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Getting China Policy Right

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The current international system is in a state of flux, and uncertainties abound about its future form. For one, the long-term ramifications of the global financial crisis remain unclear. In a development unprecedented in the post-war era, the world's three largest economies (the United States, Japan, and the European Union) have now entered into a simultaneous recession. At present, it is impossible to predict with any certainty how long current circumstances will persist. Meanwhile, the United States—the world's preeminent power—has recently elected a new president. Although President-elect Barack Obama seems to have presented a strong vision for the United States' role in the world, it will be at least six months into the new year until we know the extent to which the new administration is able to translate campaign promises into actual policy.

It is within this unpredictable international context that policymakers here in Japan and overseas must rethink their respective approaches to China. The successful conclusion of the 2008 Beijing Olympic Games this past August has engendered a renewed confidence in Beijing about China's international

status and influence. Although China has not been immune to the painful effects of the current financial crisis, most indicators suggest that it should be able to maintain at least 8 percent economic growth for the next several years. In addition to its continuing role as the primary engine of global economic growth, China has also begun to emerge as a key player in the fields of finance, energy, the environment, and—increasingly—military affairs. The massive scale of China's expansion and scope of its global influence ensure that the stakes for the international community are very high. Continued prosperity and stability in East Asia will depend on the international community placing a renewed emphasis on getting China policy right.

China Policy in Historical Perspective

In 1978, Deng Xiaoping initiated a policy of reform and opening up that effectively severed the link between revolutionary ideology and China's approach to the outside world. Economic development ("socialist modernization") became China's singular guiding principle, and Chinese leaders

worked steadfastly to ensure a benign international environment. As part of this process, China sought to consolidate stable ties with potential economic partners and reengage former adversaries, in particular the United States.

The wholesale shift in US China policy that emerged during the 1970s—beginning with President Richard Nixon’s historic 1972 visit to Beijing—was manifest most clearly in Washington’s acceptance of Beijing’s interpretation of the so-called “one-China policy.” From the perspective of the Chinese leadership, this policy holds that the government of the People’s Republic of China is the sole legal government of China and that Taiwan is part of its territory. While rhetorical tinkering has allowed Washington to avoid a direct statement of support for this policy line, the willingness of US leaders to make such a substantial concession on the Taiwan issue was nevertheless remarkable. Ever since, Washington has upheld a policy of “strategic ambiguity” over the Taiwan issue, aiming to keep a lid on tensions across the Taiwan Strait by leaving it ambiguous whether the US military would intervene in the event of cross-strait conflict. From Washington’s perspective, this policy serves to maintain the status quo by simultaneously discouraging the Taiwanese leadership from unilaterally declaring independence as well as forestalling hostilities against Taiwan by the mainland.

Throughout the Cold War, Japan’s policy toward China outside of the economic sphere was basically formed within the contours of US-China relations. For example, when relations between the United States and China were frozen (e.g. 1949–1972), Tokyo opted to keep its distance from Beijing. However, as rapprochement between Beijing and Washington advanced following the 1972 summit, Sino-Japanese relations also rapidly improved. Concomitant with deepening cooperation between the United States and China through their joint effort to balance the Soviet Union, Chinese leaders by the early 1980s came to view Japan favorably and began to hold it up as a model of how a non-Western nation could succeed in achieving economic development.

Current Circumstances

While the general trend in recent years in China’s relations with its neighbors—including Japan and the United States—since the end of the Cold War has been positive, the pace and scale of China’s emergence has raised serious questions overseas about the nature of its future course. For example, there are a number of concerns about China’s rapidly rising military expenditures: the most recent official budget from the Chinese government shows that defense spending increased by a remarkable 17.6 percent in 2008 to US\$59 billion. Various estimates by both foreign governments and independent experts suggest that actual expenditures may be significantly higher. Furthermore, China’s widespread military modernization campaign, low transparency in its military affairs, territorial disputes with its neighbors, and recent provocative naval maneuvers (such as the encroachment of a People’s Liberation Army submarine in Japan’s exclusive economic zone in late 2004) have done little to dispel existing concerns. On the contrary, several countries have even begun to respond to uncertainty surrounding China’s future strategic direction by pursuing a “hedging” policy.

The world is still unsure of how exactly to approach the emerging Chinese behemoth. This is particularly true in the United States and Japan, arguably the two nations with the most at stake. In the United States, the Bush administration’s policy toward China has undergone a quiet evolution over the course of two terms, backing away from its originally confrontational approach (e.g. approaching China as a “strategic competitor”) and increasingly seeking to engage China and facilitate its emergence in the international community as a “responsible stakeholder.” Nevertheless, it should be mentioned that the US foreign policy community has yet to reach a consensus as to whether this is a realistic goal and, if so, how best to achieve it.

Meanwhile, in Japan, only three years after anti-Japanese protests in China brought Sino-Japanese relations to one of the lowest points in 60 years (and stoked Japanese nationalism in the process), a series of recent bilateral summits have sought to improve

ties through an emphasis on building up a “mutually beneficial strategic relationship.” It remains to be clarified, however, 1) what specific policies this general approach will lead to and 2) whether this shift portends a permanent or merely temporary improvement in bilateral relations.

Key Policy Objectives

The fundamental objectives of the international community’s policy toward China should be to see to it that China becomes an involved and constructive contributor to global peace and prosperity and to ensure that widespread fears that China will emerge in a manner disruptive to global stability are not realized. In other words, the international community should maximize the opportunities for global economic prosperity presented by China’s vast domestic market and industrial capacity and minimize the risk that its emergence as a global power could have a detrimental impact on regional or global stability. It is important to state at the outset that no single nation or alliance will be able to achieve these objectives by itself; rather, getting China policy right will require a coordinated bilateral, regional, and global coalition.

Stability in East Asia will be impossible without a robust relationship between the region’s two great powers: China and Japan. Keeping the broad goals delineated above in mind, Japanese leaders must place priority on achieving a Sino-Japanese “grand bargain” in order to ensure long-term stable and mutually beneficial ties. This grand bargain must address three key issues: 1) representation in international institutions (in particular Japan’s quest for a permanent seat on the UN Security Council and China’s goal of creating “a new international financial order that is fair, just, inclusive, and orderly”^{*} and gives a fair voice to developing economic powers in the OECD and other Bretton Woods institutions) and mutual acknowledgement of the positive contributions that both nations can make to global

^{*} Xinhua.net Online, “Is World Ready for a New Int’l Financial System?” translated remarks of Chinese President Hu Jintao at the G20 Summit in Washington DC, November 16, 2008. http://news.xinhuanet.com/english/2008-11/16/content_10367985_3.htm (Accessed December 16, 2008)

governance; 2) deeper cooperation over energy issues and the environment; and 3) expanded dialogue and collaboration over the consolidation of a regional architecture in East Asia.

The first issue—representation in international institutions—is inextricably linked to China’s global role. The international financial crisis presents a prime opportunity for China to demonstrate that it is willing to adopt a role as a responsible stakeholder and make constructive contributions to global governance. In the short term, the international community must encourage China to play an integral role in alleviating the deleterious effects of the current crisis. In addition to cooperating with global powers via the nascent G20 framework, the Chinese government should also commission a study group of experts to explore ways for China to make a contribution to stabilizing the global economy similar to the measures adopted by Japan in the 1980s to alleviate its trade surplus and avert economic and financial stability in the United States. Although the economic circumstances of the 1980s were admittedly different from those of today, the economies of the United States, Europe, Japan, and many other advanced countries are already in dire straits and China is in a unique position to help. China must take steps to significantly expand its domestic market and, together with Japan, do more to recycle its enormous foreign currency reserves through expanded investment overseas, particularly in the United States.

The second part of the grand bargain must be deeper bilateral cooperation in dealing with environmental challenges. As an environmentally conscious nation and global leader in advanced green technology, Japan stands to make a major contribution to China’s efforts to improve energy efficiency and mitigate the negative impact of rapid economic growth on the environment. The effects of China’s worsening environmental degradation are felt far beyond its borders, and reversing this trend is not only a matter of interest to foreign businesses wishing to export green technologies to China; it is also an increasingly serious global health issue. Such cooperation stands to significantly improve Sino-Japanese relations and must be pursued with the utmost haste.

The third aspect of the grand bargain—consolidation of a regional architecture—will be integral to ensuring long-term peace and prosperity in East Asia. Although expanded bilateral cooperation between and leadership from Japan and China will be essential, it is imperative that the two countries also pursue very close collaboration with the rest of the nations in East Asia. For its part, Japan must also proactively campaign for the involvement of the United States. The US presence in East Asia is such that any architecture tasked with addressing security issues in the region without the active participation and support of Washington is certain to be of limited utility. The basic ingredients of a new architecture should be three-fold: 1) to institutionalize regular trilateral security dialogue among China, Japan, and the United States in order to improve transparency and deepen mutual trust; 2) to work toward the consolidation of a region-wide economic partnership agreement to bring greater prosperity; and 3) to establish an East Asia Security Forum to engage states in jointly tackling nontraditional security issues in the region such

as infectious disease, maritime piracy, human trafficking, and energy security and the environment.**

Conclusion

The international community faces an enormous number of challenges in the coming years. The emergence of China as a global economic, political, and military power ranks high on the list of those challenges. At the same time, China's rise also provides the world with a number of opportunities. It is incumbent upon the international community to ensure that China not only pursues its national interests peacefully within the current system but also plays an active and constructive role in reforming and bolstering the effectiveness of existing international institutions. Continued stability and prosperity in East Asia, and by extension the world, hinge on getting China policy right.

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** For more information on the East Asia Security Forum proposal, see the April 2007 (Vol. 2, No. 2) issue of *East Asia Insights*: "East Asia Community Building: Toward an 'East Asia Security Forum.'"

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