Policy Forum 05-26A: No Longer the ‘Lone’ Superpower: Coming to Terms with China

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Chalmers Johnson

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I. Introduction

Chalmers Johnson, president of the Japan Policy Research Institute, writes: "as a Hong Kong wisecrack has it, China has just had a couple of bad centuries and now it's back. The world needs to

adjust peacefully to its legitimate claims -- one of which is for other nations to stop militarizing the Taiwan problem -- while checking unreasonable Chinese efforts to impose its will on the region."

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II. Essay by Chalmers Johnson

-"No Longer the 'Lone' Superpower: Coming to Terms with China"
by Chalmers Johnson

I recall forty years ago, when I was a new professor working in the field of Chinese and Japanese international relations, that Edwin O. Reischauer once commented, "The great payoff from our victory of 1945 was a permanently disarmed Japan." Born in Japan and a Japanese historian at Harvard, Reischauer served as American ambassador to Tokyo in the Kennedy and Johnson administrations. Strange to say, since the end of the Cold War in 1991 and particularly under the administration of George W. Bush, the United States has been doing everything in its power to encourage and even accelerate Japanese rearmament.

Such a development promotes hostility between China and Japan, the two superpowers of East Asia, sabotages possible peaceful solutions in those two problem areas, Taiwan and North Korea, left over from the Chinese and Korean civil wars, and lays the foundation for a possible future Sino-American conflict that the United States would almost surely lose. It is unclear whether the ideologues and war lovers of Washington understand what they are unleashing -- a possible confrontation between the world's fastest growing industrial economy, China, and the world's second most productive, albeit declining, economy, Japan; a confrontation which the United States would have both caused and in which it might well be consumed.

Let me make clear that in East Asia we are not talking about a little regime-change war of the sort that Bush and Cheney advocate. After all, the most salient characteristic of international relations during the last century was the inability of the rich, established powers -- Great Britain and the United States -- to adjust peacefully to the emergence of new centers of power in Germany, Japan, and Russia. The result was two exceedingly bloody world wars, a forty-five-year-long Cold War between Russia and the "West," and innumerable wars of national liberation (such as the quarter-century long one in Vietnam) against the arrogance and racism of European, American, and Japanese imperialism and colonialism.

The major question for the twenty-first century is whether this fateful inability to adjust to changes in the global power-structure can be overcome. Thus far the signs are negative. Can the United States and Japan, today's versions of rich, established powers, adjust to the reemergence of China -- the world's oldest, continuously extant civilization -- this time as a modern superpower? Or is China's ascendancy to be marked by yet another world war, when the pretensions of European civilization in its U.S. and Japanese projections are finally put to rest? That is what is at stake.

Alice-in-Wonderland Policies and the Mother of All Financial Crises

China, Japan, and the United States are the three most productive economies on Earth, but China is the fastest growing (at an average rate of 9.5% per annum for over two decades), whereas both the

U.S. and Japan are saddled with huge and mounting debts and, in the case of Japan, stagnant growth rates. China is today the world's sixth largest economy (the U.S. and Japan being first and second) and our third largest trading partner after Canada and Mexico. According to CIA statisticians in their Factbook 2003, China is actually already the second-largest economy on Earth measured on a purchasing power parity basis -- that is, in terms of what China actually produces rather than prices and exchange rates. The CIA calculates the United States' gross domestic product (GDP) -- the total value of all goods and services produced within a country -- for 2003 as $10.4 trillion and China's $5.7 trillion. This gives China's 1.3 billion people a per capita GDP of $4,385.

Between 1992 and 2003, Japan was China's largest trading partner, but in 2004 Japan fell to third place, behind the European Union (EU) and the United States. China's trade volume for 2004 was $1.2 trillion, third in the world after the U.S. and Germany, and well ahead of Japan's $1.07 trillion. China's trade with the U.S. grew some 34% in 2004 and has turned Los Angeles, Long Beach, and Oakland into the three busiest seaports in America.

The truly significant trade development of 2004 was the EU's emergence as China's biggest economic partner, suggesting the possibility of a Sino-European cooperative bloc confronting a less vital Japanese-American one. As Britain's Financial Times observed, "Three years after its entry into the World Trade Organization [in 2001], China's influence in global commerce is no longer merely significant. It is crucial." For example, most Dell Computers sold in the U.S. are made in China, as are the DVD players of Japan's Funai Electric Company. Funai annually exports some 10 million DVD players and television sets from China to the United States, where they are sold primarily in Wal-Mart stores. China's trade with Europe in 2004 was worth $177.2 billion, with the United States $169.6 billion, and with Japan $167.8 billion.

China's growing economic weight in the world is widely recognized and applauded, but it is China's growth rates and their effect on the future global balance of power that the U.S. and Japan, rightly or wrongly, fear. The CIA's National Intelligence Council forecasts that China's GDP will equal Britain's in 2005, Germany's in 2009, Japan's in 2017, and the U.S.'s in 2042. But Shahid Javed Burki, former vice president of the World Bank's China Department and a former finance minister of Pakistan, predicts that by 2025 China will probably have a GDP of $25 trillion in terms of purchasing power parity and will have become the world's largest economy followed by the United States at $20 trillion and India at about $13 trillion -- and Burki's analysis is based on a conservative prediction of a 6% Chinese growth rate sustained over the next two decades. He foresees Japan's inevitable decline because its population will begin to shrink drastically after about 2010. Japan's Ministry of Internal Affairs reports that the number of men in Japan already declined by 0.01% in 2004; and some demographers, it notes, anticipate that by the end of the century the country's population could shrink by nearly two-thirds, from 127.7 million today to 45 million, the same population it had in 1910.

By contrast, China's population is likely to stabilize at approximately 1.4 billion people and is heavily weighted toward males. (According to Howard French of the New York Times, in one large southern city the government-imposed one-child-per-family policy and the availability of sonograms have resulted in a ratio of 129 boys born for every 100 girls; 147 boys for every 100 girls for couples seeking second or third children. The 2000 census for the country as a whole put the reported sex ratio at birth at about 117 boys to 100 girls.) Chinese domestic economic growth is expected to continue for decades, reflecting the pent-up demand of its huge population, relatively low levels of personal debt, and a dynamic underground economy not recorded in official statistics. Most important, China's external debt is relatively small and easily covered by its reserves; whereas both the U.S. and Japan are approximately $7 trillion in the red, which is worse for Japan with less than half the U.S. population and economic clout.

Ironically, part of Japan's debt is a product of its efforts to help prop up America's global imperial stance. For example, in the period since the end of the Cold War, Japan has subsidized America's military bases in Japan to the staggering tune of approximately $70 billion. Refusing to pay for its profligate consumption patterns and military expenditures through taxes on its own citizens, the United States is financing these outlays by going into debt to Japan, China, Taiwan, South Korea, Hong Kong, and India. This situation has become increasingly unstable as the U.S. requires capital imports of at least $2 billion per day to pay for its governmental expenditures. Any decision by East Asian central banks to move significant parts of their foreign exchange reserves out of the dollar and into the euro or other currencies in order to protect themselves from dollar depreciation would produce the mother of all financial crises.

Japan still possesses the world's largest foreign exchange reserves, which at the end of January 2005 stood at around $841 billion. But China sits on a $609.9 billion pile of dollars (as of the end of 2004), earned from its trade surpluses with us. Meanwhile, the American government and Japanese followers of George W. Bush insult China in every way they can, particularly over the status of China's breakaway province, the island of Taiwan. The distinguished economic analyst William Greider recently noted, "Any profligate debtor who insults his banker is unwise, to put it mildly. . . . American leadership has . . . become increasingly delusional -- I mean that literally -- and blind to the adverse balance of power accumulating against it."

The Bush administration is unwisely threatening China by urging Japan to rearm and by promising Taiwan that, should China use force to prevent a Taiwanese declaration of independence, the U.S. will go to war on its behalf. It is hard to imagine more shortsighted, irresponsible policies, but in light of the Bush administration's Alice-in-Wonderland war in Iraq, the acute anti-Americanism it has generated globally, and the politicization of America's intelligence services, it seems possible that the U.S. and Japan might actually precipitate a war with China over Taiwan.

Japan Rearms

Since the end of World War II, and particularly since gaining its independence in 1952, Japan has subscribed to a pacifist foreign policy. It has resolutely refused to maintain offensive military forces or to become part of America's global military system. Japan did not, for example, participate in the 1991 war against Iraq, nor has it joined collective security agreements in which it would have to match the military contributions of its partners. Since the signing in 1952 of the Japan-United States Security Treaty, the country has officially been defended from so-called external threats by U.S. forces located on some 91 bases on the Japanese mainland and the island of Okinawa. The U.S. Seventh Fleet even has its home port at the old Japanese naval base of Yokosuka. Japan not only subsidizes these bases but subscribes to the public fiction that the American forces are present only for its defense. In fact, Japan has no control over how and where the U.S. employs its land, sea, and air forces based on Japanese territory, and the Japanese and American governments have until quite recently finessed the issue simply by never discussing it.

Since the end of the Cold War in 1991, the United States has repeatedly pressured Japan to revise article nine of its Constitution (renouncing the use of force except as a matter of self-defense) and become what American officials call a "normal nation." For example, on August 13, 2004, Secretary of State Colin Powell stated baldly in Tokyo that if Japan ever hoped to become a permanent member of the U.N. Security Council it would first have to get rid of its pacifist Constitution. Japan's claim to a Security Council seat is based on the fact that, although its share of global GDP is only 14%, it pays 20% of the total U.N. budget. Powell's remark was blatant interference in Japan's internal affairs, but it merely echoed many messages delivered by former Deputy Secretary of State Richard

Armitage, the leader of a reactionary clique in Washington that has worked for years to remilitarize Japan and so enlarge a major new market for American arms. Its members include Torkel Patterson, Robin Sakoda, David Asher, and James Kelly at State; Michael Green on the National Security Council's staff; and numerous uniformed military officers at the Pentagon and at the headquarters of the Pacific Command at Pearl Harbor, Hawaii.

America's intention is to turn Japan into what Washington neo-conservatives like to call the "Britain of the Far East" -- and then use it as a proxy in checkmating North Korea and balancing China. On October 11, 2000, Michael Green, then a member of Armitage Associates, wrote, "We see the special relationship between the United States and Great Britain as a model for the [U.S.-Japan] alliance." Japan has so far not resisted this American pressure since it complements a renewed nationalism among Japanese voters and a fear that a burgeoning capitalist China threatens Japan's established position as the leading economic power in East Asia. Japanese officials also claim that the country feels threatened by North Korea's developing nuclear and missile programs, although they know that the North Korean stand-off could be resolved virtually overnight -- if the Bush administration would cease trying to overthrow the Pyongyang regime and instead deliver on American trade promises (in return for North Korea's agreement to give up its nuclear weapons program). Instead, on February 25, 2005, the State Department announced that "the U.S. will refuse North Korean leader Kim Jong-il's demand for a guarantee of 'no hostile intent' to get Pyongyang back into negotiations over its nuclear weapons programs." And on March 7, Bush nominated John Bolton to be American ambassador to the United Nations even though North Korea has refused to negotiate with him because of his insulting remarks about the country.

Japan's remilitarization worries a segment of the Japanese public and is opposed throughout East Asia by all the nations Japan victimized during World War II, including China, both Koreas, and even Australia. As a result, the Japanese government has launched a stealth program of incremental rearmament. Since 1992, it has enacted 21 major pieces of security-related legislation, 9 in 2004 alone. These began with the International Peace Cooperation Law of 1992, which for the first time authorized Japan to send troops to participate in U.N. peacekeeping operations.

Remilitarization has since taken many forms, including expanding military budgets, legitimizing and legalizing the sending of military forces abroad, a commitment to join the American missile defense ("Star Wars") program -- something the Canadians refused to do in February 2005 -- and a growing acceptance of military solutions to international problems. This gradual process was greatly accelerated in 2001 by the simultaneous coming to power of President George Bush and Prime Minister Junichiro Koizumi. Koizumi made his first visit to the United States in July of that year and, in May of 2003, received the ultimate imprimatur, an invitation to Bush's "ranch" in Crawford, Texas. Shortly thereafter, Koizumi agreed to send a contingent of 550 troops to Iraq for a year, extended their stay for another year in 2004, and on October 14, 2004, personally endorsed George Bush's reelection.

A New Nuclear Giant in the Making?

Koizumi has appointed to his various cabinets hard-line anti-Chinese, pro-Taiwanese politicians. Phil Deans, director of the Contemporary China Institute in the School of Oriental and African Studies, University of London, observes, "There has been a remarkable growth of pro-Taiwan sentiment in Japan. There is not one pro-China figure in the Koizumi Cabinet." Members of the latest Koizumi Cabinet include the Defense Agency chief Yoshinori Ono, and the foreign minister Nobutaka Machimura, both ardent militarists; while Foreign Minister Machimura is a member of the right-wing faction of former Prime Minister Yoshiro Mori, which supports an independent Taiwan and

maintains extensive covert ties with Taiwanese leaders and businessmen.

Taiwan, it should be remembered, was a Japanese colony from 1895 to 1945. Unlike the harsh Japanese military rule over Korea from 1910 to 1945, it experienced relatively benign governance by a civilian Japanese administration. The island, while bombed by the Allies, was not a battleground during World War II although it was harshly occupied by the Chinese Nationalists (Chiang Kai-shek's Guomindang) immediately after the war. Today, as a result, many Taiwanese speak Japanese and have a favorable view of Japan. Taiwan is virtually the only place in East Asia where Japanese are fully welcomed and liked.

Bush and Koizumi have developed elaborate plans for military cooperation between their two countries. Crucial to such plans is the scrapping of the Japanese Constitution of 1947. If nothing gets in the way, Koizumi's ruling Liberal Democratic Party (LDP) intends to introduce a new constitution on the occasion of the party's fiftieth anniversary in November 2005. This has been deemed appropriate because the LDP's founding charter of 1955 set as a basic party goal the "establishment of Japan's own Constitution" -- a reference to the fact that General Douglas MacArthur's post-World War II occupation headquarters actually drafted the current Constitution. The original LDP policy statement also called for "the eventual removal of U.S. troops from Japanese territory," which may be one of the hidden purposes behind Japan's urge to rearm.

A major goal of the Americans is to gain Japan's active participation in their massively expensive missile defense program. The Bush administration is seeking, among other things, an end to Japan's ban on the export of military technology, since it wants Japanese engineers to help solve some of the technical problems of its so far failing Star Wars system. The United States has also been actively negotiating with Japan to relocate the Army's 1st Corps from Fort Lewis, Washington, to Camp Zama, southwest of Tokyo in the densely populated prefecture of Kanagawa, whose capital is Yokohama. These U.S. forces in Japan would then be placed under the command of a four-star general, who would be on a par with regional commanders like Centcom commander John Abizaid, who lords it over Iraq and South Asia. The new command would be in charge of all Army "force projection" operations beyond East Asia and would inevitably implicate Japan in the daily military operations of the American empire. Garrisoning even a small headquarters, much less the whole 1st Corps made up of an estimated 40,000 soldiers, in a sophisticated and centrally located prefecture like Kanagawa is also guaranteed to generate intense public opposition as well as rapes, fights, car accidents and other incidents similar to the ones that occur daily in Okinawa.

Meanwhile, Japan intends to upgrade its Defense Agency (Boeicho) into a ministry and possibly develop its own nuclear weapons capability. Goading the Japanese government to assert itself militarily may well cause the country to go nuclear in order to "deter" China and North Korea, while freeing Japan from its dependency on the American "nuclear umbrella." The military analyst Richard Tanter notes that Japan already has "the undoubted capacity to satisfy all three core requirements for a usable nuclear weapon: a military nuclear device, a sufficiently accurate targeting system, and at least one adequate delivery system." Japan's combination of fully functioning fission and breeder reactors plus nuclear fuel reprocessing facilities gives it the ability to build advanced thermonuclear weapons; its H-II and H-IIA rockets, in-flight refueling capacity for fighter bombers, and military-grade surveillance satellites assure that it could deliver its weapons accurately to regional targets. What it currently lacks are the platforms (such as submarines) for a secure retaliatory force in order to dissuade a nuclear adversary from launching a pre-emptive first-strike.

The Taiwanese Knot

Japan may talk a lot about the dangers of North Korea, but the real objective of its rearmament is China. This has become clear from the ways in which Japan has recently injected itself into the single most delicate and dangerous issue of East Asian international relations -- the problem of Taiwan. Japan invaded China in 1931 and was its wartime tormentor thereafter as well as Taiwan's colonial overlord. Even then, however, Taiwan was viewed as a part of China, as the United States has long recognized. What remains to be resolved are the terms and timing of Taiwan's reintegration with the Chinese mainland. This process was deeply complicated by the fact that in 1987 Chiang Kai-shek's Nationalists, who had retreated to Taiwan in 1949 at the end of the Chinese civil war (and were protected there by the American Seventh Fleet ever after), finally ended martial law on the island. Taiwan has since matured into a vibrant democracy and the Taiwanese are now starting to display their own mixed opinions about their future.

In 2000, the Taiwanese people ended a long monopoly of power by the Nationalists and gave the Democratic Progressive Party, headed by President Chen Shui-bian, an electoral victory. A native Taiwanese (as distinct from the large contingent of mainlanders who came to Taiwan in the baggage train of Chiang's defeated armies), Chen stands for an independent Taiwan, as does his party. By contrast, the Nationalists, together with a powerful mainlander splinter party, the People First Party headed by James Soong (Song Chuyu), hope to see an eventual peaceful unification of Taiwan with China. On March 7, 2005, the Bush administration complicated these delicate relations by nominating John Bolton to be the American ambassador to the United Nations. He is an avowed advocate of Taiwanese independence and was once a paid consultant to the Taiwanese government.

In May 2004, in a very close and contested election, Chen Shui-bian was reelected, and on May 20, the notorious right-wing Japanese politician Shintaro Ishihara attended his inauguration in Taipei. (Ishihara believes that Japan's 1937 Rape of Nanking was "a lie made up by the Chinese.") Though Chen won with only 50.1% of the vote, this was still a sizeable increase over his 33.9% in 2000, when the opposition was divided. The Taiwan Ministry of Foreign Affairs immediately appointed Koh Se-kai as its informal ambassador to Japan. Koh has lived in Japan for some 33 years and maintains extensive ties to senior political and academic figures there. China responded that it would "completely annihilate" any moves toward Taiwanese independence -- even if it meant scuttling the 2008 Beijing Olympics and good relations with the United States.

Contrary to the machinations of American neo-cons and Japanese rightists, however, the Taiwanese people have revealed themselves to be open to negotiating with China over the timing and terms of reintegration. On August 23, 2004, the Legislative Yuan (Taiwan's parliament) enacted changes in its voting rules to prevent Chen from amending the Constitution to favor independence, as he had promised to do in his reelection campaign. This action drastically lowered the risk of conflict with China. Probably influencing the Legislative Yuan was the warning issued on August 22 by Singapore's new prime minister, Lee Hsien-loong: "If Taiwan goes for independence, Singapore will not recognize it. In fact, no Asian country will recognize it. China will fight. Win or lose, Taiwan will be devastated."

The next important development was parliamentary elections on December 11, 2004. President Chen called his campaign a referendum on his pro-independence policy and asked for a mandate to carry out his reforms. Instead he lost decisively. The opposition Nationalists and the People First Party won 114 seats in the 225-seat parliament, while Chen's DPP and its allies took only 101. (Ten seats went to independents.) The Nationalist leader, Lien Chan, whose party won 79 seats to the DPP's 89, said, "Today we saw extremely clearly that all the people want stability in this country."

Chen's failure to capture control of parliament also meant that a proposed purchase of $19.6 billion worth of arms from the United States was doomed. The deal included guided-missile destroyers, P-3 anti-submarine aircraft, diesel submarines, and advanced Patriot PAC-3 anti-missile systems. The

Nationalists and James Soong's supporters regard the price as too high and mostly a financial sop to the Bush administration, which has been pushing the sale since 2001. They also believe the weapons would not improve Taiwan's security.

On December 27, 2004, mainland China issued its fifth Defense White Paper on the goals of the country's national defense efforts. As one long-time observer, Robert Bedeski, notes, "At first glance, the Defense White Paper is a hard-line statement on territorial sovereignty and emphasizes China's determination not to tolerate any moves at secession, independence, or separation. However, the next paragraph . . . indicates a willingness to reduce tensions in the Taiwan Strait: so long as the Taiwan authorities accept the one China principle and stop their separatist activities aimed at 'Taiwan independence,' cross-strait talks can be held at any time on officially ending the state of hostility between the two sides."

It appears that this is also the way the Taiwanese read the message. On February 24, 2005, President Chen Shui-bian met for the first time since October 2000 with Chairman James Soong of the People First Party. The two leaders, holding diametrically opposed views on relations with the mainland, nonetheless signed a joint statement outlining ten points of consensus. They pledged to try to open full transport and commercial links across the Taiwan Strait, increase trade, and ease the ban on investments in China by many Taiwanese business sectors. The mainland reacted favorably at once. Astonishingly, this led Chen Shui-bian to say that he "would not rule out Taiwan's eventual reunion with China, provided Taiwan's 23 million people accepted it."

If the United States and Japan left China and Taiwan to their own devices, it seems possible that they would work out a modus vivendi. Taiwan has already invested some $150 billion in the mainland, and the two economies are becoming more closely integrated every day. There also seems to be a growing recognition in Taiwan that it would be very difficult to live as an independent Chinese-speaking nation alongside a country with 1.3 billion people, 3.7 million square miles of territory, a rapidly growing $1.4 trillion economy, and aspirations to regional leadership in East Asia. Rather than declaring its independence, Taiwan may try to seek a status somewhat like that of French Canada -- a kind of looser version of a Chinese Quebec under nominal central government control but maintaining separate institutions, laws, and customs.

The mainland would be so relieved by this solution it would probably accept it, particularly if it could be achieved before the 2008 Beijing Olympics. China fears that Taiwanese radicals want to declare independence a month or two before those Olympics, betting that China would not attack then because of its huge investment in the forthcoming games. Most observers believe, however, that China would have no choice but to go to war because failure to do so would invite a domestic revolution against the Chinese Communist Party for violating the national integrity of China.

Sino-American and Sino-Japanese Relations Spiral Downward

It has long been an article of neo-con faith that the U.S. must do everything in its power to prevent the development of rival power centers, whether friendly or hostile. After the collapse of the Soviet Union, this meant they turned their attention to China as one of our probable next enemies. In 2001, having come to power, the neo-conservatives shifted much of our nuclear targeting from Russia to China. They also began regular high-level military talks with Taiwan over defense of the island, ordered a shift of Army personnel and supplies to the Asia-Pacific region, and worked strenuously to promote the remilitarization of Japan.

On April 1, 2001, a U.S. navy EP-3E Aries II electronic spy plane collided with a Chinese jet fighter off the south China coast. The American aircraft was on a mission to provoke Chinese radar defenses and then record the transmissions and procedures the Chinese used in sending up interceptors. The Chinese jet went down and the pilot lost his life, while the American plane landed safely on Hainan Island and its crew of twenty-four spies was well treated by the Chinese authorities.

It soon became clear that China was not interested in a confrontation, since many of its most important investors have their headquarters in the United States. But it could not instantly return the crew of the spy plane without risking powerful domestic criticism for obsequiousness in the face of provocation. It therefore delayed eleven days until it received a pro forma American apology for causing the death of a Chinese pilot on the edge of the country's territorial air space and for making an unauthorized landing at a Chinese military airfield. Meanwhile, our media had labeled the crew as "hostages," encouraged their relatives to tie yellow ribbons around neighborhood trees, hailed the President for doing "a first-rate job" to free them, and endlessly criticized China for its "state-controlled media." They carefully avoided mentioning that the United States enforces around our country a 200-mile aircraft-intercept zone that stretches far beyond territorial waters.

On April 25, 2001, during an interview on national television, President Bush was asked whether he would ever use "the full force of the American military" against China for the sake of Taiwan. He responded, "Whatever it takes to help Taiwan defend herself." This was American policy until 9/11, when China enthusiastically joined the "war on terrorism" and the President and his neo-cons became preoccupied with their "axis of evil" and making war on Iraq. The United States and China were also enjoying extremely close economic relations, which the big- business wing of the Republican Party did not want to jeopardize.

The Middle East thus trumped the neo-cons' Asia policy. While the Americans were distracted, China went about its economic business for almost four years, emerging as a powerhouse of Asia and a potential organizing node for Asian economies. Rapidly industrializing China also developed a voracious appetite for petroleum and other raw materials, which brought it into direct competition with the world's largest importers, the U.S. and Japan.

By the summer of 2004, Bush strategists, distracted as they were by Iraq, again became alarmed over China's growing power and its potential to challenge American hegemony in East Asia. The Republican Party platform unveiled at its convention in New York in August proclaimed that "America will help Taiwan defend itself." During that summer, the Navy also carried out exercises it dubbed "Operation Summer Pulse '04," which involved the simultaneous deployment at sea of seven of our twelve carrier strike groups. An American carrier strike group includes an aircraft carrier (usually with 9 or 10 squadrons of planes, a total of about 85 aircraft in all), a guided missile cruiser, two guided missile destroyers, an attack submarine, and a combination ammunition-oiler-supply ship. Deploying seven such armadas at the same time was unprecedented -- and very expensive. Even though only three of the carrier strike groups were sent to the Pacific and no more than one was patrolling off Taiwan at a time, the Chinese became deeply alarmed that this marked the beginning of an attempted rerun of 19th century gunboat diplomacy aimed at them.

This American show of force and Chen Shui-bian's polemics preceding the December elections also seemed to overstimulate the Taiwanese. On October 26 in Beijing, Secretary of State Colin Powell tried to calm things down by declaring to the press, "Taiwan is not independent. It does not enjoy sovereignty as a nation, and that remains our policy, our firm policy… We want to see both sides not take unilateral action that would prejudice an eventual outcome, a reunification that all parties are seeking."

Powell's statement seemed unequivocal enough, but significant doubts persisted about whether he

had much influence within the Bush administration or whether he could speak for Vice President Cheney and Secretary of Defense Donald Rumsfeld. Early in 2005, Porter Goss, the new director of the CIA, Defense Secretary Rumsfeld, and Admiral Lowell Jacoby, head of the Defense Intelligence Agency, all told Congress that China's military modernization was going ahead much faster than previously believed. They warned that the 2005 Quadrennial Defense Review, the every four-year formal assessment of U.S. military policy, would take a much harsher view of the threat posed by China than the 2001 overview.

In this context, the Bush administration, perhaps influenced by the election of November 2 and the transition from Colin Powell's to Condi Rice's State Department, played its most dangerous card. On February 19, 2005 in Washington, it signed a new military agreement with Japan. For the first time, Japan joined the administration in identifying security in the Taiwan Strait as a "common strategic objective." Nothing could have been more alarming to China's leaders than the revelation that Japan had decisively ended six decades of official pacifism by claiming a right to intervene in the Taiwan Strait.

It is possible that, in the years to come, Taiwan itself may recede in importance to be replaced by even more direct Sino-Japanese confrontations. This would be an ominous development indeed, one that the United States would be responsible for having abetted but would certainly be unable to control. The kindling for a Sino-Japanese explosion has long been in place. After all, during World War II the Japanese killed approximately 23 million Chinese throughout East Asia -- higher casualties than the staggering ones suffered by Russia at the hands of the Nazis -- and yet Japan refuses to atone for or even acknowledge its historical war crimes. Quite the opposite, it continues to rewrite history, portraying itself as the liberator of Asia and a victim of European and American imperialism.

In -- for the Chinese -- a painful act of symbolism, after becoming Japanese prime minister in 2001, Junichiro Koizumi made his first official visit to Yasukuni Shrine in Tokyo, a practice that he has repeated every year since. Koizumi likes to say to foreigners that he is merely honoring Japan's war dead. Yasukuni, however, is anything but a military cemetery or a war memorial. It was established in 1869 by Emperor Meiji as a Shinto shrine (though with its torii archways made of steel rather than the traditional red-painted wood) to commemorate the lives lost in campaigns to return direct imperial rule to Japan. During World War II, Japanese militarists took over the shrine and used it to promote patriotic and nationalistic sentiments. Today, Yasukuni is said to be dedicated to the spirits of approximately 2.4 million Japanese who have died in the country's wars, both civil and foreign, since 1853.

In 1978, for reasons that have never been made clear, General Hideki Tojo and six other wartime leaders who had been hanged by the Allied Powers as war criminals were collectively enshrined at Yasukuni. The current chief priest of the shrine denies that they were war criminals, saying, "The winner passed judgment on the loser." In a museum on the shrine's grounds, there is a fully restored Mitsubishi Zero Type 52 fighter aircraft that a placard says made its combat debut in 1940 over Chongqing, then the wartime capital of the Republic of China. It was undoubtedly not an accident that, in Chongqing during the 2004 Asian Cup soccer finals, Chinese spectators booed the playing of the Japanese national anthem. Yasukuni's leaders have always claimed close ties to the imperial household, but the late Emperor Hirohito last visited the shrine in 1975 and Emperor Akihito has never been there.

The Chinese regard Yasukuni visits by the Japanese prime minister as insulting, somewhat comparable perhaps to Britain's Prince Harry dressing up as a Nazi for a costume party. Nonetheless, Beijing has tried in recent years to appease Tokyo. Chinese President Hu Jintao rolled out the red carpet for Yohei Kono, speaker of the Japanese Diet's House of Representatives, when he

visited China in September 2004; he appointed Wang Yi, a senior moderate in the Chinese foreign service, as ambassador to Japan; and he proposed joint Sino-Japanese exploration of possible oil resources in the offshore seas that both sides claim. All such gestures were ignored by Koizumi who insists that he intends to go on visiting Yasukuni.

Matters came to a head in November 2004 at two important summit meetings: an Asia-Pacific Economic Cooperation (APEC) gathering in Santiago, Chile, followed immediately by an Association of Southeast Asian Nations (ASEAN) meeting with the leaders of China, Japan, and South Korea that took place in Vientiane, Laos. In Santiago, Hu Jintao directly asked Koizumi to cease his Yasukuni visits for the sake of Sino-Japanese friendship. Seemingly as a reply, Koizumi went out of his way to insult Chinese Premier Wen Jiabao in Vientiane. He said to Premier Wen, "It's about time for [China's] graduation [as a recipient of Japanese foreign aid payments]," implying that Japan intended unilaterally to end its 25-year-old financial aid program. The word "graduation" also conveyed the insulting implication that Japan saw itself as a teacher guiding China, the student.

Koizumi next gave a little speech about the history of Japanese efforts to normalize relations with China, to which Premier Wen replied, "Do you know how many Chinese people died in the Sino-Japanese war?" Wen went on to suggest that China had always regarded Japan's foreign aid, which he said China did not need, as payments in lieu of compensation for damage done by Japan in China during the war. He pointed out that China had never asked for reparations from Japan and that Japan's payments amounted to about $30 billion over 25 years, a fraction of the $80 billion Germany has paid to the victims of Nazi atrocities even though Japan is the more populous and richer country.

On November 10, 2004, the Japanese Navy discovered a Chinese nuclear submarine in Japanese territorial waters near Okinawa. Although the Chinese apologized and called the sub's intrusion a "mistake," Defense Agency Director Ono gave it wide publicity, further inflaming Japanese public opinion against China. From that point on, relations between Beijing and Tokyo have gone steadily downhill, culminating in the Japanese-American announcement that Taiwan was of special military concern to both of them, which China denounced as an "abomination."

Over time this downward spiral in relations will probably prove damaging to the interests of both the United States and Japan, but particularly to those of Japan. China is unlikely to retaliate directly but is even less likely to forget what has happened -- and it has a great deal of leverage over Japan. After all, Japanese prosperity increasingly depends on its ties to China. The reverse is not true. Contrary to what one might expect, Japanese exports to China jumped 70% between 2001 and 2004, providing the main impetus for a sputtering Japanese economic recovery. Some 18,000 Japanese companies have operations in China. In 2003, Japan passed the United States as the top destination for Chinese students going abroad for a university education. Nearly 70,000 Chinese students now study at Japanese universities compared to 65,000 at American academic institutions. These close and lucrative relations are at risk if the U.S. and Japan pursue their militarization of the region.

A Multipolar World

Tony Karon of Time magazine has observed, "All over the world, new bonds of trade and strategic cooperation are being forged around the U.S. China has not only begun to displace the U.S. as the dominant player in the Asia Pacific Economic Cooperation organization (APEC), it is fast emerging as the major trading partner to some of Latin America's largest economies. . . . French foreign policy think tanks have long promoted the goal of 'multipolarity' in a post-Cold War world, i.e., the preference for many different, competing power centers rather than the 'unipolarity' of the U.S. as a single hyper-power. Multipolarity is no longer simply a strategic goal. It is an emerging reality."

Evidence is easily found of multipolarity and China's prominent role in promoting it. Just note China's expanding relations with Iran, the European Union, Latin America, and the Association of Southeast Asian Nations. Iran is the second largest OPEC oil producer after Saudi Arabia and has long had friendly relations with Japan, which is its leading trading partner. (Ninety-eight percent of Japan's imports from Iran are oil.) On February 18, 2004, a consortium of Japanese companies and the Iranian government signed a memorandum of agreement to develop jointly Iran's Azadegan oil field, one of the world's largest, in a project worth $2.8 billion. The U.S. has opposed Japan's support for Iran, causing Congressman Brad Sherman (D-CA) to charge that Bush had been bribed into accepting the Japanese-Iranian deal by Koizumi's dispatch of 550 Japanese troops to Iraq, adding a veneer of international support for the American war there.

But the long-standing Iranian-Japanese alignment began to change in late 2004. On October 28, China's oil major, the Sinopec Group, signed an agreement with Iran worth between $70 and $100 billion to develop the giant Yadavaran natural gas field. China agreed to buy 250 million tons of liquefied natural gas (LNG) from Iran over 25 years. It is the largest deal Iran has signed with a foreign country since 1996 and will include several other benefits, including China's assistance in building numerous ships to deliver the LNG to Chinese ports. Iran also committed itself to exporting 150,000 barrels of crude oil per day to China for 25 years at market prices.

Iran's oil minister, Bijan Zanganeh, on a visit to Beijing noted that Iran is China's biggest foreign oil supplier and said that his country wants to be China's long-term business partner. He told China Business Weekly that Tehran would like to replace Japan with China as the biggest customer for its oil and gas. The reason is obvious: American pressure on Iran to give up its nuclear power development program and the Bush administration's declared intention to take Iran to the U.N. Security Council for the imposition of sanctions (which a Chinese vote could veto). On November 6, 2004, Chinese Foreign Minister Li Zhaoxing paid a rare visit to Tehran. In meetings with Iranian President Mohammad Khatami, Li said that Beijing would indeed consider vetoing any American effort to sanction Iran at the Security Council. The U.S. has also charged China with selling nuclear and missile technology to Iran.

China and Iran already did a record $4 billion worth of two-way business in 2003. Projects included China's building of the first stage of Tehran's Metro and a contract to build a second link worth $836 million. China will be the top contender to build four other planned lines, including a 19 mile track to the airport. In February 2003, Chery Automobile Company, the eighth largest automaker in China, opened its first overseas production plant in Iran. Today, it manufactures 30,000 Chery cars annually in northeastern Iran. Beijing is also negotiating to construct a 240 mile pipeline from Iran to the northern Caspian Sea to connect with the long-distance Kazakhstan to Xinjiang pipeline that it began building in October 2004. The Kazakh pipeline has a capacity to deliver 10 million tons of oil to China per year. Despite American bluster and belligerence, Iran is anything but isolated in today's world.

The EU is China's largest trading partner and China is the EU's second largest trading partner (after the United States). Back in 1989, to protest the suppression of pro-democracy demonstrators in Beijing's Tiananmen Square, the EU imposed a ban on military sales to China. The only other countries so treated are true international pariahs like Burma, Sudan, and Zimbabwe. Even North Korea is not subject to a formal European arms embargo. Given that the Chinese leadership has changed several times since 1989 and as a gesture of goodwill, the EU has announced its intention to lift the embargo. Jacques Chirac, the French president, is one of the strongest proponents of the idea of replacing American hegemony with a "multipolar world." On a visit to Beijing in October 2004, he said that China and France share "a common vision of the world" and that lifting the embargo will "mark a significant milestone: a moment when Europe had to make a choice between

the strategic interests of America and China -- and chose China."

In his trip to Western Europe in February 2005, Bush repeatedly said, "There is deep concern in our country that a transfer of weapons would be a transfer of technology to China, which would change the balance of relations between China and Taiwan." In early February, the House of Representatives voted 411 to 3 in favor of a resolution condemning the potential EU move. The Europeans and Chinese contend that the Bush administration has vastly overstated its case, that no weapons capable of changing the balance of power are involved, and that the EU is not aiming to win massive new defense contracts from China but to strengthen mutual economic relations in general. Immediately following Bush's tour of Europe, the EU Trade Commissioner, Peter Mandelson, arrived in Beijing for his first official visit. The purpose of his trip, he said, was to stress the need to create a new strategic partnership between China and Europe.

Washington has buttressed its hard-line stance with the release of many new intelligence estimates depicting China as a formidable military threat. Whether this intelligence is politicized or not, it argues that China's military modernization is aimed precisely at countering the Navy's carrier strike groups, which would assumedly be used in the Taiwan Strait in case of war. China is certainly building a large fleet of nuclear submarines and is an active participant in the EU's Galileo Project to produce a satellite navigation system not controlled by the American military. The Defense Department worries that Beijing might adapt the Galileo technology to anti-satellite purposes. American military analysts are also impressed by China's launch, on October 15, 2003, of a spacecraft containing a single astronaut who was successfully returned to Earth the following day. Only the former USSR and the United States had previously sent humans into outer space.

China already has 500 to 550 short-range ballistic missiles deployed opposite Taiwan and has 24 CSS-4 ICBMs with a range of 13,000 km to deter an American missile attack on the Chinese mainland. According to Richard Fisher, a researcher at the U.S.-based Center for Security Policy, "The forces that China is putting in place right now will probably be more than sufficient to deal with a single American aircraft carrier battle group." Arthur Lauder, a professor of international relations at the University of Pennsylvania, concurs. He says that the Chinese military "is the only one being developed anywhere in the world today that is specifically configured to fight the United States of America."

The U.S. obviously cannot wish away this capability, but it has no evidence that China is doing anything more than countering the threats coming from the Bush administration. It seeks to avoid war with Taiwan and the U.S. by deterring them from separating Taiwan from China. For this reason, in March 2005, China's pro-forma legislature, the National People's Congress, passed a law making secession from China illegal and authorizing the use of force in case a territory tried to leave the country.

The Japanese government, of course, backs the American position that China constitutes a military threat to the entire region. Interestingly enough, however, the Australian government of John Howard, a loyal American ally when it comes to Iraq, has decided to defy Bush on the issue of lifting the European arms embargo. Australia places a high premium on good relations with China and is hoping to negotiate a free trade agreement between the two countries. Canberra has therefore decided to support the EU in lifting the 15-year-old embargo. Chirac and German Chancellor Gerhard Schröder both say, "It will happen."

The United States has long proclaimed that Latin America is part of its "sphere of influence," and because of that most foreign countries have tread carefully in doing business there. However, in the search for fuel and minerals for its booming economy, China is openly courting many Latin American countries regardless of what Washington thinks. On November 15, 2004, President Hu Jintao ended

a five day visit to Brazil during which he signed more than a dozen accords aimed at expanding Brazil's sales to China and Chinese investment in Brazil. Under one agreement Brazil will export to China as much as $800 million annually in beef and poultry. In turn, China agreed with Brazil's state-controlled oil company to finance a $1.3 billion gas pipeline between Rio de Janeiro and Bahia once technical studies are completed. China and Brazil also entered into a "strategic partnership" with the objective of raising the value of bilateral trade from $10 billion in 2004 to $20 billion by 2007. President Hu said that this partnership symbolized "a new international political order that favored developing countries."

In the weeks that followed, China signed important investment and trade agreements with Argentina, Venezuela, Bolivia, Chile, and Cuba. Of particular interest, in December 2004, President Hugo Chavez of Venezuela visited China and agreed to give it wide-ranging access to his country's oil reserves. Venezuela is the world's fifth largest oil exporter and normally sells about 60% of its output to the United States, but under the new agreements China will be allowed to operate 15 mature oil fields in eastern Venezuela. China will invest around $350 million to extract oil and another $60 million in natural gas wells.

China is also working to integrate East Asia's smaller countries into some form of new economic and political community. Such an alignment, if it comes into being, will certainly erode American and Japanese influence in the area. In November 2004, the ten nations that make up ASEAN or the Association of Southeast Asian Nations (Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam), met in the Laotian capital of Vientiane, joined by the leaders of China, Japan, and South Korea. The United States was not invited and the Japanese officials seemed uncomfortable being there. The purpose was to plan for an East Asian summit meeting to be held in November 2005 to begin creating an "East Asia Community." In December 2004, the ASEAN countries and China also agreed to create a free-trade zone among themselves by 2010.

According to Edward Cody of the Washington Post, "Trade between China and the 10 ASEAN countries has increased about 20% a year since 1990, and the pace has picked up in the last several years." This trade hit $78.2 billion in 2003 and was reported to be about $100 billion by the end of 2004. As the senior Japanese political commentator Yoichi Funabashi observes, "The ratio of intra-regional trade [in East Asia] to worldwide trade was nearly 52% in 2002. Though this figure is lower than the 62% in the EU, it tops the 46% of NAFTA [the North American Free Trade Agreement]. East Asia is thus becoming less dependent on the U.S. in terms of trade."

China is the primary moving force behind these efforts. According to Funabashi, China's leadership plans to use the country's explosive economic growth and its ever more powerful links to regional trading partners to marginalize the United States and isolate Japan in East Asia. He argues that the United States underestimated how deeply distrusted it had become in the region thanks to its narrow-minded and ideological response to the East Asian financial crisis of 1997, which it largely caused. On November 30, 2004, Mitchell Reiss, the director of policy planning in the State Department, said in Tokyo, "The U.S., as a power in the Western Pacific, has an interest in East Asia. We would be unhappy about any plans to exclude the U.S. from the framework of dialogue and cooperation in this region." But it is probably already too late for the Bush administration to do much more than delay the arrival of a China-dominated East Asian community, particularly because of declining American economic and financial strength.

For Japan, the choices are more difficult still. Sino-Japanese enmity has had a long history in East Asia, always with disastrous outcomes. Before World War II, one of Japan's most influential writers on Chinese affairs, Hotsumi Ozaki, prophetically warned that Japan, by refusing to adjust to the Chinese revolution and instead making war on it, would only radicalize the Chinese people and

contribute to the coming to power of the Chinese Communist Party. He spent his life working on the question "Why should the success of the Chinese revolution be to Japan's disadvantage?" In 1944, the Japanese government hanged Ozaki as a traitor, but his question remains as relevant today as it was in the late 1930s.

Why should China's emergence as a rich, successful country be to the disadvantage of either Japan or the United States? History teaches us that the least intelligent response to this development would be to try to stop it through military force. As a Hong Kong wisecrack has it, China has just had a couple of bad centuries and now it's back. The world needs to adjust peacefully to its legitimate claims -- one of which is for other nations to stop militarizing the Taiwan problem -- while checking unreasonable Chinese efforts to impose its will on the region. Unfortunately, the trend of events in East Asia suggests we may yet see a repetition of the last Sino-Japanese conflict, only this time the U.S. is unlikely to be on the winning side.

Citations and other references for this report are available on the web site of the Japan Policy Research Institute.

III. Nautilus Invites Your Responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: napsnet-reply@nautilus.org . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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