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Myths of Decline: Why Japan Matters as China Rises

HITOSHI TANAKA, *Senior Fellow, JCIE*

THE NARRATIVE OF A DECLINING Japan has been in vogue recently. Defeated US presidential candidate Mitt Romney characterized Japan, somewhat offhandedly, as a state that has been in decline for a decade, or maybe even a century. A recent spate of stories circulating in the US media has portrayed Japan as a player that had its time in the sun but is now down and out of international politics. And China's overtaking of Japan as the second largest economy in the world in 2010—ignoring the large ground China has to cover to close the GDP per capita gap—is often cited as a symbolic example of Japan's growing irrelevance. Consequently, it is rashly presumed that as emerging powers such as China and India burst onto the scene, Japan will be left behind and slowly recede from the world stage.

Exaggerating Japan's Decline

There is no denying that Japan's economic performance over the last two decades has been rather stagnant. Since its asset price bubble burst at the beginning of the 1990s, Japan has averaged an annual GDP growth rate of just 1.1 percent. This is less than half the

2.4 percent the United States averaged over the same period. When compared with Japan's more immediate neighbors, South Korea's average annual GDP growth since 1990 of over 5 percent and China's average of over 10 percent blow Japan out of the water. Moreover, Japan's economic problems are compounded by an aging demographic and a lack of strong leadership and political vision. Most critically, Japan must reconcile its mounting debt, which has resulted in a debt-to-GDP ratio of more than 200 percent, even as demands for improved social welfare are growing. This challenge is without precedent, as Japan is the first nation in the world to be confronted with such an advanced aging population. Twenty-three percent of its population was over 65 in 2010, and this number is projected to grow to 40 percent by 2050. While it is clear that the current path is unsustainable, shifting to a fiscally sustainable alternative—including raising the consumption tax, which was passed in August—has proved to be highly contentious politically.

Nevertheless, while Japan does face some serious challenges, the current surge of stories coming out of

the United States seriously exaggerates Japan's malaise. Japan is one of the world's most industrialized and technologically advanced nations and is still ahead of all other Asian countries on both counts. Japan also continues to enjoy one of the highest living standards and among the longest life expectancies in the world. Japan concentrated great resources to catch up with the developed nations of North America and Europe and it is not about to simply give up that hard-earned status. Looking ahead, many Japanese companies are utilizing the record strength of the yen and making prudent, if not news-grabbing, overseas investments. And the time will come when the Japanese people forge a consensus on new post-industrial national objectives to manage their debt and aging population.

China's Rise and Japan's Geopolitical Importance

The flawed US perception of Japanese decline and irrelevance has particularly negative ramifications for the US-Japan alliance and the US pivot to Asia, and in turn, this weakens efforts toward addressing the great challenge they both must tackle: how to face up to the rise of China. In particular, an overarching and coordinated strategy is needed to avert confrontation with China and ensure that it is brought into the fold as a constructive stakeholder in the region. Neither country can go it alone in dealing with China's rise, and this kind of US-Japan coordinated strategy would be in the best interests of both countries.

The dilemma of the China challenge is that its diplomatic posture is becoming increasingly assertive and nationalistic as its economic and military power continues to grow, but at the same time economic interdependence with China has reached unprecedented levels and is only set to deepen in the future. So on the one hand, China is the largest trading partner for Japan, South Korea, and many of the ASEAN states, and it is the United States' second largest trading partner after Canada. But on the other hand, China has shown an increased willingness to use its economic power as a political weapon—such as when it withheld rare earth exports to Japan in 2010 over the Senkaku Islands

dispute or when it blocked banana imports from the Philippines over the Scarborough Shoal dispute in 2012 and fish imports from Norway as retribution for awarding the Nobel Peace Prize to Chinese dissident Liu Xiaobo in 2010. This dilemma shows no signs of easing with the new generation of leadership in China. In a speech after being confirmed as the secretary general of the Chinese Communist Party, Xi Jinping demonstrated that he has his eye on the economy when he vowed to increase the Chinese people's incomes and to eliminate corruption and bribe taking. But the lofty nationalistic terms he used does not bode well for the future direction of Chinese diplomacy.

Japan and the US-Japan alliance must play a critical role in pursuing peaceful relations with China and promoting a stable and prosperous region. Failing to utilize the US-Japan alliance will be the same as discarding a critical puzzle piece; without it, the puzzle can never be completed successfully. The US-Japan alliance is the United States' longest serving and most durable platform for engaging with Asia. Moreover, Japan—as the only sizeable Asian nation with both an advanced industrial structure similar to the West and deep historical, cultural, and philosophical connections with the rest of Asia—has an important role to play as a connector between both East and West and developed and developing economies. Thus intensive and regularized US-Japan consultations are critically needed to solidify the alliance, resolve outstanding issues—such as Okinawa's local opposition to US bases—and coordinate a joint approach toward China and regional security.

Moreover, in coordinating a joint approach, the United States and Japan should be working together to strengthen regional architecture by taking a multilayered and functional approach. This encompasses bilateral alliances at the first level, trilateral forums at the second level, sub-regional arrangements such as ASEAN at the third level, and an inclusive region-wide institution based on the East Asia Summit at the fourth level. The strengthening of each level should include enhancing confidence building measures; augmenting economic rulemaking, codes of conduct,

and crisis management mechanisms; and getting serious about joint energy cooperation.

While US leadership and engagement in Asia is to be welcomed, managing China's rise and strengthening regional architecture is not a task that the United States can or should attempt to shoulder alone. Taking a unilateral approach not only fosters resentment and anti-US sentiment, but it also forgoes the process of consultations with allies and starves the United States of crucial in-region insider knowledge. Besides, given the current economic climate as the world stumbles toward recovery after the global financial crisis, the United States cannot afford to maintain a bloated military budget indefinitely.

Fulfilling Japan's Potential

The sorry state of Japanese domestic politics risks becoming a stumbling block in efforts to solidify the US-Japan alliance, utilize Japan as a connector between East and West, strengthen regional architecture, and avert confrontation with China and bring it into the fold as a constructive regional stakeholder. Since the resignation of Junichiro Koizumi in September 2006, the Japanese prime ministership has been a merry-go-round of instability with six prime ministers in six years. As a result, the formulation of any significant foreign policy vision has been severely hampered. Japanese politics must mature, and leaders from the different parties must find some working arrangement that provides for greater political stability.

As Japan approaches a snap election later this month a change of government appears likely as right-leaning politicians—such as Shinzo Abe, Shintaro Ishihara, and Toru Hashimoto, all well known for their nationalistic rhetoric—are commanding greater influence on the national scene. A conservative Japanese government is likely to be keen to forge

close cooperation with the United States but may also want to be tough on China. So while a likely new conservative government could, with enough popularity, provide a platform for stability for Japanese domestic politics, there is a risk that if Japanese politics shifts too far from the center, confrontation with China—particularly over the Senkaku Islands—may boil over. This risk is a particularly unsavory prospect for all across the region. Thus as the new government takes office in Japan, leaders in both Tokyo and Washington would do well to create a joint strategy on the crucial issue of regional peace and stability.



The myth that Japan is in decline and no longer important in the era of a rising China is a dangerous misperception. While Japan's economy faces stiff challenges, it is still fundamentally strong and will bounce back. Moreover, the rise of China has increased, rather than diminished, Japan's geopolitical importance. The US-Japan alliance is a vital platform for US engagement with the rest of Asia. Allowing these misperceptions to persist risks grave consequences. It weakens both the United States and Japan's ability to work together to strengthen regional architecture and bring China into the fold as a constructive regional stakeholder. As the recently re-elected Obama administration looks to follow through on its Asia pivot and foster a stable and prosperous Asia Pacific, early, regularized, and intensive US-Japan alliance consultations with the new administration in Japan are an important first step.

Hitoshi Tanaka is a senior fellow at JCIE and chairman of the Institute for International Strategy at the Japan Research Institute. He previously served as Japan's deputy minister for foreign affairs.

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