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Sino-Japanese Relations: Interdependence, Rivalry and Regional Security

LESZEK BUSZYNSKI

Rivalry within interdependence is possible. Trade and investment ties alone are not sufficient to bring peace and security to a relationship, the responsiveness of the political leadership to economic interdependence is critical. Responsiveness can be influenced by a history of conflict in a relationship, national ambitions or by a military which espouses expansionist plans. Britain and Germany before 1914 demonstrated that interdependence and rivalry can coexist and may degenerate into war. This can happen when one side under the influence of a dominant military falsely assumes that the other would be constrained by interdependence from responding to its military action. Both Japan and China have become bound by a tight economic interdependence despite their historical animosities. These animosities could be exacerbated by military modernization and China's plans to develop a naval capability to protect its sealanes. Japan would be prompted to respond to the development of Chinese naval power which would aggravate existing rivalry with Beijing. To reduce the impact of this rivalry both ASEAN and the United States should clearly signal to Beijing that military action over Taiwan or naval expansion without transparency would be unacceptable. Otherwise false assumptions would arise in Beijing that interdependence would constrain responses to China's risk taking.

Key words: Japan, China, interdependence, rivalry, sealanes, navy.

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Interdependence theory claims that increased trade and closer economic ties would reduce the likelihood of conflict and bring greater security. Increased interdependence between the two major Asian rivals — China and Japan — has given hope for an end to the disputes which have marred their relationship and for an eventual reconciliation between them. Nevertheless, despite economic interdependence, Sino-Japanese rivalry has escalated in recent years, fuelled by historical legacies and misunderstandings. The simultaneous development of military power by both countries has had an unsettling effect upon their relationship which has become more difficult to manage. Japan has been developing a naval force with a modernized Aegis capability as part of a security burden sharing arrangement with the United States which would allow it to defend critical sealanes. As Japan develops an effective naval capability for this purpose it stimulates concern in Beijing which sees in this effort a means to intervene in the Taiwan situation or, in cooperation with the US, an attempt to contain it. As China develops its military power to deter Taiwanese independence and counter an American move to come to Taiwan's defence, suspicions within Japan are similarly stimulated. China also intends to develop a naval capability to protect its oil imports from the Middle East which would threaten the security of Japan's sealanes. Naval rivalry would undermine the benefits of Sino-Japanese interdependence exacerbating existing difficulties in the relationship, rendering it more unpredictable. It would also challenge the development of East Asian regionalism and, depending on its intensity, may damage it beyond repair. This article examines the theme of Sino-Japanese rivalry within interdependence, identifying the aggravating factors as well as the conditions which could ameliorate it.

Interdependence and Rivalry

Chalmers Johnson once claimed that East Asian regional security could be based on interdependence between East Asian actors, and between Japan and China in particular.¹ Interdependence has indeed been popularized as a means to bring peace and security to troubled regions based on the view that increased trade and economic ties would create disincentives for conflict. It is possible, however, to have interdependence and rivalry between major actors for a variety of reasons which could, under certain circumstances, degenerate into conflict. Interdependence is an ambiguous term which conceals many

complex issues and difficulties; it has been used synonymously with openness, integration and mutual sensitivity.² According to Richard Rosecrance and Arthur Stein there are at least three main definitions of interdependence; first, interdependence can be a relationship of interests so that if one state's position changes another would be affected; second, interdependence can increase national sensitivity to external economic developments; third, there is Kenneth Waltz's definition of interdependence in terms of a relationship which is costly to break.³ Baldwin identified interdependence in terms of both sensitivity and vulnerability; sensitivity interdependence means responsiveness to developments or policies and the creation of "mutual effects".⁴ If sensitivity is understood in terms of its effects it may exist without high levels of trade as political sensitivity is possible without economic interdependence. The Islamic world, for example, is extremely sensitive to America's support for Israel and popular protests and demonstrations can be triggered by perceived shifts in the American position in relation to the Palestinian issue. Vulnerability interdependence, however, stresses the opportunity costs and the benefits that would be lost if a relationship were disrupted. In this sense interdependence can be understood as mutual vulnerability where two states find themselves in a relationship which would entail significant costs to break.⁵ Sensitivity is possible without a significant degree of vulnerability in a relationship, but vulnerability assumes sensitivity.

Interdependent relationships are rarely in equilibrium as one side is usually more dependent on the relationship than the other, resulting in asymmetrical interdependence. Political economists since Albert O. Hirschman have extensively debated the notion of asymmetrical interdependence and its impact upon relations between states.⁶ Drawing upon Hirschman's work, Keohane and Nye noted that trade asymmetries would allow the less dependent side an opportunity to wield power over the more dependent.⁷ This move from trade asymmetry to power and bargaining strategies is itself contentious.⁸ Some have agreed that symmetrical trade relationships may create incentives for accommodation while asymmetrical relationships may actually increase tensions and the prospect for conflict.⁹ Others have argued that the bargaining opportunity created by asymmetrical interdependence may not necessarily be utilized or translated into power.¹⁰ Many interdependent relationships may be asymmetrical but there is no question of a power advantage, or of a deliberate attempt to gain power over the more dependent side. The notion of asymmetrical interdependence is a deduction

from trade inequality which may or may not be relevant to the political relationship. What is missing is the intermediary factor of political agency. Sensitivity interdependence identifies the effects produced in two countries which are closely linked by trade or other ties but it cannot predict their responses to any particular event. Vulnerability interdependence identifies the costs associated with any attempt to disrupt a close trade relationship but it cannot predict how a political leadership will assess those costs. In a majority of cases the political relationship functions normally irrespective of trade asymmetries and disputes are resolved without the threat of trade disruption. Trade and investment patterns have expanded considerably in the era of globalization and asymmetries have been created which usually are not translated into power advantages.

The domestic factors influencing the behaviour of the political leadership are critical. When two countries which have a history of conflict and rivalry are brought together in a situation of tight interdependence the increased sensitivity may aggravate the relationship. Keohane and Nye noted that increased interdependence may exacerbate tensions between states which are not used to dealing with each other.¹¹ If political leaders are motivated by national ambitions or a sense of entitlement, or should they be pushed by a military with an expansionist agenda, rivalry within interdependence is then possible. Interdependence is valued differently by the business and the security communities within a political system as they respond to dissimilar needs. The business community and the ministries associated with trade and finance may be committed defenders of economic interdependence within the decision making system. Within the broad group called the security community — which includes the defence ministry, the military and supporting think-tanks — the appeal of interdependence may be mitigated somewhat by a concern for national security. Within the security community there may be a small but politically influential group of military hardliners and ideologues for whom economic interdependence with a rival country would be regarded as vulnerability. Hardliners may acquiesce in the development of interdependence with countries regarded as threats or historical enemies if the economic growth created results in the development of new capabilities and weapons systems. Access to the advanced information technology necessary for the development of new weapons may only be possible in an interdependent relationship, which is seen by the military or security community as an instrument of national power enhancement. In a representative

or pluralist system the influence of the security hardliners over decision-making would be balanced and checked by the business community and the proponents of interdependence. In a non-representative or authoritarian political system the decision-making process may allow a hardline military group uncontested influence over the critical issues of national security without accountability. Direct access to the political leadership in this way would permit a hardline military to promote national ambitions and expansionist plans overriding the concern for interdependence and the interests of the business community.

Anglo-German Interdependence Before 1914

The most conspicuous example of rivalry within an interdependent relationship is Britain and Germany before the First World War. It reveals how misunderstanding and error may arise as a product of an interdependent relationship, and to that extent the example is still relevant today. Before 1914 Britain and Germany were bound by a specific interdependence, as well as a general dependence upon trade. In terms of specific or mutual interdependence Paul Kennedy noted that the City of London was financing German orders for Australian wool, Peruvian silver and other raw materials which were paid for by bills drawn on London accounts. Lloyds of London insured much of the German merchant marine, even against wartime losses resulting from the action of the Royal Navy.¹² Moreover, Britain was Germany's second export market after the US taking 14.2 per cent of German exports in 1913.¹³ Both countries, moreover, exhibited a general dependence on external trade and had much to lose in the event of war; Britain was the centre of international finance and much of its income was derived from financial services.¹⁴ The exports of Germany's chemical and electrical industries increased significantly in the pre-war period and in 1900 France, Italy, Belgium, the Netherlands and Luxembourg accounted for 25 per cent of German exports.¹⁵ Nonetheless, Germany engaged in a programme of naval expansion which challenged the supremacy of the Royal Navy and provoked British suspicion of German motives.¹⁶ Germany's aim was to ensure that Britain would remain neutral in any war on the continent. Britain was indecisive and gave Germany no clear signals as the cabinet was torn between pro-German and pro-entente groups, the latter calling for cooperation with France and Russia against Germany. R.J. Sontag concluded that had Britain warned Berlin in 1914 that military action against France would bring Britain in on

the French side, the conflagration which followed might have been avoided.¹⁷

How is it that interdependence between two major European powers failed to prevent one of the most destructive wars of the twentieth century? Overall, the explanations point to the importance of the political factor and how the leadership responds to interdependence according to ideological or nationalist predispositions. Britain and Germany misread each other's intentions after negotiations over naval reductions broke down in 1912. Thereafter, both sides avoided the naval question and their cooperation over the First Balkan War of 1912–13 encouraged them in the belief that relations had improved, and that disagreements had been removed. In short, a grave misunderstanding had been created. As Sontag noted: "German statesmen had been encouraged to hope that England might remain aloof from a continental war by the improvement of relations since 1912."¹⁸ This belief in Britain's neutrality arose because of the influence of the pro-German group in the British cabinet which created the strong impression in Germany that Britain would not support France and Russia. Sean M. Lynn-Jones argued that the improvement of Anglo-German relations after 1912 created a "false belief" in both countries that their difficulties could be resolved by cooperation. This "false belief" explained British indecision and reluctance to warn Germany that Britain would support France in the event of war in 1914.¹⁹

An explanation for this critical misunderstanding can be found in the differing responses to interdependence on both sides. Paul Kennedy noted that Britain was acutely vulnerable to the threat of war which could destroy its position as the centre of international finance at the time. When in 1911 the Committee of Imperial Defence discovered the extent to which Britain's financial industry depended upon Germany it suggested that financial considerations be taken into account in the event of an Anglo-German war.²⁰ Britain's parliamentary system was receptive to the interdependent situation that existed with Germany, and business and financial interests, which wanted to avoid any provocation of Germany, were well represented in cabinet.²¹ Wilhelmine Germany, however, was a non-representative system which elevated the military into a prominent place in decision-making and made it largely unaccountable to the legislative organ, the Reichstag. The German system separated the security and business communities and ensured that the latter was ineffectually represented in decision-making. Gordon Craig noted that "civilian capitulation to military expediency" allowed a small

group of military strategists to dominate decision-making.²² The German Chancellor at the time, Theobald von Bethmann Hollweg, stated that before 1914 politicians were excluded from the military's discussions of military plans and preparations.²³ Germany's military strategists were encouraged in their risk-taking by Britain's indecision which they interpreted as neutrality. They then proceeded with their previously formulated plan for a knockout blow against France and brought Europe into war.

Certain pertinent observations can be made about the Anglo-German case before 1914. Rivalry can indeed develop between two interdependent countries if they have clashing strategic interests as responsiveness to interdependence to a large extent depends upon the political system, institutions and the ambitions of the leadership. Rivalry may be exacerbated if authoritarian or non-representative systems are involved whose leaders espouse and promote particular national ambitions or if those leaders are under pressure from a hardline military or national ideologues. In a representative system the business and financial community would be well represented in a pluralist decision-making system and their concerns would be embraced by government policy. The state would then be sensitive to interdependence, and responsive to its needs. In a non-representative system, however, where the security community or a narrow military group has a privileged position in decision-making, greater risk taking may result in foreign policy. Should rival representative and non-representative political systems be bound by interdependence, they respond to the situation in different ways. While a representative system could face indecision in particular situations as strategic and economic concerns come into conflict, the leaders of a non-representative system could interpret that indecision as restraint induced by interdependence. The misunderstanding created would result in an escalation of rivalry and conflict.

China and Taiwan

Mainland China and Taiwan are strongly bound by an interdependent relationship, yet the possibility of conflict between them cannot be entirely dismissed. The Mainland became Taiwan's largest export market in 2002 when it displaced the US.²⁴ Trade between China and Taiwan reached US\$107 billion in 2006 and US\$123 billion in 2007; besides taking 41 per cent of its exports, the Mainland has also become Taiwan's first destination for Foreign Direct Investment

(FDI). Taiwan's representative system has been divided into pro-independence groups and pro-business groups which seek stable relations with the Mainland. Over the past decade the business community has lobbied strongly for the economic relationship with the Mainland and the ideologues of independence who have dominated the Democratic Progressive Party (DPP) have lost influence accordingly. Taiwan's President over 2000–08 was Chen Shui-bian, an independence advocate from the DPP who threatened to draft a new constitution which would recognize Taiwan's independent status; he also wanted to conduct a referendum on Taiwan's membership of the UN. To the business community, Chen was a destabilizing leader who jeopardized their investments on the Mainland, a concern which prompted its representatives to deal directly with Beijing.²⁵ A landmark event occurred when Kuomintang (KMT) Chairman and representative of the business community Lien Chan travelled to Beijing to meet President Hu Jintao in April 2005. During this meeting Lien raised the issue of a common market with the Mainland which would strengthen business relations and isolate the political ideologues in the DPP.²⁶ The visit was regarded as a "political sea change" in cross-straits relations, which reflected a change in popular mood in Taiwan and the business community.²⁷ Subsequently, Taiwan allowed Chinese banks to operate in the island for the first time.²⁸ Indeed, the DPP was ignominiously shunted out of power when, in January 2008, the opposition KMT won a majority in the legislative elections. In May 2008, the pro-business KMT candidate Ma Ying-jeou was elected President.

Current developments suggest that Taiwan's relationship with the Mainland is stabilizing. The Taiwanese independence ideologues have been removed from power and the business community is able to exert greater influence over policy through the KMT.²⁹ The question that arises is: Would the stabilization of the relationship resolve the problem? The current status quo is favourable to Taiwan since it can benefit from economic relations with the Mainland without reunification, which most Taiwanese oppose.³⁰ Ma Ying-jeou once asserted that reunification would not be possible unless Beijing reassessed the 4 June 1989 Tiananmen Square Incident and showed greater respect for human rights.³¹ The problem is that the status quo confirms Taiwan's separation from the Mainland and as interdependence develops Beijing is increasingly constrained from pushing Taiwan into reunification. In addition, China's efforts to integrate with the international economic order as expressed in President Hu Jintao's ideas of "peaceful rise" and "peaceful

development” strengthen the tendency towards the status quo and Taiwan’s separation.³² China’s leaders cannot simply back away from their commitment to national reunification as that would entail an unprecedented loss of face for them before history and the nation. At some point the continuation of the status quo would conflict with the goal of national reunification and the party leadership may then be openly challenged by the military which would demand a resolution of the Taiwan problem.³³

The role of the military in China’s non-representative decision-making system is a critical factor. Many hoped that China would become more pluralistic, and more responsive to interdependence as it became enmeshed in the international economy. To some extent the development of intra-party pluralism has been noted, as the Chinese Communist Party (CCP) has absorbed sections of the business community and has co-opted private entrepreneurs as a source of support.³⁴ The military, however, retains a special position in China as the ultimate guarantor of the Party, in a way demonstrated during the Tiananmen Square Incident, and as the defender of territorial integrity.³⁵ The party-military relationship has become institutionalized over the years, the military has become more professional and its influence over most foreign policy issues has been contained.³⁶ Nonetheless, there are two related concerns: one is that a divided or indecisive Party leadership would prompt military intervention over critical domestic issues or national security. The problem of indecision was revealed over the April 2001 EP-3 spy plane incident when a US surveillance aircraft collided with a Chinese jet fighter and was compelled to land on Hainan Island. The military withheld information to the leadership in an effort to press it into a hardline response to the US, which raised serious doubts about China’s crisis management system.³⁷ Collective leadership has become more apparent in China since that time and President Hu has been obliged to accept consensus deliberation over the most important issues. For instance, during the 17th Party Congress of October 2007 a collective leadership prevented Hu from consolidating his personal power as he failed to obtain approval for his chosen successor Li Keqiang, who was the party secretary for Liaoning Province; the Central Committee selected Xi Jinping who was the party boss of Shanghai as the heir apparent.³⁸

Secondly, the institutionalization of party-military relations actually allows the military greater autonomy to act within its own area of competence with minimum party control. China’s anti-satellite test on 11 January 2007 generated some concern in the

United States and elsewhere as it demonstrated a capability to destroy a system which could give early warning of a missile strike. It was disturbing that the military conducted a test which had such region-wide repercussions without informing the Foreign Ministry and other parts of the bureaucracy.³⁹ This incident raised doubts about Hu's authority over the military and the extent to which its actions could be controlled by the Party.⁴⁰ Indecisive collective decision-making and military autonomy in China create the conditions for uncertainty and greater risk-taking in a crisis.

The US indeed would be the critical factor in Beijing's calculation of risk over Taiwan. America's relationship with China is perhaps the most outstanding example of high economic/trade interdependence in a conflictual context, one where strong economic and financial ties accompany strategic rivalry and security competition in the Asia-Pacific region. The US-China trade and economic relationship has underpinned global economic stability and both sides are aware of their heavy responsibility. In 2006 some 30 per cent of China's exports were directed to the US; in 2007 the percentage dropped slightly to 26 per cent; up to September 2008 China held around US\$585 billion of US treasury bills and over the past decade had invested a reported US\$1 trillion into US government bonds and mortgage debt.⁴¹ China's purchase of US treasury bills not only stabilized the US economy while America was running huge trade and budget deficits but ensured that interest rates could be kept low. US consumers were prompted to borrow and spend to the extent that an unprecedented economic boom was stimulated over 2000–07. America's subprime mortgage crisis which broke in August 2007 has since triggered a global financial crisis which demands even greater financial cooperation between the US and China.⁴² As America turns to China for financial support, Beijing, with its US\$1.9 trillion in foreign reserves, is given extraordinary influence over the US economy; America's vulnerability is exposed.⁴³ In a situation of ongoing rivalry, shifts in power relations resulting from political or economic changes would result in adjustments to the calculation of risk. Misunderstandings may arise in the Taiwan situation based on the conviction that the US would be restrained from responding to Beijing's military pressure by its new found dependence upon China. The concern is not that a Chinese leadership would deliberately rupture an interdependent relationship from which it benefits and upon which its economy may depend. In taking a series of incremental steps intended to extract positional advantage from a changing situation it may, however, have that unintended result.

Japan and China: Rivalry within Interdependence

Sino-Japanese interdependence has developed rapidly over the past decade. China, including Hong Kong, displaced the United States as Japan's major trading partner in 2004, while China, excluding Hong Kong, became Japan's largest trading partner in 2007. In 1996, Japan's trade with China excluding Hong Kong was US\$62.2 billion while trade with the US was US\$193 billion; in 2007 trade with China reached US\$236.6 billion while trade with the US dropped to US\$208.2 billion.⁴⁴ Japanese companies have relocated labour intensive industries in China and their products have been imported into Japan or exported to other markets. China's comparatively lower wages and its willingness to serve as a production base for Japanese companies have been important factors in the maintenance of Japan's global competitiveness, particularly in the electronics and telecommunications industries.⁴⁵ Important as China has become to Japan the US is still the first priority; exports to China in 2007 were 15 per cent of total exports while the US is Japan's first export market taking 20 per cent of Japan's total exports. The US remains Japan's first destination for FDI; Japan's accumulated FDI in China at the end of 2007 was US\$38 billion, below the \$42 billion recorded for the ASEAN-4 (Thailand, Indonesia, Malaysia and the Philippines), and dwarfed by total FDI in the US at US\$174 billion.⁴⁶

It is notable that Sino-Japanese rivalry has been accentuated at a time when both countries have become increasingly interdependent, a new development in their relationship for which they were politically unprepared.⁴⁷ Closer contact with Japan has made many Chinese and Koreans realize that Japan has not come to terms with its militaristic past, and that its society suppresses information about the crimes committed when the Japanese military occupied their countries.⁴⁸ Chinese and Koreans were angered by Prime Minister Junichiro Koizumi's annual visits to the Yasukuni Shrine which honours the spirits of Japan's war dead, among which are included 1,068 convicted war criminals and 14 convicted Class A war criminals.⁴⁹ Koizumi's action and his unusual obstinacy over this issue placed Japan-China relations on hold for the duration of his term of office.⁵⁰ In March 2005, extensive anti-Japanese riots erupted in China which were triggered by a revival of the textbook issue which has habitually soured Sino-Japanese relations. Internet reports and text messages were circulated in relation to the Japanese Education Ministry's approval of school history textbooks which had been drafted by nationalist writers. These textbooks glossed over

Japan's wartime atrocities and provided a misleading and sanitized version of the invasion of China, the Korean comfort women issue and the annexation of Korea.⁵¹ This was not a new issue as the Japan Society for History Textbook Reform has been publishing revised textbooks for several decades provoking controversy with China in 1982, 1988 and 2000. The Japanese Education Ministry allows various school textbooks to be published but their selection for actual use is left to the local boards of education or the schools themselves.⁵² Under this system, as a *People's Daily* report noted, only 0.04 per cent of Japanese school boards and schools actually adopted the first edition of the revisionist textbook in question.⁵³ The intensity of the 2005 Chinese protests therefore was unexpected but it was also alarming for Chinese leaders since attacking Japan was a legitimate patriotic action which could allow opposition to the CCP to coalesce.⁵⁴ Some have argued that as the Party's ideological underpinnings disintegrate, and as nationalism takes its place it reveals an anti-Japanese direction which can be troubling for the party.⁵⁵ The CCP has an important stake in the economic relationship with Japan and yet if anti-Japanese protests erupt again it may not be able to suppress them without damaging itself.⁵⁶ Some Chinese ideologues such as Lin Zhibo, Deputy Director of the commentary department of the *People's Daily*, have openly called for the strengthening of nationalism declaring that China should prepare for conflict with Japan, which he claimed opposes China's rise to Great Power status.⁵⁷ Reports note that China has spawned its own neoconservatives who demand that the East Asian Community should minimize Japan's role and exclude America.⁵⁸

Negative influences in the Sino-Japanese relationship may be contained by pragmatic and firm leadership which, however, is less in evidence on both sides. The fragmenting authority of the CCP gives some reason to doubt that Beijing's leaders would be able to contain powerful domestic protests in the future, especially if they invoke patriotism in the defence of the motherland. Moreover, firm leadership has been lacking in Japan since Koizumi stepped down in 2006 and two prime ministers, Shinzo Abe and Yasuo Fukuda, resigned after only one year in office each. Simultaneously, China and Japan have been developing their naval capabilities which could exacerbate the already conflict-prone relationship. Japanese naval capabilities have expanded in response to several factors. One is pressure from the US for Japan to assume a greater burden for sealane defence and regional security, a second reason is the need for sea-based ballistic missile defence against North Korean missiles. Within Japan's security

community, as well as in the US, this expansion of capabilities is considered normal and much delayed. Chinese leaders have similarly stressed that the development of China's military strength and the steady increase in its military spending is normal, and that China seeks a military capability commensurate with its economic power. As both countries develop their military capabilities to achieve what they both consider to be a normal defence posture for their security, an action-reaction effect is accentuated. The action of one becomes a reason and a justification for the further expansion of capabilities by the other.⁵⁹

Japan has been disturbed by China's efforts to modernize and expand its military power. In 2007 the Stockholm International Peace Research Institute (SIPRI) noted that China was Asia's biggest military spender with a defence budget of US\$49.5 billion in 2006; Japan's defence budget was listed as US\$43.7 billion; China was number four in terms of military spending after the US, Britain and France.⁶⁰ The concern about China's emerging military power is widespread in Japan and cuts across party lines. At a press conference on 22 December 2005, Foreign Minister Taro Aso noted that China's military budget had been "growing by double digits for 17 consecutive years"; he added that "as a consequence my feeling is that it is on the course to constitute a considerable threat".⁶¹ The then leader of the Democratic Party of Japan (DPJ), Seiji Maehara, on 16 December 2005 warned that China's military modernization programme posed a "realistic threat" to Japan.⁶² Maehara's remarks were not accepted by everyone within the fractious DPJ as Party Secretary Yukio Hatoyama and former party leader Katsuya Okada thought the term "threat" was inappropriate, and out of line with the government view.⁶³ Nonetheless, they could agree upon the absence of transparency surrounding China's defence modernization plans and the uncertainty surrounding its intentions. Japan's third Defence Minister since the Ministry was created in January 2007 was Masahiko Komura who urged his Chinese counterpart General Cao Gangchuan to be more transparent about China's defence modernization. He called for clarification of China's defence spending, troop deployments, equipment purchases and training.⁶⁴ Japan's new Defence Ministry in its publication the *Defense of Japan 2008* noted that "with clarity on neither the present condition nor the future image, Japan is apprehensive about how the military power of China will influence the regional state of affairs and the security of Japan".⁶⁵

The principal strategic scenario which guides the development of China's force structure and the acquisition of capabilities is conflict

over a Taiwan which has declared independence. Military action against Taiwan would entail phased missile strikes by some 800–900 short range DF-15/M-9 and DF-11/M-11 missiles and a subsequent naval blockade of the island. To impose a blockade on Taiwan, China requires an effective submarine capability, and to this end it has purchased 12 ultra quiet Russian *Kilo* class submarines which are equipped with the SS-N-27 *Klub* anti-ship cruise missiles. New classes of Chinese built submarines have been developed, including two *Shang* nuclear attack submarines, ten *Song* diesel electric submarines that were intended to replace the outdated *Romeo* and *Ming* classes, and two new *Yuan* class diesel electric submarines have been completed. A modernized Chinese submarine force could also be directed against Japan in the assertion of Chinese maritime claims over the Diaoyu/Senkaku Islands and in the East China Sea dispute. Secondly, Chinese strategy also involves the deterrence of a US attempt to support Taiwan by breaking any naval blockade of the island that China may impose.⁶⁶ Over 1997–2007 China acquired new surface vessels specifically for this purpose; four Russian *Sovremenny* destroyers were purchased equipped with the SS-N-22 *Sunburn* anti-ship cruise missile which can target US aircraft carriers; another eight *Sovremenny* destroyers are on order. China has been developing quiet propulsion and noise reduction technologies to overcome US anti-submarine warfare (ASW) capabilities. A *Song* class submarine surfaced without being detected within firing range of the US aircraft carrier *Kitty Hawk* near Okinawa on 26 October 2006 which revealed that China's noise reduction technology had advanced considerably. China is also developing ballistic missiles capable of hitting US naval vessels. A new intermediate range missile has been developed for this purpose based on the DF-21, which has been described as an Anti-Ship Ballistic Missile (ASBM).⁶⁷ China has also been developing an information warfare capability utilizing satellites and information networks to attack US computer systems, which would hamper America's ability to respond to a crisis in the Taiwan Straits.

China has been developing a strategic missile force which could strike the US mainland to deter America from intervening in a conflict over Taiwan. This force has included 17 liquid-fuelled silo-based DF-5A missiles with a range of 13,000 km; 6 solid fueled mobile DF-31 missiles with a range of 7,200 km; and 6 DF-31A missiles with an extended range of 11,200 km.⁶⁸ China has also been developing the *Jin* class ballistic missile carrying submarine which would deploy the J-2S missile with a range of 7,200 km as

part of a survivable strike force against the US.⁶⁹ The role of this missile force in any conflict over Taiwan would be critical. During the 1995–96 Taiwan crises, when Beijing conducted missile tests and live firing exercises in reaction to President Lee Teng-hui's visit to the US, the Chinese told former US Assistant Secretary of Defence Chas W. Freeman that their strategic missile force would make America hesitate to support Taiwan.⁷⁰ A second reference to China's nuclear strike capability was made by Major General Zhu Chenghu of the National Defence University who in 2005 warned the US that China would retaliate with nuclear weapons if it were attacked.⁷¹ The one feasible scenario where China would consider the nuclear option is a situation where the US attacks the mainland or Chinese naval vessels in response to a Chinese saturation missile attack on Taiwan or a Chinese naval blockade of the island. Through the development of a credible strategic missile force China may be able to threaten further escalation of any conflict with Taiwan to an unacceptable level for the US forcing it to desist from any attempt to support Taiwan. As deterrence theory would have it China may then claim escalation dominance in the Taiwanese situation like a poker player who can raise the stakes of the game to force out the other players. The experience of the Cold War years has taught that the possession of nuclear forces by both sides in a conflict effectively nullifies their use in a system of mutual deterrence in which case conventional power will decide the outcome.⁷² In the 1995-96 crises the US could assert naval superiority over China but its ability to repeat the same in any future crisis would be eroded by developments in Chinese conventional capabilities as outlined above. China does not need to match US conventional capabilities, which would be a task beyond its current resources, but if it can significantly increase the risks it could weaken America's resolve, particularly as the escalatory options would be curtailed by China's nuclear forces. The Cold War experience also taught that a nuclear threat prompts the desire for political accommodation and detente in which case cooperation with Beijing would become more important than Taiwan for the US. Any weakening of American resolve in this way would have knock-on effects elsewhere impairing the US-Japan alliance, which has been the foundation of Japanese security in the post-war era.

Japan has regarded its alliance with the United States as critical for its security. Collaboration with the US has been important for the development of an anti-ballistic missile system which would protect the Japanese mainland against missile strikes from North

Korea. This system, described as the most complex yet devised, includes Aegis equipped destroyers with the SD-3 and PAC-3 Patriot missiles which were first deployed in Japan in March 2007.⁷³ Secondly, strengthening the alliance with the US has been a means of hedging against China's rise and the development of its military capabilities. Prime Minister Junichiro Koizumi represented a new breed of Japanese nationalists who visualized an alliance of equals with the US and called for a Japan that would be America's main partner in Asia. His successor, Shinzo Abe and current Prime Minister Taro Aso, were both strong supporters of this approach. The Japanese-US realignment agreement of 1 May 2006 was Koizumi's most significant step in terms of security cooperation with America. Washington's intention of transforming the alliance into a global partnership dovetailed with the Koizumi group's purpose of integrating Japanese security more closely with the US. Basically, it allowed the US greater flexibility to use forces currently deployed in Japan for missions in other regions such as the Persian Gulf and the Middle East.⁷⁴ The realignment demanded greater interoperability between Japanese and American forces in connection with contingency planning, intelligence sharing, international terrorism as well as ballistic missile defence.⁷⁵ Japan and the US have also devised plans for coordinating forces in the event of a Chinese attack upon Taiwan which would require Japan to provide rear area support for US forces.⁷⁶

Alternative security options for Japan have been debated within the DPJ which could avoid polarization with China. The DPJ emerged as the largest party in the Upper House elections of 29 July 2007 and it may unseat the Liberal Democratic Party (LDP) as the ruling party of Japan in the Lower House elections. Head of the DPJ, Ichiro Ozawa, has insisted on a strict interpretation of the Constitution and has revealed himself to be unsympathetic to close security collaboration with the US. Ozawa opposed the law passed by the Diet in 2001 which authorized Japanese naval vessels to provide logistics and refuelling support for the US Navy in support of anti-terrorist operations in Afghanistan. He claimed that this war was not authorized by the UN Security Council (UNSC) and has described it as "America's war"; he refused to allow an extension of this law until a vote by the LDP-controlled Lower House overruled him.⁷⁷ Ozawa's vision of security is one based firmly on the UN where Japanese forces would only be deployed in operations approved by the UNSC. His views are not shared by others within the DPJ including Seiji Maehara so that even if the DPJ replaced

the LDP as the ruling party it is doubtful that Japanese security policy would change significantly.

However, there are other opinions about security within Japan which are disturbing for its partners. In November 2008, Air Self Defence Force Chief of Staff Toshio Tamogami was removed from his position for writing an essay which denied Japanese aggression in the Second World War. Tamogami claimed that Japan had been trapped by the US and had no option but to go to war; he also called upon Japan to exercise the right to collective defence which was banned under the Japanese government's interpretation of the Constitution.⁷⁸ Tamogami expressed a view held by the new nationalists that Japan could not become a major security actor unless it shakes off the paralyzing guilt associated with the past, and that the first priority was a revision of history. The new nationalists, whose views are becoming more acceptable among younger Japanese, are a product of a generational change and hold negative perceptions of both North Korea and China.⁷⁹ This was the first occasion, however, that a high ranking defence official had given expression to nationalist views. It indicated impatience with the constitutional restrictions imposed on Japan and a desire for a stronger defence force to meet the challenges of China and North Korea.⁸⁰

In this political context there is the concern that China's moves to protect its sealanes could further stimulate competition with Japan. China's escalating dependence upon oil imports has created an obsession with the security of its sealanes, particularly the Malacca Straits through which an estimated 80 per cent of its oil is shipped.⁸¹ China currently imports around 47 per cent of its oil and is the second largest oil consumer after the US; by 2020 imports are expected to increase by 63 per cent.⁸² As the Chinese economy grows it becomes more vulnerable to external disruption particularly in Southeast Asia and the Indian Ocean. China has examined alternatives to the Malacca Straits which would re-route its oil supplies via Myanmar or Pakistan pipelines. The Myanmar pipeline would connect the Indian Ocean port of Sittwe with Kunming in Yunnan province, a distance of 1,200 km.⁸³ China will also increase oil supplies from Russia though a pipeline connecting to the West Siberian oilfields, and from Kazakhstan where a 3,000 km pipeline is under construction. Nonetheless, alternative supplies would reduce the oil shipments through the Malacca Straits but would be unlikely to replace them entirely. For this reason extended sealane protection is likely to become a major priority for the Chinese navy in the future.⁸⁴

China is in the process of moving from the exclusive pre-occupation with continental defence to a new security posture based on a mixture of land defence and sealane protection.⁸⁵ China's navy commander over 1982–87 was Admiral Liu Huaqing who stressed the importance of the navy for defending China's maritime interests. As Vice Chairman of China's Central Military Commission (CMC) under President Jiang Zemin during 1992–97, Liu lobbied for the navy and for the acquisition of new surface vessels including aircraft carriers. It was during this period that the navy was "increasingly behaving as a quasi bureaucratic actor" in promoting a defence policy more geared towards China's maritime strategic interests.⁸⁶ Jiang removed Liu from the CMC in 1997 but his influence carried on as the need for a stronger navy became more obvious to China's leaders. In December 2006 President Hu declared that China required a "powerful navy" to fulfill its "historical mission" which was to prevent Taiwan from becoming independent and also to protect China's sealanes. Hu spoke to a group of naval specialists indicating that particular attention was being given to the navy; his intention as reported was to create Party consensus on its expansion.⁸⁷ China's State Council published a report entitled *China's National Defense in 2008* which noted that the navy has been developing the capability for "conducting cooperation in distant waters".⁸⁸

At present China's naval capability to defend its sealanes is limited and for this task it would require long-range power projection capabilities including aircraft carriers.⁸⁹ Admiral Liu advocated an ocean-going navy for China including aircraft carriers but since his time the carrier plan has lacked powerful political advocates.⁹⁰ In November 2008 interest in an aircraft carrier was again revealed by Major General Qian Lihua, who is Director of the Ministry of Defence's Foreign Affairs Office.⁹¹ It is not clear what kind of carrier is under discussion and whether the objective is a small helicopter carrier or a large deck carrier, or something in between. If the intention is to protect China's oil shipments from the Indian Ocean through the Malacca Straits a large deck carrier would be required to provide air cover together with an accompanying escort fleet for ASW protection. This would be overly ambitious and would demand a considerable commitment of resources which is why China has hesitated. In any case China could not develop a naval capability for this purpose without provoking considerable apprehension in Japan in relation to its intentions. The uncertainty about China's intentions prompts a response from Tokyo as Japan has been dependent upon the Middle East for some 87 per cent of its

oil needs. Chinese naval expansion in this direction would prompt Japanese fears that Beijing would gain a stranglehold over its own oil lifeline in the Malacca Straits and surrounding waters. Indeed, mutual concern about sealane protection has the potential to extend Sino-Japanese rivalry into Southeast Asia and beyond.

Japan's naval deployments have been limited by the government's interpretation of the Constitution to a subordinate role in cooperation with the US navy to "situations in areas around Japan". Japan's impressive naval force of six Aegis equipped and 39 guided missile destroyers, 16 conventional submarines and one helicopter carrier is basically an anti-mine and ASW force with an ABM capability against North Korea. Japan has relied upon the US navy for its security, but if the US is effectively deterred by a Chinese strategic missile force from acting it would be compelled to develop its own naval capability. At present Japan cannot plan for the protection of its own oil lifeline by developing a long-range naval capability as it would be an explosive issue domestically, and within East Asia. Tokyo can at least broaden security cooperation beyond the alliance with the US to involve possible partners which are also concerned about the development of China's military capability. The US-Japan Security Consultative Committee (SCC) which met on 2 May 2007 endorsed trilateral cooperation with Australia based on "democratic values and interests" and partnership with India "to advance areas of common interests".⁹² India is a new interest for Japan and Koizumi's visit to New Delhi in October 2005 was followed by that of Shinzo Abe in August 2007. Abe addressed both houses of the Indian parliament and called for a "broader Asia" or a partnership of democracies including India, the US and Australia.⁹³ At one point it seemed that quadrilateral security cooperation between these four actors may have resulted, but in May 2008 Australian Prime Minister Kevin Rudd withdrew Australia's support. Neither Australia nor India was interested in an overtly anti-China grouping.

Sino-Japanese naval rivalry would indeed be an unsettling factor for the region with the potential to derail the impressive regional integration that has taken place in East Asia over the past decade. While Yasuo Fukuda was Japanese Prime Minister from September 2007 to September 2008, both sides made an effort to contain the destructive pressures in this critical relationship. Fukuda attempted to repair the relationship with Beijing and during his visit to China in December 2007 he stressed that the relationship with China was a "top priority".⁹⁴ Fukuda also declared that he would not visit the

Yasukuni Shrine, and that Japan would not support Taiwan in its bid for UN representation. The Chinese reciprocated when they invited Japanese observers to review the military exercise "Warrior 2007" in the Shenyang military area, which was regarded as a move to enhance transparency.⁹⁵ President Hu visited Tokyo in May 2008 and reached a compromise with Japan over the East China Sea dispute which allowed Japanese companies access to the Chunxiao oil and gas field.⁹⁶ Negotiations over this issue had dragged on for three years, and yet when the timing was considered appropriate China could rapidly compromise. Moreover, the Chinese destroyer *Shenzhen* visited Japan in June 2008 in accordance with a 1998 agreement on mutual port calls by naval vessels. Because of the deterioration of Sino-Japanese relations under Koizumi and Abe the implementation of this agreement had been postponed.⁹⁷

The difficulty is that interdependence is not the only factor in this relationship and that security communities would respond not to the dynamics of their economic relationship but to the moves of the other in the security and defence arena. China has stressed multilateralism, economics, and its "soft power" advantages in relations with East Asia as well as Japan, which reflects the growing integration of its economy with the region and the impact of interdependence upon policy.⁹⁸ But China is also in the process of developing its military capabilities which reflects the reality of its sealane vulnerability, energy dependence as well as its goal of reunification with Taiwan. China, indeed, has pursued a two pronged approach towards the region and in time they may come into conflict. While China continues to modernize its military, and to develop capabilities appropriate for its security and sealane vulnerabilities, it may impair its regional policy and multilateralism, particularly among those countries that are concerned about Chinese expansion, the Philippines and Indonesia above all. Beijing may act on the assumption that interdependence would restrain a Japanese response and that Japan has much at stake in the relationship with China, and that it would accommodate a dominant China and bandwagon with it. The burgeoning Japanese security community and its supporters within the political parties have been placed on alert by Beijing's actions. The fear is that a stronger Chinese naval capability would threaten Japan's sealanes, and that China would then hold Japan hostage. An expanded Chinese naval capability, one which would reach into the South China Sea and the Malacca Straits, would also stimulate naval programmes in other Asian

countries and may also result in greater Indian naval interest in Southeast Asia.

The changing balance in the US-China relationship could impact negatively upon Sino-Japanese rivalry in the future. A nuclear China with a growing naval capability could weaken the value of the American alliance for Japan's security as the US becomes more accommodating in relation to Beijing's regional position. Moreover, an America which increasingly relies upon Chinese cooperation to overcome financial crisis would be likely to structure its relationship with Beijing in terms of a partnership, and Japan would be effectively downgraded in US policy. Some American strategic analysts note the possibility of a "longer term strategic convergence" with China and that both countries may decide to "share responsibilities for long term regional security".⁹⁹ Already the Japanese are concerned that the development of Sino-US relations would impair the effectiveness of the US-Japan alliance.¹⁰⁰ If an US-China regional condominium should emerge from these trends there would be considerable pressure within Japan for a breakout from the constitutional restrictions, and for the removal of the political inhibitions that have shaped Japanese security policy since 1945. Japan then would be prompted to develop an autonomous military and maritime capability to pre-empt China, particularly in relation to the critical sealanes through the Malacca Straits. Rivalry between China and Japan could then split East Asia, into those who support China and those who would likely seek US and Japanese support against China. East Asian regionalism would suffer a setback from which it might not recover and the permanent division of the region would be the unwelcome result. Moreover, greater Chinese risk-taking could be expected not only in terms of the development of naval capabilities for sealane protection but in relation to Taiwan. Some have argued that the development of China's military capability over time could tempt Beijing to take military action over Taiwan if it believed that Taiwan was about to become independent.¹⁰¹ Should China feel that it is able to deter America from supporting Taiwan in any conflict, or that American resolve would be affected by increased dependence upon Beijing it would become more confident in its calculation of risk. It may force the pace of reunification even without a Taiwanese move towards independence to put an end to the current separation which it fears may become permanent over time. A changed US-China relationship and increasing American dependence upon Beijing make that possibility more realistic.

Conclusion

Interdependence can indeed coexist uneasily with rivalry and in certain situations may degenerate into conflict. Economic interdependence alone is insufficient to bring peace and security though it may be a positive step in that direction. Security is not just a matter of trade ties and investment flows; it extends to the responsiveness of the political leadership, the domestic factors bearing upon decision-making and the political system within which it functions. No doubt, in most situations where mutual interdependence binds representative or pluralist political systems supporting constituencies are created in the decision-making system which reflect the interests of the business or financial community. A country then has a recognized stake in interdependence which sets the parameters of its foreign policy. Difficulty arises, however, in the case of a non-representative or authoritarian system which has particular national ambitions, or where the military has been granted an autonomous voice over national security and the freedom to implement its strategic plans. In this situation national ambitions may be pursued without taking into account the reactions of others and justified as an entitlement that others should accommodate. Ambitious leaders would regard asymmetries in the patterns of interdependence as power advantages which can be exploited to further their plans, and the misunderstanding could then arise that others would be restrained by interdependence from reacting. In China's non-representative system the security constituencies supporting national ambitions, whether in relation to Taiwan or sealane protection, are not subject to the same checks and balances found in representative systems that would ultimately defend interdependence. China cannot pursue those ambitions, and cannot claim its entitlement as Asia's leader without triggering further rivalry with Japan. Sino-Japanese rivalry may have been initially stimulated by disputes over history but it is increasingly being affected by events outside the bilateral relationship relating to China's sealane vulnerability, the Taiwan issue and America's role in the region. Moreover, as China becomes economically more powerful new asymmetries would be created in the interdependent relationships with both Japan and the US, which could strengthen the perception that the power advantages favour Beijing. The concern is that Beijing would then be tempted to take bolder steps in relation to Taiwan and naval expansion on the assumption that its increased power would justify the risk and that others would be constrained by interdependence from responding.

External actors could mitigate this rivalry which threatens to destabilize the region. Both ASEAN and the US could influence China's calculation of risk by clearly signalling that they would not accept the resort to military power over Taiwan, or the development of a sizable naval capability for sealane protection without transparency and the necessary assurances for affected countries. Otherwise the misunderstanding would be created in Beijing that passivity means approval, and that interdependence would not be jeopardized by such action. ASEAN should press for Chinese defence transparency within the ASEAN Regional Forum (ARF) and should not be satisfied with the incomplete explanations of Chinese defence spending and force modernization. ASEAN could also strengthen and extend maritime existing maritime cooperation in relation to the Malacca Straits and surrounding sealanes which would provide reassurance to both China and Japan in relation to piracy, terrorism and other concerns. ASEAN could also involve the major regional actors China, Japan as well as India in the launching of a maritime security regime that would cover naval exercises, force deployments as well force developments. For its part the US should resist the view that Beijing should be its main partner in East Asia, or that Japan should accommodate China and get used to its dominant role. Should America effectively downgrade the alliance with Japan in deference to China the result could be a revisionist and nationalist Japanese response, as demonstrated by the recent Tamogami case. Ultimately the beneficial effects of economic interdependence are not automatic and their realization requires human effort to remove misunderstanding, particularly in relationships that have been marred by past conflict.

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- ⁸⁷ Hu Jintao said that “we should strive to build a powerful navy that adapts to the needs of our military’s historical mission in this new century and at this stage”. Mark Magnier and Mitchell Landsberg, “Chinese focus on navy leaves big political wake”, *Los Angeles Times*, 31 December 2006; “China’s Hu calls for powerful, combat-ready navy”, *Washington Post*, 27 December 2006; David Lague, “China airs ambitions to beef up naval power”, *International Herald Tribune*, 28 December 2006.
- ⁸⁸ The exact phrase was “The Navy has been striving to improve in an all-round way its capabilities of integrated offshore operations, strategic deterrence and strategic counterattacks, and to gradually develop its capabilities of conducting cooperation in distant waters.” See *China’s National Defense in 2008*, Information Office of the State Council of the People’s Republic of China, Beijing, January 2009 <http://www.gov.cn/english/official/2009-01/20/content_1210227.htm>.
- ⁸⁹ *Military Power of the People’s Republic of China, 2008*, Annual Report to Congress, Office of the Secretary of Defence, 2008, p. 13; “China is laying the foundation for a force able to accomplish broader regional and global objectives”, *ibid.*, p. 22.
- ⁹⁰ On Admiral Liu Huaqing’s role in promoting carrier development in China see Wilson and Erickson, “China’s aircraft carrier dilemma”, *op. cit.*, pp. 2–4.
- ⁹¹ Mure Dickie and Martin Dickson, “China hints at aircraft carrier project”, *Financial Times*, 16 November 2008.
- ⁹² “Text of US-Japan Joint Security Statement”, *Nikkei*, 2 May 2007.
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- ⁹⁴ “Fukuda shows flexibility in foreign policy toward China”, *Nikkei*, 29 December 2007.
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- ⁹⁷ Feng Zhaokui, “Ship comes riding high tide in China-Japan ties”, *China Daily*, 23 June 2008 <http://chinadaily.com.cn/opinion/2008-06/23/content_6785786.htm>.
- ⁹⁸ See Bates Gill, “China’s Evolving Regional Security Strategy”, in *Power Shift: China and Asia’s New Dynamics*, edited by David Shambaugh (Berkeley: University of California Press, 2005), pp. 247–66.
- ⁹⁹ See Jonathan D. Pollack, “The Transformation of the Asian Security Order: Assessing China’s Impact”, in *Power Shift*, edited by Shambaugh, *op. cit.*, p. 343.
- ¹⁰⁰ “US-China ties weaken alliances”, *Japan Times*, 26 November 2008.
- ¹⁰¹ Swaine, “China’s Regional Military Posture”, *op. cit.*, p. 281.