is to the centre. By definition, in this world view, there cannot be any equal party to China.

There are contending views as to how benign the Sino-Centric traditional order was. Some argue this order was characterized by highly Machiavellian realpolitik on the part of China in maintaining its strategic superiority over the lesser polities around it.\(^6\) Others (mostly Chinese in origin) suggest that the Chinese rule was more flexible and benevolent as Chinese emperors largely let local rulers have their own ways as long as they acknowledged the superiority of China by conducting proper rituals in accordance with the Chinese worldview. In return, Chinese rewarded less civilized local rulers by giving material benefits as well as the gospel of Chinese civilization. Thus, some even argue that the hierarchical order is deeply rooted in the East Asian

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\(^5\) Nihon KeizaiShimbun, March 17, 2012.

sense of order and East Asian countries today would be more ready to accept the superiority of China than Western common sense suggests.\(^7\) It is also pointed out that Japan has an historical tendency to align with the dominant power be it the UK in early 20\(^{th}\) century or the US after WW2.\(^8\)

It is difficult, however, to believe that the Sino-Centric order looks as acceptable as in the past in the region where national liberation either from Western or Japanese imperialism was a major political dynamism in the 20\(^{th}\) century. Those countries which gained hard-won independence naturally find it difficult to compromise their sovereign equality even with China. China itself has nationalized its population and relies on nationalism for its legitimacy of its rule. This must make inclusive imperial rule over other ethnic groups within its imperial zone less legitimate and more difficult to conduct than in the past.

Within this traditional Sino-Centric regional order, Japan’s position was ambiguous and Japan’s acknowledgement of the authority of Chinese empire was selective and opportunistic. There is no doubt that basic elements of Japan’s civilization were introduced from the continent and that the polity in Japan was formed as one of peripheral states within the ancient Chinese civilization. But once Japan developed its own political as well as cultural identity, at some points in history it sent tributary missions in return for attractive trade opportunities but decided to ignore Chinese authority at other points.

Japan’s relative independence from the traditional Sino-Centric regional order was very much due to its geographical condition. The sea that separates Japan from China coupled with Chinese traditional indifference to maritime expansion allowed Japan to maintain its relative independence from the Sino-Centric regional order. In addition, the East Asian international system was a thinner system than that in modern Europe. Although culturally China’s presence was always acknowledged, politico-diplomatically Japanese rulers could afford to disregard China’s military might most of the time. Before modernization started in Japan in the 19\(^{th}\) century, China and Japan fought only twice during the preceding 1500 years, once in the 13\(^{th}\) century when the Yuan dynasty tried to occupy Japan and again in the 16\(^{th}\) century when Japan invaded Korea and became engaged with Ming China.

Whatever the pre-modern Japanese world view may have been, what bothered modern Japanese was not China itself but where to find Japan’s niche in the modern world dominated by the West. Thus, the antagonism between a pro-Western

\(^7\) David Kang, China Rising: Peace, Power, and Order in East Asia, Columbia University Press, 2007.

modernist school of thought and an anti-Western nationalist school was continuous in Japanese foreign policy debates. Quite apart from the ideological and geo-political logic under the Cold War, Japanese traditional nationalists were more anti-US than anti-China partly due to remorse for Japan’s prewar imperialism and more to their Pan-Asianism ideology which conveniently assumed that the region would be led by Japan. In postwar Japan, progressives motivated by neutralism and pacifism were also supportive to Pan-Asianism of their kind and thus pro-China largely for their objection to American Cold War strategy and the Japanese conservative regime that was supportive to the US. In fact, China was never regarded as a military threat in the 1950s and 1960s despite harsh ideological criticism cast towards Tokyo from Beijing. From the late 1970s, while Japanese were pumping huge amounts of ODA into China, it was even regarded as a functional ally as the Soviet military buildup became a more salient problem. It is now difficult to even remember that in the late 1980s and early 1990s when US-Japan trade disputes were at their peak, there were some discourses in the US pointing out possibility for Tokyo and Beijing to gang-up against the US, and that Japanese were trying hard to continue engagement with China despite Western economic sanctions toward China after Tiananmen Incident and that Japanese took a relatively sympathetic view on China for Western criticism against its human rights abuses.

After the Cold war, Japanese nationalistic frustration has shifted away from the US to China as Chinese criticism on “history” issues intensified. China’s vehement objection to Japan’s bid for a permanent seat in the UN Security Council also helped Japan to view China as a major obstacle rather than a partner for Japan’s legitimate role in the international community. Traditional nationalists’ dream for Pan-Asianism largely faded away as the balance of power rapidly shifted in favour of China and Pan-Asianism came to sound more like Sino-Centric East Asian order in which Japan is treated as a tributary state.

While traditional pro-Chinese voices dwindled, even left-leaning progressives who share critical views on Japan’s imperial past with Chinese have greatly lost influence in Japanese discourse as they became somewhat disillusioned by China due to its continued authoritarian rule, human rights abuses, and increasingly menacing military activities. Now China rather than the US increasingly looks like an obstacle for their goal, peaceful, and harmonious region with less military presence.

Apart from the intellectual discourse referred to above, for the great majority of Japanese in the street, a vague sense commonality of cultural values between Chinese and Japanese appears to have completely disappeared. Opinion surveys clearly show the deterioration of China’s image since the late 1980s. The first clear drop took place in 1989 as a result of the Tiananmen Square Incident, the second drop can be
interpreted as a reaction to Chinese violent protest against Koizumi’s Yasukuni visit in 2005. The Prime Minister’s visit to the shrine itself was also a highly controversial issue within Japan with powerful objections to the visit, but when it came to violent protests, such as the stoning of the Japanese embassy buildings as acts of patriotism, the Japanese public seem to have reacted in a unified fashion. Fence-mending of the bilateral relations on the diplomatic level were largely successfully conducted, stabilizing relations between the two governments, but on the public level, China image never recovered. On the contrary, the ramming incident off Senkaku in 2010 made the public image of China even worse.

The public images are largely event-driven and naturally can be reversed. However, it is likely that the above mentioned trend seems to represent Japanese realization of deep differences between Chinese and Japanese societies, thus not easy to reverse. Whatever traditional cultural tie there may be between Japan and China, Japanese today feel much more comfortable with the US. A large scale rescue operation conducted by the US forces after the Great East Earthquake in 2011 further reinforced Japanese positive images of the US.
Conclusion

Despite a couple of years’ confusion under the previous two DPJ administrations, Japan’s reactions to the rise of China so far can be characterized by cautious external balancing rather than robust internal balancing through its own military buildup, which is largely in line with the previous LDP foreign policy. This represents Japanese desire to double-hedge against threats from China on one hand and over-dependence upon the US on the other. It is likely that if the current trend of China’s growth continues, Japan will react probably by further strengthening the security alliance with the US and defense cooperation with other like-minded countries in the region. But at the same time, they are cautious in committing to any “Western democratic alliance” against China as Japanese do not believe that they will be treated as a serious member of the West by the trans-Atlantic community. They, therefore, have tried to leave as much room as possible to work out some strategic agreement with China which would allow both to play their respective desired roles in the world.

The ultimate critical choice for Japan, though not a likely event, is what to do should the alliance with the US cease satisfying its security needs. If the US should stop playing the role of the ultimate guarantor of regional security, Japan would be forced to choose between bandwagoning on China, which would allow China to control the Western Pacific on one hand, and starting a major military buildup on the other, which it has been avoiding ever since its defeat in WW2 despite its economic and technological potential. Whichever way Japan should decide, it would not fail to fundamentally transform the global strategic landscape.