



Japan's response to China's rise

By Charles Grant

- ★ Since 2010, when there was a clash in the Senkaku Islands, the Japanese have perceived China as an increasingly assertive and, potentially, aggressive neighbour.
- ★ Japan has responded by adopting a new military strategy, involving more mobile defence forces; making efforts to strengthen the alliance with the US; and building friendships with other maritime powers worried about China.
- ★ Japan's ability to be firm with China is constrained by its sluggish economy and its mountain of public debt; and by its weak political system.
- ★ Given the growing imbalance of power between Japan and China, the Japanese will become increasingly dependent on the Americans for their security.

For several decades, the Japanese have been concerned about China's rise, but in 2010 they became especially worried. Several events in that year, including a clash between a Chinese fishing boat and the Japanese coastguard in the disputed Senkaku Islands, made the Japanese think that China was becoming more assertive and, potentially, aggressive. By the end of 2010, Japanese officials, experts and politicians had responded with a new strategy – involving the creation of more mobile forces, a renewed emphasis on the US alliance and an attempt to strengthen ties with other Asian maritime powers.

At that time, some wondered whether Japan's leaders would have the determination to follow through. After all, since the Second World War many Japanese people have leaned towards pacifism. And the March 2011 tsunami gave policy-makers much else to worry about. Japan's sluggish economy and the endemic weakness of

its governments certainly constrain its ability to respond to China's rise. However, on a recent visit to Japan I found that the policy elite remains just as concerned about China as it was in 2010, and committed to implementing the new strategy.¹

¹ The author would like to thank those who commented on drafts, including Clara Marina O'Donnell, John Springford, Akio Takehara, Stephen Tindale, Henry Tricks, Tomas Valasek and Nabe Watenabe.

In 2010 the Chinese economy overtook that of Japan to become the world's second largest. But it was naval incidents that caused most worry in Tokyo. In March, when a North Korean torpedo sank South Korea's *Cheonan*, killing 46 seamen, Beijing would not condemn Pyongyang. In April, as part of a pattern of increasing naval assertiveness, a fleet of ten Chinese warships sailed among a group of Japan's southern islands. And then in September, Japan detained a Chinese fishing boat captain for ramming two Japanese coastguard vessels in the uninhabited Senkaku Islands (which the Chinese call the Diaoyu Islands) in the East China Sea. China reacted by arresting several Japanese businessmen, blocking imports from Japan, banning the export of rare earths to Japan and scrapping plans for the joint exploitation of the East China Sea's oil and gas. The release of the captain led China to undo those actions – except for the plans for joint oil and gas exploration, which have been abandoned.

Japanese concerns about China

For some China analysts in Tokyo, such incidents indicate that 'young Turks' within the Chinese system are challenging Deng Xiaoping's famous advice that China should tread softly in foreign policy while it

builds its strength. China's tremendous economic success seems to have emboldened its leadership. Japanese analysts are also concerned that civilian leaders in Beijing may have limited authority over the People's Liberation Army (PLA) and its navy. And they wonder whether either the central government or the navy can control the various Chinese maritime agencies whose boats in the East China and South China Seas are prone to provoke incidents.

The Japanese officials who deal with Beijing believe that many Chinese diplomats would welcome a rapprochement with Japan. After all, this year is the 40th anniversary of the restoration of diplomatic relations between the two countries. And meeting at a summit in Beijing in May 2012, the prime ministers of China and Japan, and the South Korean president, agreed to start negotiating a trilateral free trade agreement before the end of the year (such an agreement would be hard to push through, given the powerful vested interests in all three countries).

However, Japanese officials do not expect a significantly warmer relationship with Beijing, for two reasons. First, these days China's Ministry of Foreign Affairs seems to have little clout within the Chinese system. Government departments such as the National Development and Reform Commission, as well as state-owned oil companies, the PLA and the Communist Party of China, often count for much more.² Some of these bodies could gain through a more assertive approach leading to confrontation with Japan: the PLA navy could more easily justify budget increases, whereas the oil companies could boost their chances of drilling in disputed parts of the East China Sea.

Second, Japanese officials believe that the nationalism of Chinese 'public opinion' – as expressed through the blogosphere – is powerful enough to deter the country's leaders from seeking compromises on territorial disputes with neighbours. On a recent visit to Beijing, Chinese diplomats confirmed this point to me. It is not so much that the diplomats read blogs assiduously, but that the political leaders are sensitive to what is being written on the internet; this influences the instructions that leaders then give to diplomats. Most Chinese officials blame the Japanese – or the Americans – for any problems between Beijing and Tokyo, but one of them admitted to me that mistakes had been made over the fishing boat incident. On an earlier visit to Beijing, I heard a Chinese deputy minister say that netizens would not 'allow' his government to compromise with Japan on arguments over territory.

The Chinese have their grievances about the Japanese. They were annoyed in April 2012 when Shintaro Ishihara,

the nationalist governor of Tokyo, announced that his municipality would seek to buy the Senkaku Islands from their private Japanese owners, and then to develop them. And the following month the World Uighur Congress held a conference in Tokyo. That organisation opposes China's rule in the province of Xinjiang. It says it is committed to non-violence, but China claims that it has links to terrorists. The decision of the Uighur leaders to visit Tokyo's controversial Yasukuni shrine, where the Japanese war dead are buried, was a provocation to China.

The Japanese worry about China's military build-up. Last year, Japan's National Institute for Defence Studies produced the first of what has now become a series of annual reports on China. This year's China Security Report contains a number of scenarios for China's defence spending, one of which shows its defence budget overtaking that of the US in 2030. From 2001 to 2010, China's defence budget rose in real terms by 189 per cent. Over the same period Japan's rose by 1.7 per cent. On current trends, China's defence budget will be five times bigger than that of Japan by 2020.

The Japanese complain that the number of Chinese warplanes and naval vessels that fly or sail close to Japanese land continues to rise, year by year. Japanese policy-makers believe that China will continue to pursue its territorial ambitions through small, incremental steps – such as occupying uninhabited islands – unless it is stopped. They think that despite the influence of nationalism on its foreign policy, China is in the last resort a realist country that respects strength. Hence the new strategy that emerged at the end of 2010.

Japan's three-pronged strategy

One element of this new strategy was the government's endorsement of a document entitled 'new national defence programme guidelines'. This shifted Japan's posture from territorial defence to 'dynamic defence', meaning more mobile, manoeuvrable forces that can react quickly to threats to Japan's outlying islands, and work alongside those of the US. The new guidelines also signal a geographic shift from the defence of northern territories, against a putative Russian threat, to the defence of southern isles, which may be vulnerable to China's forces. The guidelines call for Japan to increase its fleet of submarines from 16 to 22 (Japan's naval experts believe that China's anti-submarine capabilities are weak).

A second prong was to revitalise the alliance with the US. At the time of the fishing boat incident, the Democratic Party of Japan (DPJ) government had strained that alliance by saying that Japan had been too dependent on the US and that it wanted closer ties with Beijing. However, the current DPJ prime minister, Yoshihiko Noda, is less Sinophile than his two DPJ predecessors. In seeking to boost defence ties with

² See Charles Grant, 'Russia, China and global governance', CER report, February 2012, pages 60-61.

Washington he has not faced much criticism from the opposition Liberal Democratic Party (LDP), which is generally pro-American.

The government has moved some of its military headquarters into US bases in Japan, to encourage co-operation between the two countries' forces. Last year, Japan removed its longstanding ban on arms exports, which will facilitate co-operation on defence industrial projects with the US and other allies. It has already decided to use its overseas aid budget to finance the export of coastguard vessels to the Philippines.

Japan has decided to buy the American F-35 combat aircraft, rather than the Eurofighter. Senior Japanese officials say that Japan should take on more of the burden of defending itself, to enable US forces to play a bigger role in the South China Sea. This courting of Washington extends beyond military affairs: Japan's interest in joining the Trans-Pacific Partnership – an embryonic US-led trade grouping that does not include China – is, in part, geostrategic. Some Japanese strategists believe that if Japan signs up to the TPP, China will be more likely to engage seriously in the putative FTA with South Korea and Japan, which would be beneficial for the Japanese economy.

Not all is smooth between Washington and Tokyo. The Americans control about 10 per cent of the island of Okinawa, where the Marine Corps base in the town of Futenma is very unpopular with locals. Three years ago, the newly-elected DPJ government promised to move the base off the island. It later backtracked, saying that it would shift the base to a new site elsewhere on Okinawa. But the islanders do not want the new base, which means that it may never be built. The US recently transferred half the Marines at Futenma to distant Guam, but that has not resolved the controversy.

Barack Obama's administration has been indulgent of Japanese politicians for prevaricating over the base issue – perhaps because stronger security ties with Japan are a key element of its recent 'pivot' to Asia. Most Japanese strategists welcome the pivot, though they point out that in practice it does not change a great deal: the US never left Asia. The pivot's value, say these strategists, is to signal to the Chinese – and America's allies in the region – that the US will remain committed, even when budgetary constraints are forcing it to pull back forces from other parts of the world.

Japan's third initiative was to enhance a web of maritime connections with other countries worried about China's rise. The traditional American commitment to Asia's security has been through the 'hub and spoke' model – the US was the hub, while allies such as South Korea, Japan and Australia were the spokes. Japanese strategists talk of building links

between the spokes – or even of a 'two-hub' model, in which the US and Japan share hub status. Hence Japan's current efforts to strengthen the Philippines' coastguard; the Japan-Australia defence pact, which has existed since 2007; an increasingly close bilateral relationship with Vietnam, that could lead to the sale of Japanese coastguard vessels; and, within the next few months, the first ever Japan-India bilateral naval exercise.

Since last year, senior Indian, American and Japanese officials have engaged in a regular trilateral dialogue on security questions. And those three countries have run several joint naval exercises. Some Japanese officials would like a closer relationship with India, but think that, because of its distance and strength, its interest in closer ties may be limited.

So far, these maritime friendships do not amount to a great deal, in terms of the regional balance of power. But they have much potential. If China's behaviour causes more alarm, their importance will grow.

Japan and its neighbourhood

Many Japanese officials and experts would like a closer relationship with South Korea. But that country's leaders have been reluctant to respond. This may be because they have to consider South Korean public opinion, which, because of memories of Japanese imperial rule and arguments over disputed islands, tends to be suspicious of the Japanese. South Korea's economic dependence on China – much greater than that of Japan – could also affect Seoul's willingness to align with Tokyo on security issues. In April 2012, when North Korea tested a ballistic missile, there was little co-ordination between Japan and South Korea over how to respond.

Some of Japan's most senior strategists view Russia as a potentially important part of their efforts to counter-balance China. Their analysis is that Russia must worry about the rise of China and that it should therefore be willing to compromise over the Kurile Islands (Russia took them from Japan in 1945 and continues to occupy them). The failure of Moscow and Tokyo to reach an agreement over these islands has long stymied friendly relations between them. Many Japanese also believe that the deepening energy nexus between Russia and Japan – whose companies are involved in the export of liquefied natural gas from Russia's Sakhalin – should encourage bridge building.

The Japanese analysis of the Russian national interest may be impeccable, but so far there are no signs of Russia wanting to compromise on the Kurile Islands. Shortly before the end of his presidency, the supposedly moderate Dmitri Medvedev visited the islands to reinforce Russia's claim. At the start of his third term of

office, President Vladimir Putin seems much more anxious about American power than Chinese power.

The essence of Japan's strategy towards China is, like that of the US, to engage and hedge. The Japanese want to 'socialise' China by drawing it into a more active role in the institutions of global and regional governance. They worry that the various regional bodies in which China is engaged – including ASEAN + 3 (the three being Japan, South Korea and China) and the ASEAN Regional Forum – do not have much clout. Some Japanese strategists believe that further economic integration with China, as well as potential problems such as pandemics or nuclear accidents, require stronger regional institutions. Both Japan's main parties have at various times called for some sort of 'East Asian Community'.

Such a concept is, for now, over-ambitious. Nevertheless some Japanese believe that the annual East Asia Summit has great potential. Since it includes Australia, India, New Zealand, Russia and the US, in addition to the ASEAN + 3 countries, China cannot dominate this forum. And last November's meeting in Bali produced what some Japanese diplomats view as a significant step forward: China signed the summit declaration in support of the recognised principles of international law, including law of the sea and the peaceful settlement of disputes. The Japanese think this implies that China will agree to use the Convention on the Law of the Sea as the basis for settling its maritime disputes – which it has hitherto been reluctant to do. Chinese diplomats respond that there was nothing new in what they signed in Bali: they still want to settle their territorial disputes bilaterally not multilaterally, albeit in the 'spirit' of maritime law.

Whatever the meaning of such diplomatic moves, China has done nothing significant since 2010 to reassure Japan's policy-makers and public. There are lobbies within Japan that argue for a soft approach to China – businesses that invest there, and politicians and diplomats that have built up close ties with their Chinese counterparts (one Sinophile is Ichiro Ozawa, the influential DPJ politician). But such people are now reluctant to speak out boldly in China's favour. China's friends in Japan were badly burned by the events of 2010.

Can Japan be tough?

Although the Japanese people are very wary of China, they remain broadly pacifist. They are probably even more pacifist than the Germans: Japanese soldiers have taken part in international peacekeeping operations in Iraq and Sudan, but never used force, while German forces have fired weapons in anger in Kosovo and Afghanistan.

So although the Japanese people will support tough diplomacy vis-à-vis China, they might be uncomfortable

about changing the constitutional rule which prevents Japan's Self-Defence Forces (SDF) from taking part in collective self-defence. This rule means that if US forces come under attack, Japanese forces cannot defend them. For the time being Japan's politicians do not plan to change this part of the constitution.

Japan's relatively stagnant economy remains a big constraint on its ability to respond robustly to China's rise. Defence spending is currently only 1 per cent of GDP. But a country that has a total public debt of 230 per cent of GDP cannot easily embark on a military build-up. Public opinion would not support a significant reallocation of resources towards the SDF – especially when rebuilding after the tsunami requires so much public money, and when the closure of nuclear power plants necessitates new investment in power capacity and infrastructure.

Defence experts worry that budgetary constraints may prevent Japan from implementing the new national defence programme guidelines. They hope that money can be saved by cutting flab out of the defence budget, and by international collaborative projects for new weapons. But they note that both building new submarines and increasing the readiness and mobility of the SDF will be expensive.

Japan's chronically weak political system is another constraint. The country has had six prime ministers since 2006 and may get a seventh this year. Successive LDP and DPJ governments have been too weak to take the tough decisions that would be required to focus resources on responding to China's military rise.

Barring an unexpected charm offensive from Beijing, Japan will continue to fret about the growth of China's economic and military power. But the main consequence of that suspicion will be a diplomatic effort to strengthen ties with other Asian maritime states, and broad support for a stronger military and diplomatic alliance with the US. Japan is not going to respond to China's rise by embarking on its own military build-up. Given that the putative alliances with other maritime states remain, for the time being, underdeveloped, the US will be crucial for Japan's security.

If, as seems likely, the economic imbalance between China and Japan becomes more pronounced, the Japanese will become more dependent on the Americans. If the US was to pull out of East Asian security, Japan might have no choice but to accept 'Finlandisation': Japan would run its own affairs, as Finland did during the Cold War, but its leaders would feel unable to criticise Beijing or oppose its foreign policy. However, Obama's pivot towards Asia has cross-party support within the US. For the foreseeable future, the US will remain a major player in East Asian security,

enabling Japan to retain an independent foreign and security policy, if one that often aligns with the US. (Some Chinese observers could say that Japan has been Finlandised vis-à-vis the US, but that would be too strong. Japan does not always comply with American wishes, as the story of the Futenma base shows.)

Japan's leaders know that they must live with China. Ties of business, tourism, culture and civil society are growing. Perhaps a million Chinese people live in Japan. China is Japan's biggest export market, and two-way trade between the two countries amounted to more than \$345 billion last year, according to the Japanese

government. Friendly relations between China and Japan are evidently in both their interests. But in Tokyo there is real concern that the increasing self-confidence of Chinese leaders, the widening number of institutions with a say in Chinese foreign policy, the growing hunger for oil and gas, and the rising power of nationalist netizens could tilt China towards a confrontational relationship.

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