

## **21<sup>st</sup> century – Japan in the shadow of China?**

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**For over a few dozens of years Japan has been a superpower, but only an economic one. After World War II, Japan had not conducted any regional (it never created any sort of economic cooperation bloc with any Asian country) nor global foreign policy, since it had no influence on the course of political events in any part of the world.**

**Although recently it had shown that it has an ambition to appear in the region, this ambition came too late, since its unbeatable rival is China. Japan has one of world's strongest economies, with a powerful research and development base, however it is a giant with no possibility for a further growth. Furthermore, for over 20 years this giant has been immersed in a deep economic crisis, with no prospects for it to end.**

**For the last 30 years China has been a rising economy, with great political aspirations.**

**Its aim is to become not just a leading world economic force, but a global superpower.**

**In the currently undergoing process of levelling with leading world economic powers, China has never competed with Japan. Both of these countries had built their positions in different ways and in different historical periods.**

Japan started to do so during the American occupation (1945-1952). As early as in 1948, due to escalating Cold War, the course of events in China and almost one hundred per cent certainty that it would fall out of America's calculations as its potential ally in the Far East<sup>1</sup>, the United States set about the reconstruction of economy and remilitarisation of Japan, aiming at making it the main military base in the region in the shortest time possible and a political ally supporting America's anticommunist policy.

During the Cold War period a strong conviction prevailed concerning a threat, mainly from the USSR, and after 1949, from the Communist China and the North Korea. That accelerated Japan's development. During the Korean War, it became a provider of goods and services to American troops in Korea, and after it ended, Japan was firmly linked with America's politics and economy.

The Mutual Security Assistance Pact of 1952, expecting American troops to be stationed on Japanese territory, changed in 1960 into the new Treaty of Mutual Cooperation and Security, provided Japan with military protection, with the so-called nuclear umbrella. Both of these

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<sup>1</sup> In the pre-war period, one of the political concepts assumed that America's main ally in post-war Asia will be China. See: H. M. Vinacke, *The United States in the Far East 1945-1951*, London 1952, p. 48-54.

pacts made Japan dependent on the USA politically, although economically they granted it access to American markets and newest technologies.

As of 1954, (To jest dziwne, nie wiem, jak powinno być) word began to spread about the Japanese economic miracle. In 1967, Japan became the third biggest economic power in the world, following USA and USSR. In the years 1950-73, the Japanese economy grew at a rate of 9.3% per year and until 1973 did not experience recession. In the 1970's, Japan's economic potential was bigger than that of any European country and only three times smaller than that of the United States. Following the fuel crisis of 1973, the growth rate dropped to 5%, and in the 1980's, it already amounted to 4%<sup>2</sup>. In 1986-90 sliding stock and rising real estate prices caused the Japanese economy to overheat. This period became known under the name of bubble economy. In it extensive consumerism came into play. It was accompanied by corruption and social scandals at the highest levels of government.

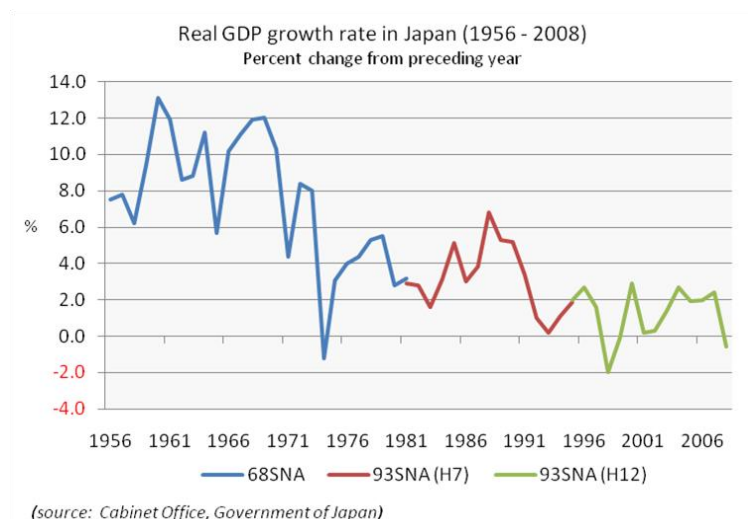
In the bubble economy period the Japanese economy beat a number of "records". It had the highest economic growth rate in the world, the highest earnings, stock market quotations increases, as well as land and real estate prices. It also had a great balance of payment surplus and regardless of clear crisis indications, a surplus in foreign trade turnover<sup>3</sup>.

In April 1991, recession started and the growth rate visibly diminished. In 1991-2000, it amounted to an average of just approximately 1%. In this period, Japan's economic growth was slower than that of other highly industrialized countries. In 1995, growth rate reached a level of 2.3%, in the following year as much as 3.6%, which was treated as a comeback to normal. However, in 1997, the Asian financial crisis engulfed South-Eastern Asia, Japan's main export destination, where Japanese banks invested enormous amounts of money. This resulted in another growth rate decrease: in 1997 GDP indicator amounted to - 0.4%. In 1998, regression was clearly visible. A negative growth rate of - 0.5% was reported and in 1999 deflation surfaced, which proved difficult to stop.

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<sup>2</sup> *The Japan book*, Kodansha International, Tokyo-New York-London, 2002, p.66.

<sup>3</sup> See: E. Potocka, Japonia w cieniu kryzysu. Przemiany wewnętrzne w ostatniej dekadzie XX wieku, in: „Azja Wschodnia na przełomie XX i XXI wieku”, ISP PAN, Wyd. Trio, Warsaw 2007.



The last decade of the 20<sup>th</sup> century was basically a Lost Decade – the average GDP growth rate was lower than the global average by twofold. The national debt grew at an alarming rate. In 1992 it amounted to 65% GDP, but in 2010 Japan's debt-to-GDP ratio is approaching 200%, leaving Tokyo a very limited space to adopt expansionary monetary or fiscal policies.

Today, Japan is the most debt-laden country among the OECD nations (*Organization for Economic Co-operation and Development*) and its assets for maintaining a high growth rate are diminishing<sup>4</sup>. In December 2009 the Minister of State for Economic and Fiscal Policy declared that the Japanese economy is going through “the worst crisis since the end of the war”. To a high degree this was caused by the global financial crisis which deepened the recession and caused an increase of unemployment rate to unprecedented levels in Japan – 4.9% in January 2010, comparing to 5.2 in December of the previous year and as much as 5.7% in July 2009.

The economic slump caused an implosion process. The so-far effective social order, considered to be foundations for economic success, collapsed. This included: an authoritarian state model, Confucian social structure based on omnipresent hierarchy and acceptance of authority figures<sup>5</sup>, education of society<sup>6</sup> and patriarchal employment system<sup>7</sup> which guarantees employment until retirement, and as a result, social security. In crisis conditions all

<sup>4</sup> The financial credibility of one of the largest world economies has been unsettled. In 2009, the Standard & Poor's Agency lowered Japan's rating perspective from “stable” to “negative”.

<sup>5</sup> Elżbieta Potocka, *Japonia – jednostka i społeczeństwo*, in: ed. Adam W. Jelonek, “Jednostka i społeczeństwo w Azji Wschodniej, Adam Marszałek Publishing House, Toruń 2007.

<sup>6</sup> See: E. Potocka, *Japonia w cieniu kryzysu...*

<sup>7</sup> Anna Jeżewska, *Zmiany w japońskim modelu zarządzania na przełomie wieków*, in: ed. Elżbieta Potocka, Małgorzata Pietrasiak, “Współczesna Japonia mocarstwo na rozdrożu”, UŁ, 2004.

of these values turned out to be a burden. This is influenced to a considerable degree by the Internet and globalisation. Free flow of information and behavioural models, mainly from America, resulted in the fact that adherence to customs, absolute and blind acceptance of authority figures, limiting of individualism through placement of needs and interests of the group over those of an individual, avoidance of open conflicts, finding solutions through compromise, lifelong allegiance to one company, in the 21<sup>st</sup> century are values subject to slow degeneration or evolution. Millions of young Japanese are looking for a solution to life in new economic conditions, whereas the elder do not comprehend changes which are taking place.

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At a time, when Japan was at the attention of the entire world, China was in the midst of Cultural Revolution and economy collapse chaos. Hunger and fear were inseparable elements of Chinese life. Until 1978, China is a backward and poor country, with an average annual income per capita of merely 190 US dollars.

### **China's voyage towards modernisation started in December 1978.**

At the session of the 3<sup>rd</sup> Plenary meeting of the Central Committee of the Communist Party of China, a new course proposed by Deng Xiaoping was accepted, which stressed economic reforms and opening-up of China to the world. Upon launching of reforms, the government focused on modern economy, society and the army, as well as amicable creation of international surroundings, i.e., maintenance of good relations with all nations of Asia and the world.

With the construction of a modern economy, China implemented the “catch up” technique, i.e., a method of gaining on developed world economies, using their accomplishments and capital<sup>8</sup>. Japan used this technique in the second half of the 19<sup>th</sup> century, skipping from the feudal era to capitalism in a period of just 40 years. In the 20<sup>th</sup> century, the same solution was also used by the “Asian Tigers”.

Creating a new financial base, China turned to foreign technologies and capital. In the 1980's, special economic zones were created in China, i.e., areas separate in administrative and

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<sup>8</sup> The development strategy generally called “catch up”, is based on the principle of using the advantage created by relative backwardness. A country trying to catch up with leading countries usually turns to capital of leading nations. It does not have to invent the wheel or the steam engine all over again. It buys what it needs, usually on credit. It no longer takes a century to catch up with more developed countries. This may be limited to two or three decades.

customs terms<sup>9</sup>, which experienced an inflow of foreign capital in the form of foreign direct investments (FDI). In 1979, this capital amounted to a mere USD 80 thousand, mainly from Hong Kong. By 2009, capital invested in China amounted to over USD 850 billion.

During the reforms, Chinese GDP was multiplied and the living conditions of millions of Chinese people significantly improved. For instance, according to the statistics compiled by the World Bank, in 1980 40,7% of rural inhabitants of China lived in poverty, while in 2002 this percentage dropped to 4,8<sup>10</sup>. Another proof of improvement was a GDP per capita indicator: when in 1978, GDP per capita amounted to merely USD 190, in 2002 it was over USD 940, in 2006 – USD 2110, and expectations for 2010 are set at USD 4000<sup>11</sup>.

**Such a “catch up” policy provided for uninterrupted economic growth** of China and its advance in world’s richest nations rankings. In 1995, in terms of global trade, China was the 11<sup>th</sup> one and in 2007, it outdistanced Germany, and in terms of GDP came in the third. At the end of 2009, it seemed that China had already outdistanced Japan, but the Japanese with a GDP of USD 5.1 trillion (China: USD 4.9 trillion) managed to hold onto the second position, mainly as a result of internal consumption<sup>12</sup>. Statistics for the first half of 2010 show that Japan was already overtaken by China in this ranking<sup>13</sup>.

It has to be stressed that in the last three decades, China has been developing at an annual rate of 8-12% and managed to catch up with leading global economic powers sooner than most analysts expected. The global financial crisis of 2007/8 inhibited this development, since the

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<sup>9</sup> The first zone was created in 1980, in Shenzhen, at the border with Hong Kong. More: Agnieszka Jagiełło, *Specjalne strefy ekonomiczne i inne obszary uprzywilejowane w ChRL*, in: “Azja-Pacyfik” No. 3/2000, Adam Marszałek Publishing House, Toruń.

<sup>10</sup> *Economists Evaluate China’s 30 Year Reform*, “China Economist”, no. 15 July-August 2008.

<sup>11</sup> In accordance with CIA data, China’s GDP per capita in accordance with purchasing power parity (PPP) in 2007 amounted to USD 5.5 thousand, and in 2008 – USD 6 thousand. An interesting development prognosis for China is presented by an American economic Nobel prize winner, Robert W. Fogel, in the 2010 January-February issue of “Foreign Policy”, in article “\$123,000,000,000,000. China’s estimated economy by the year 2040. Be warned”. The author argues that if China does not make any significant errors, nor will there occur any calamities, by 2040 it will be the richest country in the world in terms of GDP indicators, whereas in terms of GDP per capita, it will be slightly behind the United States and greatly superior to European nations. According to Fogel, by 2040, China is capable of reaching a GDP of USD 123 trillion which may constitute 40% of global GDP, i.e., USD 85 thousand per capita.

<sup>12</sup> AP Tokyo “Japan’s GDP surge leaves China as No. 3 economy”, “South China Morning Post” (SCMP), February 16, 2010.

<sup>13</sup> “China overtakes Japan as world’s second-largest economic power”, “The Independent Business”, August 17, 2010.

growth rate dropped from over 11.4% in 2007, to 8.7% in 2009. In the last quarter of 2009, it again reached the level of 10.7%<sup>14</sup>, and in the first quarter of 2010 – 11.9%.

The main driving force for China's development is **almost** inexhaustible human resources. The key term is "almost", since China is already experiencing a shortage of qualified workers<sup>15</sup>. **With that realization, China is investing in education and training of its people.** At the beginning of the 1980's, the population of China exceeded one billion, of which 20%, i.e., 200 million, were illiterate<sup>16</sup>. In accordance with "The Economist" data, in 2007, as many as 90% of adult Chinese citizens were able to read and write.

Awareness that reforms must be accompanied by development of education is widespread in China, since attraction of new technologies requires the ability to implement them as well as service state-of-the-art devices. In all economic zones and technological parks there are schools the purpose of which is training and perfecting skills of Chinese work teams. This results in increased effectiveness and work quality.

At present, over 3 thousand higher education schools operate in China, with 1300 state-run facilities and 1200 private higher education and other schools for adults. Over 25 million students are being educated there<sup>17</sup>. In 1978, there were merely 850 thousand of them. Expenditures on higher education amount to 1.5% of GDP<sup>18</sup>. From year to year, spending on education is increasing in general. It is expected that in 2012 – 4% of GDP will be allotted to education<sup>19</sup>, which will make it possible for China to reach an average global level in this field.

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For many years an economic growth took place mainly in sectors which do not require considerable financial outlays for research and development (R&D)<sup>20</sup>. Previously, new

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<sup>14</sup> AP Beijing, "Wen boosts social spending, targets minorities", SCMP, March 5, 2010.

<sup>15</sup> Olivia Chung, Home is best for China's migrant Workers, "Asia Times", March 3, 2010.

<sup>16</sup> More: Anna Pietruszewska, "Alfabetyzacja w Chińskiej Republice Ludowej", [www.racjonalista.pl/kk.php/s.5289](http://www.racjonalista.pl/kk.php/s.5289)

<sup>17</sup> Jonathan Adams, *Get ready for China's domination of science*, "UK New Scientist Magazine", January 6, 2010. Young Chinese are not interested in politics and it is of no difference to them whether they are working for the Party or an international company. Of the utmost importance is to have employment and an outlook for high earnings. Acquisition of a Communist Party card can be helpful. Today, in comparison with 1% in 1990, 8% of students have such a document. This is a result of pragmatism – it is easier to find a good job with a Party ID than with a college diploma.

<sup>18</sup> Fiona Tam, "China's top universities 'to rival Ivy League'", SCMP, February 24, 2010.

<sup>19</sup> Raymond Li, "Education spending target set for 2012", SCMP, March 1, 2010.

<sup>20</sup> All expenditures in research and development constitute current, capital expenditures (public and private) on creative, systematic operations aimed at expanding knowledge. This includes basic and applied research, as well as experimental proceedings aimed at the creation of new devices, products and processes.

technologies were brought to China together with a foreign capital<sup>21</sup>, but now the Chinese are aspiring to manufacture products with advanced manufacturing technologies, i.e., in the high-tech field, including the following industries: aviation and space, computer, pharmaceutical, scientific instruments and electric appliances. Therefore, they are turning to research and development.

R&D share in China's GDP increased from 0.6% in 1995 to 1.5% in 2005 and continues to remain at approximately this level. OECD data show that in 1995-2006 gross domestic expenditures on research and development increased in China at an annual rate of 18%. In terms of such expenditures, at present China holds the third place in the world – inferior only to the USA and Japan<sup>22</sup>. The result of this is the number of applications and patents. According to the World Intellectual Property Organization, the number of patent applications<sup>23</sup> submitted in 2007 in the USA was 456,154, in 2008 – 456,321, i.e., almost as many as a year earlier<sup>24</sup>; in Japan – respectively – 396,291 and 391,002, i.e., their number decreased by 1.3% in relation to the previous year<sup>25</sup>, and in China, 245,161 in 2007, and as many as 289,838, i.e., 18.2% more in 2008.<sup>26</sup> In China the number of scientific and technical publications is constantly growing.<sup>27</sup> In the last 10 years it increased fivefold. In a decade or two, China may catch up the United States.

**As it was said above, China's goal is to become a global superpower**, i.e., a nation which would be significant not only in economic terms, but also in political and military ones. Contemporary China in many fields is already placed in line with the United States, the leading global economic and military power. **At present all actions of the USA require**

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<sup>21</sup> By 2005, over 700 supranational companies created their R&D centres in China. Until 2005, global technological giants invested over USD 7.7 billion, and exports executed by companies with foreign capital amounted to 85% of high-tech product exports. Since 2007, China has been the most attractive location for R&D investments (superior to USA and India). In China, 61% supranational companies have their R&D centres (USA 41%, India 29%). In 2007, there was over a thousand of them. In China, during the 30 year reforms period, 53 technological parks and 54 economic development zones were created. Incentives include: tax discounts and grants for companies for innovative designs.

<sup>22</sup> In 2007-08, China spent on R&D 1.42% GDP, i.e., USD 37.7 billion, USA – 2.61%, i.e., 343.7; Japan – 3.33% -151.3 billion (Chinese Ministry of Science and Technology data).

<sup>23</sup> Patent applications are applications submitted before the national patent office for the purpose of acquisition of exclusive rights to an invention, product or process which delivers a new method of accomplishing a task or offers new technological solutions to a given problem.

<sup>24</sup> Annual Technical Report 2008 on Patent Information Activities submitted by United States of America (SCIT/ATR/PI/2008/US)

<sup>25</sup> Annual Technical Report 2008 on Patent Information Activities submitted by Japan (SCIT/ATR/PI/2008/JP)

<sup>26</sup> Annual Technical Report 2008 on Patent Information Activities submitted by China (SCIT/ATR/PI/2008/CN)

<sup>27</sup> Scientific and technical publications pertain to the number publications in the following fields: physics, biology, chemistry, mathematics, clinical medicine, biomedical research, engineering and technology, research pertaining to Earth and space. Source: The World Bank, World Development Indicators 2009.

**China's neutrality or at least, its consent.** This pertains to both operations in Iraq, as well as policy towards the DPRK.

Japan had never had such options, although since 1967, it was the second among capitalist economies, after the United States. Since the end of occupation, it has been under America's "protective umbrella", and an alliance with the US grants it national security<sup>28</sup>. For many years it has been monitored by almost 50 thousand American soldiers<sup>29</sup>.

The extremely pacifistic constitution of 1947 is a price this country had to pay for the aggression and crimes committed until 1945. As the victor intended, the constitution included an article 9, which practically means that Japan "forever" renounces war and undertakes not to keep an army<sup>30</sup>. This provision made Japan a pacifistic country, which in a self-evident manner limited its activity on international arena<sup>31</sup>. **Presence of American troops on the Japanese territory is one for the most evident symbols of Japanese dependence from the United States.** This dependence shaped Japanese foreign policy on key issues.

Regardless of how much the Japanese dislike this constitution, since the end of the Second World War it has granted Asian nations, victims of Japanese aggression, a relative sense of security. It has also limited Japan's spending on defence to 1% GDP<sup>32</sup>.

Many Japanese are convinced that this makes Japan a state of limited sovereignty. Japan is often regarded as "an economic giant" and "political dwarf", but it is a common international opinion that thanks to these limitations Japan is not an ember of unrest in the region, like the North Korea.

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For the last two decades Japan has been attempting to change its image of a "political dwarf"

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<sup>28</sup> Sourav Roy, "2010 - Fifty years of US-Japan security treaty".

<sup>29</sup> Stationed at military bases mainly on Okinawa and former imperial naval base in Yokosuka. The 7<sup>th</sup> Fleet is based there, with approximately 60 thousand troops with nearly 60 ships and 350 airplanes for ground and marine landing. Apart from ships, the 7<sup>th</sup> Fleet includes a proper group of Marines. In total, on Japanese territory there are 50 various types of US bases and military installations. See: U.S. Forces Japan, December 28, 2008.

<sup>30</sup> Art. 9 of the Constitution of Japan provides that: "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>31</sup> In the post-war period, Japanese policy was dominated by pacifism. The basis for such policy, up until early 1980's, was the so-called Yoshida Doctrine [Prime Minister to five governments of Japan in 1946-1954], in accordance with which Japan was to concentrate on economic issues, entrusting its ally matters of its security, which was connected with the presence of numerous American military bases on the territory of this nation.

<sup>32</sup> For military purposes, Japan used to spend 1% GDP, which in absolute values amounted to an exorbitant amount of approximately USD 40 billion a year; following the incident of a North Korean missile breaching Japanese airspace (1998), defence expenditures increased from year to year. In 1999, they amounted to USD 45 billion, In 2000, approximately 50 billion, i.e., 1.6% GDP, AP Agency, 17.09.1999. In 2009 – USD 46.3 billion.



There are strong tendencies to abandon American supervision and to make Japan “a normal” country, i.e., the one which can provide for its own security. During the reign of the LDP, the Japanese-American alliance was the absolute basis for Japan’s foreign policy and security. Since August 2009 Japan has been ruled by the Democratic Party of Japan and its then leader (now the former Prime Minister) Yukio Hatoyama clearly emphasised that Japan wants to “create an autonomous foreign policy strategy, and form a close and equal alliance between Japan and the United States”<sup>33</sup>.

This opinion was already expressed as early as the Shinzo Abe’s government (2006). The Prime Minister himself was perceived as a political “hawk”. On many occasions he emphasised that he “was born after the war and represents a new bolder vision of Japan”. This “bolder vision” is an announcement of change of the pacifistic constitution, the result of which probably would be transformation of The **Japan Self-Defense Forces** (SDF), into a regular army. Heated debates on this subject have been conducted for years. As the main reason presented for such a course of action is a military threat from the North Korea and its nuclear program<sup>34</sup>. Furthermore, the Japanese are concerned about the growing military power of China<sup>35</sup>. **In order to balance the threat coming from these countries**, since 2003, Japan has been building up its antimissile and anti-aircraft capabilities with Aegis and Patriot systems. In 2007, together with the United States and the South Korea, Japan created a regional antimissile shield system<sup>36</sup>, there are also talks about attempts of creating its own nuclear arsenal.

Japan’s aspirations to be more independent from the United States in its diplomacy, and to carry out „an autonomous foreign policy” are the result of America’s increased military activity in the Middle East, and in effect, decreased involvement in Eastern Asia, as well as – perhaps even mainly – as a result of dynamically developing China, which in Japan is perceived as a threat.

Mr. Naoto Kan, the current Prime Minister, seems to return to the old track by saying: “ I believe the Japan-US relationship is the foundations of Japan’s diplomacy”. But furthermore he stated: ”The course we need to take is to maintain a trusting relationship with the United States and at the same time to consider China as equally important”<sup>37</sup>.

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<sup>33</sup> Agreement for a Three-Party Coalition Government, <http://www.dpj.or.jp/english/policy/policy090909.html>; Yukio Hatoyama, A New Path for Japan, „The New York Times”, August 26, 2009.

<sup>34</sup> When in 1998 a North Korean Taepodong 1 ballistic missile entered Japanese airspace, the Japanese started talking about creation of a regular army.

<sup>35</sup> AFP, *Make your defense spending more transparent, Tokyo tells Beijing*, **SCMP**, March 5, 2010

<sup>36</sup> Marek Ostrowski, “Tarcza nad jeziorem”, *Polityka*, 6.08.2007.

<sup>37</sup> <http://www.commentarymagazine.com/blogs/index.php/jillian-melchior/306656>

Fulfilment of Japan's ambitions and aspirations in relation to a change of image would be a **permanent membership of** the United Nations Security Council. Inclusion in the Council would constitute some sort of recognition of Japan as a country of significance. Although Japan's financial contributions to the United Nations are extremely high, the country itself is overlooked in decision processes pertaining to significant issues. This causes irritation among the Japanese.

Japan strived for a permanent seat in the Security Council in 2005. Its main opponent is China. The Chinese are voicing an argument which is hard to ignore. They believe that Tokyo does not deserve the honour of sitting at this elite club, because "it is making attempts to justify Japanese aggressors' crimes of the previous century".

**As one can see, Japan's unsettled past is taking its toll on its future.** Former Prime Minister Hatoyama was aware of this fact. On the one hand he was an advocate of neutralisation of China's growing economic power, on the other he understood the magnitude of the problem of Japan's unsettled past in relation to political stabilisation in the region, which he discussed on November 15, 2009, in Singapore, while presenting his outlook on cooperation of East Asian countries.

Mr. Hatoyama stated that he set himself a goal of creating of ties "between Japan and other Asian countries, and more broadly among Asia-Pacific countries". He added that he set himself such a goal "because reconciliation in the real sense of the word is not necessarily believed to have been achieved in the region"<sup>38</sup>.

Unfortunately, the Prime Minister was completely right, because Asian countries, in particular both Koreas and China, do not accept this form of apology, for it does not carry a real form of compensation. This formula has not changed in years and furthermore, it is impersonal. Regardless of which politician expresses it, it always sounds the same: "Many years have passed" – and here they place a number – "since Japan caused tremendous damage and suffering to the people of many countries, particularly on the people of Asian nations"<sup>39</sup>.

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<sup>38</sup> Address By H.E. Dr. Yukio Hatoyama Prime Minister of Japan,  
[http://www.kantei.go.jp/foreign/hatoyama/statement/200911/15singapore\\_e.html](http://www.kantei.go.jp/foreign/hatoyama/statement/200911/15singapore_e.html)

<sup>39</sup> *Ibidem*.

It is therefore difficult to present a concept of economic cooperation with an active participation of Japan, if shades of its military past are in the background there. Japanese politicians' forced through an idea of creation of an integration zone of the East Asian countries (East Asia Community, EAC)<sup>40</sup> modelled after assumptions of the European Union, intends for the cooperation of countries of the region, each of which holds historic resentments towards Japan. The East Asia Community may be associated with the Greater East Asia Co-Prosperity Sphere, created by military governments and announced on August 1, 1940. It was to cover subordinated to Japan Manchukuo, China and former European dominions in South Eastern Asia<sup>41</sup>.

When thinking about the future of the region, one may come to a conclusion that the main purpose of such a zone would be to neutralize the growing economic power of China<sup>42</sup>. One should also remember that it is difficult to build any cooperation in the region if there is no attempt to improve political relations between Japan and its closest neighbours. For instance, the North Korea, with an army of over 1 million soldiers, nuclear and missile arsenal, is treated by Japan as the biggest potential threat. Relations with the Republic of Korea and China cannot be improved only by declarations that Japanese politicians will not intend to pay visits at the Yasukuni Temple, because this is just one of many elements of Japan's problematic history<sup>43</sup>. Furthermore, relations with Russia are based only on the Soviet-Japanese Joint Declaration of 1956. A complete normalisation of relations is not possible because of a territorial dispute<sup>44</sup> over the South Kuril Islands, called the Northern Territories

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<sup>40</sup> For the first time such a vision was presented by Prime Minister Junichiro Koizumi at the East Asia Summit in Singapore in January 2003, and for the second time in Australia on May 1 of the same year, describing EAC as "a community in which its members operate together are successful".

<sup>41</sup> The Greater East Asia Co-Prosperity Sphere [大東亜, *Dai-tō-a*] was to help the Japanese acquire control over terrains rich in natural resources, necessary for continuing the war in the Pacific. This zone was to encompass China, Korea, Thailand, Burma, Vietnam, Laos, Cambodia, British Malaya and Indonesia. Control over these was to be given to the Japanese Imperial Army or collaborationist either puppet governments. Using such slogans as "Asia for Asians", anti-colonial feelings in East Asian countries were fuelled. This type of pan-Asian propaganda convinced that the Japanese to not conquer but free Asians who are enslaved by white colonisers. In this manner, Japanese imperialist policy was justified.

<sup>42</sup> One could get an impression that this was Japan's reaction to the announcement of creation of a free-trade zone between China and ASEAN – ACFTA, on January 1, 2010.

<sup>43</sup> In Japanese history textbook - efforts to whitewash the actions of the Empire of Japan during WWII – see: Elżbieta Potocka, "Podręcznikowa wojna", in: *Japonia w cieniu kryzysu...*

<sup>44</sup> Elżbieta Potocka, "Spór terytorialny – główną przeszkodą w normalizacji stosunków rosyjsko-japońskich", in: "Azja-Pacyfik", No. 2, Adam Marszałek Publishing House, Toruń 1999.

in Japan, and ASEAN countries continue to place limited trust in a country which is unable to account for its militaristic past<sup>45</sup>.

Maybe for this reason China is able to easily stretch its influence over South East Asia, effectively using the support of Chinese diaspora<sup>46</sup>. It is estimated that outside of PRC, in the world there are 80-100 million people with Chinese roots. The policy to open China onto the world and market reforms activated the Chinese diaspora, strongly attached to the country of their ancestors and their cultural identity. The biggest and most important Chinese diaspora is located in South-East Asia, i.e., in Malaysia, Singapore, the Philippines, Thailand, Indonesia, Brunei, Vietnam, Laos, Burma and Cambodia. Their number is estimated at approximately 60 million<sup>47</sup>. This constitutes a considerable economic and financial power. It is the Chinese from those nations and at the time from the British Hong Kong, who created supranational enterprises which invested their capital and technologies in continental China<sup>48</sup>.

For years, Japan has been winning economically on China's political isolation. Following an opening-up to the world, China slowly but effectively is pushing Japan out of its "zones" of influence. The main field of competition are countries of South East Asia associated in ASEAN<sup>49</sup>. Today, in terms of trade exchange, this is the fourth<sup>50</sup> largest Chinese partner. For ASEAN, China is the third largest trade partner (the group has already outdistanced the USA) – after Japan and EU<sup>51</sup>. This may soon change. On January 1, 2010, a new treaty on free trade between ASEAN and China (ACFTA) came into force. From then on it has covered Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. The

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<sup>45</sup> They are expecting that Japan, as a country, will officially admit to its war crimes in China, Korea, the South East Asia, accept responsibility for them, change the current interpretation of pre- and post-war history as well as introduce into school books contents describing its true policy in Asia in 1937-1945. See: Elżbieta Potocka, *Japonia w poszukiwaniu nowej pozycji w społeczności międzynarodowej. Rozliczenie z przeszłością*, in: "Azja Wschodnia na przełomie XX i XXI wieku", ISP PAN, Trio Publishing House, Warsaw 2007.

<sup>46</sup> It began to form over 2000 years ago, mainly in South East Asia. It managed to secure exceptionally strong influence there. At present it stands behind 75% of all investments in PRC.

<sup>47</sup> See: Pierre Picquart, "Imperium chińskie. Historia i teraźniejszość chińskiej diaspory". Wyd. Akademickie, Dialog, Warsaw 2006, p.111.

<sup>48</sup> Almost 61% of all investments originate from Asian countries, mainly from Hong Kong: 44.6%, Singapore 4.81% and Japan 4.15%.

<sup>49</sup> 10 countries: Brunei, Burma, the Philippines, Indonesia, Cambodia, Laos, Malaysia, Singapore, Thailand, Vietnam. It is 544 million people living on a territory of 4.5 million km<sup>2</sup>. After China, it is the most important field of economic activity for Japan. Japan's turnover with ASEAN in 2001, amounted to 14% of the total value of Japan's turnover - see: Kazuo Ogura, *A call for a new concept of Asia*, "Japan Echo", Autumn 1993; *An Asia strategy for Japan*, "Japan Echo", June 1999.

<sup>50</sup> EU is first, then USA and Japan.

<sup>51</sup> Dorota Gradzka, Anna Kania, "Współpraca Chin i UE: Specyfika wzajemnych stosunków handlowych", info14@polska-azja.pl,

remaining ASEAN countries are to be included in the zone in 5 years<sup>52</sup>. When the consolidation process of this group is concluded in 2015, this will be the third<sup>53</sup> and the largest in terms of population free trade zone in the world. It will cover over 1.9 billion people. **Until now, ASEAN countries have been a zone of political and economic influence of the United States. Formation of a free trade zone may cause the situation to change to the advantage of China.**

As China's forum for economic operations in South East Asia is ACFTA, outside of Asia it is an organisation of countries called **BRIC**, i.e., Brazil, Russia, India and China<sup>54</sup>. In the event of consolidation, BRIC may become a global quasi-superpower in the future. This means almost half of the world's population and economic growth at a 10% annual rate. BRIC already generates 20% of global GDP and cumulates 40% of global convertible currencies and gold. According to the Goldman Sachs Investment Banking analysts, by 2025, BRIC countries will be generating 40% of global GDP. By 2050, the only competition for these economies will be the United States and perhaps, but not necessarily, Japan. EU countries will be seriously overtaken. These countries will also want to have something to say in the global arena. In June 2009, at the BRIC summit in Yekaterinburg, a declaration was announced, aimed at the creation of a multipolar world<sup>55</sup>.

**However, before this happens,** China continues to maintain proper relations with the United States, and its ties with the American economy are significant enough<sup>56</sup> that there is talk of a G-2 project, instead of G-8. In the recent years, economies of both of these countries became so intertwined that they are often considered to be one economic organism. The British historian Niall Ferguson even coined the name: "Chimerica"<sup>57</sup>.

Furthermore, an American-Chinese cooperation is tightening in the region, where the North Korea is the main explosive link. Tokyo's significance in solving the problem of the DPRK

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<sup>52</sup> Artur Gradziuk, Implikacje umowy o wolnym handlu ASEAN - Chiny (ACFTA), Bulletin No. 8, PISM, 19.01.2010.

<sup>53</sup> After the European Free Trade Association, EFTA, and North American Free Trade Agreement, NAFTA.

<sup>54</sup> The notion of BRIC was popularised by the Goldman Sachs Investment Banking in its report from 2003.

<sup>55</sup> Tony Halpin, "Brazil, Russia, India and China form bloc to challenge US dominance", "The Times", 17 June 2009. Retrieved from [http://www.timesonline.co.uk/tol/news/world/us\\_and\\_americas/article6514737.ece](http://www.timesonline.co.uk/tol/news/world/us_and_americas/article6514737.ece)

<sup>56</sup> For China, America constitutes its main market and China is the main buyer of American government bonds. Both sides are so interdependent that any rapid relaxation of cooperation on the part of any of the parties would be harmful to both of them. See: Zachary Karabell, "Superfusion: How China and America Became One Economy and Why the World's Prosperity Depends on It", Simon & Schuster, New York, London, Toronto, Sydney, 2009.

<sup>57</sup> See: Niall Ferguson, Team 'Chimerica', in: The Washington Post, November 17, 2008.

missile-atomic threat is minor. Much better effects may be brought on by *soft power*, which according to an American political scientist Joseph S. Nye, translates into an ability to reach one's political goals without resorting to force and violence<sup>58</sup>. This operational technique has been known to the Chinese since as early as the 6<sup>th</sup> century BC. This philosophy was authored by Laozi, creator of Taoism. It stresses building harmony with the world. This harmony manifests itself through so-called *action through inaction* (wu wei), i.e., effortless operation, using minimum means necessary. China of today is well known for its soft power technique. Therefore, without risking to make a mistake, it would be safe to say that USA is considering China to be its strategic partner in Asia<sup>59</sup> and for this reason Japan fears a clearly forming inevitability of Washington's cooperation with Beijing, not only in the economic field, but also in an area of security<sup>60</sup>.

One of the platforms used by China for the purpose of accomplishing its political goals is the Shanghai Cooperation Organisation<sup>61</sup> (SCO), founded on June 15, 2001, by China, Russia, Kazakhstan, Tajikistan and Kirgizstan, later joined by Uzbekistan. Its aim is to create a regional security system under the banner of battling terrorism and regional separatism, as well as monitoring of American and NATO presence in the Central Asia. The two main superpowers in the organisation, i.e., Russia and China, are aiming at transforming of SCO into a type of an Asian NATO, i.e., an organisation of regional security for the Far East and Central Asia.

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China's aspirations to play the role of a global superpower are fully understandable. Until the beginning of the 18th century, China held a central position in Asia, being both the biggest

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<sup>58</sup> Joseph S. Nye, "Soft Power", *The Means To Success In World Politics*, Public Affairs, New York, 2004.

<sup>59</sup> It should be stressed that the core of American-Chinese relations is economic, not political. Members of the American elite are generally anti-Chinese in attitude and are not hiding their hostility towards China, feeling that their position in the world is threatened, as a result of an economic and military rise of the Middle Kingdom. On the other hand, China is distrustful of the USA for historical reasons, remembering the negative role America played in the period of so-called opening of Beijing in the 19<sup>th</sup> century, as well as a unceasing criticism of China for breaking human rights in Tibet, and finally, for Washington's military support granted to Taiwan. Therefore, the political dialogue between Beijing and Washington is rather exploratory in nature and as yet has not led to any significant agreements.

<sup>60</sup> "Obama to lift China talks to new level", "The Youmiuri Shimbun", February 2, 2009.

<sup>61</sup> Paweł Milewski, *Polityka zagraniczna ChRL wobec Azji Centralnej i udział Chin w Szanghajskiej Organizacji Współpracy*, in *Yearbook "Azja-Pacyfik"*, No. 6/2003, Adam Marszałek Publishing House, Toruń.

and richest country in the world. It maintained tributary relations<sup>62</sup> with most of its neighbours. Its golden age ended at the moment of triumph of capitalism in Europe, world domination of European powers and their creation of colonial empires.

Assumption of a leading place in the world economy is a starting point for China, to assume a similar position in world politics.

**For that purpose, China is building a modern army.** It will only become a full global superpower, when it creates an army worthy of a superpower<sup>63</sup>. When its army becomes armed as well as Japan Self-Defence Forces<sup>64</sup>. At the moment, an attempt to equal the American army is outside of Chinese technological capabilities, but as it is stated in the Pentagon report of March 25, 2009, “China is intensively developing <<destructive>> military technologies – nuclear, space and computer – which may cause a change in the distribution of power not only in Asia, but also beyond this continent”<sup>65</sup>.

Modernisation of the Chinese army started in the 1990’s. The Gulf War of 1991 was an object lesson for Chinese analysts. It showed them the superiority of modern military technologies over a classic, conventional weaponry. It made them realise that China had to change, if it did not want to become a military midget. The Chinese army, although huge<sup>66</sup>, as yet is not offensive in nature, nor has it ever been. This is confirmed by former President Jiang Zemin’s words, who believed that “China conducts a protective policy, which in its nature is defensive”.

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<sup>62</sup> China had been expanding its territories since the earliest dynasties, especially in the Ming (1368-1644) and Qing (1644-1911) periods it focused on the creation of a system of countries acknowledging the superiority of the Chinese emperor, which, among others, J. K. Fairbank describes as tributary. Tributary states paid homage to the emperor of China and “submitted” under his care. In return they could trade with China. That is the period of origin of present day territorial disputes, among others, over Spratly or Paracel Islands.

<sup>63</sup> In accordance with the classic definition, a superpower is a country which through its economic and military power has the possibility to influence the course of events on the entire planet and can effectively face any opponent. In the 1990’s, the United States, in all fields – military, technological, economic and cultural ones – gained an unquestionable advantage over other nations. Washington could effectively influence its competitors in all fields.

<sup>64</sup> With 2,25 million men, it is one of the most highly trained and most modern armies in the world, compared only to American and British forces, with the fourth largest budget in the world – an average of USD 50 billion a year. It considerably outclasses the armies of its Asian neighbours.

<sup>65</sup> Annual Report to Congress, Military Power of the People’s Republic of China 2009, <http://www.defense.gov/news/China%20Military%20Power%20Report%202009.pdf><http://www.informationdissertation.net/2009/04/observing-pentagon-report-on-china.html>

<sup>66</sup> In terms of numbers, this is the largest army in the world, with approximately 2.25 million soldiers under arms, and including paramilitary units – 3.25 million. In the event of a threat, it can mobilise over 7 million people. Additionally, it has 216 million reservists. In China, the number of people at the age of 18-49 fit for military service, amounts to approximately 343 million.

**This description has a deep historical explanation.** In the Qing era, the army was completely on the margin of social prestige.

The material status of soldiers was low, army drafting was connected with a negative selection, and military service was considered to be a great misfortune. The army was organised in accordance with a paternalistic system, which was based on the Confucian concept of state, where the selection of officers took place according to the key of personal loyalty. Most official elites strayed from military matters. Units were often commanded by civilian imperial officials, usually with no military preparation, and the appointment of a high-ranking official to a military position was considered as a type of punishment. The army lacked central leadership, and particular armies were subordinate to governors. In effect, the central government was unable to control the entirety of its army. In the event of such organisation, open military operations were considered to be a last resort. This cluster of provincial armies was an element of internal contests between governors of particular provinces<sup>67</sup>. In the event of conflicts, it was attempted to replace military actions with diplomatic solutions – in order to win over enemies or to set them at variance. Classical Sun Zi war techniques were used<sup>68</sup>. In effect, these were poorly equipped and trained defensive armies, which were unable of counterattacking and usually in the face of invaders remained helpless, especially if the used new, earlier unknown armaments and war techniques.

Without a strong army, China considered self-isolation to be an effective weapon. The idea was to limit contacts with the external world to the minimum. Apart from China, such a policy was implemented by Korea and Japan which isolated itself in the beginning of the 17<sup>th</sup> century. It opened up to the world as late as 1853-54, as a result of American threat to use military force.

The army of the Qing dynasty was a product of national philosophy – badly armed, poorly equipped and additionally addicted to opium. It did not constitute a threat to modern armies of imperialistic countries. In the time of its existence, it did not experience significant victories, however it suffered spectacular defeats, as, for example, in the naval war with Japan in

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<sup>67</sup> More see: Piotr Olender, “Wojna japońsko-chińska na morzu, 1894-1895”, *Lampart* 1997, s.14-15.

<sup>68</sup> See: Krzysztof Gawlikowski, “Strategie na konflikt i negocjacje. O sztuce wojny Mistrza Sun”, *rocznik „Azja-Pacyfik”*, no. 1/1998.



1894-95<sup>69</sup>. In 1937-45, when a part of Chinese territory was occupied by Japan, the Kuomintang forces had no success in combating the Japanese either. All they could do was to hold Japanese forces in check. The revolutionary army, created in August of 1927 by Mao Zedong, was composed mainly of workers and peasants. This was a crowd of ill dressed, poorly equipped and often hungry people. They fought not with a foreign invader, but with their own countrymen for a better future. In the cold war period, China maintained a self-isolation policy and domestic order was upheld by the army.

At present, through a modernisation process, the Chinese army is becoming more up-to-date with current standards. It is slowly transforming into an effective fighting tool. Old military equipment of Soviet origin is methodically replaced with new technological solutions. The military industry is becoming efficient in the production of more technically advanced systems. The military industry is based on increasingly technically advanced systems.

China has created an effective antimissile defence system<sup>70</sup>, it is modernising its air transport base and creating a modern transportation fleet with universal landing crafts, capable of delivering logistic support to a strong landing force. The Chinese are developing airborne forces, training paratroopers and their own naval infantry (equivalent of American *Marines*). In a few years, China will have its own aircraft carrier<sup>71</sup>. As one of higher ranking officers of the Chinese army said: “China’s main goal in the 21<sup>st</sup> century is to become number one, the most important superpower (in the world)”<sup>72</sup>. For this purpose, Beijing has allotted huge sums of money. In 1996-2003 it increased expenditures on the military by 10% a year. In the following few years, there was an annual increase of 15%. In 2008 – a 17.6% increase in relation to the previous year (USD 61 billion), in 2009 – 14.9% increase in relation to 2008 (USD 70 billion). Unofficially, much more. American sources estimated that in 2008, it was USD 140 billion. For 2010, a 7.5% increase in relation to 2009 is expected<sup>73</sup>. Although in percentage terms this is less, in terms of money this amounts to 532.1 billion Yuan, i.e., USD 77.95 billion. Although this is the second largest defence budget in the world, it is still relatively small in comparison with that of the United States, which in the 2010 fiscal year

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<sup>69</sup> As early as then Japan, possessed a modern army, trained after Prussian, French and English models.

<sup>70</sup> Antimissile – in space and cyberspace. China is developing a weapon which in the event of a conflict will be capable of neutralising enemy satellites.

<sup>71</sup> Minnie Chan, “Beijing cements warship ambitions”, SCMP, December 17, 2006.

<sup>72</sup> Reuters from Beijing, “Challenge US dominance, urges PLA officer”, March 1, 2010.

<sup>73</sup> Minnie Chan, Moderate military budget rise tipped, SCMP, March 3, 2010.

amounted to USD 680.2 billion. For the 2011 fiscal year (which starts on October 1, 2010), the amount of USD 708 billion is planned<sup>74</sup>.

## CONCLUSIONS

Japan failed to fully take advantage of the opportunities it had after World War II. Due to constitutional limitations it is a country pacifistic in nature, and although exactly this should have given it an option for an active presence in the region, Japan has always considered this aspect to be a political handicap. Therefore, Japan has had no significant political successes on the international arena. The period of its relative greatness ended with the defeat in 1945, and the lost war and subsequent occupation stripped it of all energy and will to act. For decades, Japan has exclusively practiced the so-called economic diplomacy, and even in this field under strict supervision on the United States. Its political actions remained solely in the field of intentions or supporting unrealistic options. An example of this could be unsettled relations and border disputes with neighbours: **Russia, Korea, China, Vietnam and even Taiwan**<sup>75</sup>.

China's economic successes and its formation of favourable international surroundings results in its increase in significance in the region and within the global economy. It also influences the fact that USA and ASEAN countries are more often considering China to be a significant partner. Japanese politicians are aware of this trend and envision the improvement of their country's position on the international arena in the necessity to become independent. However, the chances to fulfil this goal are limited. Experts have no doubts that the reasons for this lie in the fact that the United States is not interested in the transformation of an ally into a fully independent competitor.

At present, many forces in the Pentagon have a negative approach towards increasingly visible tendencies for Japan to have a more independent role. The background for these reservations are fears that if Japan start to conduct an independent foreign policy, the East Asia system, essential to America's security and in which this country plays a significant role, could be seriously threatened.

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<sup>74</sup> "Mainland slows military spending spree", SCMP, March 4, 2010.

<sup>75</sup> Jan Rowiński, "Spory graniczne i konflikty terytorialne w Azji Wschodniej o progu XXI wieku", in: ed. K. Gawlikowski, "Azja Wschodnia na przełomie XX i XXI wieku. Stosunki międzynarodowe i gospodarcze", Warsaw 2004.

One should realise that China, as well as other Asian countries, both Koreas prefer to deal with a still weak American presence in the region, rather than with strong Japan. They understand that the aim of American military presence in Japan is to “watch” the country which in the past attacked United States territory and conducted criminal military operations in Asia.

At present, not many experts have doubts that the 21<sup>st</sup> century belongs to China, believing that such a situation results from the natural development of global economy. The dynamic growth of Chinese economy, which results from Deng’s reforms, has shown that the only country which continues to have an advantage over the Middle Kingdom is the United States and only this country can compete with China today. Japan had its “golden age” already in 1950-80. Then, China entered the international arena, and it intends to play a major role there, and perhaps in time, the main one. From the psychological point of view, it seems that due to this country’s size, its history, culture and economic successes of the last decades, the world has in reality accepted this. The best proof for this is President Barack Obama’s statement, who said that the United States accept the necessity to “strengthen alliances” but also to “create new partnership bonds”. Analysts believe this to be a clear symbol that Japan is not necessarily longer the only and main American ally in Asia.