

The Tokyo
Foundation

Policy Proposal

JAPAN'S SECURITY STRATEGY TOWARD CHINA

Integration, Balancing, and Deterrence
in the Era of Power Shift

October 2011

The Tokyo Foundation

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About this Policy Proposal and Acknowledgements

This set of proposals is the result of research conducted for the Tokyo Foundation Asia Security Project. The rise of China has intensified concerns in both Japan and the US, as well as in neighboring Asian countries. Here we address the question of what security strategy Japan should take with regard to China in this context by proposing an analytical framework together with specific policies and measures.

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Foreword

The rise of China is a focus of attention around the world. For the Japanese people, 2010 was the year to be remembered as the “China Shock.” China surpassed Japan in gross domestic product (GDP) to become the second greatest economic power in the world. Then, in September, there was the collision with a Chinese fishing boat near the Senkaku Islands, and this incident became the occasion for China to take a hard-line attitude toward Japan in various ways, including export controls on rare earths. As a result, the Japanese people’s perception about China deteriorated significantly.

Furthermore, China is also engaging in sovereignty disputes not only in the East China Sea but also in the South China Sea with surrounding countries, such as Vietnam and the Philippines, over the Spratly Islands and the Paracel Islands. Tensions with Vietnam, in particular, have grown high with incidents such as China’s seizure of Vietnamese fishing boats and interference with oil exploration. The destabilization of these waters is also a problem that cannot be ignored by Japan, which transports oil from the Middle East through this region.

China, with the economic power for continuing growth, has also been upgrading its air and naval power with submarines, fighter planes, and so on. At the same time, China has also been working to modernize its military by developing anti-satellite weapons, stealth fighter craft, and other such arms. However, the substance of this build-up of military power and the intentions underlying it are extremely lacking in transparency, so that China’s emergence as a military power have intensified concerns not only in Japan and the US but also in other Asian countries around China.

As it has turned out, not only is Japan in political stasis but the tremendous blow of the March 11 earthquake and tsunami has also left the nation without the time and energy to deal with these kinds of external issues. The question of how best to cope with security concerns emanating from China’s rise to prominence, in particular, has not been adequately addressed by the government of Japan, even though this is a serious issue that affects our national interests. Even for the purpose of focusing our full energies on recovering from the earthquake, it is also necessary for us to give attention to Japan’s national security environment.

The Tokyo Foundation Asia Security Project has proceeded from this critical awareness to erect a framework for the purpose of building Japan’s security strategy with regard to China, and in doing so we have formulated specific policy proposals. This proposal document comprises two parts, namely, a description of the analytical framework and specific policy proposals.

First, it can be supposed that a power shift from the US to China will occur progressively in the Asia-Pacific region over the coming 10 to 20 years. Four patterns for the regional security order have been postulated on a graph, with US ascendancy and US-China parity defining the vertical axis, and confrontation and cooperation defining the horizontal axis. The scenarios here

assume that US-China relations will repeat the trajectory between confrontation and cooperation while gradually shifting from US ascendancy to US-China parity. Following this scheme, we have presented fundamental forms for Japanese security strategy with regard to China that apply the three concepts of “integration,” “balancing,” and “deterrence” according to each of those four patterns.

Next we have recommended specific measures for security strategy with regard to China by applying combinations of integration, balancing, and deterrence to specific issue areas. These include issues in the Japan-US-China relationship, including Japan-China, Japan-US, and US-China relations; issues in Northeast Asia, with a focus on the Korean Peninsula; and issues of wide area cooperation in the Asia-Pacific region.

The discussion here has benefited from the debate undertaken to draft the report titled “Asia-Pacific Security Architecture,” published under this project in August 2010. It is my hope that the analytical framework presented here with the present proposals will be of use in formulating the Japanese government’s security strategy with regard to China and that the specific measures and policies recommended here will contribute to the implementation of that strategy. At the same time, we will also broadly publicize these research results so they may stimulate further debate.

Hideki Kato
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Contents

Executive Summary	5
Power Shift and Power Transition: Case for Japan-China Relations	5
US-China-Japan GDP and Military Spending in 2030.....	6
Japan's Security Strategy toward China: Integration, Balancing, and Deterrence.....	7
Introduction: Power Shift and Power Transition	9
Emerging Powers and the Rise of China	9
China and the Liberal Order: Accommodating, Resisting or Reconstructing?.....	9
Emerging Dynamics of Power Shift in Asia	13
Encountering a More Assertive China in 2010	14
Part I. Shaping a Strategy for the Rise of China	16
1. Power Shift in Progress: Chinese Economic Outlook in 2030	16
Long-Term Trends in China's Economic Rise.....	16
Shifting from Japan-China Parity to Chinese Supremacy.....	18
Japan, US, and China Estimated Nominal GDP in 2030	20
2. Defense Spending by Japan, US, and China in 2030	23
US in Military Power: Whether Next to None in 2030?.....	23
Long-Term Trends in Defense Spending by Japan, the US, and China.....	24
Chinese Military Spending: Rapidly Approaches the US and Surpasses Japan.....	26
3. Spiral Dynamics of US-China Security Relations	27
Four Types of Order in the US-China Relationship	27
Cycles of Cooperation and Confrontation in the Transition toward US-China Parity	30
4. Japan's Security Strategy toward China: Integration, Balancing, and Deterrence	30
Beyond Engagement and Hedging	30
Are We Shaping China or Shaped by China?.....	32
Multilayered Strategy of Integration, Balancing, and Deterrence.....	32
5. Four Types of Order and Japan's Strategic Choice	37
Maintaining the Hierarchical Liberal Order and Preparing for the Asymmetrical	
Balance of Power	37
Promoting Concert of Powers, Avoiding Cold War-type Bipolar System.....	38
Part II. Japan's Security Strategy toward China: Pursuit of Integration, Balancing, and Deterrence	40
1. Restoring the Foundation for Japan's Diplomacy and Security Policy after the Great East Japan Earthquake	40
Security Policy after the Great East Japan Earthquake: Overcoming Three Key Issues	40
Key issue 1: Whether Japan can reconstruct and recover quickly.....	41
Key issue 2: Evaluation of Japan's country risk by the international community	42
Key issue 3: Whether East Asia's security stability will be maintained.....	43
2. Integration, Balancing, and Deterrence in the Japan-US-China Relationship	44
(Integration)	
Proposal 1	45
Form a resilient habit of cooperation capable of withstanding the power shift.....	45
Proposal 2	47
Explore new frontiers in Japan-China security cooperation	47
Proposal 3	49

Reinforce the crisis management mechanisms in place at the Japan-China summit level and between their national defense authorities.....	49
<i>Proposal 4</i>	51
Gain access to Chinese-led frameworks and take steps toward two-way integration.....	51
(Balancing)	
<i>Proposal 5</i>	53
Inaugurate a Japan-US-China strategic security dialogue	53
<i>Proposal 6</i>	54
Strengthen security cooperation with Australia, South Korea, India, and Southeast Asia.....	54
<i>Proposal 7</i>	56
Promote functional and ad hoc regional cooperation	56
(Deterrence)	
<i>Proposal 8</i>	57
Promote dynamic deterrence against opportunistic expansion by China.....	57
<i>Proposal 9</i>	58
Promote a Japan-US joint air-sea battle (JASB) concept.....	58
3. Security Cooperation in Northeast Asia: Strengthening Regional Mechanisms and Dealing with North Korea	59
(Integration and Balancing)	
<i>Proposal 10</i>	59
Utilize Japan-South Korea strategic cooperation wisely	59
<i>Proposal 11</i>	62
Promote regional cooperation with China through the six-party talks and Japan-China-South Korea cooperation	62
<i>Proposal 12</i>	64
Prepare for a North Korean destabilization scenario	64
4. The Role of Asia-Pacific Institutions in the Context of Japan's China Strategy	66
(Integration)	
<i>Proposal 13</i>	66
Bring China into the extensive array of regional security cooperation arrangements.....	66
(Balancing)	
<i>Proposal 14</i>	67
Build “a coalition of the willing” within regional institutions	67
<i>Proposal 15</i>	69
Promote the reform of regional institutions.....	69

Executive Summary

Power Shift and Power Transition: Case for Japan-China Relations

The rise of China is rapidly changing the strategic landscape in the Asia-Pacific region. As China becomes a leading power in Asia, China's growing influence is shifting the strategic weight of bilateral and regional security relations. The rise of China is also a global phenomenon. The distribution of global wealth is becoming further multipolarized and diversified as China's nominal GDP is braced to match that of the United States and EU. China, along with other emerging economies in the world, may gradually alter the rules, norms and institutions of global governance. Thus, for policymakers in Japan, the days of old-fashioned management of Japan-China bilateral relations may become utterly obsolete. Accordingly, Japan's strategy toward China should be readjusted as constituting the core of Japan's regional strategy in East Asia and a gateway for a strategy toward the emerging powers in the world.

One prevailing view suggests that as China becomes more powerful and the US position erodes, it will inevitably lead to serious strategic competition between China and the liberal order predominantly led by the United States. The result of such developments will be heightened tensions, distrust, and conflict during the process of power shift. However, other views assert that while the "unipolar moment" will inevitably end, China can comfortably accommodate the United States since China has already been highly integrated into the liberal international order. In this view, the US-China relationship will not necessarily be confrontational but will have the potential of peaceful co-existence between the two leading powers. Indeed, the Chinese government has repeatedly proclaimed that China would be able to rise to prominence in a peaceful manner that would not challenge the existing order.

The peaceful rise of China, however, is not an easy goal to be realized without bridging a crevasse between China and the liberal order. China's fundamental claims on territorial integrity and "core interests" are giving rise to tensions with neighboring states. China's promotion of state capitalism, heavy intervention in the market, and tight currency control have been sources of economic friction with the leading economies of the world. China's limited progress on democracy, human rights and the rule of law also pose a problem in sharing common values. In realizing the peaceful rise of China, China needs to clarify its road to bridge the gap between concept and reality.

Japan's security strategy toward China must be based on an assessment of the dynamism of China's changing status in the power distribution in the Asia-Pacific, China's approach and strategy for Asian security order, and how much Japan, the US-Japan alliance, and other regional partners can shape the strategic choice of China. As described in Part I-4, our project proposes *integration*, *balancing*, and *deterrence* as Japan's three-layered security strategy toward China. This approach aims to overcome shortcomings of the simple binomial framework of

engagement and *bedging* because (1) China is no longer outside the international system, so that days of *engaging* China is over; and (2) in order to shape China's strategic choices so that China conforms to the liberal order, we need more proactive approaches beyond merely *bedging* against China. Japan should enhance its efforts to *integrate* China into bilateral, regional, and global orders, *balance* China to induce China to become a full-fledged member of the international community by making it expensive for China not to comply with international rules and norms, and should *deter* China from attempting to change the status-quo by force.

For Japan, the year 2010 brought the dawn of a full-scale encounter with the rise of China. China became the world's second-largest economy in 2010, as its nominal GDP overtook Japan's. China also became Japan's top trading partner, replacing the US in 2009. As Japan-China economic relations become highly interdependent based on mutual interests, the two countries are now hardly separable. However, mutual distrust and tensions linger in bilateral security relations, as highlighted in the confrontation over the Senkaku Islands (known as the Diaoyu Islands in Chinese) in September 2010. The incident also brought to light the fact that Japan and China had few effective mechanisms to reduce danger, manage crises, or increase their common interests over bilateral security issues. As China is advancing the level of military activity in the East China Sea, and Japan is correspondingly placing emphasis on defending its southwestern territory, there is a greater need to fill the vacuum of stability and crisis management in Japan-China security relations.

US-China-Japan GDP and Military Spending in 2030

Japan's China strategy should be founded upon the objective assessment of the future distribution of power, especially among Japan, the United States, and China. For this purpose, our project conducted research on economic projection and military spending trends toward 2030. Referencing the various economic projection studies of the International Monetary Fund's *World Economic Outlook* and Goldman Sachs reports, etc., we have updated and modified the projection trends reflecting the changes after the global financial crisis in 2008.

Our estimate suggests that China will surpass the US in GDP (nominal terms, in US dollar as of 2010) and become the world's biggest economy in 2026 (see Part I-1). In 2030, it is projected that US nominal GDP will be 28.4 trillion dollars, China's 34.7 trillion dollars, and Japan's 8.4 trillion dollars. The ratio of the size of GDP among the US, China, and Japan will be 3.4 to 4.1 to 1..

Our study also discovered that future projections of China's military spending will also pose a challenge to US primacy. Most of the previous studies argued that China would not be able to compete with the US in the military domain despite its economic ascendancy. Although military power should be measured in a comprehensive manner, our project decided to compile a long-term outlook on national defense spending based on the GDP projection. We worked with a simple assumption, calculating defense spending as a fixed percentage of GDP, with high and low estimate paths for the US and China (See Part I-2).

By the year 2030, China's high-end path will surpass the US defense-cut path, reversing

the ranking of military spending by two countries (see Figure 6). We are not suggesting that such a power transition will become reality but are simply calling attention to the fact that a power shift is occurring at a much faster pace than most experts believe. The projection manifests in even more drastic form in Japan-China relations. China's national defense spending is rising beyond Japan's defense expenditures at a rapid rate, and the military balance between Japan and China is expected to become one of overwhelming ascendancy for China. Chinese defense spending will be 4.8 times (6.5 times in the high-end estimate) larger than that of Japan's in 2020 and 9.1 times (12.7 times) larger in 2030. The power transition is a reality of the Japan-China relationship, and this foretells of a coming era when Japan will find it increasingly difficult to deal with China's military rise with its own resources alone.

Japan's Security Strategy toward China: Integration, Balancing and Deterrence

Against this background, Japan's security strategy toward China in this era of dynamic power shift in Japan-US-China relations should be designed as a three-layered approach consisting of *integration, balancing, and deterrence*.

An *integration strategy* should involve (1) deepening the partnership and interdependence in both economic and security domains (extended engagement), (2) managing risks and crises in Japan-China security relations through cooperation and institutions (risk/crisis management), and (3) expand strategic cooperation in the Asia-Pacific region. It is important for Japan to encourage China to play a constructive and proactive role in the regional economic and security architecture, while promoting bilateral cooperation based on common interests. At the same time, Japan and China should deeply institutionalize their dialogue and communication channels among defense officials in order to manage the potential bilateral risks and crises. Further, Japan should promote China's full-fledged membership in the liberal international order by encouraging the country's representation and presence in international and regional organizations.

A *balancing strategy* should be promoted in a comprehensive manner (hard balancing, soft balancing, and institutional balancing) to shape China's strategic choices. Balancing begins with diplomatic competition that results in higher eventual costs for China in case of its noncollaboration. Balancing further extends to forming coalitions without China (external balancing) while supporting the capacity of nations in the Asia-Pacific region to deal with China (capacity building for internal balancing). Balancing will be more effective when regional members agree not to cooperate with China. However, it is critically important to confirm that the aim of a balancing strategy is to promote integration. We suggest that the balancing strategy be regarded as a pilot for navigating China toward a path of cooperation. Such navigation needs to be founded of a balance of power. Our project asserts that the Asia-Pacific region needs regional preparedness and collective capacity to counterbalance China.

Deterrence represents the leading edge of national security. If China advances the creeping expansion of its military activities in disputed areas, or if it decides to resolve conflicts by

force, such actions to change the status quo will have to be deterred. Our project recommends that Japan needs to enhance the operational domain of the Self-Defense Forces around the Nansei Islands by promoting intelligence, surveillance, and reconnaissance (ISR) activities. We also assert that the Japan-US alliance will need to adjust to the new strategic reality under China's anti-access and area-denial (A2/AD) environment. The new operational concept of the Joint Air-Sea Battle should be explored in the alliance agenda. It is also very important to increase the roles and capacities of Japan in dealing with low-intensity friction and conflicts with China while maintaining the Japan-US alliance that plays an indispensable role in escalation control and extended deterrence.

In the light of the above observations and basic principles for Japan's security strategy toward China, our project offers 15 specific policy proposals as follows:

Integration

1. Form a resilient habit of cooperation capable of withstanding the power shift
2. Explore new frontiers in Japan-China security cooperation
3. Reinforce the crisis management mechanisms in place at the Japan-China summit level and between their national defense authorities
4. Gain access to Chinese-led frameworks and take steps toward two-way integration

Balancing

5. Inaugurate a Japan-US-China strategic security dialogue
6. Strengthen security cooperation with Australia, South Korea, India, and Southeast Asia
7. Promote functional and ad-hoc regional cooperation

Deterrence

8. Promote dynamic deterrence with respect to opportunistic expansion by China
9. Promote a Japan-US joint air-sea battle (JASB) concept

Integration and Balancing

10. Utilize Japan-South Korea strategic cooperation wisely
11. Promote regional cooperation with China through the six-party talks and Japan-China-South Korea cooperation
12. Prepare for a North Korean destabilization scenario

Integration

13. Bring China into the extensive array of regional security cooperation arrangements

Balancing

14. Build "a coalition of the willing" within regional institutions
15. Promote the reform of regional institutions

INTRODUCTION

Power Shift and Power Transition

Emerging Powers and the Rise of China

The post–World War II international order is bound for a structural change. With the rapid economic growth of Brazil, Russia, India, and China (BRICs), emerging economies are gaining the potential of overtaking the Group of Seven (G7) industrialized democratic countries and member countries of the Organization for Economic Cooperation and Development (OECD). The Next 11 (N-11) nations (Iran, Indonesia, Egypt, South Korea, Turkey, Nigeria, Pakistan, Bangladesh, the Philippines, Vietnam, and Mexico) are also making up groups that accelerate their economic growth. The center of gravity of the global political economy in the coming decades is increasingly shifting away from the G7 to the emerging economies, leading to a diversification of the worldwide distribution of wealth.

The obvious driving force of this dynamic power shift is Japan's neighboring country, China. As China becomes a leading economy in the world, China's rise not only changes bilateral and regional relations in Asia but is also having a global influence. The rise of China is both a regional and global phenomenon that creates new power relations and norms for international society. For policymakers in Japan, the days of old-fashioned management of Japan-China bilateral relations have become utterly obsolete. Accordingly, Japan's strategy toward China should be readjusted as a core of Japan's regional strategy in East Asia and a gateway of Japan's strategy towards global emerging powers.

China and the Liberal Order: Accommodating, Resisting, or Reconstructing?

There have been numerous debates on the rise of China and its implications for the future international system. One of the leading views in scholarly works on international relations suggests that the rise of China inevitably leads to paradigm competition with the liberal order predominantly led by the United States. The history of international relations often shows that major wars and conflicts derive from power transitions between hegemons and rising powers. This historical experience tells us that when emerging powers are dissatisfied with the status-quo of the international order, those states tend to take actions, sometimes forcefully, to readjust or reconstruct the system. This approach concludes that intensified rivalry and security competition between the US and China is inevitable, and cooperation will be hard to sustain.¹

¹ See John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton, 2001); Aaron

Post–World War II international relations, however, were buoyed by the liberal international order. The Western victory in the Cold War and the rise to prominence of the developing countries both stemmed from the benefits of the liberal market mechanism.² As the legitimacy of authoritarian regimes has become increasingly dependent upon the premise of economic success, regime stability would be unthinkable in the absence of the successful development of export-led economies. Consequently, for emerging economies—whether liberal democratic or nondemocratic authoritarian—the liberal international order is a common property. Challenging the existing liberal order will face the risk of both deteriorating one’s growth strategy and consequently undermining the foundation of regime stability. According to this perspective, it would be possible to optimistically assume that power shifts in the twenty-first century will not be a repeat of the historical lessons of the rise and fall of great nations and that they will, instead, engender coexistence and co-prosperity between the emerging powers and the existing order.

The Chinese government has also endorsed the view of coexistence and integration in the international systems in a white paper titled *China’s Peaceful Development* in September 2011, updating the original version titled *China’s Peaceful Development Road* in December 2005. The white paper declared, “China’s peaceful development has broken away from the traditional pattern where a rising power was bound to seek hegemony,” thus “(China) never engages in aggression or expansion, never seeks hegemony, and remains a staunch force for upholding regional and world peace and stability.”³ In another example, Zheng Bijian, chair of the China Reform Forum, argues that China will be able to rise to prominence by a “peaceful

Friedberg, “The Future of US-China Relations: Is Conflict Inevitable?,” *International Security*, Vol. 30, No. 2 (Fall 2005). For a prototypical form of the power transition theory, see A.F.K. Organski, *World Politics* (New York: Alfred A. Knopf, 1958). A theoretical examination of how transitions of power from a hegemon to a challenging country tend to cause war can be found in Robert Gilpin, *War and Change in the World Politics* (New York: Cambridge University Press, 1981). A critical study of the theory of power transition in US-China relations can be found in Steve Chan, *China, the US, and the Power Transition Theory: A Critique* (London and New York: Routledge, 2008).

² John Ikenberry, “The Future of the Liberal World Order: Internationalism after America,” *Foreign Affairs*, Vol. 90, No. 3 (May/June 2011); John Ikenberry, “The Rise of China and the Future of the West: Can the Liberal System Survive?” *Foreign Affairs*, Vol. 87, No. 1 (January/February 2008). The following article proposes the concept of “liberal international order 3.0” and suggests a governance system that includes the non-Western world, a change in the concept of sovereignty under circumstances of interdependent economics and security, and a shift from the hierarchical order of hegemony to governance by leader countries together: John Ikenberry, “Liberal Internationalism 3.0: America and Dilemmas of Liberal World Order,” *Perspective on Politics*, Vol. 7, No. 1 (March 2009). There is also the joint statement by the Tokyo Foundation and the Center for a New American Security (CNAS) regarding the Japan-US alliance that emphasizes how these two countries have served as pillars of the liberal international order: Tokyo Foundation and the Center for a New American Security, “Renewing Old Promises and Exploring New Frontiers: The Japan-US Alliance and the Liberal International Order” (October 27, 2010), <http://www.tokyofoundation.org/en/articles/2010/joint-statement-tf-cnas> (accessed June 1, 2011).

³ Information Office of the State Council, People’s Republic of China [中華人民共和國國務院新聞辦公室], “China’s Peaceful Development” [中國的和平發展] (September 6, 2011); “*China’s Peaceful Development Road*” [中國的和平發展道路], *Renmin Ribao* [人民日報] (December 23, 2005).

rise” that does not challenge the existing order.⁴ The Chinese government and intellectuals are eager to avoid China being identified as a challenger in the power transition period. They emphasize that China will require incalculable time to overcome serious domestic problems even while the country continues to advance economically. They assert that a stable international environment remains necessary to the pursuit of domestic stability and that China therefore cannot become a revisionist nation in the international order.

Such views have spawned even more ambitious scenarios involving peaceful power transition. If nonconfrontational coexistence between the US and China continues stably, some have talked of prospects for the formation of a “US-China condominium” or a “US-China Group of Two” (G2), in which the US and China jointly manage the rules and norms of the world and regional orders.⁵

The peaceful rise of China, however, is not an easy goal to be realized without bridging a deep crevasse between China and the liberal order. Under current conditions, it is almost impossible to predict that China will smoothly cooperate with or become a guardian of the liberal international order. This is partly because the Chinese political system is founded on a single-party structure—one which does not assume a plural alternation of power among parties—and on the curtailment of liberalism. Also, under the conditions of a socialist market economy, an industrial policy that entails a high degree of government intervention in the market is continuing. Further, there is a high degree of social instability because of a failure to ameliorate the disparity between the wealthy and the poor or to improve the social security system. For these reasons, the fundamental problems associated with the political system, lack of an assurance of free economic activity, and the questions of the stability of society are entirely capable of intensifying the conflict with the liberal order.⁶

⁴ Zheng Bijian [鄭必堅], “A New Path for China’s Peaceful Rise and the Future of Asia” [中国和平崛起新道路和亚洲的未来], Speech at Boao Forum for Asia in 2003 [在2003年博鳌亚洲論壇的講演], “Theoretical Reference” [理論參考] No. 5 (2004); Zheng Bijian, “China’s ‘Peaceful Rise’ to Great Power Status,” *Foreign Affairs*, Vol. 84, No. 5 (September/October 2005). The following should also be referred to regarding the theory of China’s peaceful rise: Wang Jisi, “China’s Search for Stability with America,” *Foreign Affairs* (September/October 2005); Bonnie S. Glaser and Evan S. Medeiros, “The Changing Ecology of Foreign Policy Making in China: The Ascension and Demise of the Theory of ‘Peaceful Rise,’” *The China Quarterly*, No. 190 (2007); Seiichiro Takagi, “Chugoku ‘wahei kukki’ ron no gendankai” [Present Stage of China’s “Peaceful Rise” Theory], *Kokusai Mondai* [International Affairs], No. 540 (March 2005). A study that finds the expansion of China’s worldwide influence is extending into the realm of soft power is Josua Kurlantzick, *Charm Offensive: How China’s Soft Power Is Transforming the World* (New York: Yale University Press, 2007).

⁵ Regarding the rise of the Group of Two (G2) theory, see Fred Bergsten, “Two’s Company,” *Foreign Affairs*, Vol. 88, No. 5 (September/October 2009); and Zbigniew Brzezinski, “The Group of Two that Could Change the World,” *Financial Times* (January 13, 2009). One study that foresaw the possibility the US and China would enter on a course of coexistence, and analyzed the power shift in the US-China relationship from an Australian perspective, is Hugh White, “Power Shift: Australia’s Future between Beijing and Washington,” *Quarterly Essay* (September 2010).

⁶ Alastair Iain Johnston, “Is China a Status Quo Power?” *International Security*, Vol. 27, No. 4 (Spring 2003); Elizabeth Economy, “The Game Changer: Coping with China’s Foreign Policy Revolution,” *Foreign Affairs*, Vol. 89, No. 6 (November/December 2010); Thomas J. Christensen, “The Advantages of an Assertive China: Responding to Beijing’s Abrasive Policy,” *Foreign Affairs*, Vol. 90, No. 2 (March/April,

In the realm of external relations, there is limited room for a full-fledged compromise by China with international society in areas that are the source of legitimacy of single-party rule by the Chinese Communist Party. These include the acquisition of China's core interests—peaceful unification with Taiwan, securing the territorial integrity of Tibet, Xinjiang, and Chinese territorial claims in disputed areas—and maintenance of the foundation of economic development, especially with regard to its energy policy.⁷ Even as China enjoys the benefits of the liberal international order, therefore, the country is under pressure to steer a difficult course in which it simultaneously maintains an unyielding grip on its national interests. Part of the reason that the prospects of a G2 have been on the wane since the beginning of 2010 was the increasing disappointment in the US policy community over the recognition that China does not refrain from hard-line actions to hold fast to its core interests and seemingly pursues competition rather than cooperation in financial and trade friction, reduction of greenhouse gases, and the securing of global commons, including sea, space, and cyberspace.

In order to achieve a peaceful rise, China needs to clarify how it intends to bridge the gap between concepts and realities. China is assigning top priority to economic development and the stability of Chinese society while simultaneously pursuing adherence to its core interests. While China denies across-the-board antagonism to the existing order, it is unable to achieve adequate compliance with it. Now, when the era of overwhelming ascendancy of the industrial economies over the emerging ones is coming to an end—as typified by but not limited to the US-China relationship—there is an increasing likelihood that these chasms will form an intractable mass that results in a norm shift in the liberal international order itself.⁸

2011).

⁷ Regarding the core interests asserted by China, see Ministry of Defense National Institute for Defense Studies, ed., *Higashi Ajia senryaku gaikan 2011* [East Asian Strategic Review 2011], Chapter 4 (“Chugoku: Kyocho kara kyoko e” [China: Toward a Less Cooperative, More Assertive Posture]). According to State Councilor Dai Bingguo, China's core interests are: (1) the state's fundamental systems and the national security, (2) national sovereignty and territorial security, and (3) the continuing development of the economy and society. The joint declaration issued at the US-China summit in November 2009 is said to have included at the Chinese side's demand the statement that the US and China would both respect each other's core interests. It was reported that subsequently, State Councilor Dai Bingguo told US Deputy Secretary of State James Steinberg, who visited China in early March 2010, that the South China Sea was a core interest. That report pointed out that in addition to Taiwan, Tibet, and other such issues of national unification, the scope of what China had regarded as its core interests was tending to expand, both geographically and in terms of content.

⁸ A useful framework for analyzing change in global norms is given in Yoshinobu Yamamoto, Masatsugu Naya, Toshikazu Inoue, Mataka Kamiya, and Masafumi Kaneko, “*Senshinteki anteika seiryoku Nihon no gurando sutorateji*: “*Senshinkoku/shinkokoku fukugotai*” ni okeru Nihon no ikikata [Grand Strategy of the “Advanced Stabilizing Power Japan:” Japan's Modus Vivendi in the “Advanced/Emerging States Complex”] (Tokyo: PHP Research Institute, June 2011), in Chapter 3 (“Senshinkoku/shinkokoku (posuto modan/modan) fukugotai no seisei” [Genesis of the Advanced/Emerging States (Post-Modern/Modern) Complex]) of the *Bunseki hen: Kosa suru Nihon to kokusai shakai no shin dankai* [Analysis: New Stage of Intersection of Japan and International Society].

Emerging Dynamics of Power Shift in Asia

The power shift is a more conspicuous reality in East Asia than in a global dimension. For most of the countries in East Asia, China already has become or will soon be the largest trading partner. China's economic presence permeates the entire Asian market. Given a low-cost labor force and industrial infrastructure, China continues to provide an ideal location for multinational manufacturing companies. This, together with the expanding demand for intermediate goods, has reconfigured production networks in the East Asia region into a system that has China—where final assembly takes place—as the hub. The rise in national income and the emergence of a new middle-class are generating vigorous domestic demand in China that contributes to further expansion in trade and investment. The beneficiaries of China's economic growth are worldwide. South Korea, Taiwan, and countries in Southeast Asia, Australia, India, and all the way to Central Asia have been drawn by the magnetic power of China's economy. These countries, to a varying extent, have placed weight on political choices leading toward deeper economic engagement in China.⁹

Meanwhile, phenomena where China's rise in military power has led to increased tensions with neighboring countries are becoming more conspicuous.¹⁰ In particular, the strengthening of China's air and naval power and of its missile capability is heightening the country's anti-access capabilities with regard to areas where China's core interests are involved while also heightening its area denial capabilities in regions where US forward-deployed forces had previously boasted supremacy. In the context of this upgrading of the People's Liberation Army's capabilities, China is exerting greater influence on regional issues, including those involving the Taiwan Strait, the Korean Peninsula, the East China Sea, and the South China Sea. China is also advancing its presence in international security, including international arms control, UN peacekeeping operations, and peace building in developing countries. China is coming to possess the ability to wield physical veto power according to its own preferences. With the rise of China's political influence, it has already become difficult to form and execute policy in a way that ignores China's intentions. Even though China is in the process of assuring its capability to resolve disputes to its own liking

⁹ For example, David C. Kang has found a stronger tendency for bandwagoning than balancing in responses by East Asian countries to the rise of China and points out that this effect is likely to bring about a stable order. David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security*, Vol. 27, No. 4 (Spring 2003). On the other hand, Denny Roy points out that while such countries are intensifying their bandwagoning with regard to China's economic rise, they also tend to attempt some limited military and political balancing. Denny Roy, "Southeast Asia and China: Balancing or Bandwagoning?" *Contemporary Southeast Asia*, Vol. 27, No. 2 (August 2005).

¹⁰ Reference materials and documents on China's rise to military prominence exist in great numbers, but the main references used for this work are as follows: Information Office of the State Council, *China's National Defense in 2010* (March 31, 2011); US Office of the Secretary of Defense, *Military and Security Developments Involving the People's Republic of China*, A Report to Congress Pursuant to the National Defense Authorization Act for Fiscal Year 2010 (August 2010); Ministry of Defense National Institute for Defense Studies, ed., *Chugoku anzen hosho repoto* [China Security Report] (March 2011); International Institute for Strategic Studies (IISS), *The Military Balance*, Vol. 111, Issue 1 (2011).

by means of its build-up of military might, this leaves unresolved the crucial issue of whether China will be able to harmonize these efforts with the interests of international society.

Encountering a More Assertive China in 2010

For Japan, the year 2010 represented the dawning of a full-scale encounter with the rise of China. In 2010, China has become the world's second-largest economy by overtaking Japan in GDP. China also has become Japan's leading trading partner in terms of total imports and exports, replacing the US, the longstanding top trading partner, in 2009. As Japan-China economic interdependence has reached an unprecedented level, the economies are hardly separable in the light of their mutual sensitivity and vulnerability.

In September 2010, however, the confrontation over the Senkaku Islands (Ch.: Diaoyu Islands) highlighted a disagreement over territorial rights that conspicuously raised tensions between the two countries. China's persistent response, including the cancelling of cabinet-level visits in both directions, calling off of negotiations for commercial flights, cancelling of economic missions and cultural projects, and suspending of the exports of rare earths indicated that bilateral political tensions could significantly harm the economic relationship. The collision incident with a Chinese fishing boat in the waters off the Senkaku Islands ended up bringing to light the fact that Japan and China, the two major Asian powers, had not created effective mechanisms to reduce dangers, perform crisis management, and increase their common benefits when bilateral security issues were at stake. As China is increasing the level of military activity in the East China Sea, and Japan is correspondingly placing emphasis on the defense of the Southwest islands, the "vacuum of stability" in Japan-China security relations is creating concerns for the whole region.

Japan's security strategy toward China must adopt a comprehensive approach incorporating global, regional, and Japan-China bilateral dimensions. This trans-boundary approach is necessary to deal with the regional and global nature of the rise of China. This approach also provides the foundation to bring in the organic cohesion with Japan's fundamentals of diplomacy, including the Japan-US alliance, diplomacy towards Asia, and Japan's global engagements.

The Tokyo Foundation Asia Security Project has conceptualized Japan's security strategy toward China and has linked it to sets of policy proposals structured as follows:

First, this report will provide a hypothetical view of anticipated power relations in the Asia-Pacific region in 2030. With providing an analysis of both economic projection and trends in military spending over the coming 20 years (2010-2030), this report analyzes the possible patterns of the Asia-Pacific regional security order. By visualizing the regional power balance and the patterns of the regional security order, mainly demonstrated by US-China relations, this report identifies the concepts of Japan's security strategy toward China. Our project recommends that Japan's security strategy toward China should be led by cohesive and mutually complementary approach of *integration*, *balancing*, and *deterrence*. We also recommend that Japan's China strategy should be part of a wider strategy to form the stable re-

gional security architecture in the Asia-Pacific.¹¹

Second, based on the above three basic approaches, this report provides 15 policy proposals for Japan's specific measures toward China. These policy proposals are categorized into three areas: (1) the Japan-China bilateral and Japan-US-China trilateral relationship, (2) security cooperation in Northeast Asia, and (3) the role of institutions in the Asia-Pacific region. The detailed policy implementation of *integration*, *balancing*, and *deterrence* are identified in the each proposal.

¹¹ These proposals are based on the previous study of the Tokyo Foundation Asia Security Project, entitled "Ajjia Taiheiyo no chiiki anzen hosho akitekucha: Chiiki anzen hosho no jusoteki kozo" [Asia-Pacific Security Architecture: Tiered Structure of Regional Security] (August 2010), <http://www.tkfd.or.jp/admin/files/2010-08.pdf> (accessed on May 31, 2011).

PART I

Shaping a Strategy for the Rise of China

1. Power Shift in Progress: Chinese Economic Outlook in 2030

Long-Term Trends in China's Economic Rise

The strategy can be defined as a design to achieve a specific objective by mobilizing power and resources in the light of long-term perspectives and multiple considerations. The formulation of the strategy requires grasping the internal and external environments and resource allocations at the present point in time and an estimation of their long-term trends. Formulating a security strategy toward China is a difficult task due to the various branching possibilities for China's future scenarios. However, the strategy requires identifying key issues and priorities. In this regard, we need to go beyond the commonly-cited "option study" for the future of China and to determine the most likely trends and scenarios. Then, Japan needs to seek a China strategy as an *evolutionary concept*, since the present-day strategy should be readjusted for the reality in 2020 and 2030. That requires drawing up a dynamic China strategy to serve as a transition strategy.

Power in international relations is defined in various terms. One of the most visible indicators of the distribution of power in the world is the size of the economy. Predicting the size of the economy and the distribution of wealth will give us the foundations of the power balance in the future. However, future projections of the Chinese economy entail significant divergence. The results of various future projection studies of the Chinese economy vary significantly due to the different perspectives of China's future socioeconomic risks and opportunities. One of the most widely cited reports is Goldman Sachs, "Dreaming with BRICs: The Path to 2050," which predicted that China will surpass the US in nominal GDP in 2041 to become the number one economy in the world.¹² This ambitious prediction was a shock to readers, but it was also subjected to frequent derision. The principal reason for this was the numerous doubts expressed regarding the long-term sustainability of China's economic growth.

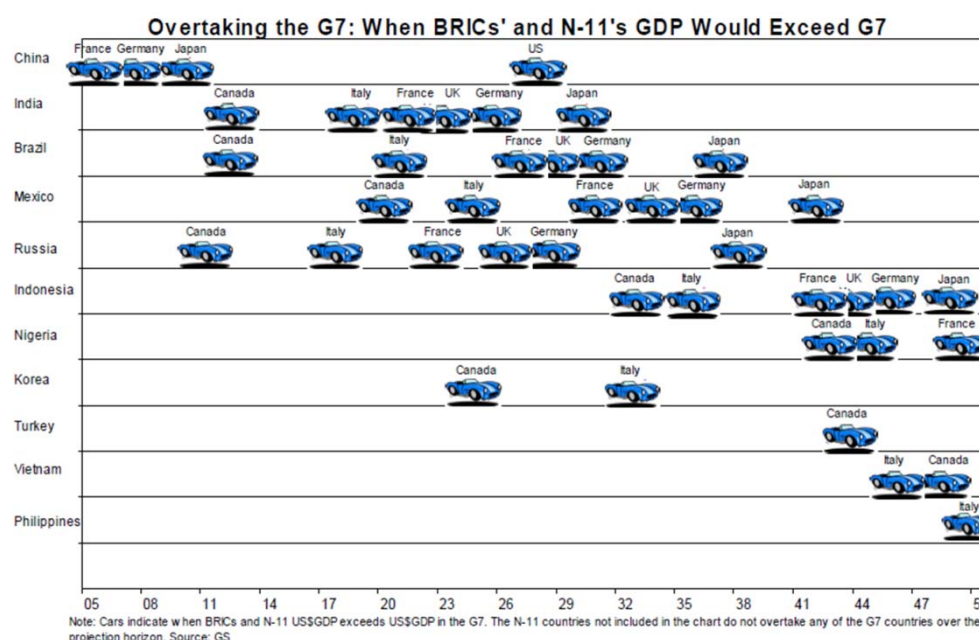
Considering the subsequent course of events, however, the economic growth rates of the BRICs and N-11 countries have advanced at a pace that now exceeds even those envisioned in the Goldman Sachs report in 2003.¹³ In its revised report in 2007, Goldman Sachs

¹² Goldman Sachs, "Dreaming with BRICs: The Path to 2050," *Global Economics Paper* No. 99 (October 1, 2003), <http://www2.goldmansachs.com/ideas/brics/book/99-dreaming.pdf> (accessed on May 31, 2011).

¹³ Goldman Sachs, "The Long-Term Outlook for the BRICs and N-11 Post Crisis," *Global Economic Paper*, No. 192 (December 4, 2009); <http://www2.goldmansachs.com/ideas/brics/long-term-outlook-doc.pdf> (accessed on May 31, 2011).

predicted that the growth rates of the BRICs and N-11 countries would speed ahead of the G7 countries so that the GDP of the BRICs alone would surpass that of the G7 countries combined by the early 2030s—and by the late 2020s when the N-11 countries are included.¹⁴ This report gives the economic growth rate of the N-11 over the past five years as approximately 6% and anticipates an average 4% growth rate over the coming 20 year period. As of 2007, the N-11 GDP was little more than one-tenth that of the G7, but this is expected to reach two-thirds of the G7 by the year 2050 (See Figure 1). According to this report, therefore, emerging economies will overtake the industrialized countries in economic scale within just 20 years.

Figure 1. Overtaking the G7: When BRICs' and N-11's GDP Would Exceed G7



Source: Goldman Sachs, "N-11: More Than an Acronym," *Global Economic Paper*, No.153.

The report predicts that China will surpass the US in GDP in the year 2027. This makes the catch-up period 14 years shorter than in the previous report that forecast it as happening in 2041. The estimated nominal GDP in 2030 is given as 25,610 billion US dollars for China, 22,817 billion US dollars for the US, and 5,814 billion US dollars for Japan. It is also important, however, that this report predicts that China's economic growth rate will reach its peak in the mid-2010s, after which it will gradually decelerate. A "peak-out" model for projecting China's real GDP growth rate has also been used, envisioning that the current real economic growth rate of just under 10% will decline to 5.4% from 2015 to 2020, to 4.6% from 2020 to

¹⁴ Goldman Sachs, "N-11: More than an Acronym," *Global Economic Paper*, No. 153 (March 28, 2007); <http://www2.goldmansachs.com/ideas/global-economic-outlook/n-11-acronym-doc.pdf> (accessed on May 31, 2011).

2025, to 4.0% from 2025 to 2030, and to 3.6% in the 2030s.

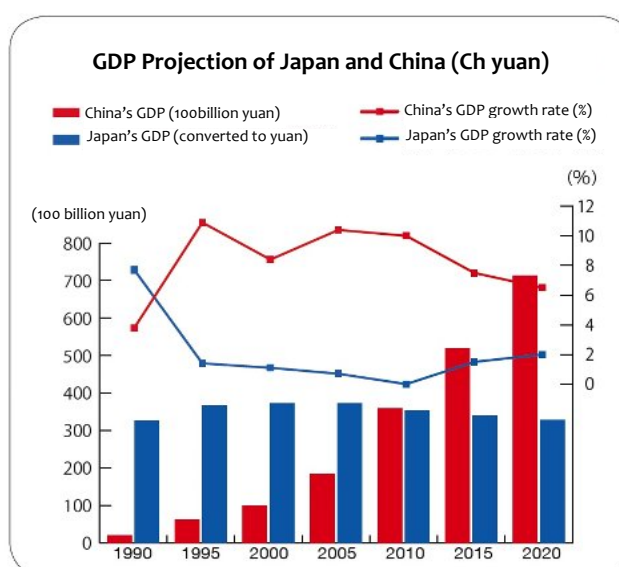
The IMF's *World Economic Outlook 2011* also estimates that China will maintain growth at an average rate of approximately 9.5% until 2016.¹⁵ The Economic Research Bureau in the Cabinet Office of Japan has derived a potential growth rate from IMF statistics together with the long-term outlook for total factor productivity, labor, and capital stock. The analysis finds a considerably higher level of potential growth for the Chinese economy, at 9.1% in the 2010s and 7.9% in the 2020s. As a result, this analysis boldly predicts the possibility that the share of world GDP (on a market rate basis) in 2030 will be 23.9% for China, 17.0% for the US, 5.8% for Japan, and 4.0% for India.¹⁶ According to these estimates, China's GDP will surpass that of the US in the mid-2020s.

Shifting from Japan-China Parity to Chinese Supremacy

All of these reports foresee that China in 10 to 20 years from 2010 will be the world's largest economic power. Although it is easy to criticize these estimates for not taking into account the various risk factors that affect China

internally, such as slowing capital growth rates, rising labor costs, the onset of an aging society following the loss of the "population bonus," and other such economic fluctuations and domestic risks. However, skeptics of the Chinese economy have been projecting a slowdown of economic growth since the 1990s and have constantly failed to forecast the China of today. Against this background, China's nominal GDP grew fivefold from 1.9 trillion yuan in 1990 to 9.9 trillion yuan in 2000, then to 35.9 trillion yuan in 2010. This means that the size of the econo-

Figure2: GDP Projection of Japan and China



Source: Tsuneo Kobayashi, "2011 Chugoku keizai o yomu," *BizPresso* net.

¹⁵ International Monetary Fund, *World Economic Outlook: Tensions from the Two-Speed Recovery Unemployment, Commodities, and Capital Flows* (April 2011); <http://www.imf.org/external/pubs/ft/weo/2011/01/pdf/text.pdf> (accessed on May 31, 2011). The Chinese government also sets an annual average of 7% as its target for economic growth in its twelfth five-year plan, starting in 2011. "Summary of the 12th Five-Year Plan for Economic and Social Growth of the People's Republic of China" [中華人民共和國國民經濟和社會發展第十二個五年規劃綱要], *Renmin Ribao* [人民日報] (March 17, 2011).

¹⁶ Naikakufu Seisaku Tokatsukan [Cabinet Office, Economic Research Bureau], *Sekai keizai no choryu* [World Economic Trends] (May 2010). The summary of this report can be viewed at the following website: http://www5.cao.go.jp/j-j/sekai_chouryuu/sh10-01/index-pdf.html (accessed on May 31, 2011).

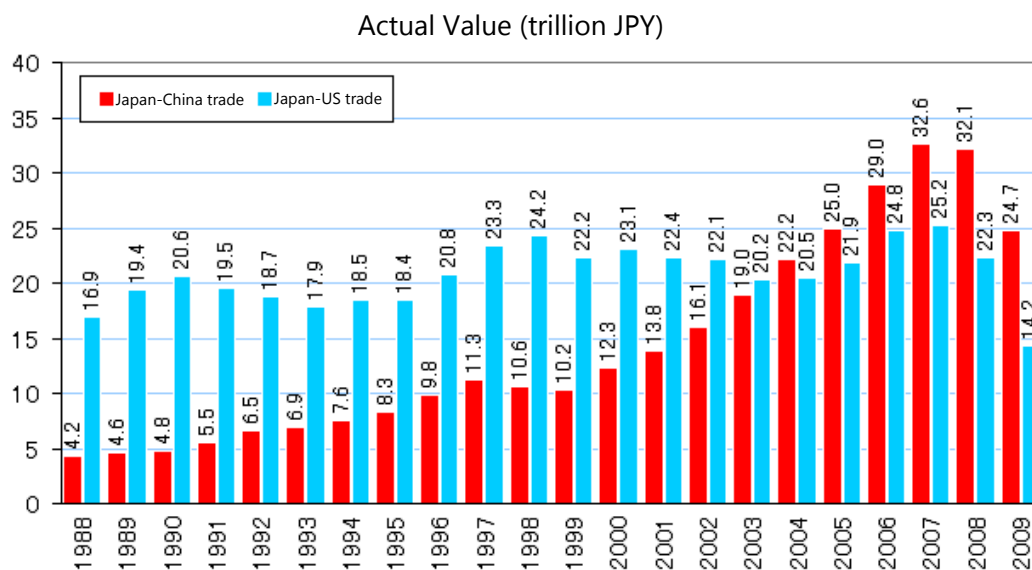
my increased by a factor of 18.9 in 20 years.

As of the year 2000, the scale of the Japanese and Chinese economies in terms of yuan differed by a factor of 3.8. By 2010, however, China's GDP had surpassed Japan's, though by a slender margin, making China the world's number two economic power. This means that the changes that took place over those two decades constituted a rapid transition from Japan's ascendancy to Japan-China equality and then to China's ascendancy.

The phase of Japan's ascendancy lasted over several decades of postwar Japan-China economic relations, but the phase of Japan-China parity will last only several years. Following this will come the long-term era of China's ascendancy. It is necessary, therefore, for Japan to squarely face the structural change that will take place when the era of two Asian powers standing side by side in East Asia, the argument of *Japan-China parity*, is followed almost immediately by a *Japan-China relationship of Chinese supremacy*. Thus, the power transition is a stark reality in East Asia.

The power transition is not just a matter of the Japan-China relationship. It will also contribute to structural changes in the Japan-US relationship and wider Asia-Pacific region. Japan's trade relationships, as given in Figure 3, for example, show that Japan-US trade (total imports and exports) in 1990 amounted to 20.6 trillion yen while Japan-China trade was 4.8 trillion yen. The volume of Japan-US trade was five times larger than that of Japan-China trade. However, 14 years later in 2004, trade statistics show that Japan-US trade, at 20.5 trillion yen, and Japan-China trade, at 22.2 trillion, had reversed positions. Although some effects from the Lehman shock in 2009 are apparent, it is evident that where the amount of trade between Japan and the US stayed flat up to 2008, the amount of trade between Japan and China was rising steadily. China expanded in scale at a rapid pace even just in terms of the economic relationship with Japan.

Figure 3: Japan-China Trade and Japan-US Trade Volumes



Source: Illustrated Japan-China Trade and Japan-US Trade over Time
(<http://www2.ttcn.ne.jp/honkawa/5050.html>)

Japan, US, and China Estimated Nominal GDP in 2030

Our project conducted a modified economic projection toward 2030 of Japan, the US, and China (Figure 4) taking into account economic trends up to 2011. Deriving the future size of the economies of each country will ordinarily necessitate projecting their real economic growth rates together with inflation and exchange rate changes. The long-term outlooks for real economic growth rates are published by numerous international agencies and private enterprises. Deriving nominal GDP values from them requires a conversion using real GDP values and GDP deflators. However, predicting inflation rates and exchange rates is very difficult.

For this purpose, therefore, the data set from the IMF's *World Economic Outlook 2011*, which provides projections of nominal GDP from 2011 to 2016, was used to compute the average nominal GDP growth rate for the five-year period from 2011 to 2016.¹⁷ The resulting figures were 4.24% for the US, 11.38% for China, and 3.07% for Japan. These estimates were made on the assumption that the IMF's five-year nominal GDP growth rate would continue until 2020 for Japan and the US. For the subsequent nominal GDP growth rate from 2020 to 2030, it was basically decided to refer to five-year growth rates that were based on nominal GDP estimates made by Goldman Sachs in 2007.

In doing this, it was noted that the actual data for nominal GDP as of 2010 and the nominal GDP estimates presented by the IMF were higher than the Goldman Sachs projections

¹⁷ International Monetary Fund (IMF), *World Economic Outlook Database* (April 2010); <http://www.imf.org/external/pubs/ft/weo/2010/01/weodata/index.aspx> (accessed on May 31, 2011).

from 2007. The decision was therefore made to incorporate these percentage errors and revise the figures upward. It was assumed, for that purpose, that the same percentage error between the IMF's actual GDP data for 2010 and the Goldman Sachs projected figures would also be found from 2020 on, and this was reflected in upward revisions of the projections beyond that point. As a result, the US nominal GDP growth rate for 2020 to 2025 was set at 2.33% and the rate for 2025 to 2030 at 2.66%. The rates for Japan were similarly revised so that the growth rate from 2020 to 2025 would be 1.63% and from 2025 to 2030 would be 1.10%.

Producing a long-term economic outlook for China is also thought to require considerable prudence in making assumptions. This is because many long-term projections anticipated that China's economic growth rate would gradually slow down from the latter half of the 2010s into the 2020s. Goldman Sachs computed that China's real economic growth rate would average 7.9% for 2006–15, 5.4% for 2015–20, 4.6% for 2020–25, and 4.0% for 2025–30. Their estimated nominal GDP growth rate shows a similar downturn from 8.52% for 2010–15, to 7.12% for 2015–20, 6.30% for 2020–25, and 5.60% for 2025–30.

For the estimates here, it was decided to take the average (11.38%) of the IMF five-year (2011–15) nominal GDP projection as a reference and to multiply it by the five-year rate of decline in the nominal GDP growth rate from Goldman Sachs noted above. The IMF reference value (11.38%) was multiplied by $N1=83.55\%$ (2015–20), by $N2=N1$ for 88.55% (2020–25), and by $N3=N2$ for 88.93% (2025–30). The nominal GDP growth rates for the years from 2016 on were corrected to average five-year rates of 9.51% (2016–20), then down to 8.41% (2020–25) and down to 7.48% (2025–30). The above estimates use exchange rates for 2010.

Estimating the nominal GDP in this way (see Table 1), the figures for 2020 are 22,206.0 billion US dollars for the US, 16,136.7 billion US dollars for China, and 7,380.4 billion US dollars for Japan. For 2030, the US is at 28,411.3 billion US dollars, China at 34,657.7 billion US dollars, and Japan at 8,410.0 billion US dollars. The US:China:Japan ratio in 2020 would be 3:2.2:1, and in 2030 it would change to 3.4:4.1:1. In other words, where the size of the US economy in 2020 is approximately equal to the sum of the Chinese and Japanese economies, the picture changes by 2030, when China will have become the world's number one economic power, both the US and China will have pulled away from Japan by large margins, and the world economy will have entered an era of dual superpowers. The Chinese economy will also surpass the US economy under this estimate in the year 2026.

Table 1: Japan-US-China nominal GDP estimates (2010-30)

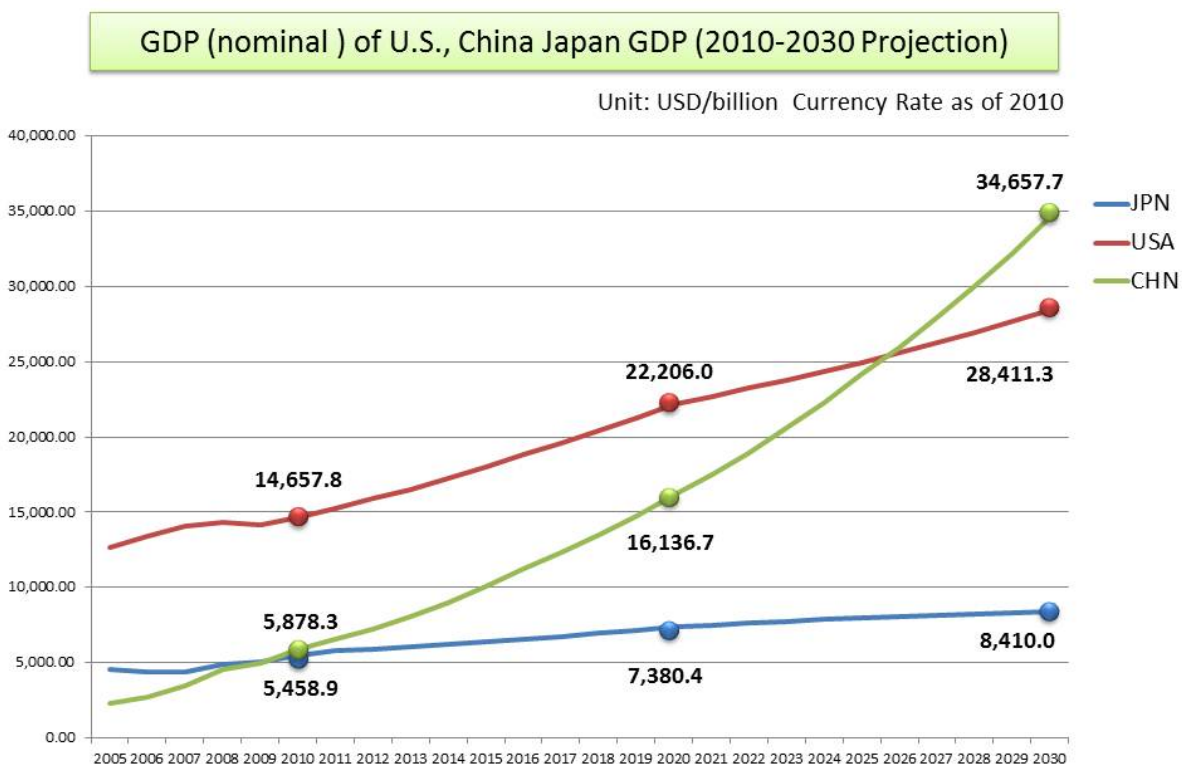
Units: 2010 USD/bn unmodified

	2010	2015	2020	2025	2030
Japan	5,458.87	6,379.66	7380.36	8,001.79	8,409.96
US	14,657.80	17,993.10	22,205.97	24,916.36	28,411.29
China	5,878.26	10,061.80	16,136.70	24,163.59	34,657.70

Source: The Tokyo Foundation Asia Security Project

As noted earlier, these estimated values are readily changed by actual GDP figures, inflation rates, and exchange rates. Therefore they are no more than indicators for one working hypothesis. It will be meaningful in the interest of understanding the trend of China's rise, however, to adopt a bold hypothesis in predicting the indicators for the period from 2020 to 2030, and pressing for a clearer view of the power shift.

Figure 4: Japan-US-China Nominal GDP Outlook



Source: The Tokyo Foundation Asia Security Project

2. Defense Spending by Japan, the US, and China in 2030

US in Military Power: Whether Next to None in 2030?

Another major source of power in international relations is military power. Accordingly, the question is how an economic power shift described above will affect the security relationship among Japan, the US, and China. Most of the studies that discuss changes in Japan-US-China power have pointed out that even if China's economic rise makes it possible to surpass the US in size of GDP, China will not be able to compete with the US in military power any time in the near future.

There is certainly no doubt that the US is presently foremost in military power in the world. Its national defense spending is on such a scale that it practically equals the total defense spending of all other countries together. The national defense spending by the US in 2010 amounted to 687.1 billion US dollars. This far outstrips other countries, and constitutes a presence next to none in the world. The elements involved further include US military technology, power projection capability, logistics capability, R&D spending, military application of leading-edge technologies, experiences of engaging in overseas combat, and integrated command, control, communication, computer and intelligence (C4I) systems. Taking all these in combination, the predominant view is that the military ascendancy of the US will remain unshaken for several decades to come, regardless of any changes in economic scale that may occur.

This common assessment, however, needs to be examined. China's military power has undergone conspicuous enhancements in recent years. Chinese modernization of naval and air power, strengthening of missile capability, improvement of the naval force's far-ranging mobile operational capability, and active participation in overseas missions by the land forces, in particular, also have the potential to alter the Asia-Pacific power balance in the military domain. The US Department of Defense has been sounding warnings about the anti-access and area-denial (A2/AD) capability that has accompanied China's military build-up in recent years, especially as this suggests that a turning point has arrived for regional strategies that assume overwhelming US superiority.¹⁸ Even if, for the sake of argument, US and Chinese military power did not reach parity, the question of how this shift of power under conditions of asymmetry would affect the deterrence and the handling of conflicts and incidents that have obtained so far will have to be examined. Needless to say, the structure of Japan's security strategy toward China will also have to be grasped within the overall state of tripartite

¹⁸ Studies that analyze the expansion of China's A2/AD capability include: Jan Van Tol, Mark Gunzinger, Andrew F. Krepinevich, and Jim Thomas, *Air Sea Battle: A Point-of-Departure Operational Concept*, Center for Strategic and Budgetary Assessments (May 18, 2010), <http://www.csbaonline.org/wp-content/uploads/2010/05/2010.05.18-AirSea-Battle.pdf> (accessed May 31, 2011); Roger Cliff, Mark Burles, Michael S. Chase, Derek Eaton and Kevin L. Pollpeter, *Entering the Dragon's Lair: Chinese Antiaccess Strategies and Their Implications for the United States*, RAND (2007), http://www.rand.org/pubs/monographs/2007/RAND_MG524.pdf (accessed May 31, 2011).

relations among Japan, the US, and China.

Long-Term Trends in Defense Spending by Japan, the US, and China

Our project conducted a long-term outlook on national defense spending by Japan, the US, and China, taking the nominal GDP projections for these three countries shown in Figure 4. The databases of the Stockholm International Peace Research Institute (SIPRI) were relied on for data on national defense spending, and figures in US dollars converted according to 2009 exchange rates in Japan, the US, and China (constant as of 2009) were used for comparison.¹⁹ The current national defense spending in 2010 was 51.4 billion US dollars for Japan, 687.1 billion US dollars for the US, and 114.3 billion US dollars for China. As the annual Department of Defense report on China's military power points out, there is a strong likelihood that the published government figures for Chinese national defense spending use different reference values than other countries, so that actual spending may be greatly higher than the figures indicate.²⁰ SIPRI, using its own methods of calculation, estimates that China's actual national defense spending is 1.5 to 1.6 times the published government figures.²¹

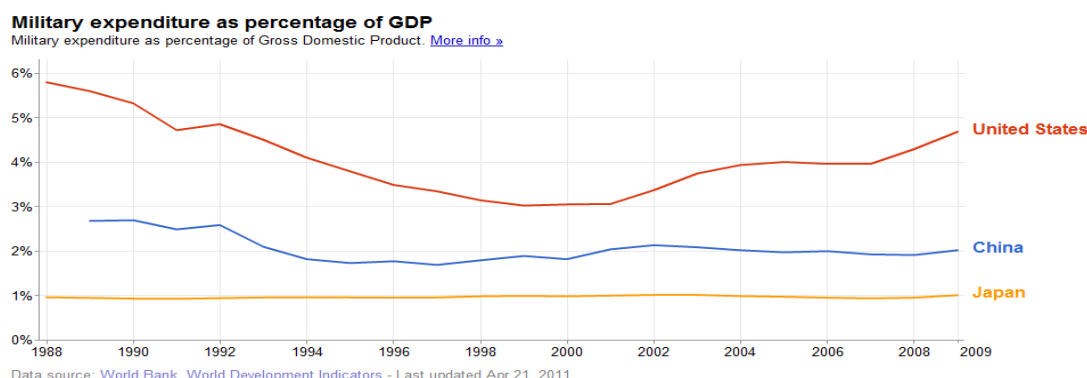
In compiling the long-term outlook for national defense spending by Japan, the US, and China for this proposal document, the 2009 national defense spending as a percentage of GDP (Japan 1.0%, US 4.7%, China 2.2%) was taken as a reference. The estimated figures are founded on the assumption that these percentages will continue until the year 2030. The past national defense spending of Japan, the US, and China as percentages of the three countries' respective GDP is as shown in Figure 5. The recent trend is for US spending to have increased significantly from the time of the Bush administration, while Chinese and Japanese spending has remained relatively flat.

¹⁹ Stockholm International Peace Research Institute (SIPRI), *SIPRI Military Expenditure Database*, <http://www.sipri.org/databases/milex> (accessed on May 31, 2011).

²⁰ US Office of the Secretary of Defense, *Military and Security Developments involving the People's Republic of China*, A Report to Congress Pursuant to the National Defense Authorization Act for Fiscal Year 2010 (August 2010), p. 43. For research that analyzes the scope and itemization of China's defense spending, see Takahiro Tsuchiya, "Chugoku no 'kokubohi' to 'gunji keihi': 'Gunji zaimu' taiki ni motozuku shishutsu taiki" [China's "National Defense Spending" and "Military Expenses:" Expenditure Systems Based on "Military Finance" Systems] (Fiscal year 2011 Japan Association for Asian Studies East Japan Conference paper, unfinished manuscript, 2011). Other studies include Haruki Niwa and Takashi Matsuki, "Chugoku gunji shishutsu doko ni tsuite no suikei to kosatsu" [Estimation and Discussion of Trends in Chinese Military Expenditures], *Mondai to Kenkyu* [Issues and Studies] (Vol. 31, No. 3, 2001), and Tetsuya Komagata, "Gunji zaisei" [Military Finances], Tomohide Murai, Jun'ichi Abe, Ryo Asano, Jun Yasuda, eds., *Chugoku o meguru anzen bosho* [China and Security] (Kyoto: Minerva Publishing Co., Ltd., 2007).

²¹ Stockholm International Peace Research Institute (SIPRI), *Sources and Methods for SIPRI Military Expenditure Data*, http://www.sipri.org/databases/milex/sources_methods (accessed May 31, 2011).

Figure 5: Military Expenditure of Japan, the US, and China as a Percentage of GDP



Source: World Bank, "World Development Indicators" (modified)

There are claims, however, that even the SIPRI estimates of China's national defense spending are much lower than the real figure. For example, according to the US Department of Defense's 2010 report on *Military and Security Developments involving the People's Republic of China*, China's military expenditures in 2009 are estimated to have been "over \$150 billion." This represents approximately 140% of SIPRI's figure for the same year (approximately 110 billion US dollars). These possibilities were taken into account for the estimates compiled here, and it was decided to refer to the percentage estimated in the annual report on Chinese military power and to simultaneously present a high end estimate as 140% of the national defense spending calculated by SIPRI.

As present, there are also various discussions underway regarding trends in US national defense spending. The US has been engaging in military interventions in Afghanistan and Iraq for nearly a decade, and those war expenditures make up a significant part of total US national defense spending. Recent years have brought major increases in US national defense spending compared to the 1990s, and budgeting them has placed a heavy burden in terms of restoring the fiscal primary balance of the US government. Under these conditions, exit strategies are being explored for Afghanistan and Iraq, while a concept for significant cuts in national defense spending as proposed by former Secretary of Defense Robert Gates to be carried out under Secretary of Defense Leon Panetta is also in the process of discussion. In the light of these trends, the pressure for further military cuts is rising markedly in the US. It was decided, therefore, that the estimates here should also show a "3.0% defense cut path" for the US in case national defense spending is reduced to 3.0% of GDP, as it was during the Clinton administration (as of 1999).²² The results are shown in Table 2 and Figure 6.

²² President Obama delivered an address on fiscal policy on April 13, 2011, in which he proposed a reduction in the national security-related budget of approximately 400 billion US dollars by the year 2023. See: Barack Obama, "Remarks by the President on Fiscal Policy" (April 13, 2011). This proposed reduction would cut a total of 400 billion US dollars in current spending from the fiscal year 2011 budget and over the coming 12-year period, thus it may be too early to conclude that the US is bound for major defense cuts. To repeat, both the high end path and the defense cut path are no more than working hypotheses, and it can probably be assumed that the eventual reality will come between them.

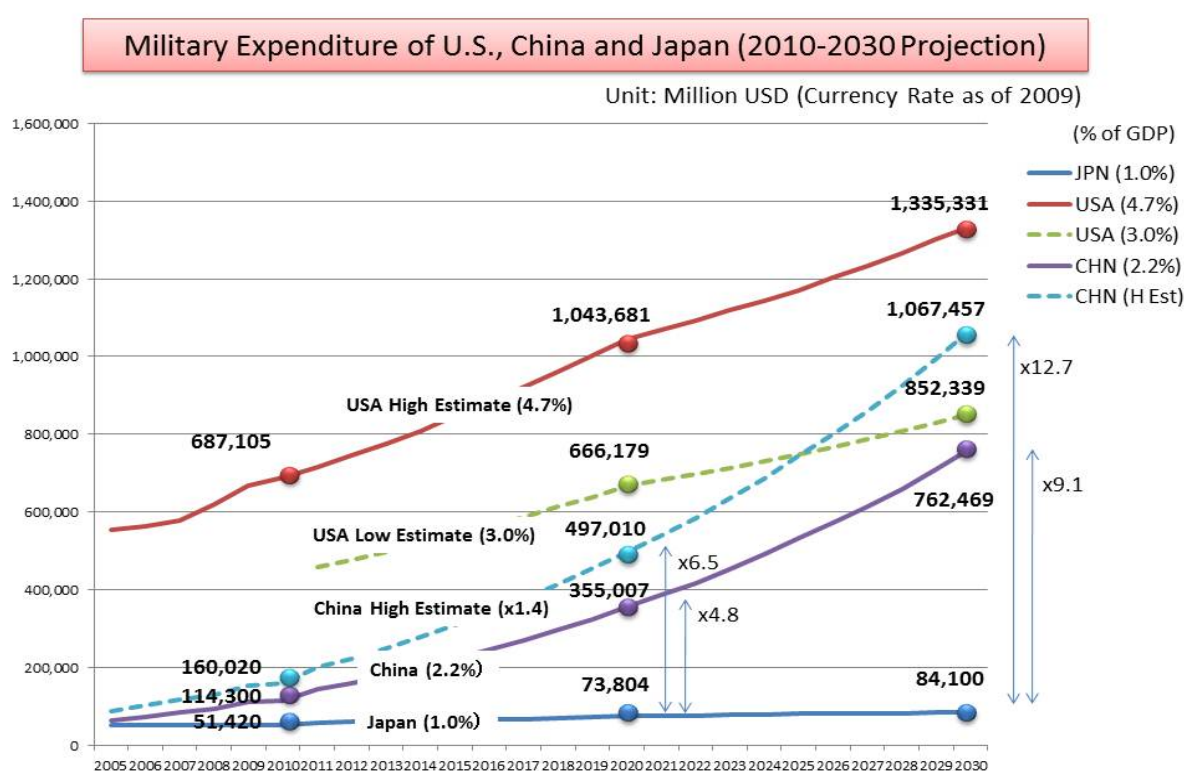
Table 2: Comparison of National Defense Spending in Japan, the US, and China (2010–30)

	2010	2015	2020	2025	2030
Japan (1.0%)	51,420	63,797	73,804	80,018	84,100
US (4.7%)	687,105	845,676	1,043,681	1,171,069	1,335,331
US (3.0%)	N/A	N/A	666,179	747,491	852,339
China (×1.4)	160,020	309,904	497,010	744,238	1,067,457
China (2.2%)	114,300	221,360	355,007	531,599	762,469

Unit: 2010 USD/Million

Source: The Tokyo Foundation Asia Security Project

Figure 6: Military Expenditures of Japan, the US, and China in 2030



Source: The Tokyo Foundation Asia Security Project

Chinese Military Spending: Rapidly Approaches the US and Surpasses Japan

The balance between US and Chinese national defense spending will continue to have US spending (SIPRI based) in the ascendant over China's by a factor of nearly two in the year 2030, assuming that the figure for US national defense spending as a percentage of GDP in fiscal year 2009 (4.7%) remains applicable. In the year 2030, national defense spending in the US will be 1,335.3 billion US dollars as opposed to 762.5 billion US dollars (1,067.5 billion US dollars) in China. The US-China ratio will be approximately 1.75:1 (1.25:1). Even in the event that US national defense spending declines to 3.0% of GDP (the defense cut path), however, the 2030 theoretical figure for national defense spending can be expected to be 852.3 billion US dollars. This figure is 1.11 times the Chinese national defense spending for

2030 (SIPRI basis), and if it is assumed for the sake of argument that China's national defense spending follows the high estimate path, then it will be 1,675 billion US dollars. This suggests a possibility that the US and Chinese positions in national defense spending could be reversed in 2030.

Again, the above estimates represent no more than a working hypothesis in which military expenditures as percentages derived from a nominal GDP growth model are applied. They do not constitute our predictions that the kind of world indicated in Figures 4 and 6 will materialize. The fact is that as China's national defense spending approaches that of the US, the domestic balance pressure (that is, demand to raise national defense spending) within the US appears likely to rise to considerable intensity. The above working hypothesis, however, provides an important clue into the US-China national security relationship two decades later. Looking at the situation from the perspective of power shifts and power transitions, in the hypothetical event that some combination of the US defense cut path and China's high estimate pathos is realized, there is a possibility that the US and China will reverse their positions in military expenditures in the decades ahead. Even if an eventuality of this kind does not come to pass, more attention should be paid to the power catch-up of China starting to approach the US level in national defense spending, and it should be noted that the phenomenon is occurring at a much faster pace than the perceptions of most critics. Depending on the circumstances, it may no longer be possible to take US ascendancy in the US-China relationship as a given, and this suggests the necessity to examine even the scenario of *US-China parity*.

This relationship manifests in even more drastic form in Japan-China relations. China's national defense spending is rising beyond Japan's defense expenditures at a rapid rate, and the military balance between Japan and China on a bilateral basis can be expected to tip over to a state of overwhelming ascendancy for the Chinese side. As of 2010, China's national defense spending of 114.3 billion US dollars was approximately twice Japan's defense expenditures of 51.4 billion US dollars. The outlook for 2020, however, shows China at 4.8 times higher than Japan (6.5 times higher under the high-end estimate) and for 2030, China is at 9.1 times higher than Japan (12.7 times higher under the high estimate). Based on these estimates, the power transition is a reality in the Japan-China relationship, and it must be confronted squarely, foretelling the coming era when Japan will find it increasingly difficult to deal with China's military rise on its own. As implied by the economic relationship shown in Figure 4, Japan must have a strategy that readies the country to address the situation of structural shifts in the military relationship with China as Japan goes from the era of its ascendancy to the brief period of Japan-China parity, and through that to the era of overwhelming Chinese ascendancy.

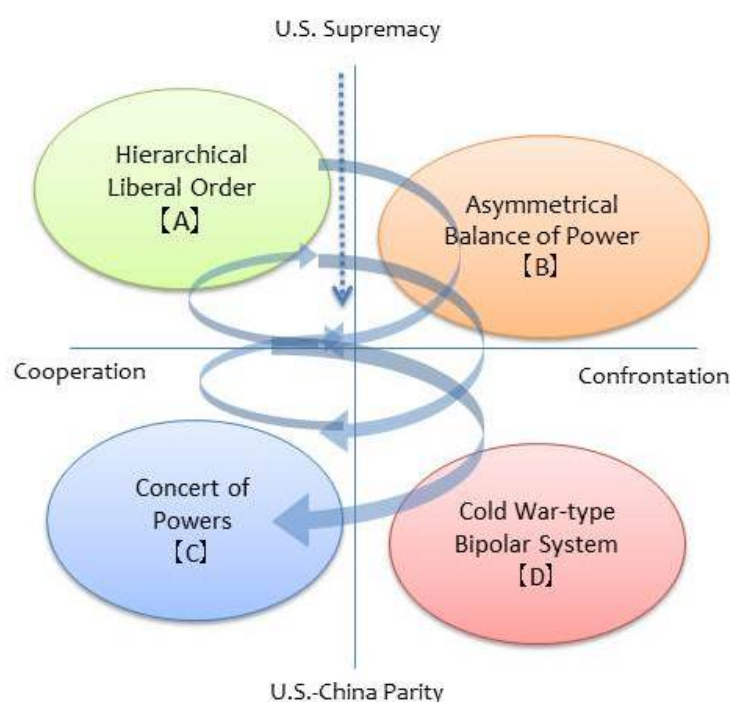
3. Spiral Dynamics of US-China Security Relations

Four Types of Order in the US-China Relationship

The discussion to this point has related to the changing distribution of power among Japan, the US, and China, and the possibility that those changes may dramatically alter the basic composition of international politics in the Asia-Pacific region in the coming 20 years. Our project examined the fluctuating shifts that may be engendered in the security order of the Asia-Pacific region by the changing distribution of power among Japan, the US, and China. This study has taken up the relationship between the US, the superpower that supports the security order of the Asia-Pacific region, and China, which maintains growth at a rate that brings it closer to the level of the superpower. Taking this relationship as the greatest variable that defines the international order, the discussion has positioned (1) the US-China power balance (a change from the US supremacy to US-China parity) and 2) the basic character of the US-China relationship (cooperative and confrontational) as vertical and horizontal coordinate axes.

If this classification is adopted, then the following four types of order between the US and China can be envisioned (Figure 7).²³

Figure 7: The Spiral Dynamics of US-China Security Relations



Source: The Tokyo Foundation Asia Security Project

²³ Representative studies that find a hierarchical order in Asia positing the US in ascendancy include the following: Michael Mastanduno, "Incomplete Hegemony: The United States and Security Order in Asia," Muthiah Alagappa, ed., *Asian Security Order: Instrumental and Normative Features* (Stanford: Stanford University Press, 2003); Evelyn Goh, "Hierarchy and the Role of the United States in the East Asian Security Order," *International Relations of the Asia Pacific*, Vol. 8 (2008).

(A) Hierarchical liberal order: The distribution of power has the US dominant, and cooperativeness is maintained in the US-China relationship. (B) Asymmetrical balance of power: Although the distribution of power has the US dominant, the US-China relationship experiences deepening conflict. (C) Concert of powers: As the distribution of power between the US and China reaches parity, cooperativeness is maintained in the US-China relationship. (D) Cold War-type bipolar system: The distribution of power between the US and China reaches parity, and the US-China relationship experiences deepening conflict.

In the status as of 2011, it should be possible to view the situation as being under the two mixed patterns of (A) and (B) with a power distribution in which the US is dominant and there is amplitude of conflict and cooperation in US-China relations.

In the hierarchical liberal order (A), China adopts a cooperative stance toward the liberal international order that has been developed by the US and other industrialized democratic countries since World War II with China finding it able to participate. The engagement theory held during the Clinton administration and the responsible stakeholder theory put forward in the latter part of the George W. Bush administration sought to induce the Chinese government to take cooperative action in bilateral relationships, and beyond that in regional and global dimensions of policy, as well, on the basis of this (A) view of order.²⁴ The “peaceful rise” and the “harmonious world” being held up by the Chinese government and China’s policy community also stand upon this view of order. They may be considered concepts that point respectively to China’s cooperative participation in the world community and its peaceful resolution of international conflicts.

In the asymmetrical balance of power (B), US power exceeds that of China in scale, as before, and the US evinces the will to exercise leadership in forming the international order. Despite this, however, the dominance of its power is gradually relativized, and scenarios can be expected in which China, however partially, refuses certain specific courses of action to the US and in which China increasingly takes antagonistic measures. In the military sphere, for example, it is conceivable that China will increase its A2/AD capability with regard to military actions by the US, and increase its freedom to act so as to resolve disputes in forms that China itself finds desirable. It is also possible that China will not necessarily be disposed to participate in a liberal order, and that it may set out to create a new international framework, explore the alteration of existing frameworks, or form international rules according to declared principles or values unlike those of the developed countries so far. Specifically, China’s approach differs from the so-called Washington Consensus with its fundamental orientation toward a market economy and free trade. China instead presents a Beijing Consensus for continuing growth under an authoritarian system and further indicates its inclination to challenge the realm of the global commons in terms of freedom of navigation, space,

²⁴ Thomas J. Christensen, “Fostering Stability or Creating a Monster?: The Rise of China and the US Policy Towards East Asia,” *International Security*, Vol. 31, Issue 1 (Summer 2006). Regarding the lineage of the responsible stakeholder theory, see Ken Jimbo, “‘Sekinin aru sutekuhoruda Ron’ to Beichu anzen hosho kankei” [The Responsible Stakeholder Theory and the US-China Security Relationship], *Toa* [East Asia] (September 2006).

and cyberspace.²⁵ It can be envisaged, at this stage, that the network of alliances centered on the US as well as their relations with partner countries will be reinforced in order to realize the balance of power, and that China may take similar actions.

The concert of powers (C) refers to the state of affairs in which US and Chinese economic power approach equilibrium and where moves are made toward increasing military antagonism. In the Cold War-type bipolar system (D), the US and China engage in ongoing power struggles in a bipolar system that is equivalent to the US-Soviet relationship during the Cold War or the two countries engage in actions with that aim, taking their relationship more deeply into hostility.

Cycles of Cooperation and Confrontation in the Transition toward US-China Parity

This study anticipates that the US and China are gradually moving from the power distribution of US ascendancy to that of US-China parity (moving down the vertical axis). At the same time, they are repeating the cycle of pendulum-like changes back and forth between cooperation and confrontation (moving laterally on the horizontal axis). This is the pattern of movement that the international order and US-Chinese relations are projected to follow. Expressing this in terms of a moving body, the order of US-China relations can be described as descending in a spiral fashion from (A) to (B) and gradually (C) to (D). This is a downward spiral movement (see Figure 7).

Trends in the world economy, the maturation of the Chinese market, the status of stability in China domestically, energy trends, and many other such factors could bring China's growth to a more relaxed pace than that discussed in the preceding sections. If this turns out to be the case, the downward movement along the vertical axis is also likely to be slower in pace, and the speed of the oscillation between conflict and cooperation, as well as its magnitude, is likely to fluctuate in accordance with the postures of the US and Chinese governments (and militaries) of the time. However, the downward spiral structure by which the power shift takes place in the form of repeated descending movements with lateral amplitude is the model envisioned here for the future of US-China relations and the international order, and this model will be further discussed in the following section.

4. Japan's Security Strategy toward China: Integration, Balancing, and Deterrence

Beyond Engagement and Hedging

The concepts that have shaped US policy regarding China since the end of the Cold War

²⁵ Abraham M. Denmark and James Mulvenon, eds., *Contested Commons: The Future of American Power in a Multi-Polar World*, Center for a New American Security (January 2010); http://www.cnas.org/files/documents/publications/CNAS%20Contested%20Commons_1.pdf (accessed May 31, 2011); Ian Bremmer, *The End of the Free Market: Who Wins the War between States and Corporations* (New York: Portfolio, 2010).

have been actively discussed over the past two decades. As this debate accumulates, some observe that the US policy community is highly polarized with regard to the policy toward China.²⁶ They argue that the US Department of Defense and hardliners in the administration advocate a hedging strategy toward China that is founded on a zero-sum world view, while the US State Department and agencies that advocate economic relations are promoting the policy of engagement with China that is founded on a positive sum world view. This dualistic understanding may not be entirely unfounded, given the basic tendencies of organizations that address military concerns as distinct from organizations that deal with diplomatic and economic relations. However, that understanding appears somewhat oversimplistic as a depiction of bilateral relations characterized by deepening interdependence. The United States should be seen, instead, as gradually imposing conditions even amid its policy of engagement with China, while also seeking to induce cooperative behavior by means of hedging. The US approach has been increasingly colored by this mutual intermixture of engagement and hedging, which are a fusion of positive sum and zero sum views.²⁷

As a result, the notion of the responsible stakeholder was put forward as a new axis of Washington's China policy during the latter part of the George W. Bush administration.²⁸ The responsible stakeholder view allowed basic recognition of the success of the engagement approach during the Clinton administration. While rejecting the containment policy that was the polar opposite of that approach, this theory basically aimed to induce China to become a player that would fulfill its international responsibilities as it rose to military, diplomatic, and economic prominence.²⁹ It also constituted a declaration of the US position of basically welcoming the rise of China while that country built constructive relationships with the world. According to this line of reasoning, the US government must shape the direction of China's rise in concrete ways in order to guide China to become a responsible stakeholder. This is the course by which the concept of the China policy—even while the hedging continued—changed from engagement to shaping.³⁰

²⁶ Kurt M. Campbell, "Zoellick's China" in Richard Baum, Kurt M. Campbell, James A. Kelly, and Robert S. Ross, "Whither US-China Relations?: A Discussion of Deputy Secretary of State Zoellick's Speech," *NBR Analysis*, Vol. 16, No. 4 (December 2005); <http://www.nbr.org/publications/analysis/pdf/vol16no4.pdf#search=%22NBR%20Analysis%20Whither%20US%20China%20Relations%22> (accessed May 31, 2011).

²⁷ Evan S. Medeiros, "Strategic Hedging and the Future of Asia-Pacific Stability," *Washington Quarterly*, Vol. 29, No. 1 (Winter 2005); Thomas J. Christensen, *op.cit.*

²⁸ Robert B. Zoellick, "Whither China: From Membership to Responsibility?" Remarks to the National Committee on US-China Relations (September 21, 2005); <http://www.ncusr.org/articlesandspeeches/Zoellick.htm> (accessed on May 31, 2011); Ken Jimbo, "Sekinin aru sutekuhoruda ron to Beichu anzen hosho kankei" [The Theory of the Responsible Stakeholder and the US-China Security Relationship], *Toa* [East Asia] (August 2006).

²⁹ Hearing of Robert B. Zoellick, "US-China Relations," Committee on International Relations, US House of Representatives, May 10, 2006.

³⁰ James Steinberg, who was appointed Deputy Secretary of State in the Obama administration, put forward the concept of strategic reassurance in September 2009. He defined strategic reassurance in these words: "Just as we and our allies must make clear that we are prepared to welcome China's arrival as a prosperous and successful power, China must reassure the rest of the world that its development and

Are We Shaping China or Shaped by China?

In a world where the distribution of power changes, however, it becomes markedly difficult for the US to form a China policy just from a combination of antiquated engagement, shaping, and hedging strategies. Furthermore, these are losing their effectiveness. This is because China, in the context of its increasing national power, has a political influence that no longer will readily allow responsibility to be forced on it (to be shaped), whether in Asia or in the world community. Furthermore, it is no longer possible for the US itself to avoid envisioning the possibility of being restrained by China. In other words, the US and peripheral countries have even come to the point that on occasion they reluctantly accept China's demands, that is, they are shaped. As the US-China power relationship changes progressively in the direction of parity with the US (continuing the downward movement seen in the four types), the possibility that China's national power or influence could be shaped by one country or one-sidedly becomes increasingly remote for a small and medium-sized country that is deepening its mutual interdependence with China. In fact, that possibility is already remote even for Japan and the US acting together.

Reinforcing alliances has been identified as one hedging strategy. This approach, however, can hardly be said to adequately address the issues of maintaining deterrent readiness with regard to China's growing military power, building shared crisis management preparations with China, and pursuing confidence-building. Hedging also commonly implies an importance placed on responding to a latent military threat. As is markedly apparent in relations with the Southeast Asian countries, therefore, this approach is not fully capable of strengthening the partnership for the purpose of advancing the international collaboration and functional cooperation that are sought in the context of China's expanding political influence (soft balancing and institutional balancing).

Multilayered Strategy of Integration, Balancing, and Deterrence

In order to engage in a more sharply focused discussion, from Japan's perspective, of the issues raised in the present and in the future by the rise of China, this study proposes a China

growing global role will not come at the expense of security and well-being of others." Steinberg refers to this as a "bargain," and calls for mutual reassurance whereby the US decides not to treat China as a challenger because of its rise, as in the past, and China responds by making its rise peaceful. The question of whether strategic reassurance is an indicator of the framework of the new China policy in the US remains open to discussion. The above concept of reassurance itself overlaps to a considerable extent with Zoellick's sense of the responsible stakeholder because Steinberg himself has emphasized the continuity of the US-China relationship from the previous administration. James Steinberg, "China's Arrival: The Long March to Global Power," Keynote Address by US Deputy Secretary of State James Steinberg, Center for a New American Security (September 24, 2009); <http://www.cnas.org/files/multimedia/documents/Deputy%20Secretary%20James%20Steinberg%27s%20September%2024,%202009%20Keynote%20Address%20Transcript.pdf> (accessed May 31, 2011).

strategy composed of integration, balancing, and deterrence in appropriate combinations. Given the premise that power transition will occur, and in order to grapple actively with the new international environment to come, Japan must seek a balance such that China's growing political influence will not obstruct cooperation in regional and global dimensions. To that end, partnerships with many countries should be strengthened and, at the same time, integration should be furthered by expanding the margin for collaboration with China. The growing military power of China is to be addressed by raising the level of deterrent readiness to include heightened crisis management capabilities. That is the compound strategy that this proposal document seeks to present.

There are three images of China to be found in the background. The first image is of China's economic growth, which no longer suggests the responsibility of a developing country but rather that of a great economic power. China is seen as engaging in responsible actions as a member of the international community, working not only for itself but contributing to the stability and development of the international community. An integrated strategy oriented to that kind of purpose should not only seek to expand bilateral and multilateral dialogue with China but must also elicit cooperative actions in the Asia-Pacific regional order extending regionwide. Further, China is called on to realize the peace and stability of the international community within the G20, the IMF, the United Nations, and other such global architectural frameworks and to harmonize with efforts to address issues on a global scale (Figure 8).

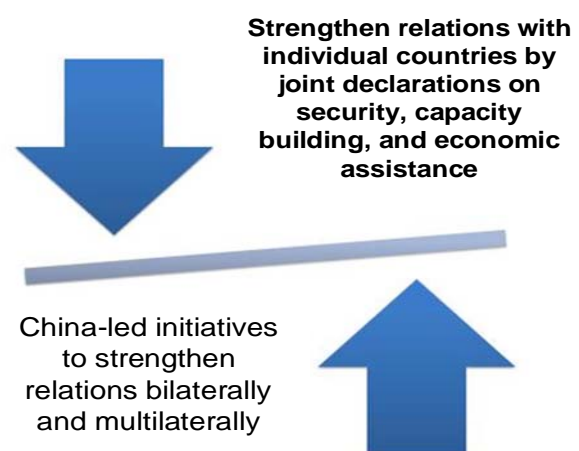
However, China does not necessarily display the actions of a responsible member of the international community either with respect to the formation of a regionwide order or with respect to cooperative actions in the international community. It has engaged in selective cooperation with countries that satisfy its own preferences, and it has at times obstructed the formation of consensus. In the

Figure 8. Integration of China in the World Community



Source: The Tokyo Foundation Asia Security Project

Figure 9. Seeking Balance through Diplomacy



Source: The Tokyo Foundation Asia Security Project

event that this diplomatic rival China and Japan do not agree on what order is desirable, then Japan will of course find it necessary to assure the benefit of the international community and to address the issues facing humankind in common by forming strategic partnerships with the US and other countries and to secure a balance along the axis of functional cooperation. It should be noted now that what is intended here is not to achieve a balance in the sense of an equilibrium of forces but rather (and entirely) in the sense that, if there were any elements that threatened the future of the international order in the formation of alliances under China's leadership, then a balance would be sought through diplomatic competition with such elements. The strategic impetus of the US, Japan, and other countries with regard to China as a military threat is subsumed under deterrence (Figure 9).

Balancing has the three patterns, namely, hard balancing, soft balancing, and institutional balancing.³¹ Hard balancing consists of the consolidation of force (external balancing) to resist a dominant country and the strengthening of one's own countervailing power (internal balancing). The traditional balance of power approach advocated by realists in international politics corresponds to this hard balancing. Soft balancing signifies coordination among multiple countries using nonmilitary means (economics, diplomacy, and social influence) to limit the one-sided actions and influence of a dominant country. Institutional balancing is the activity of restraining a dominant country and reining in its activities in a multifaceted manner by engaging in the establishment, formation, or development of rules, international institutions, and forums of various kinds. Institutional balancing can be considered a derivative form of soft balancing, but the crucial difference is that the latter refers only to the internalization of a dominant country within one's own institutions, while the former also includes placement of a dominant country outside the framework of an institution. Balancing as used here corresponds to soft balancing and institutional balancing. Countries that take part in these forms of balancing may, when a clear threat surfaces, engage in hard balancing, which is to say developing alliances in order to achieve a classical balance of power. That possibility cannot be excluded, but since the motives for forming alliances differ, it cannot necessarily be assumed that such alliances will develop automatically.

The Tokyo Foundation Asia Security Project published a report in 2010 entitled "Asia-Pacific Security Architecture." The report noted that security cooperation among US

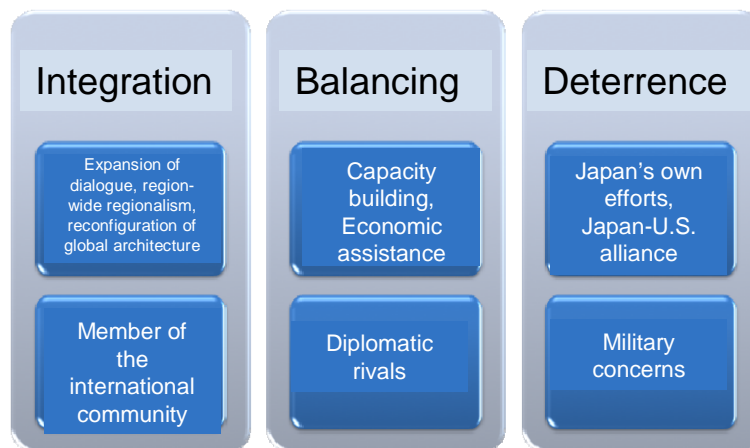
³¹ For studies that have examined this kind of soft balancing and institutional balancing, see the following: Robert A. Pape, "Soft Balancing against the United States," *International Security*, Vol. 30, No. 1 (Summer 2005); T.V. Paul, "Soft Balancing in the Age of US Primacy," *International Security*, Vol. 30, No. 1 (Summer 2005); Kai He, "Institutional Balancing and International Relations Theory: Economic Interdependence and Balance of Power Strategies in Southeast Asia," *European Journal of International Relations*, Vol. 14, No. 3. (September 2008); Kai He, *Institutional Balancing in the Asia Pacific: Economic Interdependence and China's Rise* (Abingdon: Routledge, 2009). One study that has examined how institutional balancing is positioned domestically in Japan is Yoshinobu Yamamoto, "Ajia Taiheiyo no anzen hosho akitekucha: 2030 nen e no shinario [Architecture of Asia-Pacific Security: A Scenario for the Year 2030], Susumu Yamakage, ed., *Ajia Taiheiyo ni okeru kakushu togo no chokiteki na tenbo to Nihon gaiko* [Japanese Diplomacy and Long-Term Prospects for Different Types of Integration in the Asia-Pacific] (Heisei 22 nendo Gaimusho Kokusai Mondai Chosa Kenkyu-Teigen Jigyo Hokokusho [Report of the FY2010 Ministry of Foreign Affairs International Problem Study and Proposal Project]).

alliance members in this region had advanced greatly in the preceding five years. In addition to that (the first tier), the report also noted that advances were taking place in bilateral and multilateral functional cooperation, and particularly capacity building activity and dialogue (the second tier) in the fields related to new security issue that opens up. This is happening as though to make up for slow-paced development of the regionwide system (the third tier) that had been formed with ASEAN as its foundation.³²

In the first tier, the hub and spoke relationship has entered a new phase through advances in security cooperation among members of the US alliance. In the second tier, there is the formation of new partnerships and frameworks for the purpose of functional cooperation. These are indications that a transformation of the San Francisco System in the post-war Asian order is truly underway. At present, a new motive force is in the process of being acquired for the reconfiguration of functional cooperation and of regionwide institutions, and this state of affairs, in which cooperation going beyond the bounds of alliance networks has essentially increased in importance, could be termed a new characteristic of the Asia-Pacific region.

China is always setting out in its own way to strengthen security relationships centering on functional cooperation. This is taking place through the Shanghai Cooperation Organization and primarily through bilateral relationships with Asian countries. There are aspects of the second tier that even make it resemble the principal battlefield where competing diplomatic efforts are being made regarding security.

Figure 10: Three Images of China and Strategy toward China



Source: The Tokyo Foundation Asia Security Project

³² Regarding the concept of regional security architecture, see this research team's 2010 report, "Ajia Taiheiyo no chiiki anzen hosho akitekucha: Chiiki anzen hosho no jusoteki kozo" [Asia-Pacific Security Architecture: Tiered Structure of Regional Security] (Tokyo Foundation, 2010); <http://www.tkfd.or.jp/research/project/news.php?id=632> (accessed May 31, 2011).

Taking this current state of affairs into account, in order to depict China in the image of a diplomatic rival and to form an international cooperation that is effective for the purpose of promoting the benefit of the region as well as of the international community, it will be useful to take an approach assuring cooperation that operates flexibly in the first and second tiers while also sometimes developing cooperative relationships that do not include participation by China, thus conversely inducing China's participation. If the lever applied to China through the latter approach successfully does what it is meant to do, then an integrated strategy with China may be expected to function. It is as though to say that elasticizing the security systems and arrangements that exist regionally to deal with actions by China is of the essence of the balancing strategy, and that it plays a role in supplementing the balancing strategy. Then the success or failure of the balancing strategy will depend on whether or not Japan is able to adequately mobilize the resources (economic power, diplomatic power, and social influence) needed for Japan to position balancing directed at China as an effective security policy.

It is an unmistakable fact that China's growing military power is producing the image of China as a military concern. The progressive buildup of naval forces, in particular, coupled with the fact that China's maritime activities are clearly growing aggressive, invites concern by the countries in the region. In the autumn of 2008, for the first time in Japan, four combatant ships of the People's Liberation Army Navy transited the Tsugaru Strait to proceed to the Pacific Ocean. Their course also took those craft through the waters between the main island of Okinawa and Miyako Island. Ships of the PLA Navy have passed through these waters repeatedly since that time. In 2010, the arrest of a captain of an illegal fishing vessel near the Senkaku Islands came as a great shock to the people of Japan, and military concerns about this incident were apparent among specialists from an even earlier stage. There was intense concern about China's military rise in the US, as a result of which large volumes of excellent reports and testimony were made available from inside and outside the government. In 2009, PLA Navy ships and fishing vessels approached the US Navy sonar surveillance ship *Impeccable*, and some of them interfered with its passage in an incident that heightened military concerns at sea. The increased level of operations by China in the South China Sea not only heightens territorial conflict but also is taken as challenges to the freedom of navigation. The question of how to resolve the problem is undergoing heated debate.

China's military power has demonstrated major advances in nuclear capability, missile capability, and air power. The military budget has continued its double-digit growth, though some years are exceptions, and in addition to increasing the military capabilities of the PLA, this could also intensify its assertive posture. That concern is expected to continue growing in the time ahead. Japan has responded to such concerns in the new National Defense Program Guidelines, formulated in December 2010, that invoke measures for the adoption of a dynamic defense capability. As this indicates, Japan must deal with the situation through its own efforts while also seeking to contend with the issue by cooperation and burden sharing with the US, its only ally. The creation of management mechanisms in the event of a crisis will also be necessary in order to reinforce deterrent readiness. In that sense, security coop-

eration relationships with countries in the Asia-Pacific region that are allies of the US, such as, for instance, the strengthening of Japan-Australia cooperation, cannot be expected to contribute directly to deterrent readiness. This is where soft balancing and institutional balancing reach their limits, and it is the reason that Japan's own efforts toward deterrence as well as the strengthening of the Japan-US alliance are so important (Figure 10).

5. Four Types of Order and Japan's Strategic Choice

Maintaining the Hierarchical Liberal Order and Preparing for the Asymmetrical Balance of Power

In the model of the four types of order discussed above, which type of order would be desirable for Japan? Further, how should the desirable state of the US-China relationship be envisioned? The project team takes the view that the most desirable order for Japan would be none other than maintenance of ascendancy with regard to China by the US, Japan's only ally, together with the hierarchical liberal order (A) (Figure 7), in which the US-China relationship experiences deeper cooperation. Within this order, it would be possible for Japan to maintain the Japan-US alliance under US ascendancy, as it has been to date, and also to foster mutually beneficial bilateral relations with China, in which economic and societal relationships are promoted. Consequently, it is crucial that the basic stance of Japan's China strategy be to exert efforts to maintain (A) while also preventing a departure from (A).

Considering how China's diplomacy and the activities of the PLA over the past several years have caused friction with the US, however, there is no assurance of constant cooperation in the US-China relationship. Almost 40 years after Richard Nixon and Mao Zedong initiated the US-China reconciliation process, the relationship has continued to demonstrate the difficulty of engaging in cooperation while simultaneously managing the relationship. Even at present, when parity with the US has not been reached, Japan, the US, and many other countries are heightening their wariness regarding the rise of China. The asymmetrical power parity system (B) (Figure 7) emerges to view from time to time, even at a stage where the two countries are not struggling over power, and in it the element of conflict in the US-China relationship is more conspicuous than the element of cooperation.

In other words, the policy that is desirable for Japan at this stage would be to work to maintain (A) while preparing for a swing to the right toward (B), and when a transition to (B) becomes apparent, to take measures for the restoration of (A). When the concepts of integration, balancing, and deterrence are used in forming an image of Japan's strategy, that image should then contain the elements below. Since the specific proposals will be discussed in their contexts in the next section, basic approaches and directions of the strategy will be outlined here.

- Integration: Maintain (A) (Figure 7), which means taking steps to continue US ascendancy in the Asia-Pacific region while maintaining a cooperative US-China relationship

by encouraging active participation by both countries in regionwide systems and institutions that include China and taking measures to strengthen rules, systems, institutions, and norms.

- **Balancing:** Convert (B) (Figure 7) into the more desirable (A) by taking steps to prevent obstruction of cooperation in the world community in the event that China acts on its own to form partnerships or frameworks that are in line with its own benefits and preferences, as well as to convey that it would be to China's own benefit for it to make use of comprehensive systems and institutions in which it participates of its own accord. This would be done by forming ad hoc coalitions that China does not take part in and by making preparations for system and institution building.
- **Deterrence:** The US-China conflict in (B) (Figure 7) carries a high cost and there is a risk that clashes could take place in unforeseen circumstances. In order to avoid this eventuality, efforts should be made to strengthen the network of alliances with the US and to reinforce the deterrent readiness realized by the Japan-US alliance as well as through the efforts of Japan itself. This will be realized by constructing dynamic deterrence and crisis management mechanisms.

Promoting Concert of Powers, Avoiding Cold War-type Bipolar System

If the future shift of the US-China relationship toward equilibrium is to be considered unavoidable, however, then the alternatives available to Japan at that stage must be explored. Taking the move toward equilibrium as unavoidable, then the circumstances that would be desirable for Japan at that point would not be the Cold War-type bipolar system (D) that would drag Japan into the conflict between superpowers but would rather be the system of cooperation among major powers (C). Although the US and China would be in opposition, and it would be possible to uphold the Japan-US alliance relationship under the (D) order, US ascendancy is not taken as a given. Japan's China strategy under the (D) order would be, plainly, to find a way out of the (D) circumstances. No doubt the top of the alternatives, as a member of the US camp, would be to increase the robustness of the alliance in order to reduce the security risk. If the transition to (C) can be pursued, then even if US ascendancy is not necessarily assured under the (C) order, the fact that both the US and China are in a cooperative mode means that tension will be less likely to occur in the Japan-China relationship as well. Care must be taken, however, because agreements and understandings on security matters between the US and China may easily lead to circumstances that are not necessarily in line with Japan's interests. Considering the above, Japan's strategy toward China would encompass the following approaches:

- **Integration:** In order to maintain (C) or to induce a shift from (D), the active participation of both countries in regionwide systems and institutions that include China should be encouraged while also working to reinforce rules, institutions, and norms. Japan should strengthen its strategic cooperation with China, focusing on the development of

an international environment that does not degenerate into (D) conditions. Meanwhile, Japan should also reinforce the strategic reassurances that strengthen the Japan-China relationship while resolving discrepancies between their interests.

- **Balancing:** In order to bring about a shift from (D) to the more desirable (C) , as well as to prepare the foundation for development of security cooperation that matches the other party's approach, Japan should form ad hoc coalitions and prepare for the building of systems and institutions in which China does not participate.
- **Deterrence:** US-China conflict in (D) and clashes between Japan and China resulting from unforeseen circumstances would be very costly for Japan. The use of the network of alliances with the US should be explored while working to heighten the efforts made by Japan itself through dynamic deterrence and the construction of crisis management mechanisms, as well as reinforcing the deterrent readiness provided by the Japan-US security regime. If it becomes clear that circumstances make it difficult to build a relationship of strategic cooperation with China, then no doubt there will be a need to consider an expansion of the defense budget with a view to alliance burden sharing. The contribution to security expected of Japan at this stage would likely increase more from regional perspectives than in global dimensions.

The above discussion of the four types of security order and Japan's strategic choices—integration, balancing, and deterrence—is an exceedingly simplified strategic perspective, but they serve as an extremely important framework when determining the conceptual framework of Japan's security strategy toward China. This is because the US-China relationship repeatedly oscillates across the lateral amplitude between cooperation and conflict in a downward spiral structure where the power shift downward from US ascendancy to US-China parity takes place, and in that circumstance, formulating a dynamic strategy as a transition strategy calls for a logic that encompasses the possible fluctuations that the order undergoes in moving from (A) to (D).

Based on the fundamental examination contained in Part 1, "Shaping a Strategy for the Rise of China," this report in Part 2 will develop a more concrete image of security strategy toward China that combines integration, balancing, and deterrence.

Part II

Japan's Security Strategy toward China: Pursuit of Integration, Balancing, and Deterrence

1. Restoring the Foundation for Japan's Diplomacy and Security Policy after the Great East Japan Earthquake

Security Policy after the Great East Japan Earthquake: Overcoming Three Key Issues

The Great East Japan Earthquake that occurred on March 11, 2011, took place over an extremely wide area, caused an enormous tsunami, and further caused the incident at the Fukushima Daiichi Nuclear Power Station. In combination, they inflicted far greater damage on Japan than the Great Hanshin Earthquake of 1995. Even without that earthquake, Japan had numerous problems, including (1) prolonged economic stagnation, (2) a declining birthrate and aging population, (3) increasingly severe fiscal constraints, and (4) political dysfunction. The fact that the major disaster took place at a time when no way could be found at all toward the resolution of these problems is also a serious challenge to be taken up in discussing the foundations of Japan's post-earthquake governance. Particular issues that are becoming a bottleneck for economic activity are the limits to the supply of electric power and the prolongation of the problems at the Fukushima plant. These are highly likely to present major obstacles to rapid recovery.

The question to pose here is how Japan's diplomatic and security policy will develop following the Great East Japan Earthquake. In the process of dealing with the earthquake disaster, the Japan-US Security Consultative Committee ("two-plus-two") meetings have been postponed, and Prime Minister Naoto Kan's visit to the US has been put off. The Japanese government also decided to cut approximately 50 billion yen from this fiscal year's official development assistance (ODA) budget as a source of revenue for the first supplementary budget to finance the recovery. Reconstruction after the earthquake has become the biggest issue on the government agenda today, and there could consequently be a tendency in Japan to overlook foreign-oriented policy issues. There is a strong impression that many major diplomatic issues have become stalled.

However, there were offers of support in response to the Great East Japan Earthquake from 157 countries and regions around the world, as well as from 42 international agencies. In the Tohoku region, rescue teams from various countries went to work, and relief supplies and donations poured in from all over the globe. Postwar Japan has never garnered so much sympathy and encouragement from the world. At the Japan-China-South Korea Summit in

May of 2011, Premier Wen Jiabao of China and South Korean President Lee Myung-bak made visits to areas of Sendai and Fukushima that had been affected by the disaster, where they announced their support and solidarity. This same summit yielded agreements on such matters as disaster cooperation, nuclear safety cooperation, and cooperation for sustainable growth through promotion of renewable energy and energy efficiency. Remembering how tense the Japan-China relationship had grown last year over the Senkaku Islands, it certainly does seem that bad fortune and good fortune exist side by side, since it is a fact that the great earthquake was the occasion that furthered Japan-China-South Korea cooperation.

Precisely because it did experience a great earthquake, Japan must share an awareness with the world on issues regarding large-scale disaster countermeasures, nuclear power safety, and next-generation energy sources; to fulfill its international responsibilities as a country where disasters occur; and to lead global discussions on such matters. At the Group of Eight (G8) summit in May 2011 (the Deauville summit), the safety of nuclear power emerged as a topic of discussion, and Japan's international initiative was raised as a matter of discussion. That is another reason why Japan must achieve reconstruction from the disaster as rapidly as possible. The uncertainties being borne by Japan today can be consolidated more specifically in the three key issues presented below.

Key issue 1: Whether Japan can reconstruct and recover quickly

The first key centers on how quickly Japan can get back on its feet from the recent great earthquake. Knowledgeable people around the world have expressed the expectation (with a certain amount of encouragement included) that Japan may succeed in carrying out radical reform of itself during the process of overcoming the disaster so that it will come back as an even stronger country than before. This kind of scenario for recovery from disaster by self-reform would have the following necessary conditions: (1) The problem of electric power supply must be resolved; (2) the nuclear power incident must be successfully dealt with in a short time; and (3) political dysfunction must be resolved, and effective decision-making must take place.

These are all serious problems, but particularly crucial is for Japan to realize political stability and establish governance mechanisms. As noted above, Japan already faced a variety of problems before the earthquake hit, but in the economic field, there is a possibility of breaking free of the stagnation if recovery from the earthquake provides the occasion for the creation of large-scale and effective Keynesian demand, providing an adequate stimulus. (The possibility must be noted that in the long term, the preservation of twentieth-century style industrial structure could also bring on further problems.)

The declining birthrate and aging population, however, are expected to continue growing serious, and there is a danger that fiscal conditions will worsen further. On the other hand, the political dysfunction is a problem that can be reformed through will and effort. This is of great importance, because progress in that respect could make it possible to discern solutions to other problems as well. The present political dysfunction has numerous

causes in the first place, including:

1. The absence of bipartisan consensus, so that an extremely partisan two-party system has politicized every issue. (The absence of experienced veteran politicians who could engage in the effort to form a bipartisan consensus is also a major factor in the situation.)
2. The spread of television politics that places greater importance on making impressive statements on television programs than on implementation of policies and measures behind the scenes.
3. In connection with the above, political journalism plays up the superficial political movements by popular politicians, rather than conducting in-depth analysis of the political agenda and policy topics, and analysis of policy remains at a shallow level.
4. Some minority factions have powerful veto power in the decision-making process, and they obstruct the making of decisions intended to promote the national interest.
5. Government bureaucrats, who are supposed to formulate and execute policy as disinterested professionals, and politicians, who are supposed to serve as representatives of the people and who are expected to assimilate the diverse views and interests of the national public in that process, have not managed to properly divide their respective responsibilities.

The involvement of such numerous, complex factors make this a problem without a simple solution. Nevertheless, the people involved in deciding national policy must all engage in their respective efforts.

Key issue 2: Evaluation of Japan's country risk by the international community

The second key issue lies in how the international community perceives the risk factors arising from the Great East Japan Earthquake and how it evaluates Japan's ability to overcome those risk factors.

The Great East Japan Earthquake resulted in a renewed awareness of Japan's unique position in the global supply chain. Today's manufacturing industries have made conspicuous advances in globalization. It has become clear that computers, automobiles, and other such high-end products, in particular, are difficult to produce without using parts made in Japan. The Great East Japan Earthquake was a great disaster, but it was not the worst disaster that could be envisioned for Japan, and in that light full consideration must be given to the possibility that global industry would be inclined to reconstruct supply chains that are not dependent on Japan-manufactured parts. (This is not limited just to enterprises outside Japan.) If we were to say, for the sake of argument, that this kind of "Japan passing" in the global supply chain context were to occur, then it would come as an incomparably greater blow to the Japanese economy than the overvalued yen or anything of that sort.

Meanwhile, the recent earthquake has also demonstrated Japan's "country power" to overcome such natural disasters. The earthquake and tsunami were terribly severe, but even

though they occurred sometime after 2:30 in the afternoon, there were no resulting Shinkansen accidents, and considerable numbers of people did succeed in escaping the tsunami. Moreover, the airports and harbors in the coastal areas of the Tohoku region that were hard hit by the tsunami were restored to functionality within about a week. In combination with the way that large-scale mobilization of the Self-Defense Forces was managed in a short period of time, this also served as an indicator of Japan's capacity in dealing with major disasters. There is also the fact that victims of the disaster are living as refugees in the most demanding conditions, yet maintaining good order. This has greatly impressed the outside world as an indication of the resilience of Japanese society.

If the international community perceives Japan's country power in this way as fully capable of overcoming country risks, then there is less likelihood that "Japan passing" in the global supply chain would occur. This is another reason why it is of critical importance for Japan to recover quickly.

Key issue 3: Whether East Asia's security stability will be maintained

The third key issue has to do with the East Asian security environment. There are plenty of security challenges in this region: North Korea's development of nuclear missiles, the uncertainty of that country's regime succession from the Kim Jon Il regime, and rising China's modernization of its military power and rising level of its military activity. And these challenges have not altered since the great earthquake. Meanwhile, for Japan it will be necessary to concentrate on the recovery during the coming five years or so. This makes maintaining a stable security environment even more crucial than it was before. It should be clear, therefore, that US commitment and presence will be taking on greater importance than they have to date.

North Korea is an actor whose choices are difficult to shape by external actions. So, what Japan can do in this context is very limited in the first place. In this light, the relationship with China is an issue of particular importance for policy. Having achieved WTO membership in 2001, China has definitively upgraded its status as a stakeholder in the international community, and it has begun to exert its own will more actively. East Asia, having recovered from the Asian currency crisis, is experiencing what the World Bank has assessed as an East Asian renaissance, and as this suggests, the economic and societal interdependence of the region's countries and China has deepened. On the other hand, China's military power has expanded, and the possible reasons for concern about security from the South China Sea to the East China Sea have expanded. The year 2010 witnessed a "China shock," not only in terms of the economy but also of security, such as in the reigniting of the South China Sea problem at the ASEAN Regional Forum (ARF), the Japan-China collision incident involving a Chinese fishing boat in the waters off the Senkaku Islands, the problem of rare earth export controls, and the friction over US and South Korean military exercises in the Yellow Sea. The series of such incidents made China's actions in this region even less transparent. The collision incident off the Senkaku Islands and friction arising from US and

South Korean exercises in the Yellow Sea were particularly shocking developments for Northeast Asian security, especially for Japan and South Korea.

The question of how the Great East Japan Earthquake will be reflected in China's policy toward Japan will also be an important issue for China's own evaluation of foreign policy in 2010. In the short term, there will probably be a noticeable tendency to make use of the recent earthquake for the improvement of Japan-China relations, just as the 9/11 terrorist attacks was utilized to improve the US-China relationship. Assuming, for the sake of the argument, that China does seize on the earthquake as an occasion for bilateral cooperation in some form, then it would seem that Japan should also make use of that opportunity. In the medium to long term, however, and particularly if Japan encounters unexpected difficulties in reconstruction, it is entirely foreseeable that China might also intensify pressure on an enfeebled Japan and seek to establish its own leading position in the East Asia region.

In the light of the above three uncertainties, what Japan should take as its objective for security policy in the short term is to create a regional security environment in which it will be able to concentrate as a nation on its own recovery. This would be, in other words, to contribute to the stability of East Asian security, which is the third key. What becomes important in that case is to stabilize the relationship with China.

The following section will present proposals regarding the form that should be taken as part of Japan's comprehensive security strategy toward China, based on the concepts of integration, balancing, and deterrence analyzed in Part 1. This discussion will be divided across the three domains of the Japan-US-China relationship, the Northeast Asia region, and the Asia-Pacific region.

2. Integration, Balancing, and Deterrence in the Japan-US-China Relationship

China's emergence to prominence as a stakeholder in the regional order will both expand opportunities for cooperation and increase friction. The series of situations that arose in 2010 represent actions by China to set the rules for regional security in the context of China's use of economic strength as a great power. In other words, they were actions taken not to be shaped by what existed around China but to shape what was there around it. It was for this reason that friction occurred between China and countries around it. This vividly conveys the reality that the strategies of shaping and hedging with regard to China, adopted through the 2000s, had already become inadequate for dealing with the new circumstances.

For this reason, the Japanese security strategy toward China must activate the following functionalities:

1. Include built-in cooperative activity with China to move toward the stabilization of international systems and Japan-China relations. (Integration)
2. Take steps so that China's rising influence will not obstruct regional or global aspects of cooperation. (Balancing)
3. At the same time, a deterrence function must be activated to address China's opportu-

nistic expansion (or the possibility thereof). (Deterrence)

As a country neighboring China that is beset by various factors tending to cause disputes, and taking into consideration the high likelihood that China's tendency to expand its military power will continue regardless of whether or to what extent a power shift is realized—and even if US-China cooperation becomes a reality in the future—for Japan, deterrence must be an essential element in the security relationship with China.

(Integration)

Proposal 1

Form a resilient habit of cooperation capable of withstanding the power shift

Taking as a premise for the medium to long term that the rise of China will bring about a power shift and that a power balance may result in the form of US-China parity, such trends must lead to the creation of a stable international order. From this perspective, the Japan-China security relationship will be required to have an integrating function that expands opportunities for cooperative action with China bilaterally and eventually multilaterally to include the US.

It is no simple matter, however, to shift the process of integration into actual implementation in Japan's security policy toward China. There is a strong tendency toward disputation in the Japan-China security relationship, and especially the relationship between the authorities concerned with national defense, as an extension of the Japan-China political relationship. It may be, therefore, that any advances in defense exchange or security cooperation should be premised on the building of political relationships of mutual trust as an essential precondition. This kind of thinking is particularly deeply established on the Chinese side, where the materialization of any defense exchange or security cooperation is considered difficult to realize so long as the political relationship is not improved. (That is, until both sides perceive the political relationship as favorable.)

On the other hand, the Japanese government has been aiming to build relationships between defense and security authorities that are not dominated by the political relationship. The development of relationships among the defense authorities was positioned as one key portion of the process of building a mutually beneficial relationship based on common strategic interests following the visit to China by Prime Minister Shinzo Abe in October 2006. The joint press release on the occasion of Premier Wen Jiabao's visit to Japan in April 2007 also stated that "Both countries will strengthen dialogue and exchange in the area of defense and make utmost efforts for the stability of the region together" as part of the basic content of the mutually beneficial relationship based on common strategic interests. In the light of this agreement, China's Minister of Defense Cao Gangchuan visited Japan at the end of August that year, and the two countries confirmed between them that "the development of

Japan-China defense exchanges should be promoted at a variety of levels and in various fields.” The Chinese side responded to this series of agreements by accepting the participation of observers from the Japanese side at Yongshi 2007, a live-fire field training exercise in penetration by an infantry division that was held in September 2007. From November to December of that same year, the destroyer *Shenzhen* of the South Sea Fleet of the PLA Navy made a port call in Tokyo. In June 2008 the escort ship *Sazanami* became the first vessel of Japan’s Maritime Self-Defense Force (MSDF) to make a visit to China (to Zhanjiang). Visits back and forth by young leaders at the junior officer level of the Self-Defense Forces and the PLA were also made in 2008 and 2009.

No fundamental change appears to have taken place, however, in the standpoint of the China side, which places the state of the political relationship as a precondition for progress in the relationship between defense authorities. Rather, in the event that political relations between Japan and China deteriorate, China considers the defense exchanges with Japan to be a means of expressing its own political intentions. In October 2010 the Chinese government notified Japan that the plan for a port visit to Qingdao by a MSDF training squadron would be postponed because of the Senkaku incident. Furthermore, the China side also demanded that the Japanese side postpone the defense exchange project for field-grade officers that was to be implemented by the Sasakawa Peace Foundation, a private-sector organization.

This is not to say that the Chinese side has no intention of developing the relationship between national defense authorities. The joint press statement issued during Chinese President Hu Jintao’s visit to Japan in May 2008 on “Strengthening Exchange and Cooperation” listed 70 items relating to exchange and cooperation projects. Seven of those items had to do with relations between the countries’ defense authorities. The joint press statement issued in November 1998 during the visit to Japan by Jiang Zemin raised a total of 33 points on cooperation, but the only point relating to defense authorities was one item—a general statement about continuing implementation of security dialogue and defense exchange. By comparison with this agreement, the Chinese side could be viewed as having become somewhat more specific in its intentions to strengthen exchange and cooperation between defense authorities. It will be necessary to urge the China side to continue implementing agreements relating to exchange and cooperation in the defense and security fields and to render them more specific. However, the Japan-China summit talks regarding cooperation in these fields and the agreement reached at the Japan-China defense minister talks in November 2009 cannot be termed adequate from the perspective of integration. That is because the basic note these agreements strike in common does not extend very much if at all beyond political confidence-building. Cooperation in the nontraditional security field presented in Proposal 2 could be tied in with integration, but the emphasis at present is entirely on “common bilateral issues” (joint press statement from the Japan-China defense minister talks in March 2009). In addition to the advancement of security cooperation among alliance partners in the Asia-Pacific region, there has been progress in bilateral and multilateral functional cooperation addressing security issues, as though to make up for the slow development of an Asia-Pacific regional order extending regionwide. The means devised to interrelate actual

developments of this kind with the Japan-China security relationship are also indispensable from the perspective of the connection with integration.

At this time, however, there is virtually no Japan-China cooperation in the nontraditional security field that has yet taken specific material form. Note particularly, as described above, that China's defense authorities announced to the Japan side that the scheduled Japan-China defense exchanges were to be postponed by reason of the deteriorated political relationship resulting from the Senkaku incident in September 2010. These and other such actions illustrate how China's response was to give priority to the political relationship over the materialization of specific defense exchanges. Moreover, the actual substance of cooperation in the nontraditional security field still remains on a bilateral Japan-China base. UN peacekeeping operations (PKO), anti-piracy measures, coping with natural disasters, and other such matters are issues that directly impact on the whole of the international community, and they are not policy issues to be made into political problems. Furthermore, collaborative relations with China in fields of this kind can contribute to the stability and maintenance of regional and global systems, and it is therefore a policy issue that is tied to integration as referred to in this policy proposal report.

In the fields of humanitarian assistance and disaster relief, of course, Japan-US-Australia defense cooperation possesses an advanced degree of interoperability and constitutes the most effective and practical cooperative framework. For this and related reasons, even if it were said to be possible, for the sake of argument, to include China in this kind of effective practical framework at the present stage, that would not mean that the practical effectiveness of the framework as a whole would be directly improved. If a future US-China parity were taken as a premise, however, then it would be desirable to promptly integrate China into existing frameworks and to make use of China's power in a positive form for global and regional security. For that purpose, it will be necessary to form a habit of cooperation with China (PLA) on the part of both bilateral cooperation and multilateral frameworks that include the US. It is necessary to build mechanisms of integration that contribute to regional and global stability through Chinese collaboration with other countries. At the same time, it is also necessary to make China understand, by means of international norms and frameworks, the costs of taking uncooperative action, and it is necessary, as well, to pursue the execution of power transitions in a stable manner by means of Japan-China cooperation in nontraditional security fields.

Proposal 2

Explore new frontiers in Japan-China security cooperation

Japan should seek to position Japan-China cooperation in nontraditional security fields from the perspective of integration. One instance of this would be cooperation in the field of UN PKOs. In June 2009, the Chinese government (Ministry of National Defense) founded the Ministry of National Defense Peacekeeping Center in a suburb of Beijing, and they have

been using it for leverage to strengthen military diplomacy in this field with the United Nations and the armed forces of other countries. The Japanese side also has related units and agencies, such as the International Peace Cooperation Activities Training Unit of the Ground Self-Defense Force (GSDF), and it is time that bilateral exchange and cooperation with the China side should be considered on such topics as international peacekeeping and personnel training.

One measure for that purpose is the symposium or seminar, which is useful as a first step. In China, symposiums conducted with the participation of policy-level officials and specialists are taking place in growing numbers, organized by the Ministry of National Defense as a means of generating a shared recognition of issues among national defense authorities as well as to jointly create road maps for military diplomacy with foreign countries. Symposiums should also be held as a Track 1 activity between Japan and China constituting concrete development of the issue of forming a habit of cooperation. This is also essential from the perspective of integration, which must involve not just exchange of knowhow and experience on a bilateral basis but also Japan-China cooperative action on regional Asian and global levels.

For example, measures for capacity building in Africa and Asia should be presented as a policy concept for support provided jointly by Japan and China. Malaysia has actively contributed to UN PKOs, and the Malaysian Peacekeeping Training Centre established in January 1996 also began training and education for personnel from other countries in April 2006. There is also the International Peace Support Training Centre (IPSTC), which was founded in Kenya as a United Nations Development Programme (UNDP) project to support institutional and human capacity building in Africa. The Japanese government is already providing support for civilian police predeployment training courses at the IPSTC. For Japan and China to provide joint support for this kind of regional and global capacity building in Asia and Africa would not just constitute bilateral cooperation by these two countries but could also contribute to the stability of international systems. Furthermore, measures of this kind could well be funded by official development assistance (ODA), and the ODA Charter must be reconsidered for that purpose. It will also be important to simultaneously consider the issue of how to engage in functional frameworks in addition to regional and international frameworks, such as how to bring China into Japan-US-Australian disaster relief cooperation.

With the experience of the Great East Japan Earthquake, humanitarian assistance (HA) and disaster relief (DR) activities will be a crucial topic concerning integration. In the Asia-Pacific region, and particularly following the experience of the Sumatra earthquake and tsunami disaster in 2004, discussion of disaster relief has been advanced in the ASEAN Regional Forum (ARF) and other such venues. Disaster relief has also become an important topic in the Japan-US-South Korea and Japan-US-Australia trilateral frameworks. Japan, the US, and Australia, in particular, have bilateral alliances as a foundation on which to further their respective defense cooperation activities, and these three countries have advanced interoperability, making the Japan-US-Australia framework most efficient in expediting effective disaster relief. (Since the South Korean military's role in overseas disaster relief is limited to

air transport for the Korea International Cooperation Agency (KOICA), it will be difficult for the Japan-US-South Korea framework to function effectively as it is at present.) In order to promote regionwide international cooperation for major disasters, however, it would be desirable, from the perspective of integration of China, to also pursue frameworks that include China using existing alliance frameworks and further expanding them. Consequently, it will be necessary to look again at the variety of measures being undertaken in the Asia-Pacific region to systematically inventory the status of their progress. Then, on that basis, cooperation on disaster relief must be promoted in ways that involve China both in the form of multilateral frameworks and in the form of bilateral cooperation in order to make use of China's power as a positive factor for regional security.

The theory of regional security architecture is a concept that incorporates functional cooperation in the second tier, going beyond a supplementary relationship with the hub and spoke system and multilateral dialogue seen to date. In that functional cooperation, disaster relief has been considered an extremely promising field of cooperation because it offers common benefits to every country. As Japan goes forward with the aim of post-earthquake reconstruction, the stability of the East Asia security environment, or to be more precise, the stability of the relationship with China, holds enormous significance in Japan's security policy. In this light, it is extremely important to promote disaster relief at a regional level that involves China, in particular. Further given the extremely high level capabilities demonstrated in their recent disaster relief operations by the SDF and the US military, which are in an alliance relationship in the first tier, organically joining the disaster relief capabilities on the first tier with the cooperative framework of the second tier can be considered essential for the purpose of building an effective cooperative framework. As this suggests, systematically incorporating architecture theory into Japan's security policy can be assessed as a highly positive move that would be of greater importance than before in considering East Asia's security in the post-quake environment.

It is essential that this kind of regional security architecture theory also be incorporated in the Japan-China security relationship. The consideration and formulation of new action plans in Japan-China summits and between the two countries' defense authorities has become a pressing issue for that purpose, as well.

Proposal 3

Reinforce the crisis management mechanisms in place at the Japan-China summit level and between their national defense authorities

Regardless of whether the rise of China will lead to power transitions in international systems, there are additional functions that Japan should pursue in its security relationship with China. Those are crisis management and dynamic deterrence. With the modernization of China's military power, and particularly the expansion of China's naval area of operation as well as the build-up in fourth-generation fighter aircraft and other such arms, the possibility

that an accidental incident could occur between the SDF and the PLA on the sea or in the air has become undeniable. The Japan-China security relationship therefore needs crisis management functionality. As also touched on in Proposal 1, the joint press statement issued when Premier Wen Jiabao made a visit to Japan in April 2007 declared that “a communication mechanism between the two defense authorities will be established” in order to “prevent the occurrence of unforeseen circumstances at sea.” At the defense minister talks that took place at the end of August that year, Japan and China agreed to establish a joint working group to develop a communication mechanism between the defense authorities of the two countries. The first Joint Working Group meeting, held in April 2008, and the second, in July 2010, discussed the overall framework of a mechanism for maritime communication, technical problems, and related matters. These discussions have led most of the way to an agreement that Japan and China will use common frequencies that are widely employed internationally for communications at the field units.

What is required, from the perspective of crisis management, is safety standards shared among units and mutual communication mechanisms that enable more direct contact with units. However, the meaning of mechanisms for communication with Japan as emphasized by China is the promotion of mutual trust. China has not placed so much emphasis on the purpose of crisis management. In October 2010, following the Senkaku incident, Japan’s Minister of Defense Yoshimi Kitazawa and China’s Minister of National Defense Liang Guanglie held talks in Hanoi, Vietnam, where both agreed on the need to promptly establish a mechanism for maritime communication between the two countries’ defense authorities. The major media in China, however, did not report on the maritime communication mechanism, but only reported Minister of National Defense Liang’s statement about continuing to strengthen mutual trust between the two countries.

One problem regarding the communication mechanism that should be pointed out is that even if one side perceives a situation as an emergency and tries to communicate with the other side, it is possible that the other side will not respond if it does not perceive the emergency nature of the situation or if the emergency contexts differ in nature (for instance, when the emergency is perceived as a domestic political matter). For example, when North Atlantic Treaty Organization (NATO) forces mistakenly bombed the Chinese Embassy in Yugoslavia in May 1999, US President Clinton attempted to speak with Chinese President Jiang Zemin using the hotline between the two countries’ leaders, but the Chinese side refused to accept the communication. Taking this kind of possibility into consideration, it is essential to establish a certain level of Japan-China sharing of safety standards relating to military unit operations. In other words, it is essential that the defense authorities on both sides confirm the following matters with each other: (1) How the current status of operations of the other country’s military vessels or aircraft are perceived; (2) what kinds of situations are perceived as an emergency or a danger; and (3) what kind of signals are transmitted at the field units for the purpose of communication when an emergency or a danger is perceived. As noted above, Japan and China are reaching agreement on point (3). Regarding points (1) and (2), however, matters have not progressed beyond mutual claims of the legiti-

macy of military unit operations. High-level exchanges and discussions by officials of the agencies concerned still remain readily affected by the political situation, and they are not adequate as venues for the formation of mutual understanding and common perception of military unit operations. Consequently, it will be essential to reinforce exchanges between military units and research exchange relating to national defense from the perspective of crisis management in the broad sense of a certain level of sharing of safety standards for military unit operations. Together with safety standards at the field units, for example, it is also necessary to institutionalize dialogue between Japan's Joint Staff Office and the General Staff Department of the PLA, and dialogue between staffs of corresponding branches of the military (staff talks).

The argument has also been made, in part, that Japan and China defense authorities should also have frameworks like the Agreement on the Prevention of Incidents on and over the High Seas (INCSEA) and the Military Maritime Consultative Agreement (MMCA) between the US and Chinese militaries. The extent to which frameworks of this kind can themselves fulfill a crisis management function, however, is uncertain. For example, the US-China MMCA is perceived by the China side as a framework under the control of naval forces, and China's PLA Air Force (PLAAF) has not taken part in MMCA discussions to date. Furthermore, the participants on the China side basically belong to policy agencies and offices, and they have virtually no military unit experience. If it were assumed, for the sake of argument, that agreements on the order of INCSEA or MMCA were created with China without the functions and purposes held in common with China, then no doubt this would lead not to specific results relating to crisis management in the form of shared safety standards and so on as much as it would end in the discussion process itself becoming the purpose. If the point is discussion itself, then there already are discussions between the authorities concerned and high-level discussions as well as staff talks and exchanges between Japan's GSDF and the Military Region level of the PLA, agreed upon in the Japan-China defense ministerial talks in November 2009 noted above. It is crucial that substantive discussion points regarding crisis management be presented to the China side during these dialogues, discussion frameworks, and exchanges between military units, and that steps be taken toward the future sharing and mutual understanding of safety standards.

Proposal 4

Gain access to Chinese-led frameworks and take steps toward two-way integration

The possibility that the rise of China will bring about a power shift and a power balance of US-China parity is a medium- to long-term premise here, and the necessity of integrating China into existing frameworks has already been explained. On the other hand, it is also a fact that a regional security framework centered on China has presently come into being already and is heightening its function. For example, the Shanghai Cooperation Organization (SCO) that was established in 2001 is more than just a confidence-building framework for its

member countries; it also promotes cooperation in military and security fields, with a focus on anti-terrorism, as well as in energy and other such fields. The SCO has also expanded its external outreach, instituting observer and dialogue partner mechanisms, and it has assigned observer status to Mongolia, Pakistan, Iran, and India. In other words, the SCO is taking on geopolitical importance.

China has also been strengthening its support in Africa by means of the China-Africa Cooperation Forum (CACF), and in terms of function, it has acted in the space field by instituting the Asia-Pacific Space Cooperation Organization (APSCO) in Beijing. Cooperation frameworks that have China at their center have been formed at the regional, global, and function levels of these kinds. Having Japan or the US reinforce its access to frameworks of this kind that are led by China is certain to help prevent these frameworks from taking on an excessive geopolitical coloration as well as to contribute to China's integration.

China is also emphasizing the openness of the frameworks that it itself leads. For instance, the SCO set up a dialogue partner mechanism in 2008 that enables it to build relationships with international agencies and countries outside the region. In order to acquire the position of dialogue partner in the SCO, countries outside the region are required to have their foreign minister apply for it, and the fields of cooperation are determined by a memorandum of understanding completed with the SCO secretariat. Moreover, dialogue partners do more than just participate in the existing SCO discussion framework. They are also able to build a framework called "SCO plus" that operates at the cabinet level with SCO countries, and the possibility of seeking to establish a framework called "SCO plus Japan" should be entertained. On the other hand, although the CACF does not have an explicit system prepared to function in connection with those external relationships, the Asian-African summit of April 2005, which Japan also took part in, placed emphasis on the importance of augmenting and utilizing existing initiatives for Asia-Africa collaboration, such as the CACF and the Tokyo International Conference on African Development (TICAD). By taking action to make existing initiatives related to African development rational and consistent in addition to augmenting and utilizing such initiatives—and in doing so to aim for efficiency in assistance to Africa as a whole—would no doubt lead also toward bidirectional integration for China.

Of course, China holds firmly to an attitude of opposition to US alliance networks as one of its diplomatic principles, and there seems but slight likelihood that China would end in having the China-led cooperation frameworks collaborating fully with the US alliance strategy or with security cooperation centered on the US. It is possible, however, that acting to promote more specific manifestations of openness in frameworks led by China could lead not only to the future development of wide-area regional cooperation (third tier) but also to organic collaboration with the third tier by the first and second tiers of the regional security architecture, or in other words, to integration. In this sense, it will be essential not only to make efforts to draw China into existing frameworks led by Japan and the US but also to have Japan and the US strengthen their access to the SCO and other such frameworks in which China holds the leadership position.

(Balancing)

Proposal 5

Inaugurate a Japan-US-China strategic security dialogue

Japan, the US, and China have, oddly enough, ended up occupying the top three places in world GDP together. The relationship of these three countries has a determining influence on the international order of the Asia-Pacific region, whether to maintain it in stability or to involve numerous discords and conflicts. In the event that Japan, the US, and China possess common strategic objectives and take joint action to maintain the security order, that will bring about the conditions for effective institution of a G3 system in the Asia-Pacific regional order. The fact is, however, that there are many points on which the US-China relationship and the Japan-China relationship conflict in principle or where their interests are in discord, so that full establishment of a system of cooperation among the powers is not within immediate reach.

The US-China Strategic and Economic Dialogue that President Bush and President Hu Jintao agreed upon in June 2006 has been held twice yearly. Its sessions so far have covered a wide range of topics, including trade and investment relationships, financial matters, climate change, and energy. The US and China have expanded the strategic track of discussion under this dialogue, and in May 2011 the two countries decided to hold a strategic security dialogue (SSD) that includes national defense authorities and senior military officials, putting in place a framework for US-China discussion of peace and stability in the Asia-Pacific region. Considering the growing depth of the relationship of mutual dependence between the US and China and the importance of the US-China strategic relationship, the establishment of a framework for discussion of security matters between these two countries should be welcomed by Japan, as well.

From the perspective of the Japan-US-China strategic relationship, however, even though the bilateral linkages of the Japan-US security relationship and the Japan-China dialogue framework do exist, a framework to position the Japan-US-China relationship as a tri-lateral strategic relationship is still lacking. Of course, Japan is the most important ally of the US in the Asia-Pacific region, and in that sense the Japan-US-China triangle always represents a scheme of “Japan and the US plus China.” However, just as this proposal document seeks to position the Japan-China relationship as a larger presence in regional and global affairs, the Japan-China relationship and the US-China relationship since inauguration of the Strategic and Economic Dialogue have many interests in common. So long as the Japan-US relationship, the US-China relationship, and the Japan-China relationship severally constitute important variables in the East Asian order, efforts to link Japan-China and US-China relationships together in a security dialogue will always be necessary.

A Japan-US-China strategic security dialogue should be given specific agenda and functional elements like the following. The first would be increased strategic transparency and

confidence-building. These would function to have Japan, the US, and China share their views on security strategy, national defense policy, and military power; to deepen their mutual understanding and eliminate mutual distrust and misunderstanding; and to minimize their security dilemmas. These matters would include security and military doctrine, military power configurations and basic operations, dialogues on nuclear capability and missile defense, and dialogues on space, cyberspace, and other such global commons. The second would be discussion of instabilities in the Asia-Pacific region involving such matters as problems on the Korean Peninsula and maritime stability. As will be discussed later, it would be desirable for these problems to be formed into groups according to the problem area and function (the second tier), but it is of critical importance that the interests of Japan, the US, and China be held in common in the formation of such groupings. The third would be cooperation in nontraditional security areas. There are substantial possibilities for advances in specific cooperation by Japan, the US, and China on such problem areas as major natural disasters, the safety of nuclear power, and international organized crime, in particular. It would be desirable for trilateral readiness for cooperation by Japan, the US, and China on matters of agenda and function such as these to be positioned as an important nucleus for the security order of the Asia-Pacific region.

Proposal 6

Strengthen security cooperation with Australia, South Korea, India, and Southeast Asia

The network of US alliances in the Asia-Pacific is seen as a “hub and spoke” system, and Japan should continue situating the Japan-US security system as a foundation while developing collaboration among the spokes in that system. It should do so by heightening the responsive capabilities for dealing with security problems that are in the area intermediate between peacetime and wartime. The engagement in regular efforts to develop enhanced interoperability and information sharing is generally cited as a unique advantage of alliances in peacetime, and the same characteristic also obtains to a certain extent among the members of US alliances. Given the low transaction cost involved in such efforts, the advancement of security collaboration among the “spokes” is also taking on increasing importance for the purpose of dealing with new issues in security. It is also a matter of increasing importance to advance the effectiveness of the overall network of US alliances in the Asia-Pacific region by the progress of that kind of cooperation in order to assure US commitments in this region. Furthermore, the cumulative effect of these cooperative efforts can also be anticipated to constitute groundwork for advancing security cooperation connections with countries other than those in the network of alliances.

Japan and Australia agreed on the Japan-Australia Joint Declaration on Security Cooperation in March 2007, stating their intention to build a comprehensive strategic relationship. This declaration refers to enhancement of policy coordination regarding issues of security in the Asia-Pacific and other regions as “common strategic interests,” indicating how the Ja-

pan-Australia model of cooperation is deployed outside the home countries, and depending on the circumstances may employ physical force, so it differs from the military in operations and duties during peacetime, such as capability development, training, surveillance and reconnaissance, and deterrence. This is a typical pattern of military operations in intermediate area between peacetime and wartime. The Action Plan agreed on by the Japanese and Australian governments in September 2007 should be steadily put into practice and the agenda should be progressively updated according to changes in the balance of power and changes in international circumstances. The conclusion of an Acquisition and Cross-Servicing Agreement (ACSA) in December 2009, and the negotiations on the General Security of Military Information Agreement (GSOMIA) that are currently underway will contribute to construction of a foundation for cooperation between the two countries, and so are developments that should be welcomed. For the future, a framework should be improved for the joint implementation of capacity building in the countries of Southeast Asia together with the second tier (functional cooperation that is formed as necessary).

Japan is also working with India—which is strengthening its security cooperation with the US—having conducted trilateral exercises a number of times in coordination with Exercise Malabar. The three countries should begin a security dialogue and explore a variety of cooperative activities. It would also be worthwhile for Japan to consider pursuing deeper security cooperation on counter-terrorism, maritime safety, and related problems with the Philippines as new spoke-to-spoke cooperation. Taking on the task with the US of building the Philippines' capacity in air and naval forces as well as in its coast guard capability will also fulfill a major role in maritime order.

Strengthened cooperation with South Korea represents another major agenda for Japan. After the Lee Myung-bak administration was inaugurated in 2008, the governments of Japan and South Korea exchanged documents in April 2009 declaring the intent of pursuing defense exchanges.³³ The specific objectives were not set forth, however, even regarding personnel exchanges, and no detailed description of the fields of cooperation was included. The bilateral security cooperation between Japan and South Korea, however, is unlike the cooperation that these governments are strengthening with Australia and India in the possibility that this cooperation may contribute greatly to security (especially traditional security) in the vicinity of these two countries themselves, as well as in the fact that it may also open the way to strengthened Japan-US-South Korea relations. Japan signed an Acquisition and Cross-Servicing Agreement (ACSA) with Australia in May 2010, and the government should also aim to conclude a similar agreement with South Korea. Increasing the specificity of cooperation with South Korea in the field of intelligence would also be likely to enable major advances in Japan-South Korea cooperation on common security issues. For that purpose, it will be important for Japan and South Korea to conclude information security agreements

³³ “Nihon Kokuboshō to Daikan Minkoku Kokubobu to no aida no boei koryū ni kansuru ito hyōmei bunshō” [Letter of Intent Regarding Defense Exchange Between the Ministry of Defense of Japan and the Ministry of National Defense of the Republic of Korea], dated April 23, 2009; <http://www.mod.go.jp/j/press/youjin/2009/04/23a.html> (accessed on May 31, 2011).

and to jointly create standards maintaining information confidentiality. The specific forms that bilateral cooperation should take in the event that the situation on the Korean Peninsula becomes fluid or unstable should also be examined urgently.

Proposal 7

Promote functional and ad hoc regional cooperation

Japan has clearly stated in the new National Defense Program Guidelines its policy of proceeding with support for capacity building in the Asia-Pacific region with a focus on the nontraditional security field. The importance of this stance has not changed even in the post-earthquake security environment in East Asia. Functional cooperation also has a diplomatic aspect with a competitive element, and in order to realize cooperation that has a high degree of practical effectiveness and to take steps to build a responsive capacity in the countries of the region, Japan should make every effort to join with the US, Australia, and other countries to build frameworks for dealing with the new security issues involved.

The responses following the recent major earthquake made clear, as indicated also by the responses to the Sumatra earthquake and Indian Ocean tsunami disaster in December 2004, that the military assets possessed by the US from the Asia-Pacific to the Indian Ocean have multifaceted functionality and that they perform essential roles in international emergency humanitarian assistance as well. Japan's SDF also displayed an advanced readiness capability for mobilizing 100,000 personnel in about a week's time, and further showed its advanced active capability for mobilizing a large number of helicopters in a region where the traffic infrastructure had been destroyed. US forces and the SDF cooperated closely in a wide range of situations, including search and rescue operation, transportation of materials, cooperation on the nuclear power plant accident, and so on. This clearly indicated that Japan and the US enjoy an extremely high level of interoperability on the military level. The US-Japan alliance thus constitutes an important foundation for promoting practically effective cooperation on regional disaster relief. The basis of this alliance, of course, is joint action against armed aggressions. For the future, however, it will be important to further deepen the Japan-US alliance not only for that purpose but also in clear recognition that the alliance is a vital component in cooperation for regional disaster relief. In order to further upgrade the capability for emergency disaster assistance in the future, it will be necessary to engage in ongoing information exchange and training with the Australian Defense Force and the military assets of other such countries that have high levels of interoperability and low transaction costs.

As noted earlier, the group engaged in the present research published a report in fiscal year 2010 presenting an analysis finding that in addition to regionwide systems developed with a focus on ASEAN (the third tier), this region also possessed frameworks for functional cooperation and multilateral cooperation that have their own history, membership, and operational patterns in the various fields of cooperation (the second tier). This region has, in fact, promoted education and the application of science and technology to deal with natural dis-

asters and also for disaster prevention. The second tier continues to play a major role in countermeasures against infectious diseases, countermeasures against terrorism, measures for maritime security, and other such fields. Considering the comprehensiveness of ASEAN and of regionwide systems based upon ASEAN, it will be important to expand the interfaces between these two systems, but at the same time, it probably also needs to be recognized that the high level of practical effectiveness of cooperation that has been promoted by function can provide a crucial foundation for realizing human security.

(Deterrence)

Proposal 8

Promote dynamic deterrence against opportunistic expansion by China

It appears likely that China's foreign-oriented policy itself will make use of the recent earthquake to bring about improvement in Japan-China relations, much in the same way that the 9/11 terrorist attacks were used to effect great improvements in relations with the US. It appears very unlikely; however, that such a policy stance in itself will lead to any containment of the vigorous activity of the PLA. In other words, while China takes steps to improve relations with Japan on the one hand, the probability, on the other hand, is that China will maintain its stance on military and other movements to expand maritime operations.

For Japan, it is necessary to recognize that China's post-earthquake Japan policy can encompass the dual aspects noted above. The apprehension on that point arises particularly in connection with the latter possibility, that China will view Japan's concern with reconstruction to be a window of opportunity for intensifying its claims in the East China Sea and the Senkaku Islands. If such actions actually take place, they will doubtless greatly impede efforts to improve Japan-China relations in connection with the former possibility. Japan, therefore, must not give China reason to think that windows of opportunity are being presented. This is also crucial in terms of increasing the stability of the Japan-China relationship in the future. For that purpose, it will be important to pursue dynamic deterrence centered on alert level and surveillance as given in the new National Defense Program Guidelines.

If Japan is to engage more actively in surveillance and reconnaissance operations as dynamic deterrence in response to more vigorous activity by the Chinese military and other such armed organs with a view to maritime incursion, then the possibility of accidental contact between Japan and China would grow greater. Given the possibility that such accidental contact might occur can never be reduced to zero, regardless of the effort expended in prevention, it would be desirable for Japan and China to create a mechanism for crisis management in the event that such accidental contact does occur. To that end, it will be necessary to accelerate the work presently being done by Japan and China to create a maritime communication mechanism. That work is also essential for the purpose of not allowing accidental contact to undermine the trend toward overall improvement in Japan-China relations.

For the Japan-China security relationship to possess a crisis management function is not to be equated with limiting vigorous activities by the PLA. In other words, even if China were to show indications of movement toward the future creation of communication mechanisms or sharing of safety standards in its security relationship with Japan, there is still an extremely high likelihood that the PLA or other such force would continue its past tendency to commit maritime incursions. China is feeling increasingly confident about the results of its own military modernization, and in that connection it is strengthening its claims of sovereignty and sovereign rights. It is possible that China will also intensify its opportunistic claims in the East China Sea and the Senkaku Islands with regard to its relationship with Japan. As noted earlier, for example, if China takes advantage of the window of opportunity created by Japan's policy concern with recovery from the Great East Japan Earthquake, that could result in China seizing the opportunity to engage in opportunistic expansion of military or other such activities, which would lead to the loss not only of measures for confidence-building but also of the integrating function discussed earlier. In addition, if a power transition occurs or if, by extension, a US-China power balance comes into being while the Japan-China security relationship suffers the loss of that integrating function, then Japan could lose its diplomatic standpoint within this system. Therefore Japan must not allow such a window of apparent opportunity to be seen by China. For that purpose, it is important to pursue dynamic deterrence with a focus on warning and surveillance, as set forth in the new National Defense Program Guidelines.

Proposal 9

Promote a Japan-US joint air-sea battle (JASB) concept

Viewed from the perspective of traditional military balance, what emerges as a concern with the modernization of China's military is not only the increased pace of Chinese military operations in adjacent seas and airspace but also its growing anti-access and area denial (A2/AD) capabilities. The objective of the dynamic deterrence discussed above is to respond to the increased vigor of China's military operations by not presenting a window of opportunity and thus causing that country to curtail its opportunistic expansion. The principal aim of dynamic deterrence, however, is deterrence for low-intensity encroachment, and it will not be readily able to deal with A2/AD capabilities that employ submarines or cruise missiles or that combine antiship ballistic missiles with space war and cyber war capabilities to block the ability of US forces to deploy in the region. Addressing this will require the construction of deterrent readiness for dealing with high-intensity conflict.

In the 2010 version of the Quadrennial Defense Review (QDR), the US presented the joint air-sea battle (joint Japan-US operation in sea and air domains) as a concept for combating the current expansion of A2/AD capabilities. The details of this concept have not yet been revealed, but it is expected to be the key battle concept for future contingency plans that have to take the A2/AD environment into consideration.

Considering the likelihood that flash points for conflict, such as the Taiwan Strait, will remain in existence in this region, the development of readiness to render China's upgraded A2/AD capability powerless is essential as a deterrent to high-intensity conflict. To that end, it is important for Japan to collaborate with the US on improving defense cooperation based on the joint air-sea battle concept. The reinforcement of US power to deter high-intensity conflict will be a crucial precondition in order for Japan to focus its substantive efforts on dynamic deterrence.

3. Security Cooperation in Northeast Asia: Strengthening Regional Mechanisms and Dealing with North Korea

In Northeast Asia, the Korean Peninsula presents a myriad of problems ranging from traditional security to nontraditional security, such as stability, peace and unification on the Korean Peninsula, management of the North Korea problem, territory and energy, and maritime security. Due to the Great East Japan Earthquake, nontraditional security, including disaster-relief, nuclear safety, and energy have gained renewed importance. China is an indispensable actor in dealing with these problems of Northeast Asian security. The relationship with another neighboring country, South Korea, is also an essential factor in Northeast Asian security, as shown by the development of the Japan-China-South Korea trilateral relationship.

The proposals given here will have an emphasis on integration and balancing with regard to China and proposals on Northeast Asian security cooperation that can be promoted with China. It will focus on three issues: Japan-South Korea strategic cooperation, which is a key axis in the regional security architecture; strengthening regional mechanisms, such as the Japan-China-South Korea trilateral framework and six-party talks; and response to North Korea instability scenarios.

(Integration and Balancing)

Proposal 10

Utilize Japan-South Korea strategic cooperation wisely

Expansion of China's presence in Northeast Asia will mean increased opportunities for cooperation as stakeholders in the region but will also give rise to friction and, at times, tension. Neighboring countries Japan and South Korea are taking great pains to address the question of what kind of relationship to build with China in connection with Northeast Asian security. Japan-South Korea strategic cooperation is a key axis in the Asia-Pacific security architecture, as both countries share alliances with the United States, which constitute the main pillar in their respective security policies. The question being asked now is how to rebuild the relationship with China upon that foundation of cooperation.

The series of diplomatic incidents with China that occurred in 2010, which could be

termed as the year of the “China shock” in Northeast Asia, pushed both Japan and South Korea to review their strategic relationship with China. The Senkaku incident in September 2010 was a complex issue involving illegal operations by a Chinese fishing boat and the territorial dispute between Japan and China. The confusion in managing the incident was a diplomatic setback for Japan and raised questions about the content of the Japan-China “mutually beneficial relationship based on common strategic interests” proposed in 2006. For South Korea as well, 2010 became an occasion for reconsidering its China policy and the substance of the South Korea-China relationship of strategic cooperative partnership.

The economic relationship between South Korea and China has grown deeper since diplomatic relations between the two countries were normalized in 1992. (China surpassed the US to become South Korea’s number one trading partner in 2004.) Diplomatic cooperation on North Korea also made some progress. In the mid-2000s, the Roh Moo-hyun administration experienced trade frictions (the “war” over kimchi produced in China) and history debates (the history of the ancient Goguryeo kingdom of Korea and China’s Northeast History Project) with China, while carrying problems in the management of the US-South Korea alliance. South Korea made a clumsy attempt to act as a “bridge” between the US and China (that is, the Northeast Asia balancer theory proposed by President Roh in 2005).³⁴ The Lee Myung-bak administration from February 2008 placed top priority on the US-South Korea alliance while pursuing strategic relations with neighboring countries, including Japan, China, and Russia. China made overtures to South Korea and at the South Korea-China summit in May 2008, the bilateral relations was “upgraded” to “strategic cooperative partnership.”

In 2010, however, the Korean Peninsula experienced a series of incidents that shook the South Korea-China relationship. In March of that year, the ROK Navy patrol ship *Cheonan* was sunk by an unidentified torpedo, and in October, the Yeonpyeong Island attack occurred. Both incidents were condemned by ROK and others as North Korean military provocations. China’s responses to these incidents revealed the fragility of the South Korea-China strategic cooperative partnership. At the end of 2010, China openly protested US and South Korean military exercises in the Yellow Sea (West Sea) in an attempt to constrain the US-ROK alliance. This was a new phenomenon in security on the Korean peninsula. South Korea (like Japan) also faces problems with illegal operations by Chinese fishing vessels, as indicated by the seizure of the Chinese fishing ship by the ROK coast guard in the Yellow Sea (West Sea) in December 2010.

As shown above, both Japan and South Korea experienced China shocks in 2010, and both heightened their perception of security problems involving China. As a result, there is increased convergence in the Japanese and South Korean perceptions of China regarding security. It is worth noting, for example, that the Japan-South Korea New Era Joint Research

³⁴ For a discussion of South Korea-China relations, see, for example, the website of Seoul National University’s MacArthur Asia Security Initiative (MASI) grant on “Managing Sino-Korean Conflicts and Identifying the Role of the United States” (project manager Chung Jae-ho, Director, Institute for China Studies, SNU); <http://masi.snu.ac.kr/xs/index.php> (accessed on May 31, 2011).

Project, an experts group commissioned by the two governments issued a policy proposal report, *Proposals for a “New Era for Japan and South Korea”: Building Complex Network for Coexistence* in October 2010, addressed China policy as a common agenda.³⁵ In other words, having experienced the “China shocks” of 2010, Japan and South Korea face new opportunities to advance their cooperation on Northeast Asian security and China policy. South Korea, however, has always taken a circumspect attitude toward the promotion of Japan-South Korea cooperation (and ROK-Japan-US cooperation) regarding security problems with China. There is concern that Japan-South Korea cooperation (and ROK-Japan-US cooperation) will damage South Korea-China relations. That is, there is concern that such cooperation may turn into a zero-sum situation, thus South Korea has ambivalent feelings toward cooperation on China policy.

In order to advance Japan-South Korea cooperation on policy regarding China, therefore, it will be necessary to take into consideration commonalities as well as the subtle differences between Japan and South Korea and promote cooperation “wisely.” From the perspective of the integration, balancing, and deterrence strategy toward China, the area of China policy in which Japan-South Korea cooperation can exert the most influence is integration (integration and cooperation). This is a field in which South Korea has active interest in the light of peace and stability on the Korean Peninsula and economic relations with China, and Japan-China and Japan-South Korea bilateral relations together with the Japan-China-South Korea trilateral cooperation and the ASEAN Regional Forum (ARF) should be utilized. The six-party talks will be useful for the purpose of advancing cooperation not only on North Korea problems but also on Northeast Asia cooperation through the cooperation of Japan and South Korea with China.

The next field that must be addressed is balancing (soft and institutional balancing and competition) with regard to China. Japan can take the initiative more readily in this area, while South Korea approaches the matter more circumspectly. South Korea, however, is likely to take even greater interest in the light of the security of the Korean Peninsula and other aspects of the rise of China, such as maritime security. With that objective in mind, Japan and South Korea can utilize the Japan-US-South Korea, Japan-Australia-South Korea, and other such trilaterals and minilaterals as well as broader frameworks such as the ARF to promote norms and practices in areas of concern.

Overtly promoting Japan-South Korea cooperation regarding deterrence against China (deterrence of China’s military expansion) which would be perceived as a trilateral US-Japan-ROK military alliance poses great diplomatic difficulties. This is particularly so as long as South Korea requires China’s cooperation on North Korean problems. South Korea, however, feels a certain degree of concern about such matters as China’s build-up of arma-

³⁵ Japan-South Korea New Era Joint Research Project (chaired by Masao Okonogi, Professor, Keio University, and Ha Young-Sun, Professor, Seoul National University). “‘Nikkan shinjidai’ no tame no teigen: Kyosei no tame no fukugoteki nettowaku kochiku” [Recommendations for a ‘New Era for Japan and South Korea: Building Complex Network for Coexistence’], (October 2010), pp. 18-19. http://www.mofa.go.jp/mofaj/press/release/22/10/1022_03.html (accessed on May 31, 2011).

ments and maritime incursions, and it will probably continue to be dependent on the Japan-US alliance for deterrence of Chinese military expansion. However, the development of South Korea-China military exchanges and confidence-building measures, including the creation and improvement of agreements on the prevention of incidents, hotlines, and other such crisis management mechanisms, will contribute to prevent unnecessary conflict and to the stability of the Korean Peninsula, and as such they should also be encouraged by other countries in the area, including Japan and the United States.

As indicated by the above, Japan and South Korea should promote bilateral strategic and policy dialogue more actively for the purpose of exploring new fields of cooperation relating to China policy and understanding each other's "comfort zones." At the government level (Track 1), dialogue at the vice-ministerial level should be promoted, in particular on strategic dialogue; at the private-sector level (Track 2), policy dialogue by think tanks and universities should also be promoted, to understand mutual perceptions on China and strategic thinking. Track 1.5 level dialogue can also help to promote or can be a virtual dialogue Track 1 level to discuss sensitive issues. Dialogue not only among researchers, working-level bureaucrats, and politicians but also among journalists will be useful in examining perceptions of China. Public understanding and public diplomacy will also have a role in promoting cooperation on China policy. An important precondition for advancing Japan-South Korea cooperation is sharing the understanding that alliances with the US (the Japan-US alliance and the US-South Korea alliance) and relations with China (the Japan-China and the South Korea-China relations) are not necessarily zero sum but can be a plus sum relationship if managed wisely. .

Proposal 11

Promote regional cooperation with China through the six-party talks and Japan-China-South Korea cooperation

In order to promote regional cooperation with China for security in Northeast Asia and to advance the integration of China, the six-party talks and Japan-China-South Korea trilateral framework should be utilized. North Korea is a top priority issue that should be addressed in cooperation with China. Japan-China-South Korea trilaterals should be used together with Japan-China and China-South Korea bilaterals, as well as the six-party framework, to achieve deeper levels of discussion. However, North Korean nuclear development, missile problems, and other such agendas involving the national defense of Japan and South Korea necessarily involve matters that will not coincide with China's interests. In such cases, it is important to utilize Japan-US, US-South Korea, and Japan-US-South Korea frameworks as a base for seeking a balance with China while making efforts toward deterrence and prevention of provocative acts by North Korea.

The six-party talks have been suspended since the heads of delegation meeting in December 2008, and as of summer 2011, the prospects for reopening the talks appear slight. In addition to North Korea's missile tests and a second nuclear test in 2009, the South Korean

patrol ship sinking incident and the Yeonpyeong Island artillery incident in 2010 further soured the environment of the six-party talks. Even so, the six-party talks continue to be a useful framework to control North Korea's nuclear program. The bottom line is that the talks be reinstituted based on the joint statement at the fourth round of six-party talks in September 2005. The joint statement affirmed the principles and goals of the talks, that is, peace and stability on the Korean Peninsula and verifiable denuclearization of the Korean Peninsula in a peaceful manner, with North Korea making a commitment to abandoning all of its nuclear weapons and existing nuclear programs. It is based on these shared principles and goals that Japan should pursue cooperation with China in the six-party talks for Northeast Asia peace and security. At the same time, North Korea sanction regimes based on UN Resolution 1874 should be strengthened to curb proliferation of weapons of mass destruction. Engagement with China in this area is also necessary.

The Japan-China-South Korea trilateral framework is a developing framework, but it should be developed in order to advance regional cooperation with China. The trilateral secretariat was established in Seoul in the summer of 2011. This framework could be used to promote cooperation in disaster relief, the environment and energy, the safety of nuclear power, and other such security issues in functional areas. Nuclear power safety was on the agenda of the Japan-China-South Korea trilateral summit meeting held in May, indicating the high level of interest that China and South Korea, Japan's neighboring countries, take in the subject. The Fukushima nuclear incident from the Great East Japan Earthquake provides an opportunity to promote nuclear power safety cooperation with China through the Japan-China-South Korea framework and other regional frameworks, such as the ASEAN plus 3 and the East Asia Summit (EAS).

Disaster relief and humanitarian assistance are also focus areas. Both South Korea and China provided personnel as well as relief goods in response to the Great East Japan Earthquake, and this recent experience should be used as reference in strengthening practical knowhow and coordination for humanitarian assistance and disaster relief using the Japan-China-South Korea and other frameworks. The systematization and institutionalization of these activities should then be promoted so that this experience can also be utilized for disaster assistance in other regions. There is also room for development of defense exchanges. Possibilities for expanding the fields for trilateral cooperation by Japan, China, and South Korea should be considered in parallel with the advancement of bilateral military exchange between Japan and China as well as South Korea and China. Progress made in trilateral cooperation by Japan, China, and South Korea would have a spillover effect in promoting regional cooperation in ASEAN plus 3 and EAS as well as the six-party talks and Northeast Asia wide-area cooperation. Japan-China-South Korea trilateral cooperation includes conducting joint studies on a Japan-China-South Korea Free Trade Agreement (FTA). Prospects for such a trilateral FTA is still unknown, but progress in economic cooperation will affect the diplomatic and security relationships of these countries and will also be a factor to consider in designing strategic cooperation..

The maritime expansion by China from the East China Sea to the South China Sea is a

major matter for concern by countries bordering that area, including Japan and South Korea, from the perspective of sea lane security, in particular. There is no choice but to rely on the US forces and the Japan-US alliance for deterrence, but Japan and South Korea should contribute to the building of bilateral Japan-China and South Korea-China incident prevention agreements and crisis management mechanisms to enhance security in the area. The venue of ARF and other such multilateral frameworks (third tier) should also be used to promote dialogue with China, conduct training in anti-piracy measures and the Proliferation Security Initiatives (PSI), and carry on disaster training, using these and other such activities as means to accumulate experience in cooperative action and further strengthening integration and cooperation with regard to China.

Proposal 12

Prepare for a North Korean destabilization scenario

The North Korea problem is one Northeast Asia security issue that must be addressed with urgency. For the time being, the focus will be on the problems of North Korean nuclear and missile development and responses to regime instability accompanying economic stagnation and concerns about leadership succession. In the longer term, there will be the issues of reform and liberalization of North Korea and the creation of a system for peace on the Korean Peninsula. However, the six-party talks that further the denuclearization of North Korea have displayed a chronic paralysis, and there is growing concern about the eruption of unforeseen military incidents, as demonstrated by the recent sinking of the South Korean patrol ship *Cheonan* and the Yeonpyeong Island artillery incident. As this suggests, Northeast Asia is in a state of “double fragility” resulting from the stasis of multilateral diplomatic frameworks (that is, limitations on the ability of the US and China to put diplomatic pressure on North Korea) and the instability of deterrents to asymmetric attacks by North Korea.³⁶

In order for Northeast Asian security involving the Korean Peninsula to overcome its double fragility, it would be desirable for cooperation between the first tier (Japan-US and US-South Korea alliances) and the second tier (for example, six-party talks, Japan-China-South Korea mechanisms) to be combined in a multilayered manner and to further strengthen cooperation that envisions crisis situations. When this is done, it will be necessary to develop an environment in which the US and China will be willing to put pressure firmly on North Korea. It will be important in that case to have a five-country consensus shared by the US, China, and South Korea, augmented by Japan and Russia, on policy that is prepared for the North Korea destabilization scenario that may arise when stronger sanctions are applied.³⁷

³⁶ Regarding double fragility, see Ken Jimbo’s Keizai Kyoshitsu column “Shokaikan jiken to Hokuto Ajia anpo: Nichi-Bei-Kan no yokushi saikosei o” [The Patrol Ship Incident and Northeast Asia Security: Reconfiguring Japan-US-South Korea Inhibitions] in the *Nihon Keizai Shimbun* (June 21, 2010).

³⁷ Regarding the necessity for discussion among the countries involved in the North Korea

The six-party talks should basically be maintained as a framework that includes North Korea as one of the interested parties and allows for participation by China and Russia as stakeholders. At the same time, this framework is useful to the five parties (US, China, South Korea, Japan, and Russia) for discussion of the North Korea problem and particularly for crisis management. It should also be maintained as a framework for the denuclearization and unification of the Korean Peninsula. It is important that this framework be maintained by the five parties, the three parties (Japan, the US, and South Korea; Japan, China, and South Korea; and the US, China, and South Korea), and the four parties (Japan, China, South Korea, and the US) even while North Korea continues with its uncooperative attitude.

In order to induce China to take a positive stance with regard to North Korea sanctions, it will be necessary for Japan, the US, and South Korea to exert their influence regarding reassurances to alleviate China's concerns. Possible concerns for China are that: (1) foreign diplomatic pressure on North Korea may induce hard-line actions in response; (2) the destabilization or collapse of North Korea could result in an influx of refugees from the border between China and North Korea; and (3) the US and South Korea could take military action or some other such action in North Korea when that country is destabilized. If these are China's concerns, it will be important to create a framework for reassurances to alleviate those concerns. Specifically, what will be important are: (1) planning by the diplomatic and national defense authorities of Japan, the US, China, and South Korea for dealing with North Korea when it is destabilized; (2) planning by Japan, China, and South Korea regarding border control in the event of an outbreak of refugees; and (3) parallel consideration and implementation by the US, China, and South Korea of the creation of schemes regarding the maintenance of public order, control of nuclear weapons, and mechanisms of governance in the event of destabilization of the North Korean regime. If it is assumed that plans and schemes of these kinds could serve as reassurances that cause the Chinese government to feel a sense of security, then it would appear that a foundation could be built for China to respond more firmly with regard to sanctions.

In the event of threatening military behavior by North Korea, however, it would be extremely important for the US-South Korea alliance and the Japan-US alliance to demonstrate the capability to immediately render such behavior powerless. Obstruction of ship inspections, military clashes on the North-South border, attacks on US reconnaissance aircraft, and other such actions can be fully anticipated in the future. It is necessary to develop a state of military readiness capable of promptly limiting situations so that these small-scale clashes will not escalate into full-scale military conflicts. To that end, it will be important for the US to explicitly indicate its defense commitments both to South Korea and to Japan so as to

destabilization scenario, recent years have seen the appearance of numerous reports presenting the problem. Bonnie Glaser, Scott Snyder, See-Won Byun and David J. Szerlip, "Responding to Change on the Korean Peninsula: Impediments to US-South Korea-China Coordination," *A Report on the CSIS Freeman Chair in China Studies* (May 2010); Paul B. Stares and Joel S. Wit, "Preparing for Sudden Change in North Korea," *Council on Foreign Relations Special Report No. 42* (January 2009); Jennifer Lind, "Point of View: Japan Must Prepare for North Korean Collapse," *Asahi Shimbun*, February 4, 2011.

support their extended deterrence and to upgrade the immediate military readiness on both the US-South Korea and the Japan-US sides, thus reconfiguring the deterrence structure for Northeast Asia as a whole.

4. The Role of Asia-Pacific Institutions in the Context of Japan's China Strategy

Since the end of the Cold War, the Asia-Pacific region has witnessed the evolution of regional institutions, including the Asia-Pacific Economic Cooperation (APEC) forum, the ASEAN Regional Forum (ARF), the ASEAN plus Three (APT), the East Asia Summit (EAS), and the ASEAN Defense Ministers' Meeting-Plus (ADMM Plus). Many regional countries have anticipated that these regional institutions will not only promote multilateral dialogue and cooperation but also function as venues for socializing China. For example, there has been general expectations among both US and ASEAN officials that China will learn the significance of international norms and rules (nonuse of military force in the resolution of disputes, free trade, nonproliferation, etc.) through its involvement in international institutions and thus will emerge as "a responsible great power" within the existing liberal international order.

However, due mainly to China's growing assertiveness in major international issues, most notably the territorial disputes in the South China Sea, the expectations for the socialization of China through regional institutions have declined dramatically in recent years. Indeed, there has already been mounting frustration among many regional countries over regional institutions, which have not even contributed to the enhancement of trust and confidence-building among them, let alone the socialization of China. As long as the integration of China into the existing liberal order remains as a principal object of Japan's China strategy, however, regional institutions that include China will not readily lose their *raison d'être*. The following policy proposals primarily address the roles of regional institutions with respect to Japan's security strategy toward China.

(Integration)

Proposal 13

Bring China into the extensive array of regional security cooperation arrangements

First, Japan should play a more active role in pushing China toward greater involvement in regional security cooperation arrangements. Regional institutions, in particular the ARF, have long worked to develop security cooperation in various fields, such as military transparency, preventive diplomacy, and nontraditional security issues in order to enhance regional stability. However, due mainly to oppositions from some of participating countries, including China, these initiatives have not made steady progress. China's negative attitude toward the advancement of security cooperation in the ARF has mainly stemmed from its concerns that

such cooperation might greatly undermine its own security interests. For instance, there are lingering concerns among Chinese policymakers that the ARF would be used by other countries as a mean to interfere with China's sovereignty and internal matters, such as the issue of Taiwan and the territorial disputes in the South China Sea.

In recent years, however, it seems that China's attitude toward multilateral security cooperation has undergone some changes. For example, China has begun to show a more positive stance toward security cooperation in nontraditional security fields, represented by its active participation in UN peacekeeping operations, anti-piracy cooperation along the coast of Somalia, and disaster relief following the Indian Ocean tsunami. Japan should take advantage of such opportunities presented by China's policy changes in order to promote practical security cooperation related to disaster relief, peacekeeping operations, and anti-terrorism measures, thus drawing China into an array of regional cooperation schemes. In particular, disaster relief is a field in which Japan finds it easier to play a leading role, given its experience in large-scale disaster relief following the Great East Japan Earthquake.

If such nontraditional security cooperation including China can produce a record of concrete achievements, it is expected that China will come to understand the value of regional security cooperation for its national security as well as regional security. Moreover, the significant reduction of China's concern about regional security cooperation may open up the possibility of the development of regional cooperation on the enduring traditional security problems of the region. Finally, by repeatedly engaging in this kind of regional cooperation, China may develop a greater sense of responsibility for the maintenance of regional order, thus emerging as a responsible great power.

(Balancing)

Proposal 14

Build "a coalition of the willing" within regional institutions

As noted above, while there are fields of regional cooperation where China's active involvement can be expected, there are also agenda items, such as preventive diplomacy and maritime security, in which China has been loath to promote cooperation. In these fields, China has not only simply refused to promote regional cooperation but also shaped the direction and rules of cooperation in ways that exclusively reflect its own preference. For example, in 2001 ARF countries agreed to a working definition of the concept of preventive diplomacy. However, due to resistance from China and some other countries, which strictly adhered to the principle of noninterference in domestic affairs, all intrastate disputes and humanitarian contingencies were excluded from the scope of preventive diplomacy. The measures of early warning, fact finding, and dispatch of mediators, which are considered essential measures for effective implementation of preventive diplomacy, were also excluded from ARF's role. Moreover, the formation of effective rules and cooperation in the field of maritime security

has stagnated because of opposition from China, seeking to expand its maritime area of control in the South China Sea. In short, what these examples indicate that many of the ARF's agenda for security cooperation have actually been checked or controlled by China according to its own interests.

Japan should take the strong initiative of establishing effective rules of security cooperation so that the rules are not one-sidedly shaped by China but instead are formed so as to contribute to the strengthening of the liberal international order, not China's narrow interests. In order to achieve this, however, it is necessary for Japan to take a new approach to regional cooperation. In areas where China hampers the progress of regional cooperation, Japan should build "a coalition of the willing (a group of activist states)" "with other activist states in order to promote practical cooperation in those fields. What will be important in this initiative is how to involve as many member countries as possible in the coalition within regional institutions. The more member countries there are engaging in security cooperation, the greater will be the pressure on reluctant states. When the majority of member countries demonstrate the strong will to realize cooperation, it is not easy for a minority of reluctant states to maintain their opposition. Furthermore, if security cooperation led by the coalition yields significant results, the diplomatic pressure on reluctant states will become even greater. Therefore, even if China does not show any interest at the initial stage of regional cooperation led by a group of activist states, China may be forced to support their initiative at a later stage once tangible results in security cooperation accumulate.

Security cooperation on "a coalition of the willing" basis has already begun to emerge in the ARF. For example, in May 2009, the ARF conducted the Voluntary Demonstration of Response (VDR) in Central Luzon in May 2009. It was the first ever "field exercise," in which some ARF countries participated in multilateral rescue operations in response to the effects of a hypothetical super typhoon. This activity took place as a result of the initiative of like-minded countries formed in what was called the "Shepherds Group," including the US, Australia, Indonesia, and Malaysia. The first field exercise attracted only 12 countries out of the 27 ARF member countries. However, in the second disaster relief exercise held in Indonesia in March 2011, the participants numbered 20 countries, including China. The ARF was finally able to involve China in actual exercises 15 years after the formation of the forum. The formation of "a coalition of the willing" has now become possible in the ARF because an increasing number of ARF countries have become more willing to promote practical cooperation.

Unlike an exclusive regional framework only consisting of like-minded countries, regional institutions cannot develop cooperation in ways that diverge too radically from the preference of nonlike-minded countries, even when a coalition of the willing based on like-minded countries is formed within them. This is because regional institutions, such as the ARF and the EAS, not only include nonlike-minded countries (inclusiveness) but also operate under the rule of consensus decision making. In other words, regional institutions have no choice but to proceed with cooperation at "a pace comfortable to all participants" to some extent. However, from the perspective of the integration of China, regional institu-

tions have great advantages over exclusive regional frameworks without China's participation because of two main reasons. First, due to the inclusive nature of regional institutions, the advancement of regional cooperation based on a coalition of the willing within regional institutions is less threatening for China than that in exclusive regional frameworks. Therefore, it may be relatively easier for Japan and other activist countries to involve China in their security cooperation in a later stage. The second reason is that many ASEAN countries are actually reluctant to advance security cooperation in regional frameworks excluding China because of their concerns that this would disrupt their political and economic relations with China. Therefore, in order to involve as many regional countries as possible in a coalition of the willing at the initial stage, it is desirable to promote cooperation through regional institutions that include China as a member.

On the other hand, in case that China does not make any concessions, it may be necessary for Japan to build a coalition of the willing outside regional institutions, even if this cannot attract a large number of participants. If security cooperation led by the coalition achieves significant results, again this may generate sufficient diplomatic pressure on China and other reluctant countries to join the cooperation. As noted above, a growing number of regional countries have recently come to recognize the necessity of promoting regional security cooperation. By collaborating with these countries, Japan should actively press ahead with regional cooperation in the area of preventive diplomacy and maritime security or other such fields where China shows resistance in order to strengthen the existing regional order.

Proposal 15

Promote the reform of regional institutions

As noted above, in most regional institutions, reluctant states, most notably China, have wielded significant influence over the direction of cooperation. There are mainly two reasons for this. One of the major reasons is that regional institutions have operated under the rule of "the ASEAN way," which emphasizes dialogue, consensus decision-making, and non-binding commitments. Because of its attachment to "informal" or "weak" institutionalization, the ASEAN way ensured the regular participation of reluctant member states, having a skeptical view of regional institutions and thus contributing to their initial development. Meanwhile, however, the ASEAN way has also posed the following problems: (1) proposals presented by activist states have tended to be simply shot down or significantly watered down by reluctant states without full consultations and negotiations; (2) as a result, not only has regional cooperation not made progress, but the rules of regional cooperation have been established mostly according to the preferences of reluctant countries; and (3) agreed cooperation have not properly been implemented.

For the success of Japan's China strategy, it is essential to adapt the operational rules of regional institutions based on the ASEAN way so that they can accumulate the actual results of regional security cooperation. More specifically, it may be necessary to not only change

their decision-making rule from consensus to “consensus minus one” but also establish an enforcement mechanism that can ensure the proper implementation of agreements. Needless to say, there is little likelihood at present that regional institutions will be able to depart from the ASEAN way given that many regional countries, including China, have still strongly supported the ASEAN way as the operation principle of regional institutions.

In a long-term perspective, however, the reform of regional institutions is not a mere pipe dream. Due in part to growing criticism against ASEAN’s diplomatic centrality in regional institutions represented by the ASEAN way, some ASEAN states have begun to publicly acknowledge the need to depart from its own traditional model of regional cooperation in order to restore the credibility of its leadership role. Such awareness was displayed by ASEAN’s decision to issue the ASEAN Charter in 2005, which aimed to transform ASEAN from a nonbinding association to a rule-based organization with an efficient institutional structure. In 2006, the Eminent Persons Group (EPG), consisting of former political leaders from ASEAN member states, presented its recommendations for the ASEAN Charter. The EPG’s recommendations explicitly called for the adaptation of the ASEAN way, stressing the need to establish mechanisms to ensure compliance through sanctions, decision making by majority vote in nonsensitive areas, and a formal dispute mechanism to resolve political and economic issues. Although these recommendations were eliminated or substantially diluted in the final drafting process of the Charter due to resistance from conservative ASEAN members, the appearance of such ambitious proposals, which could not have been imagined 10 years ago, may indicate that the buds of institutional adaptation have grown in ASEAN.

Japan has often acted as a mediator between activist and reluctant states within regional institutions. However, given that the number of regional countries endorsing the departure from the ASEAN way has grown in recent years, Japan should take the strong initiative in reforming regional institutions by collaborating with those countries. In the case of the ARF, Japan made a significant contribution to its foundation. Japan therefore has a voice in playing a leading role in the ARF. In the past, because the majority of ARF countries were reluctant members resisting institutional reforms and the development of practical security cooperation, a sense of resignation emerged among activist countries. However, now that a growing number of ARF countries have joined the activist camp, the time is ripe for a new bold initiative taken by Japan.

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