

## KEYNOTE

# **The rise of China and India – repercussions for Japan (Wissenschaftliche Tagung der DGA, 15.05.2009)**

Shinichi Kitaoka

Thank you very much for your kind introduction.

It is a great pleasure for me to be here in Berlin again. As a member of the Japan-German Dialog Forum, I have been a regular visitor here at least every two years for more than 10 years. One big difference is that we are now in the best season of the year, while our Japan-German meetings were often held in February, the worst season of the year in Berlin. I felt that it was colder in Berlin than in Moscow in February.

The topic today is “Asia’s Old and New Powers – The Rise of China and India and the Consequences for Japan, Europe, and the Global Politics” and I am going to cover the repercussions of the rise of China for Japan particularly.

If this conference had been held in the 19th century, the old Asia would have meant China and India and the new Asia would have meant Japan. But things have changed in the early 21st century, Japan has become an old Asia, and China and India have been referred to as new Asia. It is well known that as of 1820s the biggest economic power in the world was China, occupying more than 20% of world’s GDP, followed by India. At that time population meant very much and technology meant less. Recently we noticed that China dispatched naval ships to the coast of Somalia. It reminds us of the Chinese expeditions that went as far as to the Eastern Africa led by Admiral Zheng He (鄭和, 1371–1433/35?). One of the goals of the expeditions of Zheng He was to fight against piracy, something similar to today’s case. In Africa, African people gave giraffes to the Chinese as the gift to the Chinese Emperor. Chinese people had never seen any giraffe, but they thought it looked similar to the legendary creature with a long neck and short horns that appeared in the myth of China. The discovery of this legendary animal was considered as the evidence of the great virtue of the Emperor. The Emperor was very happy with these presents.

Anyhow, the rise of India and China is not totally new to us Asians. But it is not a simple return to the tradition. Therefore asking the significance of the rise of China and India maybe asking what the modern period in world history was. In other words, a reflection on the modernity will be an important topic in today's talk.

As I said already I will talk mostly on China rather than India. You may understand why it will be so. It is because the repercussions of the rise of China was and is and will be much greater than the rise of India to us Japanese.

Let me introduce some of the predictions of the Asian future in your handout.

**Table 1: GDP and Military Budget of the U.S., China, and Japan as of 2030**

	GDP (billion \$)	annual growth rate (%)		Military budget (billion \$)	GDP share (%)
<u>1</u> <b>U.S.</b>	20,815	2	<b>U.S.</b>	833	4
<b>China</b>	11,245	6	<b>China</b>	506	4.5
<b>Japan</b>	5,790	1	<b>Japan</b>	58	1
<u>2</u> <b>U.S.</b>	20,815	2	<b>U.S.</b>	832	4
<b>China</b>	5,326	3	<b>China</b>	240	4.5
<b>Japan</b>	5,790	1	<b>Japan</b>	58	1
<u>3</u> <b>U.S.</b>	13,200	0	<b>U.S.</b>	535	4
<b>China</b>	11,245	3	<b>China</b>	240	4.5
<b>Japan</b>	5,790	1	<b>Japan</b>	58	1

Table 1, is a comparison of GDP and military expenditures of the U.S., China, and Japan as of 2030. Unfortunately these are based on the data before the 2008 global economic crises. So it is not accurate. But anyhow, such a long-term prediction can not be accurate at all. As a hint for the long future even these inaccurate predictions may be of some use, I hope. You can see three predictions based on the three assumptions of the annual growth of the three countries. The first one is based on the assumption that the U.S. economy will grow at 2% annually, China 6%, and Japan 1%. This is probably the most likely scenario. China has continued to grow with a pace of more than 10% annually, but after reaching a stage of some maturity China's economic growth will slow down, but will remain higher than that of the developed countries. So my assumption is 6% growth for China.

In this case, in the year 2030, Japan's economy will be one quarter of the United States' economy and half of China's. It is not particularly shocking to us. But take a look at the military expenditures, which is much more shocking. This is based on the assumption that the share of the military budget in total GDP in the respective countries will remain the same – 4% for the U.S., 4.5% for China, and 1% for Japan;

though it is lower than 1% in Japan. But if it continues then China will be catching up with the United States very rapidly, \$833 billion versus \$506 billion. If we can take into consideration that the Chinese military expenditure does not have much transparency, and also the low cost of human resources, this may mean that China will catch up to the American military forces very rapidly. The question is whether or not the United States military will accept it.

The second scenario will be the case in which China will make an annual growth of 3%, lower than in the first case. Three percent is not very different from that of developed countries in the past. In this scenario Japan's economy will be roughly the same size as China's economy and the U.S. will maintain a comfortable lead in the military budget, as you see, \$832 billion versus \$240 billion. Still, it does not mean a stable East Asia. As you know there are tens of thousands of uprisings in China. Political instability is very visible in China. People's frustration is very high. Such frustration of the people has been kept under control by the strong hand of the government and also by the hope that people may become richer eventually in the future. That 3% means that the second measure will be lost. So the political situation will become more unstable. And then, I'm afraid, one possibility to maintain internal stability may be to create an enemy, a bad guy, outside the country to turn people's attention to the outside, away from domestic difficulties. It will be a very dangerous situation for Japan, because the bad guy will quite likely be Japan.

There is a third scenario, but because the time constrains, I'll skip it, because this is the least likely compared to the other two.

Let us look at table 2.

**Table 2: GDP (ppp) and population of U.S., China, India, and Japan as of 2005 and 2050**

	GDP (billion \$)	population (million)
<b>2005</b>		
U.S.	12,410	300
China	8,572	1,330
Japan	3,944	127
India	3,816	1,110
<b>2050</b>		
U.S.	34,000	400
China	33,400	1,260
Japan	5,000	94
India	19,100	1,730

This is a view to the future, very far from now, a comparison of U.S., China, Japan, and India, for 2005 – four years ago – and 2050. At that time it is much more striking. In order to make the contrast clearer, I made this in purchasing power parity (ppp, *Kaufkraftparität*). In this comparison, Japan is already behind China in 2005, and Japan is followed by India closely. In 2050 U.S. and China will be about the same, followed by India, and Japan is the number four, but not only the number four, Japan's economy will be only 1/7th of that of U.S. and China, and 1/4th of the econ-

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omy of India. But two things should be noted: Japan is still the number four in the world, because the economies of the developed countries such as Germany, France, and U.K. will be smaller at that time than Japan. And economies of developing countries, such as Brazil, Mexico, and Indonesia will not be as big as that of Japan yet. So the world economy can be dominated by three giants in 2050, followed by some middle-sized countries, including Japan, Germany, U.K. and so forth.

But one more thing to be noted is that the Chinese population will have started to decline at that time. The projection is based maybe on the demographic trend. Chinese low fertility will not change even if the government lifts its one-child policy. That is what specialists say. On the other hand the Indian population may continue to grow. That is why the Indian population will be more than 1.5 times than that of China. And then also the American population will continue to grow, though gradually, compared to India. The projection is that the Chinese economy will catch up with the United States, but the United States will set back and will become the number one again in 2050. This is what this table says.

I have been already discussing the development of China and its constraints. There are many constraints, as you may know – environmental degradation, limited resources are very well known. And I have touched upon the difficulties in political system. Whether or not politics can be sustainable without a democratic system through which people can air their voices.

Another constraint is the size of the Chinese land. China is roughly speaking as big as the US. But when it comes to the arable area where people can live comfortably, the Chinese arable area is just 15% of the total land while this is in the United States roughly 79%. So in a way the United States is five times bigger than China. So if China can embrace 1.3 billion people, theoretically the United States can embrace 7.5 billion people, which I don't like to see it happen.

Another constraint may be the lack of academic freedom. Future economy will depend more and more on knowledge. China can develop technology-related sciences, but can we expect that humanities and the social sciences will develop without academic freedom? I do not think so.

By the way, I have been a chairman on the Japanese team in Japan-China Joint History Research Committee (2006). I noticed that they are quite strongly bound by the government. They do not have a real freedom of speech.

This leads us to one of the difficult issues – intellectual property. As you know the Chinese government has decided to launch a system to force foreign manufacturers of electronic home appliances and others to disclose the information technology on the ground of national security. If it is implemented, key technology will be passed into the hands of Chinese competitors immediately. As you know Japan, United States, and European countries, including Germany of course, are strongly opposed to the implementation of this system. But this is a fundamental challenge to the international agreement and this is an evidence of the neglect of the property rights

on the part of China. I do think that China can develop without this kind of system. They should do without this kind of strange system, but we have to wait and see how they will change or modify their decision. They are now just showing some concessions about the timing of introduction of this system or scope of this system. But still I think this is a fundamental challenge to the international commitments on intellectual property.

Anyhow, however, China will grow economically over these constraints. That's what I predict. The economies of China and Japan have become interdependent very much. Eventually economy is a win-win game. When Chinese people become rich it means that we have good customers. Of course Japanese businesses have to try hard to remain superior in their quality, but having a good neighbor, rich neighbor, is not bad to Japan.

But when it comes to the military dimension things are very different. China has been continuing its military build-up for twenty years with more than 10% annual growth. If it continues 15% growth for five years, Chinese military budget will become twice; for ten years four times; fifteen years eight times; and in twenty years it becomes sixteen times. That is not very far from what really happened. Particularly the Chinese naval expansion needs careful attention. They are strengthening their submarine capabilities, and that is a challenge to the 7th fleet of the U.S. because the aircraft carriers are rather vulnerable against submarines. The East of Taiwan is very deep, which makes it a good place for the submarines to hide. If Taiwan becomes a part of China, formally or informally, that will give some ports to be used for China's navy on the Eastern coast of Taiwan. Now they have announced a plan to build aircraft carriers. According to American specialists it is quite difficult and expensive to have an effective control of aircraft carriers. It may take a decade or decades, but probably they can do that in a decade or two. As I said they have dispatched already some vessels to the coast of Africa, which is good of course, this is an important contribution to the international peace and stability. Sure it is true that the scope of Chinese naval activities has expanded much through that. However, the real problem is the manner of their naval expansion rather than the expansion itself, it seems to me. In November 2004 a Chinese submarine intruded into the Japanese territorial waters, and was chased by Japanese Self Defense Forces' ships and, went out eventually. The Chinese explanation was that it was caused by technical errors, but it was entirely able to go through the difficult sea for a troubled submarine. Also there have been a couple of similar events around the U.S. navy. Most recently the U.S.S. *Impeccable* was surrounded by Chinese ships on March 9th, this year (2009). And beforehand *USS Kitty Hawk* was chased; a Chinese submarine suddenly surfaced near the *Kitty Hawk*. These are all minor violations of international law. It is as if they were testing the determinations of American military.

I have three concerns rather than the naval build-up itself on this. 1) The reason or aim of expansion. Why should it be expanded this much? What is the aim and what

is the strategy of Chinese military? Is it necessary? My guess is that there is no clear-cut strategy on the side of the Chinese navy. The navy was expanded because the budget was expanded and because the economy was expanding. That sometimes happens in many countries without a clear-cut strategy. The military wants to have a power strong enough not to be threatened by any country around them, in this case the United States. But if China owns a military not to be threatened by the United States, that will be a big military, which is enough threats to the neighboring countries. 2) I am afraid that the Chinese military is not under the tight control of the top leaders of the government. I have mentioned the irregular activities related to Chinese submarines, the Kitty Hawk, and others. I don't think that they are under the direction of the top leaders of the Chinese government. In other words, civilian control is not strong enough in China. There was another event. Last year there was a historical summit meeting among East Asian countries – the top leaders of Japan, China, and South Korea met for the first time in history. But on the eve of that meeting there was an unexpected visit of Chinese vessels to Senkaku islands. I don't think this was intended by the top leader of China. If it is intended, of course it is bad, but if it is not intended, it is even worse because it would be the evidence of the lack of control of military on the part of Chinese politics. 3) My third concern is whether or not China has a real respect for international law or law in general; I have expressed my concern over the violation of intellectual property rights already, but let me also add the case of exclusive economic zone in the East China Sea and South China Sea. On the East Chinese Sea they are insisting that the line should be drawn along the continental shelf, which is very advantageous to China. Drawing a line along the continental shelf is a little bit an outdated theory. Japan's position is that the line should be drawn in the middle of two territories, between two countries. Strangely China is insisting on drawing the line in the middle rather than sticking to the theory based on the continental shelf in the South China sea against other countries, such as Viet Nam because the continental shelf theory would benefit Viet Nam rather than China. This is a typical double standard.

I remember very clearly that in 2005, when Japan tried to get a Security Council reform together with Germany, there have been massive demonstrations in Beijing, Shanghai, and other places. People were shouting that activities, patriotic acts should not be punished. That was their slogan. But actually, I believe that whether or not motivated by patriotism, illegal actions are illegal. That is an attitude that comes from the lack of respect for law. Let me add that as for the damages of our Embassy and Consulate General in Shanghai there has been no apology, no compensation, though the restoration was done by Chinese money.

Let me go back to the issue of policy. I am afraid that what we see on the sea in East Asia is not only a simple shift of power from one country to another, but a principle is at stake, or the principles such as freedom of the sea, and international law. Here I would like to touch upon the Taiwan and the Tibet issues very briefly because of time constraints. Taiwan has been controlled by the central government of China for

a relatively short period of time. It came under control of China in Qing Dynasty (1644–1911), but the control was only on the western part of Taiwan. Taiwan province was established only in 1885, but even then the mountainous area and eastern Taiwan were untouched by the Chinese authority, and 1885 was just ten years before it was handed over to Japan. Chinese control of Taiwan was relatively new and short. I'm saying this, because the topic of today's talk is "new and old." Another concern is that Chinese people believe that Taiwan should be part of China because it is inhabited by Chinese people. It is true, but this belief is very dangerous. You know, that the same race should be united in one country was the theory of Nazi's Germany. I think they have a misunderstanding of the theory of self-determination of the people.

On Tibet, unfortunately recently the French president agreed with the Chinese leader that Tibet is an integral part of China from ancient time. Simply, this is wrong. Tibet became part of China in Qing Dynasty, too, but it was a kind of equal partnership between Tibet and Qing Dynasty. This has been a partnership between a religious leader and a secular leader, not a relationship like today.

Let me briefly introduce you a theory proposed by a great anthropologist Umesao Tadao to understand the differences in Asia. Professor Umesao challenged the conventional theory that Japan was Asia and not Europe at all and asserted that Japan was more similar to Europe in many ways. According to him, the difference between the peripheral part of the Eurasian continent and the central part of the Eurasian continent is bigger than the difference between the East and the West. Both Europe, the western periphery of the continent, and Japan, the eastern periphery of the continent, had one historical legacy in common. It is feudalism. In both Europe and Japan, the power of king was limited by the power of feudal lords. There were the rise of merchants who benefitted from the trade through the sea, and the money of the merchants became another factor to limit the power of the king. If people suffered much from the abuse of power by the king, they can escape to the area of other feudal lords or they can go out to the sea. In other words, pluralistic society was born and developed both in the West and in Japan.

In that pluralistic society, there are many actors – the king, feudal lords, merchants, and the city. It is well known that there was the rise of the merchants and the cities like Sakai or Hakata. In order to manage the relationships there developed the law. Thus, rule of law became another remarkable aspect which has been common in Europe and in Japan. On the contrary, in the central part of the Eurasian continent, the main parts were ruled by huge empires, with the absolute power of the emperor, which was not limited by anything. It was needed, because they had to fight against very harsh weather and in order to integrate a huge number of people, which was quite different from the conditions in the peripheral part of the continent. Thus, though Japan has been an Asian country, Japan's social character was very different from that of mainland Asian countries. We had feudalism, and from that we had a

plural system and some kind of respect for law, or rule of law, which are all very important legacy. Some historians argue that the biggest mistake of Japan in modern time was that it wanted to become a continental power after the Russo-Japanese War and went deep into the continent. But after the war Japan reestablished itself as a sea-power, or a trading country, which was a normal course historically. That's how Japan has emerged again.

What we see in Asia is certainly the rise of new countries, which is unstoppable in many ways. But at the same time the important legacy of modernity is at stake. More strictly, the universal values such as freedom, democracy, and human rights that have been nurtured by the modern society are now threatened.

Yesterday's atmosphere in this conference was very optimistic, so I tried to stress the negative side of the situation. I am not all out pessimistic. There might be a possibility that China will become a law-abiding nation in the future. And we should not forget about the possibility that India may surpass China in the long future and have more influence over the world. There is also a possibility that Japan can make a more reforms in its system, particularly in agriculture. In that case Japan will be able to make more economic growth than 1%. And also Japan can spend more money than 1% on the military buildup, in order to contain China which may proceed in a wrong direction.

But I still think that the rise of China is not only a creation of a new big economic power, but also it may mean a big challenge to the modern values, which I believe are universal. I hope China will become a law-abiding country in the future, very much so, but it is too early to be optimistic.

I stop here, thank you very much.