

China Tests Japanese and U.S. Patience

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Japanese Prime Minister Shinzo Abe has warned Beijing that Tokyo is losing patience with China's assertive maritime behavior in the East and South China seas, suggesting China consider the economic and military consequences of its actions. His warning followed similar statements from Washington that its patience with China is wearing thin, in this case over continued Chinese cyberespionage and the likelihood that Beijing is developing and testing cybersabotage and cyberwarfare capabilities. Together, the warnings are meant to signal to China that the thus-far relatively passive response to China's military actions may be nearing an end.

In an interview *The Washington Post* published just prior to Abe's meeting with U.S. President Barack Obama in Washington, Abe said China's actions around the disputed Senkaku/Diaoyu islands and its overall increasing military assertiveness have already resulted in a major increase in funding for the Japan Self-Defense Forces and coast guard. He also reiterated the centrality of the Japan-U.S. alliance for Asian security and warned that China could lose Japanese and other foreign investment if it continued to use "coercion or intimidation" toward its neighbors along the East and South China seas.

Abe's interview came amid warnings on Chinese cyberactivity from Washington. Though not mentioning China by name in his 2013 State of the Union address, Obama said, "We know foreign countries and companies swipe our corporate secrets. Now our enemies are also seeking the ability to sabotage our power grid, our financial institutions, our air traffic control systems." Obama's comments, and the subsequent release of a new strategy on mitigating cybertheft of trade secrets, coincided with a series of reports highlighting China's People's Liberation Army backing for hacking activities in the United States, including a report by Mandiant that traced the activities to a specific People's Liberation Army unit and facility. The timing of the private sector reports and Obama's announcement were not coincidental.

Although Washington has taken a slightly more restrained stance on the Senkaku/Diaoyu dispute, reportedly urging Tokyo not to release proof that a Chinese ship locked its fire-control radar on a Japanese naval vessel, clearly Washington and Tokyo hold the common view that China's actions are nearing the limits of tolerance. Given its proximity to China, Japan is focusing on Chinese maritime activity, which has accelerated in the past two to three years around the disputed islands, in the South China Sea and in the Western Pacific east of Japan. The United States in turn is highlighting cyberespionage and the potential for cyberwarfare. Both are drawing attention to well-known Chinese behavior and warning that it is nearing a point where it can no longer be tolerated. The message is clear: China can alter its behavior or begin to face the consequences from the United States and Japan.

Abe drew a sharp response from Beijing, though less from his interview than from another *Washington Post* article based on the interview that interpreted Abe as saying, "China has a 'deeply ingrained' need to spar with Japan and other Asian neighbors over territory, because the ruling Communist Party uses the disputes to maintain strong domestic support." Tokyo responded to China's complaints by saying the second *Post* article was misleading but that the transcript of Abe's interview was accurate.

Although the Japanese government did not elaborate on this point, by "ingrained" Abe did not mean Chinese behavior per se, but rather the anti-Japanese undercurrents of China's education system and the use of anti-Japanese sentiment as the basis of Chinese patriotism. □ In addition to being Beijing's standard knee-jerk reaction to any less-than-flattering comments by a foreign leader, the Chinese government and media response represented an attempt to shift attention from Chinese actions toward the "hawkish" Abe as the source of rising tensions in East Asia. A follow-up Xinhua article published after the Abe-Obama meeting cautioned the United States to be "vigilant against the rightist tendency in Tokyo" and said the first- and second-largest economies, the United States and China, should work together "to safeguard the peace and prosperity of the Asia-Pacific region and contribute to global development." Other Chinese media reports suggested that Abe failed to gain support from Obama during the visit for his Senkaku/Diaoyu policies or for a unified stance against China. The undertones of China's response, however, reflect less confidence.

The Economic Threat

What Abe said in his interview apart from the Chinese media spin is instructive. According to Abe, relations between China and Japan have been suffering due to unintended consequences of moves by the Communist Party of China to retain its legitimacy. China's economic opening led to unequal prosperity, eliminating the Party's main pillar of support, equality. To counter that, the Chinese government pursued a two-prong strategy of economic growth and patriotism. Economic growth required Beijing to expand its sourcing of commodities, moving China naturally onto the sea. Meanwhile, patriotism, tinged with anti-Japanese teaching, has come to pervade the educational system and society.

Abe argued that China is pursuing a path of coercion or intimidation, particularly in the East and South China seas, as part of its resource-acquisition strategy. Anti-Japanese undercurrents in Chinese society due to the inculcation of patriotism have won domestic support for the assertive Chinese actions. But this has strained Japanese-Chinese economic relations, thus undercutting China's own rapid economic growth. And without continued economic growth, Abe cautioned, China's single-party leadership would be unable to control its population of 1.3 billion.

Within this context, Abe cautioned that it is important to make Beijing realize it cannot take another country's territory or territorial water or change the rules of international engagement. He raised the defense budget and emphasized that the Japanese-U.S. alliance is critical for regional security, as is a continued U.S. presence in the region. He also warned that China's assertive behavior would have economic consequences and that although Japanese companies profit in China, they are responsible for 10 million Chinese jobs. If the risk of doing business in China rises, then "Japanese investments will start to drop sharply," he added.

Abe's warnings were designed to strike at the core Chinese government fears of economic and social instability and military encroachment by the United States and a reinvigorated Japan. On the economic front, Japan is one of the top sources of actual foreign direct investment in China and a major trading partner. Although it is difficult to verify Abe's claims of 10 million Chinese employed due to Japanese investments, the implications of Chinese actions on bilateral economic cooperation are more easily observable. In 2012, a year when tensions ran high due to Japan's decision regarding what it called the "purchase" of some of the disputed Senkaku/Diaoyu islands from a private Japanese citizen, anti-Japanese protests flared in China, as did unofficial boycotts of Japanese goods. Total trade between China and Japan fell 3.9 percent year on year, the first drop since the major financial crisis of 2009, with exports falling more than 10 percent. Japanese foreign direct investment, although rising slightly for the year, saw a major falloff in the summer when tensions between the two countries ran high.

Other factors played a role in the decline of trade and investment, including reduced overall Japanese demand and shifts in suppliers for certain key resources (and adjustments in Japan's

export markets). And Japan itself would suffer from a major break in trade relations, though Tokyo may be taking steps to cushion against fallout from economic disputes with China. Japanese firms in fact already are beginning to show an interest in shifting some of their manufacturing bases out of China even without the added incentive of anti-Japanese sentiment-driven protests and boycotts. In 2012, the gap between China and the United States as the top destination for Japanese exports narrowed further to just 0.6 percent. Abe also hinted strongly that Japan has finally decided to pursue talks with the United States over the Trans-Pacific Partnership, a trading bloc (unofficially) designed to exclude China.

Although Japanese companies are unlikely to flee China en masse, the threat of a slow reorientation toward stronger trade ties with the United States and softening investment in China strikes at one of the Communist Party's major concerns, namely maintaining social stability through employment. Like that of Japan, exports and growth have driven China's economy. This does not necessarily mean profits or efficiency; on the contrary, Beijing has harnessed the constant growth to maintain employment and provide loans to keep businesses operating, even when they operate with razor-thin profit margins or at a loss.

Employment represents China's preferred tool to maintain social stability, and the Party sees stability as paramount to retaining its legitimacy as the unchallengeable and unopposable leader of China. Both the Chinese government and Abe know this, and now Abe is threatening to target Chinese growth, upending the whole system of stability. The Japanese may not really be able to effect or afford any drastic change in economic relations with China, but with the activation of the Trans-Pacific Partnership and with a possible Japanese government emphasis on investment to Southeast Asia and Africa (with private investment likely to follow), the economic pressure on China could slowly build.

The Military Warning

The military warning is therefore more immediately troubling to Beijing. Both Tokyo and Washington are reaching their limits for tolerating aggressive Chinese behavior. The United States is pivoting toward Asia, seen by China as a constraining action. Japan is strengthening ties with Russia, Australia, India and Southeast Asia, something China regards as containment. China's emergence as a big power has not been entirely smooth. Any time a nation seeks to alter the status quo between other powers, disruption and resistance are inevitable. China's maritime expansion and its cyberespionage and emerging cyberwar capabilities are closely linked to its economic and social policies. The former is a more obvious concrete action, but one that raises the risk of creating the appearance of being ready for peer competition long before China actually is. The latter at least offers some opportunities for plausible deniability (though Washington is now removing that already-translucent veil), and reflects an attempt to exploit an area where China's overall vulnerabilities are less of a liability; it is the weak taking its best available action against the strong.

For Japan, maritime activity around the disputed islands is manageable so long as it remains in the civilian realm, but the use of fire control radar on Japanese ships and overflights by Chinese aircraft are unacceptable. (Japanese aircraft are shadowing Chinese overflights. In a recently reported case, a Chinese Y-8 surveillance aircraft and the Japanese F-15 interceptor came within 5 meters, or 16 feet, of one another, creating the potential for a collision like the one between a U.S. and Chinese aircraft in 2001.) And while the United States may have tolerated the occasional case of cybertheft and cyberespionage, as Obama noted, such activities become unacceptable in scale and when it shifts to targeting U.S. infrastructure, where it has the potential to disrupt electricity grids, communications systems and other industrial processes.

Japan and the United States have both called their defense alliance the cornerstone of their regional policies and relations. Japan continues to evolve its interpretation of its constitutional limit on military activity, and Tokyo has pledged to Washington to take a greater role in ensuring regional security. The escalation of Chinese naval activity has given the impression of a confident and capable Beijing on its way to changing the balance of naval power in the region. China has built the impression of a strong modern navy backed by land-based missiles, with modern ships and technology and an emerging international reach. China's anti-access area denial strategy is an increasing point of contention in Japan and the United States, where there are warnings that the Chinese navy will soon outpace the U.S. Navy in the Pacific, limiting U.S. naval capabilities with its "carrier-killer" missiles and quantitatively superior fleet.

The Chinese navy has undergone a significant modernization program over the past decade. Still, it is far from ready to compete head to head with the Japanese navy, much less with Japan's treaty ally, the United States. Modernization efforts and the fleet-building program have yet to make for a superb Chinese navy, nor would having superb sailors. A superb navy requires organization, doctrine, principles and most of all experience. The main problem constraining China's navy is not its shipbuilding or recruitment, but its limited ability to truly integrate its forces for war fighting and fleet operations. This requires substantial knowledge and training in logistics, cooperative air defense and myriad other complex factors.

There really is only one real measurement for a navy: Its ability to win against its likely rival. Part of determining the quality of a navy depends upon its technology and part on doctrine, but a substantial part is actual experience. China's navy has little war-fighting experience, even in the past. This has substantially limited the number of individuals within the officer corps knowledgeable or capable of effective operations in the highly complex world of modern military engagements. The Chinese navy may have new technology and be building toward numerical superiority, but it faces off against a U.S. Navy with centuries of experience and generations of admirals schooled in combat. Even the Japanese navy has more than a century of experience and a tradition of maritime warfare. The lack of combat experience significantly limits China's naval capability.

The Chinese government officially downplays these capabilities and any talk of a potentially aggressive nature of the Chinese military. But Beijing does little to dissuade such speculation, allowing a steady stream of images and commentaries in the Chinese popular media and the strategic leaking of imagery in China's social media. Beijing likes to appear fierce while saying it is not. But the problem with this strategy is exactly what Abe has pointed out: In appearing threatening, concrete steps are taken to counter China's maritime expansion. Abe is calling China's bluff, exhorting Beijing to reassess the correlation of forces in the region before continuing its aggressive pattern.

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