

# U.S. Hegemonic Decline, Chinese Democratization and Japan's Alliance Behavior

*The Future of Japan - U.S. - China Relations in the New Century*

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Looking ahead to the world of the 21st century, one can see many possible scenarios.<sup>1</sup> In this article I intend to examine the many different ways future events may play out on the world stage depending on how relations develop between Japan and its two biggest neighbors, China and the United States. Both the United States and China face major challenges. For the United States, the mid to long-term challenge lies in the question of how to avoid losing the economic and technological edge it now holds over the rest of the world. If this were to happen, it would put an end to America's position as world leader. For China, the mid to long-term challenge arises from the possibility of democratization. On the one hand, China would have to grow much stronger both economically and militarily for this to occur, and China would find itself with an opportunity to contend for world leadership. On the other hand, however, these changes could spark internal chaos and cause great concern in neighboring countries.

In formulating a theoretical framework for Japan's security in the 21st century, there are two questions that must be addressed. In considering these two questions, one must take a comprehensive, integrated approach that accounts for a wide range of different factors affecting the future course of Japan's development, including demographics, the economy, technology, society and politics. The first question is this: If the United States goes into relative decline, will it attempt to reduce its responsibilities in its security alliance with Japan? And second: As rising per capita incomes in China trigger political democratization, will this change be accompanied by enduring social and political instability? Any theoretical framework for Japan's secu-

rity in the 21st century that fails to directly address these two questions would be woefully inadequate. Or perhaps I should say "intolerably inadequate." And while considering these two questions, we must simultaneously put some thought into the historical pattern of Japan's alliances. Japan's alliances in the 20th century brought us two great successes (alliance with Britain led to victory in the war against Russia in 1905, and the post-World War II alliance with the United States paved the way to Japan's emergence as an economic powerhouse) and one great failure (we mistakenly identified Germany as the world's greatest power and threw in our lot with theirs, thus leading to our defeat in World War II). As the relationship between the United States, China, and Japan unfolds over the coming century, can we be sure that Japan will not make the same sort of mistake again?

## 1. Will the United States go into decline over the medium to long term?

The key factor here is technological innovation and the economic strength that this generates.<sup>2</sup> The United States has a tremendous capacity for technological innovation, as is evidenced by the many Nobel Prizes it has won over the years. The Nobel Prizes were established in 1901, and while only seven of them went to the United States in the first 38 years, the number of U.S. Nobel winners skyrocketed thereafter, and it is now a regular thing for Nobels to go to U.S. recipients. Quotations in scientific journals tell a similar tale, with U.S. scientists getting far more citations than counterparts from other countries. It seems beyond dispute that U.S. scientists have played a leading role in the scientific community for a

very long time. Japanese nationals won seven Nobel Prizes in the 38 years from 1945, but the number of Japanese Nobel winners has not subsequently exploded after that initial 38-year period, as happened earlier for the United States. What is more, most of those Japanese nationals who have won Nobels in science have done so after giving up on Japanese universities and research institutions. They have been awarded their Nobels on the basis of work done overseas. Graduates of the University of Tokyo have won two Nobel Prizes for Literature, one Nobel Peace Prize and one Nobel Prize for Physics. Only one Nobel Prize in the sciences has gone to Tokyo University, and that to a person who graduated from there in 1945. His prize, furthermore, was based on work done overseas.

Henry Luce, founder of the Time-Life empire, said the 20th century was the "American century." The foundation of this phenomenon was laid in the first half of the century, and was based on two important processes of integration – the integration of science and ethics, and the integration of science and technology.<sup>3</sup> When I speak of "ethics," I'm referring to the Protestant ethic of Max Weber. When I say "ethics," in other words, I'm talking about religion. Science and ethics, which had always been like oil and water to each other, became integrated. Similarly, the long-standing division between science and technology also broke down. The new integration was pushed forward not only by government and industry, but also by journalists and academics. The entire nation participated in the creation of a new way for organizing knowledge. American society, characterized by its individualism and discrimination

(based on both class and race), came to regard a pluralistic society capable of respecting differences as the hallmark of democracy. A system was created in which corporations could become involved in social activism. A partnership between industry and academia was established. This was done by creating a huge economy based on: (1) the creation of a broad middle class with an even income distribution; and (2) the encouragement of mass production and mass consumption. To achieve these ends, the U.S. government vigorously enforced its antitrust legislation to prevent the rise of giant companies that could count on easy profits thanks to monopoly privileges. To increase profits, companies had to rely on technological innovation.

But there are at least two problems with this approach. First, even though the United States maintains a huge lead over its competitors in such sectors as information technology (IT), banking and finance, space science and the military, they do not necessarily have the advantage in many manufacturing fields. Furthermore, IT and manufacturing are undergoing a process of integration, and Japan appears poised to achieve strong growth in this field. Japanese researchers are producing a prodigious number of scientific studies in this area, second only to the United States. It is only a matter of time before Japan and Europe narrow the overwhelming lead the United States now enjoys in IT, banking, and other such sectors. And with the integration of IT and manufacturing in Japan, very interesting things could start happening if the field of IT were to expand still further.

Second, the U.S. savings rate is extremely low. Huge deficits in the U.S. current account balance have not caused many concerns there because it enjoys large capital inflows from Japan and other countries with high savings rates, but if these inflows were to dry up it would cause big problems. It is hard to say what might put an end to such capital inflows. The flow of German capital into the United States was crimped in 1979 after the comple-



*The Plaza Accord of 1985 triggered increased capital flows to the United States*

tion of a blueprint for a unified European currency. Since that time, a greater percentage of German capital has come to be used in Europe. In Japan, by contrast, the Plaza Accord of 1985 triggered increased capital flows to the United States. The U.S. economy was in recession at that time, hampered by a strong dollar, and Japanese then prime minister Nakasone Yasuhiro agreed to the Plaza Accord as a means of bailing the United States out of its recession. To do this, Japan was to encourage increased domestic demand and liberalize its markets. But things went to extremes. A bubble economy arose in Japan, and after the bubble burst in 1991, Japan plunged into a recession. It is hard to say for sure where the U.S. economy is headed. It may well have a rosy future in store. It is possible that globalization could bring prosperity to the United States, with capital flowing in from around the world. Making use of this capital, the U.S. economy could go on an extended spree of technological innovation, thus putting an end to the boom-and-bust business cycle. This is the scenario that Steven Weber foresees.<sup>4</sup> Looking at Japan's interest rates and foreign exchange rates since 1985 as well as the pattern of Japan's capital outflows over that same time period, it is clear that capital flows to the United States do indeed generate profits. And again, when we look at interest rates and

exchange rates for the Euro, we also find European capital flowing to the United States. Assuming that this lopsided pattern of capital flows continues, Steven Weber's theory may very well remain valid for another five to 10 years. And if that turns out to be the case, then there would be no cause to talk about the American economy going into decline or the United States relinquishing its role as world leader any time during the next 25 years or so.<sup>5</sup>

## 2. Will China become democratic?

A third wave of democracy broke across the globe in the final quarter of the 20th century.<sup>6</sup> If we reduce to a minimum the requirements that a country must fulfill before it can be considered a democracy, 120 of the 189 members of the United Nations qualify as democracies.<sup>7</sup> The first indicator that democracy may be on the way is a rise in per capita income in a country.<sup>8</sup> When per capita incomes reach a certain level, a large portion of the people begin to yearn for a gradual liberalization of political and social systems. There are exceptions, of course, such as Singapore, and China could be an exception as well, but it is hard to imagine that China would be an exception even if, in its headlong pursuit of wealth, it succeeded in becoming a rich country. Furthermore, the people will

not put up indefinitely with the outrageous behavior of Communist Party cadres. I am referring, for example, to the fact that it is no rare thing for officials to extort money, cars and home appliances by penalizing families that break the one-child policy by having a second baby.

The Communist Party has adopted an official policy of using violence to suppress organized opposition to its one-party dictatorship. When riots or mass demonstrations occur, they are put down swiftly and ruthlessly. This was the Deng Xiaoping line following the Tiananmen Massacre of 1989, and President Jiang Zemin adheres to it still. But military suppression is difficult to carry out when large numbers of people engage in simultaneous protests in different locations, or when the number of participants grows really large. When riots occur at the same time in several different places, as during the political unrest in Indonesia in 1998, the military itself can waver, and it does not appear as though the People's Liberation Army is accustomed to the task of putting down riots. The United States often called out its National Guard in the late 19th and early 20th centuries to quell violent labor disputes and put down local riots. In comparison to the U.S. National Guard, China's People's Liberation Army seems to be less experienced at handling standoffs with local rioters. And since much of China is heavily populated, sending in airborne units or mounting siege operations might not be very viable options in China's case. Even protest activities limited to a single location can be difficult to deal with, as when a huge contingent of Falun Gong followers engaged in a silent sit-in outside the Zhongnanhai leadership compound in Beijing in the spring of 1999. Because the Falun Gong protest involved a religious organization, the government lacked clear justification to move strongly against it, and its response was slow in coming because of the demonstrators' mysterious behavior. The protesters outside the Zhongnanhai compound seemed to be acting under the orders of some hidden leader, for they

all gathered and dispersed as if on command.

China's market economy has been growing rapidly since 1978, bringing a precipitous decline in the competitiveness of state-run enterprises and creating a huge burden for the state, but because the Communist Party is dependent upon state-run enterprises, any reform of the state sector of the economy would chip away at the Party's power base. The problem, however, is that loss-making state-run enterprises put a tremendous burden on state coffers, and until these losses are reduced, the government cannot hope to put itself on a sound, long-term fiscal footing. The leadership in Beijing will probably opt for one of the following two solutions: either it will sell off its state-run enterprises for a song to high-ranking government officials, as Taiwan's Kuomintang government did in the 1950s and 60s, or it will carry out a phased divestiture of these enterprises, transferring them to buyers in the non-state sector. The latter option is already being exercised, in fact, but nominal transfer to the non-state sector does not always necessarily mean that these enterprises stop depending on the government for support. They continue to receive public funds, and their managers merely take on entrepreneurial trappings while continuing to act as officials of the Communist Party and the state.

The non-state sector is growing at a very impressive clip. While falling short of double digits, it could nevertheless expand at an annual rate of 7% for the next 10 years, which is just as fast as Japan's economy grew during the 1960s. With 21st-century population growth held in check by the one-child policy, per capita incomes can be expected to rise for a time, but some time around 30 to 50 years from now a shortage in the labor force will make it difficult for the government to implement its social policies. Savings and economic growth rates should begin to decline. Nevertheless, it appears that the Chinese economy will grow very large, and once China has been admitted to the World Trade Organization, it

will take further steps to establish a market economy.

While all this economic growth takes place, what is likely to happen in China's political sphere? A certain degree of democracy is already being practiced at the grassroots level. As for the effect of income levels, high-income areas do not seem to have generated much impetus for democratization. That is because people in these areas are putting top priority on getting wealthy via the market economy. In low-income areas, as well, there appears to be little clamoring for democracy. Democracy requires that a certain amount of society's resources be invested in politics, but people in low-income regions expend almost all their energy in the struggle to survive, for which reason democratization has not made much progress in such regions. In middle-income regions, by contrast, wealth has been generated as the result of government policy decisions, and for this reason there is a certain degree of support for democracy in these regions.

At the level of individual provinces, democracy does not appear to hold any great appeal in Guangdong or Zhejiang, nor has democracy made all that much progress in Yunnan Province or the Xinjiang Uighur Autonomous Region. In the provinces of Liaoning, Shandong and Fujian democracy has made some strides, albeit within a system that remains under the complete control of the Communist Party. We do not know what sort of interplay may occur in the future between these changes and mass protest activities. What is the connection, for example, between the rash of recent protests in Hunan's rural mountain villages and China's moves toward democracy? In my personal opinion, mass protest activities will in the long run spur the growth of democracy in China. At the same time, however, we cannot rule out the possibility that the protest movements could get out of control and lead to massive unrest. Those who support this view use this as proof that China needs a directing force such as the Communist Party, saying that Chinese society is like a heap of

Photo : AP/WWP



Falun Gong protesters continue to meditate in Tiananmen Square in Beijing despite the government's harsh crackdown

loose sand. In point of fact, there is no other social grouping in China that can play the same cohesive role in Chinese society that the Communist Party plays.

There are even people who liken the Communist Party of China to Japan's bureaucracy. If that comparison is tenable, then any transition to democracy would bring a certain degree of instability, and this could trigger either a "palace coup" or a military coup in the capital. Once that happened, separatist forces operating with the support of the United States or the Muslim world would begin to stir. Under such circumstances, Taiwan would probably at least dream of declaring independence from separatist forces and seeing China break apart into seven democratic republics loosely linked together in something similar to the European Union. The seven republics would be called something like the Republic of Northern China, the Republic of Southern China, the Republic of Taiwan, the Uighur Republic, the Republic of Tibet, the Republic of Mongolia, and the Republic of Northeast China. But it is impossible to say whether such a huge breakup could take place the same way the Soviet breakup did in 1991, with almost no bloodshed involved. Both the Communist Party and Kuomintang have always based their legitimacy on their fight against the imperialist and colonial encroachment that China had come to suffer due to the weakness of the Qing dynasty. Although the vast majority of the Chinese population is ethnically Han, the country was ruled by its Manchu conquerors from the mid-17th century until 1911. After the Manchus were booted out of power, the country's borders remained unchanged. Since 1911 the country's rulers have spent nearly a century seeking to build up the state under the banner of Chinese nationalism. If the foundations of that state were to crumble, we could probably not expect a great deal of sustained stability.

The reason I devote so much attention to the issue of democratization is that China is almost certainly poised to become a major economic power, and

if this were to lead to democratization, it would civilize domestic governance to a certain degree. It would also make it more difficult for the government to use military force against other nations, since I expect that civilized behavior on both parts would be answered in kind. For Japan and other East Asian nations, China's emergence as a major power would bring tremendous changes. A stable transition to democracy in China would be wonderful news not only for the people of China, but also for China's neighbors. Even if the United States continues to act as world leader for the next half century, such a transition is needed, and it appears all the more necessary when one considers the possibility of a diminished U.S. leadership role. The problem is that if the trend toward democracy broke down in midstream, it would destabilize all of East Asia. Japan can be expected to provide official development assistance and various other forms of aid in an effort to help the Communist Party of China maintain control while presiding over a stable transition to democracy, but it remains to be seen whether such aid will prove effective.

### 3. Will Japan ally with the strongest power?

In the 150 years since Japan was forced to become a participant in Western-style international relations, our country has demonstrated a pattern of attempting to ally itself with the world's most powerful nation.<sup>9</sup> As the shogunate moved in the late 19th century to open the country to the outside world, it relied on Britain for help in its attempts to put down military resis-

tance from the domains of Satsuma (now Kagoshima Prefecture) and Choshu (now Yamaguchi Prefecture), where the policy of opening up was fiercely opposed. England demonstrated its military superiority conclusively when it bombarded Kagoshima in 1863 and Shimonoseki in Yamaguchi in 1864. In a world where Britain reigned supreme, Japan avoided conflict with the British-led West, and managed to scrape by for half a century without control over its own customs operations. Then around the turn of the century, when Britain concluded that it would be difficult to prosecute two wars at the same time without the help of an ally, it was Japan that lent a helping hand. This is known to historians as the Anglo-Japanese Alliance.

But when Japan defeated Russia in the Russo-Japanese War of 1904-1905, both the United States and Britain became wary. As multilateral treaties and agreements began forming in the years after World War I, Japan grew uneasy. At the same time, Japan felt dissatisfied at how little it received in reparations after the war was over. Japan grew increasingly unhappy with the West, especially its racist attitudes, and vented its frustration on its Asian neighbors, making them the targets of expansionist plans. After World War II broke out in Europe, Germany swept with seeming invincibility from one victory to the next. Japan, thinking that Germany would soon be the most powerful nation in the world, entered into the Anti-Comintern Pact with Germany. Eventually Germany, Italy and Japan came to form a Tripartite Pact. They were known as the Axis powers. After Japan's defeat in World War II, the United States emerged as the most powerful nation in the world. Japan spent several years under U.S. occupation, eventually entering into an alliance when it signed the Japan-U.S. Security Treaty.<sup>10</sup>

By sometime between 2025 and 2050, if China were to have the largest economy in the world, would Japan enter into an alliance with China? Even if China has the largest economy by that time, it will probably still lag

behind the United States militarily. But under such circumstances, would the United States terminate its military presence in East Asia, as if to say that it was leaving East Asia and the responsibility for East Asian regional security in China's hands? Especially in the event that China achieves a stable transition to democracy, would the United States perhaps "appoint" China rather than Japan as the region's representative? Would China replace Japan as America's most important diplomatic partner in East Asia? If that happened, U.S. military bases in Japan would surely shrivel to a shadow of what they are now. Japan has entrusted the United States with its security, but what sort of choice should Japan make when and if the global balance of power undergoes a shift at the very top?

If China goes democratic, Japan will probably maintain its alliance with the United States while establishing a significantly strengthened friendship with China. If we assume that democracies are highly unlikely to use military force to settle disputes among themselves, alliances themselves become less meaningful and begin to feel more like the Washington Treaty System did after WWI. Traditional Japanese strategists have always considered such an arrangement too risky, which is why they have always believed it necessary to rely upon an alliance with the most powerful country on earth. A country should not rely too heavily on multilateral treaties or move too quickly to establish an alliance with a country that seems to be the next great superpower. Doing such things often turns out to be a mistake. If China truly does emerge as the most powerful country in the world as we head into the latter half of the 21st century, would Japan follow its traditional pattern and enter into an alliance?

Even if the United States does go into decline in the medium to long term and loses its political will to act as a world leader, this change is likely to come about very gradually. This is the view that Joseph Nye championed in the 1980s, and it implies a continuation of the Japan-U.S. alliance. A transition to

democracy in China would not necessarily lead to either stability or a friendly attitude toward Japan. The result could, in fact, be occasional instability and heightened anti-Japanese nationalism. But the charm of a democratic China is the expectation that it would not be as easy as before for China to use military force against other nations. Even if a certain amount of instability from time to time is inevitable, democracy is to be welcomed if it means less chance of military aggression. As for the argument that anti-Japanese nationalist sentiment would be more easily inflamed in a democratic China, I think that even a temporary heightening of such sentiment would be less likely to lead to military action, so in this area, as well, there is reason to welcome a transition to democracy. Rather than worrying about a powerful China versus a powerful Japan, it seems to me that we should be thinking in terms of a democratic China and a democratic Japan. I believe that in a relationship between democracies it would be easier to achieve closer, more peaceful interaction in the 21st century, and both sides would be more likely to take a pragmatic approach to bilateral issues.

Japan will surely maintain its alliance with the United States as long as the latter remains the number one power in the world, and as long as China is not democratic, Japan is unlikely to take its friendship on that front to the level of an alliance. Furthermore, as long as the United States continues to rule the roost militarily, Japan's alliance with the United States is not likely to undergo any change even if China does become the number one economic power. On the contrary, Japan would probably be all the more likely to keep its U.S. alliance under such circumstances. Earthshaking change does not appear to be in the offing. To the extent that there is change, it should not be too drastic. The most important thing is that Japan does not need to adopt any revolutionary changes in the way it has been handling its relations with China and the United States. **UJI**

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