

The Quandaries of Neighbors: China and Japan in 2010

1.

For a fleeting moment after the end of the Cold War, it seemed that the idea of liberal democratic statehood had not just won the day but the world. For another fleeting moment, it seemed that the bipolar world order was being replaced by a multi-polar one. Then the idea was proposed that the relationships between countries, new economic centres of gravity and nodes of power would create a new kind of international order, a web-like network of relationships; then again the notion of a “G2” as a foundation of a new order in the world came floating into the international media discussion.

Today, perhaps it dawns on us that increasingly dynamic processes supersede all efforts at creating order. The increasing complexity of relationships between states and non-state actors leads to the degradation of power and influences both opinion-building and decision-making. The diffusion of crises, of economic and security problems leads to a world that is tighter knit together than ever before while its structures erode. As a result, the ability of politics to shape events and initiate new developments is weakening, interactions become increasingly fuzzy and international politics just like domestic politics are overtaxed.

The most dynamically changing regions in the world – East and South East Asia in the first place – are not exempt from this phenomenon; to the contrary. The two countries which are the subject of this discussion, China and Japan, are in fact both driving forces of globalization and of the dissolution of order. They are agents of chaos and they are its victims at the same time. In the case of China, it means that a country which came from being one of the most backward ones only 30 years ago and has since then developed into the economic power number two in the world and regarded as a world power, pushing forward relentlessly, finds that much of the positive international reputation it has gained in such a short time might just as soon slip through its fingers. Japan, poised to become “Number 1” in the world only 20 years ago, tenaciously having kept the position of “Number 2” for 20 years but frozen in political

stagnation, exactly in the moment when it was ready to emancipate itself from its circumstances, finds itself thrown back upon its indissoluble alliance with the United States.

2.

First, China. It enjoyed mind-boggling success by following the model set out by of Japan and the “Little Tigers” for its economic reform and opening policy throughout 30 years. That model meant investing in export-oriented industries the savings of people who needed to save for their rainy days and to use the resulting income for further industrial and public investments instead of private consumption. Today, China's “power economy” derives its dynamics from the private sector while the core of the economy (i. e. designated 129 “central enterprises”) is driven by governmental planning and strategically devised investment in science and technology. Due to the size of the population and thus existing reserves of manpower, China's chances of continuing on its path of success for a long time are greater than that of its models, but so are the risks: environmental degradation, social divides, switching the wrong points (i. e. taking wrong decisions on top level with negative consequences for the whole country), frictions with other nations over access to resources. Politically the change of leadership generations has led to a shift to more technocratic “engineering” leaders. The socialist ideology which kept the country together in the past has been replaced by a combination of materialism and nationalism. Here, the risk is that the emancipation of the middle class may not be contained any more and grievances of parts of the society who are denied political participation may at some point be directed against the government violently and thus may shake the very core of the system itself: the Party. The rule of the Communist Party is based on a very clear tenet which is ruthlessly practised: economic liberalism combined with political repression is the foundation for China's economic and international success. The question is whether that tenet on which the Party agrees constitutes a social contract holding together the people and the Party.

The times when China did not shrink back from military adventures are long gone. So are the days, however, when China's peace orientation, initiated by Deng Xiaoping, created the positive environment China needed for its growth. Today, China sees itself being treated with a respect it is not yet used to, often getting easily what it wants. It finds that its sheer size now that it is underpinned by the strength of its economy makes for an imposing presence in international fora. That is a new kind of learning experience. It is a new experience for China's partners, too. They expect a new world power to

shoulder responsibility for the workings of the international system. From the point of view of the international community it is a contradiction if Chinese leaders demand a say in defining the rules of international order and at the same time refuse to share responsibility (defined as investing political energy, creativity or financial efforts). Official media on the occasion of the Central Committee Meeting in October 2010, however, insisted that China is a mainstay of the present international system but refuses to share the responsibility the “West” has for how it works because the West uses the argument of “responsibility” to treat China as “ideological axis of evil” and to force it to adopt its own “democratic model” (or, with the devious institution of the Nobel Peace Prize, the concept of human rights). The “Western system”, however, rests on an inglorious history of 500 years of robbery and exploitation... Reading Western op-eds it seems the world is being attacked by China. According to Chinese op-eds it is the other way round: China's interests are different from the West's, the West wants to safeguard its own interests at the expense of China and therefore pushes China on issues such as climate and currency, on resources and human rights. China therefore needs to take its military-strategic interests ever better at heart.

Official Chinese media hold that suspicions about Chinese objectives among its neighbors that threaten to destroy the trust established during the past 30 years, are “Western” ideologically motivated “anti-China efforts”. Neighbors may get the impression that China’s objective is to make the best use of its present “run” internationally to gain as much ground before things turn more difficult: gain more of a maritime foothold, gain more of a hold on resources, get more things done the way China deems necessary. The October 2010 visit by the Indian Prime Minister to Japan resulting in decisions to increase economic and political cooperation for example was interpreted promptly as an Indian-Japanese effort to build a “strategic wall” against China. A China which presents itself at the Expo in Shanghai as an emancipated, modern, peaceful world power at the same time seems to destroy wilfully that very same image by its attitude towards its maritime neighbors' concerns (compare foreign minister Yang's diatribe against “small countries” in Hanoi in July 2010, or the new linkage between the export of resources and well-behaving of China's partner Japan).

Why this extreme confrontationism? Why this distrustful, inimical attitude which often seems so utterly counter-productive to China’s foreign interests? The reason is that China sees “problems” differently from the way its major partners see them. Or, “problems” which are problems for the majority of

states are not, or not yet, problems for China. More than is the case in the traditional industrialised countries, China sees international questions through the prism of its domestic situation.

The North Korean nuclear proliferation issue serves well as an example, if only because it is the most conspicuous one. Most of the time, North Korea was not a problem at all for China but a weird ally. It was a problem for South Korea, for Japan, for the United States. Once they began in the Eighties, the nuclear ambitions of North Korea became a direct threat to South Korea, to Japan, even to the United States, and at the same time they were a WMD proliferation problem for the whole world. The world – as represented by the IAEA – therefore expected China to wield its influence in the interest of the objectives of the international community. China, however, recognized a quite different problem: the threat of a regime downfall leading to chaos and possibly to millions of North Korean refugees on Chinese territory. That was the overriding concern, not an international one. The wisest strategy for China therefore was to play along with international efforts to prevent North Korea pursuing its nuclear arms activities – the Six Party Talks – but without becoming a major actor against Pyongyang (after all, China any time could easily force the North Korean regime to give in by using its economic leverage) and by gradually increasing North Korea's dependence on China in order to contain the danger of a regime downfall.

There are differences in problem perception, yet there is no Chinese „school of international relations“ that would explain it. Rather, for Chinese leaders the major point of departure in identifying tasks, challenges and problems is simple: keep domestic troubles at bay. The Senkaku incident, too, illustrates that aspect. It occurred a few days before the Central Committee meeting in Beijing where important personnel decisions were to be taken. Or, the row over the Renminbi's exchange rate: a drastic increase of the value of China's currency would negatively affect China's export industries and thus possibly lead to increasing unemployment; that counts much more than any friction with the United States. Or, Liu Xiaobo and the Nobel Peace Prize: As Liu had been sent to prison a foreign award with the prestige of the Nobel Prize necessarily leads to a loss of face of the CCP's leadership vis-à-vis its people; and that has to be avoided even at the expense of getting into conflicts with China's major partners. To act vigorously at the “patriotic front” at a time when economic and social problems compound helps keep people's minds off subjects that would affect domestic stability. The young Chinese writer Han Han already has asked in his blog, why ever Chinese people should support their

leaders in a fight over “territory” if they themselves are not permitted to own even the tiniest bit of land. He very precisely pinpoints one of the objectives of the government’s foreign policy. Namely, it is preoccupied not by concerns over the international, but the internal order. That is what defines the different problem perception of Chinese leaders.

There are a number of reasons for this. There is the speed of China’s rise. It impedes its administrative functioning. China's rise is so rapid that even if it wanted to deliver on every demand a world power today is confronted with, it simply could not: it is lacking sufficient human resources, knowledge, and experience. Therefore decisions are often taken by people who are overtaxed, and decisions are taken through those confounding bureaucratic procedures of Leninist centralism of the past. Damage thus occurs more easily, and some of the damage that occurs foreign observers don't even know the reason of because decision-making by the very nature of the regime is intransparent (Did or did not, for example, someone take a conscious decision to encourage the former navy man turned fisherman to ram the Japanese coast-guard boats near the Senkaku Islands?).

Then there is the success of China’s rise. The Chinese Communist Party leads an enormously successful repressive government. Outside observers and experts may dispute it (or be thrilled by it like the adherents of the “Beijing consensus school”) but seen from the inside, the Party Is Always Right. Knowing to be always right, it makes sense to expect that orders be followed, for the better of all, even adversaries. The self-righteous indignation that foreign governments meet when they demand that compromises be negotiated is nothing but a reflection of the Party’s attitude at home. And as that attitude is increasingly challenged (or even ignored) at home, the irritation Chinese leaders show both at home and abroad, is a consequence. Almost 20 years of “patriotic education”, transmitting the assumption to the younger generations that a policy of rectifying past grievances is justified, may seem to be successful, as recent nationalist demonstrations show, but as these demonstrations also show, they are not always about nationalist concerns only any more, they nowadays often tend to turn into demonstrations of domestic disaffection with the Party.

China is not “stable”. The effects of globalization are agents of shifting instability. They cause new - and changing - regional and social disparities; they produce new opportunities and run counter to the paternalistic concept of a “harmonious society” (a term which consequently recently is disappearing

from official statements). Their dynamics lead to competing interests making balancing them with ever more internal actors necessary. But this balancing act can not be brought out into the open because it would put into question the Party's contention that it knows the solutions to any problem. That lack of transparency and accountability leads to corruption from which, however, not only the Party alone profits but more and more members of the middle class outside of the Party. They thus are co-opted into a de-politicized system, at least at its fringes. It also leads to cynicism among the majority, namely those who can not partake from the spoils corruption brings into the coffers of the powerful. To return to a question posed above: There is no social contract any more holding the leadership and the people of China together. China's leadership rather does an act like a juggler who keeps his balls in a balanced movement as long as he keeps them rising and falling in the right rhythm. The Communist Party keeps the balance between the diverging forces it has unleashed admirably. But it is aware that the ground on which it stands is but shifting sands.

Foreign affairs is just one ball in that juggling act. In foreign affairs things all went China's way once Deng Xiaoping had set upon a course of establishing peaceful relations with China's neighbours. That policy not only avoided frictions that would have absorbed resources and energy. It also changed China's image abroad from that of an international ruffian to that of a non-threatening neighbor who kept guns for use solely inside his own home. Once the world began to accept China as a new world power, China's leaders recognized the inherent dangers of seeming to threaten others militarily. They therefore developed and configured the narrative that China had learnt the lessons from former rising countries and their military adventurism, and thus for decades managed to contain fears of their neighbors.

Chinese experts as well as a number of non-Chinese observers often compare China's present situation to that of Germany or Japan at the end of the 19th century. Usually, the question is whether China will search for a more prominent place on the international stage by using military means. Usually the Chinese answer is: we have learnt from history. However, looking a bit closer at Germany and Japan during those days it becomes clear that they were not necessarily bent on military adventures either. War in itself was an accepted means of politics, be it for the furthering of interest against neighbors, for colonial objectives, or for – for example – safeguarding America's interests on the whole of the American continent. That is not the case today. The name of the game today is economic progress, and the recognition of this fact lies

behind Deng Xiaoping's instruction of 1978 that China should not play a prominent international role ("not stand out").

In recent months, going onto new grounds beyond Deng Xiaoping's vision, another narrative has been created: China, it says, is presently on the way to recover a position in the world that it used to have until about 200 years ago, namely that of a great and strong power. But of course 200 years ago China did not at all have such a position in the world, simply because "the world" consisting of a multitude of states having relations which each other did not exist in the Chinese mind. If China today tries to find its place in a world of sovereign states, that in itself proves how far the modernisation of the concept of statehood in fact already has progressed in China. At the same time, Chinese leaders do realise the difference in problem perception between themselves and others and try to identify a reason for it: economic or political competition, or, lately ever more often, Western "ideology". The Communist Party's leaders insist on China's very own "soft power" countering Western ideological attacks. But here they face a dilemma, as they insist that human rights or democracy are Chinese values, too, today; and, as with socialism, it is hard to deny where they originate from. That is why it is necessary to speak about "Chinese characteristics" of such concepts. They are connected to a "Chinese" concept of a meritocracy - the Party - that is to guarantee the ability to manage politics and device long-term strategies independent of popular moods, thus being superior to democracy. A meritocratically organized Party is able to keep its hold on power even if there is no strong ideology any more that keeps the society together. The effort to combine materialism and nationalism with the Party's objective of staying in power leads to the argument that the rise of China and the decline of the West occur synchronously (and are thus related to each other in some way) so that at some time in the future "Chinese" values will replace those of the European enlightenment and become universal values. It is a very reduced kind of Chinese-ness that is proclaimed here, and it is a reasoning that mainly serves the purpose of justifying an authoritarian state in need of repression as a tool to survive.

However, as outlined before, China, too, while making efforts to prevent internal disturbances, to prevent the children of its middle class from dropping out of the system, is confronted with a more incalculable international environment and with an increasing number of globally active actors that are hardly calculable either, especially for an internationally not yet fully experienced China. So there is a China in the midst of domestic fuzziness in a increasingly chaotic international environment. How can there, therefore, be

the “Beijing consensus” that Western admirers of efficient governments recently espouse? There is no “consensus” in Beijing except the very basic one inside the Party about economic liberty going hand in hand with political repression. It suffices to follow official or semi-official statements in order to recognize the fragility of that consensus. But the truly profound discussion of where China is heading, is not taking place under the leadership of the Party. It takes place outside the Party, and it is controversial. The front-lines of that discussion do not run between China and the West or the international community, they run inside China itself. There are many front-lines and many voices are pushing the leaders into the defensive, much more than anyone in the West would do that.

While all this takes place against the backdrop of a gradual dissolution of the international order, it is at the same time part of it, and driven by it: be it in Africa, on the question of Chinese arms in Sudan, of sticking to sanctions against Iran, of avoiding the irritation of next-door neighbors. The question China finds itself confronted with is not just a question of defining its international position, its values, its objectives, its strategies, its relationships with the United States or with Japan, or with the international community as a whole. It is first of all a question of finding a balance between domestic problem perception and an international one. Where does China fit in – or not? Can the U.S. be a point of reference in the way it was in the past, in “stable” Cold War days, a point of reference for a China that is trying to find its own place in the world and that has as it means mainly anachronistic tools of analysis. From the outside it might seem that China is only bent on changing the rules of the international order to its advantage, using its newly-found clout. From Beijing’s point of view, China finds itself in a quandary about how to deal with international relations from a genuinely foreign affairs viewpoint. And then, still, there is this one particularly unruly, close neighbor: Japan...

3.

Does Japan, in a completely different situation compared to that of China, know any better where it stands today? The Japanese speak of their two “lost decades”. This is usually understood to mean that ever since the economic “bubble” of the late Eighties burst, Japan has failed (possibly with the partial exception of the Koizumi years) to adapt to the necessity of economic and political reform, and to the rise of countries such as China. Indeed, politically the rhythm of ever faster changing leaders of the Japanese government has made the development of long-term strategies difficult, the close relationship

between some politicians, small and medium sized enterprises in the provinces and parts of the bureaucracy have stood in the way of political reforms. The debt of the government, trying to stimulate the domestic economy again and again, has risen to nearly 200% of the GDP. In addition, the ageing of Japan's society casts a spell of uncertainty over Japan's future. And the rise of China as a strong economic competitor – having overtaken Japan as Number 2 as a world economic power in August 2010 - confronts a Japan that had been used to possessing the most dynamic economy in the world with a challenge unused to.

The gnawing self-doubts of Japanese society are in turn affecting the analysis of outside observers. Typically, the vice-chairman of a major Indian company accompanying the Indian Prime Minister to Japan at the end of October 2010 declared that Japan was not an innovative country any longer, and it was out of the question for Indian enterprises to consider Japanese ones as their future partners. Sober examination of the facts, however, leads to different conclusions. First of all, how could Japan remain the Number 2 world economic power for 20 years? A very general answer would be that Japan's global players did indeed adapt to the new situation, restructured vigorously and have remained innovative and competitive, as shown by the relevant figures. Japan also spends almost twice as much on R&D as the U.S. The number of its global patent applications still holds a comfortable number 2 behind the U.S. and is growing at a faster rate than that of any other country. Outward M&A is continuing to accelerate and as its global players have used the opportunities offered by the world financial crisis to restructure incisively, arguably no country is today better positioned than Japan to profit from the rise of China. Japan is an open society – the most open one in its region – and an affluent one, too. In short, Japan is a singular success story, and as a result, it is a singularly stable country.

That stability has three consequences:

(1) Coming from its background of democratic governance, in its international relations Japan typically tries to tackle problems “legally”, and rationally. The Senkaku incident provides an example, when Japan tried to leave matters to the court and, once China reacted erratically, tried a legalistic approach by simply releasing the captain of the fisher boat, and then tried – in vain - to bring the leaders of both countries' governments together and to let things calm down.

(2) Japan is an anchor of stability in the East/South East Asian region. Not many countries may have an international impact like Japan without hardly anyone realising it. But Japan's economy and its alliance with the United States at least are an assurance to everybody else in the region; including China (it would be much more difficult otherwise for China to deal with its internal problems and to reassure its neighbours). This is vital for the security of the region, especially in times of increasing turbulence in international relations. It is, of course, created and maintained by the United States, lacking international institutions or a kind of contractual understanding among the countries of the region, but efficiently supported (despite the long-lasting disputes over the U.S. bases in Okinawa) by Japan.

(3) That stability is also the Asian point of orientation for the development of the region (and neighboring regions such as South Asia and beyond). With the investments from Japan, the high-tech and R&D input from Japan, the "Little Tigers", the rest of South East Asia and China developed so much faster. The United States of course always remained the biggest partner – and also the indispensable consumer – but Japan provided the Asian development model. It still is, as its present patterns of outsourcing to China and developing a web of economic and R&D connectivity throughout that centre of gravity in East and South East Asia prove.

If that is true, then why did such a successful, stable Japan with all its interest in a beneficial international climate, not take on a regional or global leadership role, even when encouraged by the United States at some points during the post-war period? May be such a question is not adequate in a region where the Second World War is not a matter of the distant past as in the U.S. and Europe (and Japan by refusing for decades to address appropriately the grievances of its neighbors and erstwhile war victims, bears a large share of responsibility for this state of things) but where distressful memories of it continue to feed into peoples' concepts of their relationship with their neighbors, and where competing territorial questions remain unresolved. Also, the Cold War may be over, but its structures are well and alive. Such structures may consist of ideological beliefs, patriotism, or simply a hate mindset. They may also consist of military and defense arrangements such as the U.S.-Japan alliance or the China-North Korea clientèle relationship. Both elements stand in the way of active Japanese policy ambitions, not to speak of a leadership role commensurate with Japan's potential. Whenever the fact that Japan has not played such a leadership role is discussed, these obstacles need to be taken into account.

A look at an often used, seemingly similar case: Germany could never have played the role in Europe it presently does without previous reconciliation with France and, later, Poland, Russia, etc. A similar kind of reconciliation with China was out of the question for Japan during Cold War times, and, unlike in Europe, there were no democratically oriented neighbors around. Japan during the Cold War never needed to develop a foreign policy of its own but was indeed best served by allying itself closely with the United States. At least, it was a comfortable situation, too, as it spared Japanese leaders the effort to tackle those residual structures from the past. Since the end of 2009 the new DPJ government tried a new approach. It pursued the concept of an “East Asian Community”, patterned after the early European Community. DPJ politicians made a point of underlining that a precondition for success of this concept was reconciliation – again following the European example – with its neighbors. But ingrained structures and patterns of thinking and behaviour are not easily changed overnight. The DPJ government’s approach resonated well enough in South Korea, but it ran into distrust in Washington, into misunderstandings in Beijing, and into scepticism elsewhere. Then a problem arose which is typical for our times of chaotic international interactions. While Beijing agreed to set up a tripartite secretariat in Seoul as a possible nucleus for the future East Asian Community, the Chinese navy for the first time ever proceeded to cross waters claimed by Japan with a sizeable frigate convoy. While Japan sent three plane loads full of members of parliament for a friendship visit to Beijing, a Chinese navy helicopter flew threatening rounds over Japanese oil exploration bases. Then came the Senkaku incident. Was it all a wily Chinese strategy, seizing an opportunity offered by a naïve and amateurish new leadership in Tokyo as the Japanese press would have it, or was it a lack of coordination in Zhongnanhai, or was it the reflection of an intra-Party conflict between hard-liners and reformers in Beijing?

Shaken, the conclusion for Japan was that it first of all needs to continue to be proactive at the side of the United States, even expanding the past alliance relationship. Inside the Japan-U.S. security alliance, Tokyo wants to develop more mobile and flexible forces for a “dynamic deterrence”, to prepare better for missile attacks and cyber terrorism, and strengthen regional security through cooperation with South Korea and Australia. It is clear, that all these new measures have mainly one country in mind, China. But was that the Chinese objective? Probably it is a symptom of the quandaries neighbors today find themselves in trying to figure out how to manage their interests best in a time when every decision they might take possibly influences so many other

factors previously unthought-of having repercussions impossible to take into account in time. These are, obviously, quandaries with possibly catastrophic consequences.

As in the case of China, the U.S. is the major point of reference for Japan and its security. At the same time, China is the point of reference for Japan's insecurity. It is not yet a military threat, but that possibility is very much in the minds even of ordinary Japanese and the political class alike. It is therefore not a surprise if no other country has complained more about the lack of transparency of China's military and foreign policy decisions than Japan. Japan may be an anchor of stability – itself it is looking for its own anchorage. So far, as the meeting between Foreign Minister Maehara and Secretary of State Clinton and of October in Hanoi showed, Japan falls back on its old “anchor”, the U.S. It is uncertain, though, how long that particular anchor remains reliable.

4.

At some point, a comprehensive analysis of sixty-five years of U.S. presence in East and South East Asia will be necessary. The conclusion might be that there have been great mistakes, but that with all mistakes made, if today this part of Asia is increasingly affluent, powerful and relatively peaceful, that it is the result of U.S. presence. China's rise would not have been possible either without the United States' stabilizing influence in the region, sustained by its alliance with Japan. The dramatic fall from public favour, as seen of the past few years in all relevant polls, does not mean that the U.S. could be dispensed with in this region. Popularity and indispensability are two different matters. Singapore, Indonesia, South Korea, all at some time in the recent past, and very recently Japan, have tried to wean themselves from their dependence of the United States and have found themselves thrown back into their alliance with America.

The United States necessarily rethinks its position in Asia. It does so somewhat too often for the comfort of the countries concerned. Leave the Pacific Ocean up to the second island chained to China? Move back to the side of South East Asian nations on the problems of the South China Sea? Establish trilateral relationships / return to the old bilateral arrangements / promoting a “G 2”? Help develop multilateral fora like the EAS? Seen from the Asian perspective, the United States seems to vacillate between engaging in regions that command at some point more of its interests (e. g. the Middle East) and East

Asia on which its economic well-being increasingly depends, and here sometimes between hugging the panda and showing it its place. Not only for Japan and China, for Asians in general the United States is the country of reference – but does it realise it? There, indeed, is a philosophy behind U.S. foreign policy: the United States looks for partners on any specific problem, those partners who are at a given time most ready to help solve a problem. That is a very rational strategy in one way. It amounts to an intelligent way of building coalitions of the willing. However it tends to make the United States unreliable – and the “G2” vision then suddenly would seem like a dream born out of listlessness. An indispensable yet undependable superpower would spell trouble for the world. It would compound the fragmentation of international politics and make it even more risk-prone. To base a country's foreign policy on the concept of coalitions of the willing means that there will be a foreign policy without a solid basis of lasting partnerships. The United States will continue to be a sought-out partner because it is so powerful. At the same time, America's partners will look for more stable and long-term reliable partnerships elsewhere. In order to develop and push long-term political objectives, a degree of reliability is indispensable. In a time of an ever fuzzier international order this is even truer in a region that is as fragile and unstable such as East and South East Asia. As a consequence even a superpower might lose its leverage. In the age of an increasing loss of structures and of means to establish new ones, every country needs to cross rivers by feeling for the stones (to use an adage of Deng Xiaoping), also the United States. But who will follow a leader who might let go your hand?