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Masashi Nishihara¹

The Rise of Asia and the Decline of Japan's Influence

Japan today is in deep conflict with South Korea and China, two rising powers in East Asia. Whether Japan and these historically difficult neighbors can manage their relations will affect both the region's stability and its economic prosperity. Japan's relations with China and South Korea also will affect the United States' policy toward East Asia, that is, U.S.-China relations, U.S.-South Korean relations, and those of the Korean peninsula.

Asia now occupies a dominant position in the world. It has more than 3.3 billion people, and it has 31 percent of the world's GDP. If you add Canada and the United States, then the Asia-Pacific region contains more than half the world's population and produces more than 60 percent of the world's GDP. It is indeed one of the world's most dynamic regions.

For Japan, the 1990s was "the lost decade," as its average yearly growth of GDP was just 1.4 percent, and the first decade of this century was the "second lost decade," as its average yearly GDP growth rate was only 0.6 percent. In fact, Japan's annual GNP growth rate has been 1 percent for more than twenty years, which makes me fear that we may be entering a "third lost decade." Last year, our GNP was exceeded by China's, and that

¹ This paper is based on the keynote speech that the author gave before the Commemorative 25th Annual Conference of the Japan Studies Association of Canada, held at Carleton University, Ottawa, on October 12, 2012. The author is President of the Research Institute for Peace and Security.

country is now the world's second largest economic power after the United States. China, however, has many internal socioeconomic conflicts, and its economic growth is beginning to peak. Nonetheless, our main concern is whether and how Japan can restore its national power and influence so that it can protect its national interests and play a meaningful role in the region.

The three disasters that hit northeast Japan in March last year have slowed the pace of our economic recovery. Although some specialists have argued that Japan's misfortunes could be turned to its advantage, the reality has been disappointing. Japan's estimated GDP this year is 1.3 percent, and the Japanese government's debt is equivalent to about 220 percent of its GDP. Not surprisingly, these financial difficulties have constrained the country's official development assistance activities, which have been a mainstay of Japanese diplomacy.

Power Shift in the Asia-Pacific Region

Japan's official development assistance has shrunk from \$15 billion in 1999 to \$10.6 billion in 2011. In addition, its contribution to the UN's budget, which was 20.6 percent in 2000, has declined to 12.6 percent, or \$294 million.

Japan's influence in international organizations also has weakened and has been eclipsed by more robust economies, such as those of South Korea and China. The Republic of Korea became a new member of the OECD's Development Assistance Committee in 2010, and it now is a donor country. In addition, South Korea hosted both the G-20 summit meeting last year and the nuclear security summit, which President Obama initiated in 2010. A Chinese was appointed to the position of IMF secretary-general in March of this year, and another Chinese became a deputy

managing director in July.

Japan used to have a dominant position in Southeast Asia's trade and investment market, as well as strong political influence. But now this, too, is being challenged by China and South Korea. Those nations of continental Southeast Asia now depends so much on China's economic power that it can hardly afford to criticize it on political and security matters. This became clear last July when Cambodia, as the chair of the ASEAN foreign ministers' meeting, sided with China because it was the recipient of a large amount of aid, and it also rejected the meeting's closing statement because it criticized China's position on issues regarding the South China Sea. This was the first time in ASEAN's forty-five-year history that its foreign ministers' meeting failed to issue a joint statement.

South Korea and China now are economically more self-confident than they ever have been, and as a result, they are becoming politically more assertive. This assertiveness can be seen, for instance, in the current tension between Japan and South Korea and between Japan and China over their territorial claims to groups of tiny islands.

This is only part of general power shift that is taking place in the Asia-Pacific region. Russia has returned to the region and is a new member of the East Asia Summit. President Vladimir Putin hosted the Asia-Pacific Economic Cooperation meetings in Vladivostok last month. And even though North Korea's GDP is insignificant, we still must pay attention to its missile and nuclear programs. In addition, we have the unresolved issue of Japanese citizens who were kidnapped and not returned by North Korean intelligence agents. In this sense, then, North Korea is an important actor as well.

Although ASEAN's relative power fell back for a short while

after the downfall of Lehman Brothers in New York, it has resumed its prominent place in Asia with the growing economies of Vietnam, Indonesia, and Singapore.

The most important power shift naturally is that of the United States. After withdrawing its troops from Iraq and reducing its troop level in Afghanistan, President Obama shifted the country's foreign and security policy emphasis to the Asia-Pacific region, rebalancing its position. In an article in *Foreign Policy* magazine in late 2011, entitled "America's Pacific Century," Secretary of State Hilary Clinton wrote, "The Asia-Pacific region has become a key driver of global politics," and "major decisions will be made in Asia." But the United States is not the same strong power that it was before. Besides, with many troubling countries in the Middle East such as Iran, Syria, Egypt, and Libya, it is doubtful that the United States is really pivoting to Asia. Nonetheless, in response to China's growing military power, the United States has started to disperse its military presence in the Pacific, transferring 9,000 of its 18,000 marines stationed in Okinawa to Guam, Hawaii, Darwin in northern Australia, and other places.

The Changing Security Environment

With their greater power, certain nations are acting more assertively, and they are changing the landscape of international relations in the region. As a result, Japan is finding its own security environment being challenged.

North Korea and China are Japan's greatest security concerns today. Even though conflicts between Japan and South Korea will be difficult to solve, at the moment they do not constitute a security threat to Japan. China also is a difficult

neighbor, and it is indeed a security concern because of its enormous military power.

It is difficult to predict what kind of leader North Korea's new young leader, Kim Jong-un, might become. He has followed his father's "military first" policy. He launched a long-range missile, under the guise of a satellite, and it failed. Since then, he has shown some interest in economic reform, most likely encouraged by China, but it will be a long time before we could see any significant economic reform. In the meantime, China's economic presence in North Korea is increasing, and it is violating the UN Security Council's resolution to impose economic sanctions on North Korea. For example, China has signed a forty-year commitment to develop mining resources in North Korea. For its part, North Korea has set up a special economic zone for China at the mouth of the Tumen River, giving China access to the Sea of Japan. This development is to become another source of tension between Russia and China, and there are reports that Chinese soldiers are patrolling this zone.

The six-party talks have lost their goal of preventing North Korea from becoming a nuclear power. Because of its close ties with North Korea, China can no longer serve as an honest broker as the chair of the six-party talks. Furthermore, the growing economic and political ties between China and North Korea would make it very difficult to form a new structure in place of the six-party talks. Perhaps we should establish "a Northeast Asia regional committee" within the ASEAN Regional Forum. This way, the foreign ministers of the committee-member nations could meet at least once a year.

China's economic influence over South Korea also has grown significantly, and China has now surpassed the United States as South Korea's no.1 trading partner. This means that even though

China's policy is to protect and even "colonize" North Korea, Seoul would find it hard to criticize China for the latter's policy on North Korea, for fear of economic retaliation. Neither the United States nor Japan is pleased with South Korea's new attitude toward China, as it has complicated the efforts of Japan, the United States, and South Korea to coordinate their respective policies toward North Korea and China.

China's military expansion and "coercive" diplomacy have combined to make its presence quite formidable. For the last twenty years, its defense budget has increased by double digits, growing eight times as much as it did in the previous twenty years. The expansion of China's navy is particularly impressive. It now contains large destroyers and submarines, many of which it purchased from Russia. China's fleet commonly shadows Japanese and American vessels to collect intelligence and thereby establishing its naval presence in the Western Pacific. China's ships sail out to the Pacific through the strait between the main island of Okinawa and Miyakojima. China's control of the now disputed Senkaku Islands thus would enhance its naval strategy.

The People's Liberation Army now has its first aircraft carrier, which China bought from Ukraine and refurbished. Until recently it sailed in and around the Yellow Sea, but in mid-September of this year it was officially transferred to the navy. Although the carrier's quality is far inferior to that of the U.S. carriers, its presence has had a psychological impact on the Japanese. The PLA plans to construct half a dozen aircraft carriers before 2020.

With the support of its military power, China has conducted a diplomacy of intimidation or coercion toward some ASEAN countries, such as Vietnam and the Philippines. Last year a Chinese coast guard ship cut an undersea cable that Vietnam had

installed for the exploration of oil resources in the Paracel Islands. This year China had a dispute with the Philippines over fishing rights in the area of the Scarborough Shoal in the Spratly Islands and overpowered the Philippine coast guard vessels with its own, larger coast guard and naval ships. Beijing also pressured Manila to give up its claim for the Scarborough Shoal by deliberately delaying quarantine inspection of its imported Philippine bananas, which consequently spoiled.

The current conflict between China and Japan over the tiny Senkaku Islands (or Daioyudo in Chinese) in the East China Sea has created yet more tension in East Asia. The Noda government's decision to buy the islands from a private owner was intended to "maintain the peaceful and stable environment of the islands." The Japanese government thought that if the Tokyo Metropolitan Government had bought the Senkakus, it would construct ports and helicopter pads there, which would cause even more tension. However, the Chinese reacted to the Japanese government's move, and in mid-September, there were anti-Japanese demonstrations in more than eighty cities throughout China. The Japanese embassy, the consulate general, restaurants, and Japanese-run factories were heavily damaged while armed police simply stood by. Several Japanese factories were burned down. Most of these demonstrations clearly were authorized; in fact, many of the protestors were paid by the authorities. Then the demonstrations abruptly stopped on September 19, a day after the eighty-first anniversary of the Manchurian (Mukden) Incident of 1931, evidence that the government was controlling the action. In addition, more than the usual number of Chinese coast guard and even naval ships patrolled around and near the islands.

This has been a rough summer for the Japanese.

Japanese-Korean relations also soured over another territorial problem, with the small, rocky Takeshima (or Dokto in Korean) Islands located between Japan and the Korean peninsula. Tensions grew high on August 10 when President Lee Myung-bak became the first president to go to the islands, which are under Korean control. His subsequent tactless remarks about the emperor angered the Japanese government and people, as did his criticism of Japan's insufficient apology and his demand for compensation for Korea's wartime "comfort women."

Japanese-South Korean disputes on Takeshima (or Dokto in Korean) will continue for a long time. They may become a campaign issue in South Korea's presidential elections in December. All candidates will probably take a tough stand on the issue or they may avoid the issue. Whoever is elected, he or she will continue to take a tough stand. However, since South Korea controls the islands, the tension between Tokyo and Seoul would be in political areas, and not in terms of armed clashes. Besides, South Korea may be embarrassed, when the International Court of Justice eventually asks Seoul for reasons why South Korea will not make a joint appeal with Japan.

In the territorial disputes, both South Korea and China have based their claims on the history of the islands' ownership, whereas Japan has turned to international law and agreements. Disagreements over territorial sovereignty can easily lead to nationalist arguments and mutual distrust. In Asia, unlike Europe, territorial sovereignty still is a vital part of national interests. Because these issues will not be settled any time soon, it seems more realistic to try to manage the tensions rather than to try to solve the disputes.

Although the United States is very concerned about these territorial conflicts, other countries are benefiting from them.

Russia's Vladivostok sees an opportunity to draw Moscow's attention to its Far East region and to deploy more forces there, which will help its economy. North Korea must be pleased to see the imminent demise of the six-party talks.

The Chinese government now is undergoing a fierce power struggle. Xi Jinping is apparently solidifying his position as China's next general secretary and president and appears to be benefiting from the territorial disputes to show his tough patriotic stance, as is President Lee Myung-bak of South Korea. To some extent, Prime Minister Yoshihiko Noda has gained a political advantage as well.

Japan's Strategy to Regain Its Influence

Under this challenging environment, can Japan resume its former position in Asia, despite its reduced financial resources and other socioeconomic problems. First, Japan's strong yen, which hurts exports, has slowed the growth of its GDP and also has driven firms to move their factories overseas, where labor is cheaper.

Second, Japan's unemployment rate has risen, to 4.2 percent in August this year. Worse, the unemployment rate for those between the ages of twenty-five and thirty-six is 7.8 percent, which is very high by Japanese standards.

Third is Japan's shortage of electric power. On September 15, the government announced that Japan would shut down its nuclear power plants by 2030, although since then it has modified this position somewhat. Before the earthquake, around 25 percent of Japan's electric power was generated by nuclear power plants. Since then, the shortage of electric power has raised the cost of electricity, which in turn has caused many firms to

consider moving out to foreign countries, China in particular, where Japanese companies can produce their products at more reasonable prices. Before March last year, 86 percent of Japan's oil imports came from the Middle East. Now, because our supply of nuclear energy has almost stopped, we have had to increase our dependence on Middle East oil. Alternative energy sources such as solar and wind energy are far from filling the gap. Energy security is indeed a serious challenge for Japan.

Fourth, the shrinking population of young people and the expanding number of aging and aged people have created a labor shortage, as well as a demand for large pensions and comprehensive medical care. Today one of every four Japanese is over the age of sixty-five, or more than 30 million people out of a total population of 127 million people. Our welfare expenditure takes up 29 percent of the government's total budget, whereas, incidentally, our defense budget is only 5 percent. In order to close the gap between government revenue and social needs, the government has decided to cut the wages of government officials by 7.8 percent and to raise the consumption tax from the current 5 percent to 8 percent in 2014 and to 10 percent in 2015. Still, the deficit will remain more than twice the GDP, at 219 percent. (Compare Canada's 92.8 percent.)

These are the challenges for Japan today. Even if we change our past strategy of emphasizing official development assistance (ODA) as a key element of Japanese diplomacy, we can still play a significant role, albeit with fewer financial resources, and restore our political and economic vitality. On this point, I would like to offer some of my thoughts.

(1) Japan Should Adopt a New Official Development Assistance

Philosophy

First, Japan should use its aid not just to help build infrastructure and improve human conditions in developing countries but also to contribute to the region's security. In the past, Japan's development aid was strictly for nonsecurity purposes, but now the country is gradually shifting to a policy of combining development and security. Its current aid for Afghanistan, for instance, has assumed security implications, by paying the salaries of police officers fighting the Taliban. Japan also provides coast guard vessels to the Philippines and Indonesia for antipiracy and antismuggling operations. Japan should do more along this line in order to contribute to both regional security and economic development.

(2) Japan Should Be More Flexible on the Constitutional Ban on Collective Self-Defense

Second, Japan's interpretation of its constitutional constraints on the use of force should be relaxed so that Japan's Self-Defense Forces can gradually exercise its right of collective self-defense, as Article 51 of the UN Charter recognizes. It is difficult for the international community to understand this problem. Although Japan used to impose a strict ban on the SDF helping defend its friendly countries' forces under attack, it slowly has been relaxing the ban. If the government were to adopt a slightly more flexible interpretation, it would allow the SDF to help defend its friendly countries' troops in areas under Japanese control. We should move a step forward in this regard. In fact, the SDF is already doing something similar in the Gulf of Aden, where it can legally help defend other countries' vessels that are being threatened by pirates.

The Maritime SDF participated in a multinational

mine-sweeping exercise off Bahrain in mid-September, in the event that Iran mines the Strait of Hormuz. These are steps toward accepting collective self-defense.

Japan is gradually overcoming the constitutional and legal restrictions that it imposed on itself. In fact, we could say that Japan is moving toward becoming a normal country. This is one area where Japan can enhance the level of its presence in regional and international security.

(3) Japan Should Build a Stronger Alliance with the United States
Japan should work to build a stronger and more stable alliance with the United States. Both countries share the strategic objectives of maintaining regional stability by securing the safety of sea-lanes connecting the Indian and Pacific Oceans and by protecting basic human values. Japan's key contribution is providing bases and facilities for U.S. forces to accomplish their mission of projecting their military power throughout Southeast Asia, the Indian Ocean, and the Middle East.

Japan is likely to have territorial conflicts with China for many years to come, but this is the first time since 1945 that Japan has faced the possibility of an armed clash with another country. Almost every day, Chinese government ships and fishing boats can be found just outside the territorial waters of the Senkakus, in defiance of the Japanese coast guard's repeated efforts to keep them away. The rise of a "peaceful" China is now becoming an "assertive and coercive" China. The current conflicts show that economic interdependence may not prevent armed tension. The incoming leader, Xi Jinping, who is said to strongly support the People's Liberation Army, is likely to take a tough, coercive line toward Japan.

For this reason, the Japanese-U.S. alliance is essential to

hedge against Chinese moves. If Japan expects the United States to help it cope with China, it should become a more reliable ally, for example, by adopting a more flexible interpretation of its constitutional ban on the exercise of collective self-defense. By relaxing the ban, the SDF could help fight together with U.S. forces in areas outside Japanese territory, such as the Korean peninsula and the Strait of Hormuz. Although Japan's such role may be limited in scope, a strong alliance with the United States would also help Japan maintain influence in the region.

(4) Japan Should Develop Ties with Canada as a Political and Security Partner

Japan also can have greater say in the region and the world through stronger ties with like-minded partners, with whom it shares basic human values. Canada is one of these countries. I believe that Japan has many things to learn from Canada's experience in multilateral diplomacy. I am grateful that our two countries have no particular political problems, that our relations are good. Every year our prime ministers meet each other on several occasions, including the G8, G-20, APEC, and UN General Assembly meetings.

Our two governments have been talking about UN peacekeeping, disarmament and arms control, nuclear proliferation, small weapons, natural disaster relief, and the like. The two countries' militaries regularly meet and exchange views, and they both participate in RIMPAC (Rim of the Pacific naval exercise), PSI (Proliferation Security Initiative) and other organizations. The two governments are in negotiations for an ACSA, an acquisition and cross-servicing agreement. Through this agreement, the two governments can keep their respective stocks of emergency materials on each other's territories so they

can be used for emergencies such as natural disasters.

It would be useful for Japan if the two countries could also discuss energy security in more depth. Japan would like to reduce its dependence on Middle East oil because of its cost and regional instability. But it does not want to increase its dependence on the Russian Far East's natural gas. For Canada, exporting shale gas and natural gas to Japan would form the cornerstone of a stable, transpacific partnership.

One area of concern is Canada's and Japan's differing perceptions of China. According to a survey conducted in May 2009, when Canadians were asked, "Which country in Asia is Canada's most important partner?" 55 percent said China; 20 percent said Japan; and 6 percent said India. And when asked, "Which country is likely to become Canada's most important partner?" 42 percent of Canadians said the United States; 19 percent said China; and 17 percent said India. Only 2 percent named Japan. Although this is disappointing, Japanese might have offered similar opinions. Canadians and Japanese simply do not appreciate each other's importance.

Leadership Needed for Rebuilding National Power

We need a strong, sustainable government. In the six years since 2006, Japan has had six prime ministers. In 2009, the Democratic Party of Japan took power, and there was hope that it would do a better job both domestically and internationally. Unfortunately, however, many people were disappointed with Prime Ministers Yukio Hatoyama and Naoto Kan. Hatoyama badly managed Japan's relations with the United States, by advocating the establishment of "an East Asia community" without the United States. He also mishandled the U.S. Marine base issue. Then Kan

poorly handled the aftermath of the March 11 disaster, missing an opportunity to combine the reconstruction of the devastated region with the country's overall economic recovery.

Prime Minister Noda's tenure ends in September next year, when he and other members of the lower house of the Diet will terminate their four-year term. However, if the opposition parties succeed in passing a non-confidence vote before September next year, Noda will either have to resign or dissolve the Diet. His tenure is precarious. This system constrains the political strength of a Japanese prime minister.

Japan needs a strong leader who also has a clear vision of its future, something that Japanese leaders often lack. The government makes decisions too slowly. An example is the plan to move the U.S. air base from its current site to another site in Okinawa, a plan that was decided in 1996 but has yet to be implemented because of local opposition.

Japan has much work to do before it will earn the respect of its neighbors. It can, and should, become a stable and trusted partner of like-minded nations in the Asia-Pacific region.