

Europe, Japan and a Rising China: Policies and Prospects

by Noemi Lanna

China's global influence has increased dramatically over the past decades. Since the launching of the "opening up and reform" policies in the late 1970s, China's economy has been transformed into the second largest in the world. Such rapid growth has been accompanied by an upgrading of its military capabilities and progressive increases in military spending. Between 2007 and 2016, China saw the greatest leap in military spending among the world's top spenders, with an increase of 118 per cent.¹

In the realm of foreign policy, the rise of China has resulted in proactive – and at times aggressive – policies that have extended China's reach to Latin America, Africa and the Middle East, while also pursuing ambitious projects such as the One Belt One Road initiative.

¹ Nan Tian et al., "Trends in World Military Expenditure, 2016", in *SIPRI Fact Sheets*, April 2017, p. 2, <https://www.sipri.org/node/4076>.

China's growing power and assertiveness is challenging the major actors of the international system. Anxieties associated with the implications of hegemonic transition loom large in US debates where fear of confrontation and military conflict coexist with more optimistic visions of China's integration into the Western liberal order. Albeit in different ways, Europe and Japan too face the complex task of dealing with a rising China.

The EU's China strategy is officially based on a form of "principled, practical and pragmatic" engagement that stays "true" to the "interests and values" of the EU.² As the three adjectives suggest, the core-issue is to reconcile the normative nature of the EU with the pragmatic

² European Commission and European External Action Service, *Elements for a New EU Strategy on China* (JOIN/2016/30), 22 June 2016, p. 5, <http://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52016JC0030>.

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imperatives arising from China's status as global actor, with a growing and critical say in international economic and political governance.

This requires combining the principles and values of the European project (promotion of human rights and respect for the rule of law) with a practical and pragmatic defence of European interests (safeguarding Asian security, preserving China's sustainable growth). A stable Asia-Pacific, free of tensions and potential conflicts, is a desirable scenario for EU member states' who are increasingly interdependent with Asian economies.

In order to achieve this goal, it is vital for the EU to reinforce its contribution to peace in the region and constructively engage China: Beijing is not only a key actor in East Asia's hottest geopolitical flashpoints (the Korean peninsula, the Taiwan Strait, the Southeast and East China Sea), but also a decisive trading partner for the EU, ranking second only to the United States.³

On the other hand, the EU's potential leverage over China is far from negligible. The EU is currently China's biggest trading partner, accounting for about 15 per cent of China's trade, and an attractive destination for Chinese investments. Managing the EU-China bilateral relationship in order to maintain compliance with the rules of the international liberal order that have made such interdependence possible therefore remains a mutually beneficial

³ European Commission, *European Union, Trade in Goods with China*, updated 17 November 2017, <http://trade.ec.europa.eu/doclib/html/113366.htm>.

objective. However, it remains to be seen to what extent EU member states' are able to cooperate in pursuit of this objective, implementing policies in a cohesive and effective manner.

As for Japan, geographical proximity and a long-standing history of cultural and diplomatic exchanges add complexity to the strategic anxieties associated with China's growing power. Enhancing relations with neighbouring countries is one of the three pillars of Japan's diplomacy. As far as China diplomacy is concerned, the specific target is to build a "mutually beneficial relationship based on common strategic interests".⁴

Economic interdependence already represents a considerable driver for mutually beneficial relations between the two actors. China is currently Japan's second export destination (after the United States) and its first choice for imports,⁵ whereas Japan is China's third export destination and fourth choice for imports.⁶ However, in the domain of high politics, the pursuit of

⁴ Japanese Ministry of Foreign Affairs, *Joint Statement between the Government of Japan and the Government of the People's Republic of China on Comprehensive Promotion of a "Mutually Beneficial Relationship Based on Common Strategic Interests"*, Tokyo, 7 May 2008, <http://www.mofa.go.jp/region/asia-paci/china/joint0805.html>.

⁵ European Commission, *European Union, Trade in Goods with Japan*, updated 17 November 2017, <http://trade.ec.europa.eu/doclib/html/113403.htm>; Japanese Ministry of Finance, *Trade Statistics of Japan: Value of Exports and Imports by Area (Country), January-December 2017*, http://www.customs.go.jp/toukei/shinbun/happyou_e.htm.

⁶ European Commission, *European Union, Trade in Goods with China*, cit.

"common strategic interests" appears more troubled. The expansion of China's military budget and its assertive strategy in the East and South China Sea are a permanent source of concern for Japan. More importantly, Japan-China relations are deeply embedded in a turbulent regional context in which the Japan-US relationship plays a crucial role. Tokyo has a major stake in preserving stability in the Asia-Pacific – largely dependent on Beijing's strategic choices – and has strengthened its cooperation with Washington in order to achieve this goal.

Regional stability is a precondition for the success of *Abenomics*, and a fundamental prerequisite for implementing effective sea-lane security that is vital for an island country like Japan. Besides, it is also an important condition for pursuing the "Free and Open Indo-Pacific", the grand strategy launched by Prime Minister Abe in 2016,⁷ that aims at expanding infrastructure development, trade and investment, as well as enhancing business environment and human development from East Asia (as a starting-point) to the Middle East and Africa.

As a result, Europe and Japan's approach to China's new global role face similar challenges but different opportunities. In both cases, China's role as a crucial trading partner is a decisive factor in shaping policy. For

⁷ Japanese Ministry of Foreign Affairs, *Address by Prime Minister Shinzo Abe at the Opening Session of the Sixth Tokyo International Conference on African Development (TICAD VI)*, Nairobi, 27 August 2016, http://www.mofa.go.jp/af/af2/page4e_000496.html.

both Europe and Japan, relations with the United States are a relevant part of their China strategy. Notwithstanding the erratic nature of the Trump administration, the United States is still, and will continue to be, faithful to the deeply rooted, traditional principle that America is a Pacific as well as an Atlantic nation,⁸ to put it in Kissinger's words: that is, a nation with a sustained commitment to Western Europe and the Asia Pacific.

Likewise, both Europe and Japan place a high strategic value on transatlantic and transpacific relations and this is even truer for Tokyo, whose security concerns have heightened since the North Korean nuclear threat reached a new level. Furthermore, in both cases it is very important to consider not only a bilateral, but also a regional level of analysis whose scope does not necessarily coincide with that defined by the existing regional institutions.

As recent developments suggest, the One Belt One Road project and the "Free and Open Indo-Pacific" initiative envision two mutually exclusive geopolitical spaces that are very likely to become the arena in which the core-issues raised by China's growing power will be addressed.

A last important factor – concerning China itself – should not be neglected. China remains a relatively poor country in per capita terms, with an uneven income distribution and crucial environmental challenges. Despite recent reforms, several

⁸ Henry Kissinger, *On China*, New York, Penguin Books, 2011, p. 541.

problems resulting from the transition to socialism with “Chinese characteristics” still remain unresolved and may jeopardize the future stability of the country.

Moreover, a number of open-ended questions remain to be addressed. To what extent can one assume that a linear progression of economic growth will be sustained in the future? Will the Chinese Communist Party succeed in retaining legitimacy and a monopoly on power? What about the future role of nationalism? To what extent will China’s promotion of nationalism as a source of regime consolidation risk leading to an erosion of China’s reputation as a reliable international actor? How will these domestic variables impact China’s global role and how will European and Japanese policies towards the country evolve in the context of these unforeseen developments? Answers to all these questions remain illusive.

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