

KEIZAI KOHO CENTER SPECIAL

Rising China discussed by Japan, U.S. experts

The Daily Yomiuri

A group of experts gathered recently in Tokyo at a symposium titled "Meeting a Rising China" to present their opinions on the nation and how Japan and the United States will respond to it.

The symposium, coorganized by the Japan Institute for Social and Economic Affairs—better known as Keizai Koho Center—and Massachusetts Institute of Technology Japan Program, featured Taylor Fravel, assistant professor of political science at MIT; Edward Steinfeld, director of the MIT China Program; George Gilboy, research affiliate of the MIT Center for International Studies; Chikako Kawakatsu Ueki, associate professor at Waseda University's Graduate School of Asia-Pacific Studies; Robert Madsen, senior fellow of the MIT Center for International Studies; and Takashi Shirashi, vice president of National Graduate Institute for Policy Studies. Richard Samuels, director of the MIT Japan Program, served as moderator.

Their presentations followed a keynote speech titled "The Strategic Choices for Northeast Asia in 21st Century" by U.S. Ambassador to Japan Thomas Schieffer. Tokyo University Prof. Akihiko Tanaka provided closing remarks.

Following are excerpts of remarks by Gilboy, Madsen and Samuels.

Gilboy: Evidence of change of the [Chinese] Communist Party itself was available in that [17th] Congress [in October]. These congresses happen once every five years. They confirm the selection of new elite leaders, and they also confirm major policy directions that the party intends to pursue.



George Gilboy

At the 17th party Congress, the CCP—Chinese Communist Party—announced a new Politburo Standing Committee. These are the nine most powerful people in China. However, unlike in the past, the CCP did not identify a single person as the heir apparent to replace Hu Jintao as the general secretary of the party and as president of the state.

Instead, the party elevated two men to new positions in the Politburo. Both of them are in their 50s. And the party also gave some indications that, rather than being named as inevitable successors to the top slots in the party, these two men will have to engage in some form of competition to gain support from the broader membership of the CCP.

The two men, Xi Jinping and Li Keqiang, are members of two different emerging power groups within the party. These groups represent a potential change in Communist Party faction politics. Rather than being based exclusively on personal relationships as in the past, these two constellations of power are drawing in people with differences in background and differences in policy preferences.

Mr. Li is from the Youth League group. These people are generally trained in law and social sciences. They have work experience in China's rural and inland areas. They have policy preferences. They seek to redress imbalances in China's growth. And they seek to help people who have been relative losers in China's growth story thus far.

Mr. Xi is from the "princeling" group. These people are elitist. Many are the sons and daughters of former senior officials. They have backgrounds in engineering, trade and finance, and they have generally worked in urban and coastal areas. They seek to prioritize growth—especially in coastal areas and cities—and they also seek to defend the gains in relative wealth and power that they and their associates have achieved thus far.



The Yomiuri Shimbun

Members of the audience listen to the opinions of experts on issues related to China.

The two groups have a great deal of consensus, and we shouldn't overestimate some of the differences. First and most important, they agree that the Communist Party should maintain its monopoly on political power. And they also assist the party in continuing to maintain power because they complement each other in organizational and social skills, financial trade and professional skills. But they also compete and balance against one another.

The importance of this emerging trend toward competition, balancing between two groups with real policy differences is that the Communist Party itself is changing. It is adapting, and it is trying to improve its ability to govern. These changes offer opportunities for further reforms as each group competes to win greater support from within broader segments of the party and also, potentially, within broader segments of society. But there are also risks to this change, including potential fractures within the party.

Society is also changing, not just the party. Society is improving its ability to push back on the state and to force the state to change policy.

Madsen: Which strategy is Japan trying to pursue? I would say historically, Japan has played a Great Britain role [maintaining a strong international influence, but highly dependent on the United States]. There's been the alliance [with the United States] for a very long time, and we have military bases here. The two countries cooperate a lot. Japan has a little bit of influence over U.S. power. All that's worked quite well, and it's maintained Japan's role in East Asia, even promoted it.



Robert Madsen

Of course politically, for understandable reasons, Japan is somewhat uncomfortable with that and would like to have more independence. I don't think that's a bad thing.

So, I think what Japan would like to do is move a little bit further away from the United States while maintaining as much international influence as it can.

Key to that would be establishing international relationships like France [which maintains a strong international influence and highly independent on the United States] did after World War II. Clearly, Japan doesn't want to slide toward Switzerland [whose independence from the United States lies somewhere between that of France and Britain, and which has a weak international influence], but I would suggest

maybe that could happen by default if Japan makes the transition from Britain to France in a less than ideal way. But moving from Britain to France, I think, is the strategy.

Let's evaluate the performance we've seen so far. First, I would suggest the timing of Japan's efforts to do this is suboptimal.

When France established its network of relationships in the late 1940s, Germany had been just crushed. So there's a big power differential. By contrast, the equivalent time for Japan would have been 15 or 20 years ago, when Japan was much, much more powerful relative to China.

What we see now, of course, is that everybody perceives China as being the power of the future, therefore, they're less interested in working with Japan. So in terms of timing, this is a strategy that would be a lot more effective if implemented 15 years ago.

The second problem is the role of Germany. Because of course in 1945, Germany had suffered some major losses, and Germany was very much afraid of being isolated and fighting more wars. So Germany embraced France. Germany agreed with France to work toward economic cooperation, creating the European Union, ultimately, and also cooperating in security matters.

So part of the success in the French strategy was Germany's embrace. If we compare that to China's attitude toward Japan, I think it's pretty clear that the situation is very different. China does not see any reason to bolster Japan's power. I think the easiest way to understand this is to look at the [U.N.] Security Council. There's no way on earth China is going to support Japan getting a permanent position on the U.N. Security Council unless there are other ways that it can undermine Japan's power.

Samuels: Japan provides China with technology and capital, while China provides Japan with low-cost production and an export platform. Japan's export dependence on China has soared nearly to U.S. levels, and the share of Japanese imports from the United States has been cut in half since late 1990s at exactly the same time that the share of imports from China has nearly doubled.



Richard Samuels

Both China and Japan are energy importers, and so each benefits considerably from global resource development, from stability in the seafanes of communication, and from the efficient

Keynote speech by Ambassador Schieffer

U.S. Ambassador to Japan Thomas Schieffer presented the symposium's keynote speech titled "The Strategic Choices for Northeast Asia in 21st Century." Following are excerpts of the ambassador's speech.

Right now Asia—particularly Northeast Asia—is in a state of transition largely as a result of China's economic advancement. The old order is changing, and no one is quite sure how they will fit in when it is over.

There has never before been a time when China and Japan have been great powers at the same time, and neither is fully comfortable with the notion that such a time can work to their mutual benefit. Both view each other with suspicion and sometimes even fear.



Thomas Schieffer

The United States can play an enormously beneficial role in reducing those suspicions and tensions if we understand what is causing them.

No one wants to see a China or a Japan isolated from the mainstream of the international community. On the contrary, we recognize the valuable contributions each can make to a peaceful world. But the United States must be careful in how it pursues both relationships.

In my home state of Texas, we have an old saying: Never trade an old friend for a new friend or you will wind up with no friends. Yet, there is a great deal of angst and anxiety in Japan today out of fear that we might trade our old friendship with Japan for a new friendship with China.

While I do not think that is going to happen, we must continually reassure Japan and the Japanese people that we are friends who understand the strategic importance of Japan to America.

Ever since the end of World War II, America has believed that its security was inextricably tied to the security of Japan. Nothing has occurred with the rise of China that should alter that conclusion. When the U.S.-Japan alliance is strong, a calm settles over Asia. If, on the other hand, Japan lost faith in America or came to the conclusion that Japanese interests would be sacrificed by us for the benefit of the Chinese, then I think Asia would immediately become more dangerous. That need not happen, but to avoid it, we must understand one thing with greater clarity—Asia is not Europe.

Since the invention of the nation-state, general use of natural resources.

Both China and Japan have an abiding interest in a vibrant regional economy. Today, some 30 to 40 percent of Japanese production in China is being exported, and China has become responsible for much of the growth in Japanese exports. Ten million Chinese, maybe more now, work in Japanese firms, and that number continues to grow as Japan redirects its direct foreign investment toward China and away from the United States.

These realities are reflected in a now popular view in Japan that the United States is the most important

of Europeans grew up thinking about how to balance one nation's interests against another's. This horizontal sharing of power became the mainstay of European foreign policy and the center of gravity for the international order. British foreign policy was grounded on the notion that no nation should be dominant on the continent of Europe. French and Russian foreign policy wanted the German states to have to contemplate a two front war as a means of moderating German ambitions. Germany from the opposite perspective wanted to avoid encirclement.

All looked to others as a means of enhancing their own positions inside Europe and throughout the world. Now, with the advent of the European Union and the collapse of the Soviet Union all that has changed. But the culture of balancing one nation's interests against another's has not.

America came of age as a great power seeing itself in a European mirror. Our foreign policy has largely been Eurocentric. As a result, we have often looked at the world in European terms—searching for balance in a European fashion. Simply put, that is a very foreign concept to most Asians. Power has not been shared horizontally in Asia, power has been exercised vertically. Someone is above and someone is below.

Europe has been about balance, Asia about hierarchy. China and Japan will need time to get comfortable with the notion that one's advance does not have to come at the expense of the other's decline. America can be helpful in reducing the inevitable tension that this transition will cause if it moves forward with a foreign policy that is more Eurasian than either European or Asian.

We must continually remind the Chinese that we are not trying to contain them, we are trying to integrate them into a new international order where Chinese influence will be recognized in a constructive and productive way.

Former Deputy Secretary of State Bob Zoellick was fond of saying that we needed to help China become a "responsible stakeholder" in the international order. And we do. China benefits from the rule of law, the liberalization of trade and the stability of a world at peace. It should support the international order that makes that system possible.

China must not become the last best hope of those who would flaunt the mainstream of a new international order. No one benefits when the same bad actors put the peace and stability of the world at risk for the same bad reasons. It is in China's interest, America's interest and the world's interest for China to assume the responsibilities as well as the status of a great power. If it does, Chinese influence will not only grow but be welcomed by the rest of the international community.

country from a political perspective, but that China is rapidly becoming the most important trade partner for Japan—without regard for making a judgment whether that is the proper way to see things.

The point is that despite very deep economic ties and despite the doubling of bilateral trade in the last five years, the China-Japan relationship has at times been strained. It's been strained with negative implications for the United States and, I think, for the world at large. Economic and cultural ties have deepened, but so have mutual political and strategic suspicions.

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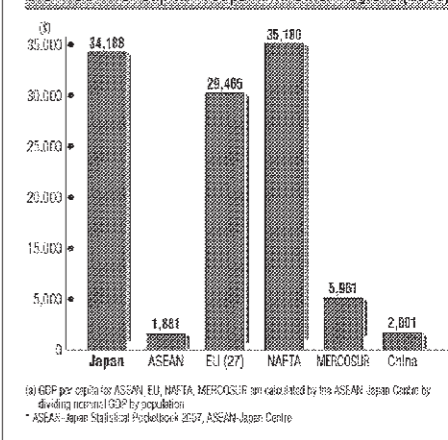
Contents

1. Population and Area
2. National Economy and Financial Situation
3. Government
4. International Finance and Investment
5. Trade
6. Industries
7. Raw Materials, Energy and Environment
8. Employment, Wages and Household Economy
9. Life, Culture and Others

7-6 Natural Gas Reserves, Production, Consumption (2006)

Proved Reserves ¹⁾	Production ²⁾	Consumption ³⁾
Total: 6,405.5	Total: 2,955.3	Total: 2,650.6
Russia: 1,682.1	Russia: 612.1	US: 619.7
Iran: 953.0	US: 524.1	Russia: 432.1
Qatar: 895.2	Canada: 187.0	Canada: 96.6
Saudi Arabia: 249.7	Iran: 105.0	UK: 90.8
UAE: 214.0	Norway: 87.6	Germany: 87.2
US: 205.2	Algeria: 84.5	Iran: 87.2
Nigeria: 183.9	UK: 80.0	Japan: 84.6
Algeria: 155.0	Indonesia: 74.0	Italy: 77.1
Venezuela: 152.3	Saudi Arabia: 73.7	Saudi Arabia: 73.7
Iran: 111.9	Netherlands: 61.9	Ukraine: 65.4

2-6 GDP Per Capita¹⁾: Japan and Other Regions (2006)



9-19 Real Residential Price Indices

