

importance on it. The G7 are Western countries in the main, and as it is standoffish on most East Asian issues, I think it is important for Japan to clearly explain East Asian problems, including the East China Sea and South China Sea problems.

Fourth, the United States is still powerful. If the United States gets serious, it has a certain degree of power. In the Ukraine problem, I think Japan has misread the strength of the United States on a variety of points.

Fifth, extremely delicate steering is required for Japan–Russia relations. Yet even so, it is a case of basically strictly upholding the principle of the acquisition of territory by force not being permitted, and I think that Japan should consider how to balance the Northern Territories issue, energy issues and other economic issues within that.

Looking at Russia–Ukraine relations, Russia uses natural gas as a political and diplomatic weapon, and sometimes even completely turns off the supply. In Russia

this may also have its own logic, and considering that when push comes to shove it is easy to halt energy supplies, Japan is OK as it has been continuing to diversify its energy sources, but there is the potential for weakness in the respect of energy security if it heightens its degree of dependence too much.

Lastly, I would like to talk about the way Ukraine is viewed. Because I was in Ukraine, my viewpoint of Ukraine may have come about naturally, but looking at the discussion in Japan, there is relatively little discussion from the perspective of Ukraine being a victim. Japan’s position of having the Senkaku issue as a non-great power with the neighboring great power of China is more similar to Ukraine than Russia. How Ukraine, which is a non-great power situated next to a great power, will ensure its own security, may, depending on the case, become something for Japan to make reference to.

[Translated by ERINA]

## *The Changing International Order and Northeast Asia: In the Light of China’s Rise*

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The Finnish Institute of International Affairs is an independent foreign policy research institution and think tank situated in Helsinki, Finland. It was founded in 1961. In 2006 it became administratively part of the Parliament. Since then, it has been mainly funded by the Parliament. It nevertheless remains autonomous in its activities. There are thirty researchers in three research programs: European Union research program, The EU’s Eastern neighborhood and Russia research program, and the Global Security research program. Our researchers publish both academically and in the FIIA’s publication series in English, Finnish and Swedish. Our institute organizes over 70 seminars and events annually.

I am Senior Research Fellow at the FIIA. My research interests include Chinese political culture and foreign policy, and regional issues in East Asia. I have recently been studying the impact of the rise of traditional schools of thought, especially Confucianism, on China’s politics.

There are only four years until we can celebrate the one hundred year’s anniversary of Finnish-Japanese diplomatic relations. Finland became independent in 1917 and already in 1919, Finland sent our first ambassador to Japan. That was quite a significant thing for a young republic at that time which only had a handful of embassies elsewhere mainly in Europe to open up an embassy here in Japan. The ambassador who came here in 1990, whose name was Gustaf Ramstedt, was a linguist and polyglot who during his stay here mastered Japanese language, but also wrote a first grammar of the Korean language. Why did Finland send an ambassador here so early? The reason was simple. We were

and still are neighboring Russia and it is very important for us to be able to monitor what was happening at then Soviet Union from this angle from this side of the world. The importance of that has not diminished and that it makes exchanges between Northeast Asia and Northern Europe very important. Therefore, I’ve been very happy to receive the invitation to come here to give this presentation.

My presentation will proceed along the following outline. First, I shall outline very broadly China’s foreign policy priorities. Second, I shall make a few comments about the security situation in Northeast Asia. I shall focus especially on two issues, namely the Sino-Japanese relations and the situation on the Korean Peninsula. Third, before making some concluding remarks, I shall discuss China’s current foreign-policy related catch-phrases, namely “Major-power diplomacy with Chinese characteristics” and “the correct handling of justice and interests”.

I start with saying a few words about China’s foreign policy priorities. The question that many people in the region are asking; will China become a positive or a negative force in terms of regional security in Northeast Asia? There are factors supporting both kinds of views. First, it is important to realize that the most important guarantee for the legitimacy of the Communist Party in China is continuous economic growth. The Party can no longer rely on ideology as a basis of its legitimacy, because Communism has no relevance to the society in China today. The only remnant of Communism is the rule and leading

position of the Communist Party. Although, China is not a democracy, the central government has to listen to its population. Central government and communist party are supported by the Chinese population. The reason is the economic growth which has risen the living standards of hundreds of millions people. There are hundreds of mass incidents every day, in different parts of the country, involving citizens demonstrating and even rioting against unemployment, land-grabs by the local governments, environmental problems, and problems regarding food security. The single biggest reason behind many of these mass incidents is the worsening environmental situation in China. Now these numbers tell us that situation of China is volatile. It is recognized that if the economy would stop growing this general dissatisfaction would become much more widespread than it is today. That is the reason why it is the government first priority to keep economy growing. For this economic growth, China needs first and foremost stability both inside its borders and also outside its borders. In a globalized economy, China needs stable and predictable international environment. Therefore, we can draw the conclusion that it is not China's interest to do anything that would harm stability globally and among its neighbors.

First, it is important to realize that the most important guarantee for the legitimacy of the Communist Party is continuous economic growth. Second, China is a country where nation-building is not complete yet. China's boundaries are still partly undefined, and national identity in a multi-ethnic state is sometimes hard to define for the Chinese people. Therefore, issues related to sovereignty and territorial integrity remain touchy. The narrative that legitimizes the status of the Communist Party declares that it was the Party that was able to put an end to past humiliations and safeguarded China's existence. However, the unresolved territorial issues show that the Party hasn't quite finished its tasks yet. Therefore, the Chinese leadership cannot appear weak in the eyes of its own population. In questions related to China's integrity and territorial integrity, China has very limited space of movement which occasionally creates conflicts between China and its neighbors.

It is also worrying that in a case of failing economy, China's leadership has very few other tools for bolstering its legitimacy than nationalism. The Chinese population is educated to be patriotic, and it is easy to mobilize the population under nationalist goals. The people are also prone to react spontaneously to perceived infringements of China's pride. Therefore, there is the concern that China may turn more aggressive in its foreign policy, if the economic growth stalls, in order for the Party to maintain its position. However, past events have shown that China's leadership was very aware of the dangers of stirring up nationalism. It is a double-edged sword that can turn to harm the Party, too.

Finally, a factor which is usually seen as negative is China's military build-up. While it is true that military expenditures in China are on the rise, the media is usually exaggerating the growth of China's military budget, and thus, China's military capabilities. Recent studies conclude that China's defense spending increases "are roughly

consistent with GDP growth and constitute a declining percentage of central government expenditure", and that China's military burden, estimated at 2 per cent of GDP, is still lower than that of the USA, Russia, the UK, France, or India.

The goals of China's military development remain unchanged. They are aimed at modernization and securing the homeland as well as asserting control over contested territorial claims. There is a lot of speculation about China's ambitions regarding aircraft carriers, which are the hallmark of a major-power. Many pundits warn that China is aiming at challenging the United States. For years to come, however, China is far from being able to challenge the United States globally, and so far it doesn't manifest ambition of trying to do so. Besides, aircraft carriers are needed if China takes a bigger responsibility in global crisis management, and fulfills the role which has been widely demanded. So all in all, there is no rational, there is no evidence that we should expect China to behave anything else than in a constructive manner involving politics and globally in most cases.

What does the Northeast Asian security situation look like? From China's perspective, there are probably no major or imminent risks in sight in Northeast Asia. If we compare situation with other regions, the Northeast Asia is relatively peaceful and stable and harm free. In Central Asia, China is faced with geopolitical rivalry with Russia, and dangers of Islamic extremism spreading to China. With India, border disputes and the issue of The Dalai Lama residing in India, impede the improvement of relations. In Southeast Asia, China is contending with the littoral states over the territories in the South China Sea, and small-scale incidents with risk of escalating into armed conflicts are commonplace. In contrast, the situation in Northeast Asia is relatively stable and calm.

There are two issues that contain potential risks; namely Sino-Japanese relations and the situation on the Korean Peninsula. In regard to Sino-Japanese relations, the overriding factor of these relations is the economic interests which are mutually important for China and Japan. There was a decline in bilateral trade in 2012–13, but in the long term, both countries' economies complement each other. China needs advanced equipment and components from Japan for its export industries. For Japan, China is an important market and also a provider of raw materials. The mutual dependencies make upholding good relations crucial for both countries.

But as the decline in trade over the past years has once again shown, the bilateral relations are easily destabilized by political disputes. When we realize that nationalism is the only tool for the communist party to boost its legitimacy if the economy started to fail, then we also need to recognize that Japan is the most convenient source of nationalism for China, because Japan and anti-Japanese War are such an important part of the historical narrative that has been used to legitimize the Communist Party's leadership. The anti-Japanese War is prominent in the history education at schools in China, and the Chinese television airs constantly movies and series about the war. If you flip through TV channels in China, you cannot avoid sitting there at least

one documentary, drama or movie about war against Japan are being shown on one of the channels.

This is problematic for China's leadership. Chinese people assaulting Japanese businesses or Japan-made cars are not in the interest of the leadership, who wish to maintain stability and who understand the need for trade with Japan.

The situation is going to remain, because especially when we are looking in the eyes of its neighbors, it can be argued that Japan has not properly dealt with its war-time past. It is debatable whether or not Japan has apologized to the Chinese and the Koreans, but it is clear that Japan still lacks a similar conscious project to come to terms with its past as has taken place in Germany. This state of affairs is further magnified by the current right-wing politics in Japan. In the light of Prime Minister Abe's actions and plans, it seems likely that the Sino-Japanese relations will remain far from cordial.

Over the past few years, the dispute over the Senkaku/Diaoyu Islands has become a prominent obstacle for improvement of the relations. Both China and Japan bear equal blame for this. I shall not talk about the dispute in detail, but shall make just two observations. First, at least seen from the Chinese perspective, the dispute does not primarily stem from any economic interests. If you read media in the West, they would put a lot of emphasis in the possible natural resources around these small islands. But they are really not the issue. The possible oil and gas reserves around the islands are secondary from the Chinese perspective. The core issue has to do with China's territorial integrity. These minuscule Senkaku/Diaoyu islands are important for China, because not by themselves but because they are interlinked with the Taiwan Issue. Due to historical background of Taiwan issue, if China were to give up its claim on these islands, it could be interpreted as giving up on the claim for Taiwan. This is something that China is not able to do. Second observation regarding Senkaku/Diaoyu islands, one must not forget that Taiwan is a claimant as well. In many other ways, Taiwan is an ally of Japan, but in this issue, Taiwan stands against Japan. Therefore, it will be interesting to see what kind of role Taiwan may have in the future in regard to solving this issue. It's possible that Taiwan could play an important role in any future settlement.

The situation on the Korean Peninsula is worrying, because of the unpredictability of the DPRK leadership. China is often in the media described as the "only ally" of the DPRK. In reality, the DPRK is increasingly seen as a nuisance in China, and besides some old-school military representatives, hardly anyone would call the DPRK an ally. China is not pleased with the fact the DPRK is threatening stability in the region, nor the fact that the DPRK's actions have strengthened the rationale for having the US military presence in the ROK. Furthermore, the importance of economic ties with the ROK overshadows the traditional friendship with the DPRK. China is much more interested in increasing cooperation with the ROK than appeasing the DPRK.

China has been especially agitated by the DPRK's nuclear testing. Some Chinese experts expect the DPRK to continue the tests within a few years. It is clear that the

DPRK is not listening to China on this issue which it believes crucial for its national survival, and in other respects, as well, China's ability to influence the DPRK regime is exaggerated. It is possible that Russia is starting to utilize this state of affairs for its own purposes, and aims to increase its influence in the DPRK, and that way, in Northeast Asia in general, at China's expense.

There are also concerns among Chinese experts that the DPRK regime will collapse within five years as a result of economic crisis. So far, China continues to sell and donate food and energy to the DPRK in order to prevent the country falling into chaos. If the regime were to collapse in the DPRK, the consequences could range from a flood of refugees into China to the nuclear weapons falling into unknown hands. Such a situation would be as difficult to handle for China as for any other countries in the region. As I was speaking with the Chinese experts, it became clear that China no longer holds the keys or holds the answer to the question of what to do with the DPRK and what would be the best policy toward the DPRK. China is as much at a loss as anybody else in the region.

Now, I go to turn to the new Chinese foreign policy phrases, major power diplomacy, correct handling of justice and interests and the Chinese dream. President Xi Jinping has coined the slogan "Chinese Dream". As Xi Jinping has clearly stated, realizing the dream means achieving "the great rejuvenation of Chinese nation". Seen against China's official historical narrative, the rejuvenation means ridding China of any remnants of past humiliations, brought upon by colonial powers and wars, and further cementing China's territorial integrity and sovereignty. That means that the Chinese Dream has a strong patriotic, if not nationalistic flavor.

The biggest remaining part of this historical humiliation is the unresolved Taiwan Issue. The only acceptable outcome for the communist party is China's reunification in one form or another. Unfortunately for the Communist Party, the identity of the Taiwanese population is shifting and less and less people feel any connection with China. The recent local elections indicate that the ruling party Guomindang which is favoring economic integration with the Chinese Mainland may lose the upcoming presidential elections which will probably mean worsening political relations.

In the light of the Taiwan Issue, it is increasingly clear that China will not be ready to make any concessions in regard to the Senkaku/Diaoyu dispute. The same can be said about South China Sea. If China were to make concessions there, it could be interpreted both as weakness domestically and as willingness to compromise in other territorial issues. Those are messages that Chinese leadership does not want to send.

Besides maintaining an unwavering line in territorial issues, what will China's foreign relations look like in the coming years? Xi Jinping has recently stated that China must establish major-power diplomacy with Chinese characteristics. It remains to be seen what that means. It seems to indicate that China will no longer be a passive bystander even in such international issues which fall outside its immediate interests.

Furthermore, Xi Jinping's foreign relations have recently been epitomized in the idea of "a correct handling of justice and interest or benefits". In Chinese, justice and interest or benefits are *yi*, 義, and *li*, 利, respectively. This is a rather enigmatic formulation. The Party-affiliated writers try to explain that the balance between justice and interests or benefits stems from Confucianism, but in my opinion, that is not true. In Confucianism, justice has always overridden interests and benefits.

Be that as it may, China has its core interests (whatever they may be), and cannot sacrifice them for the sake of abstract justice. On the other hand, China wants to be seen as a country fighting for greater justice – which China is likely to interpret as less unipolar world – in the international arena. Therefore, the correct handling of justice and interests translates into a pragmatic, utilitarian foreign policy, not very different from what we have already seen. In practical terms, we should expect China to become more active in furthering international justice even outside its immediate scope of interests, but only in a very limited manner and only in cases where some sort of a win-win solution may be reached.

The foreign politics in any country are influenced by the domestic climate. China has its fair share of internal problems related to economy, environment, social welfare and national cohesion. A cure for these elements can only be found through economic growth and its spill-over effects to every part of the country. Time and again China's leadership has declared that economic growth needs first and foremost stability, both within China and beyond. There is no reason to neither suspect the sincerity of these calls nor doubt the position of economic growth as China's top priority. Thus any developments that might destabilize regional or global economy are most unwelcome for China.

In terms of stability, Northeast Asia is relatively unproblematic for China. There will be friction in the Sino-Japanese relations, but as long as the leadership in both

countries is willing and able to keep nationalism at bay, the economic interdependencies should be enough to ensure that no major crises will break out. The DPRK is a question mark, and further dialogue among the neighboring states is urgently needed to facilitate any eventualities.

In the wider Eurasian perspective, the crises in Ukraine and Syria are where global attention is currently centered, and the same is probably true for China as well. China is not happy about Russia's destabilizing actions in the Ukrainian crisis. Although China has initially benefitted from Russia's lack of friends with beneficial trade deals, it is not in China's interests to see the situation escalate. Further Russian military interference might trigger a trade war which would harm all countries integrated in the world economy. Therefore, the relations between China and Russia may grow cooler, which would have repercussions in Northeast Asia as well.

Finally, it is patently clear from an outside observer's vantage point, that the nations in Northeast Asia are still living in the shadows of the 2<sup>nd</sup> World War. The situation looks very similar to the one in Europe after the 1<sup>st</sup> World War, when the period of peace was nothing more than paving the way for the next war. The Europeans, especially Germany, have since learned their lesson. It would be possible for Finns to still moan about the territorial losses we suffered under the Soviet aggression, and let that bitterness influence our bilateral relations, but we have chosen not to do so.

The Northeast Asian nations should also stop dwelling on the past. Based on the European perspective, that means that the countries who feel victimized should let bygones be bygones, and the countries that are labelled perpetrators should properly deal with their past. Both kinds of actions are needed in all nations in the region, because one time or another, all have been victims and all have been perpetrators. In the future, there are hopefully only friends and partners.

## *Closing Remarks*

NISHIMURA, Yoshiaki

Chairperson, Northeast Asia International Conference for Economic Development Executive Committee, and Representative Director, ERINA

I would like to draw a close to the long conference which began yesterday. Thank you very much to the great number of people who have attended this conference, including from overseas. On this occasion, for the first time from Northern Europe, we were honored by the attendance of Mr. Jyrki KALLIO, Senior Research Fellow at the Finnish Institute of International Affairs. As we had expected we received a Northern European balanced and impartial analysis. In addition, we have received gracious cooperation and support for the staging of the conference from the embassies and consulates of each nation and the concerned

institutions in Japan. I would like to express my profound gratitude also as the representative of the Executive Committee for this conference.

I apologize at this point when you are so tired, but kindly allow me to make my closing remarks over the next ten minutes. We have had invaluable keynote addresses and reports, as well as discussions. I won't be able to mention everything in detail here, but please permit me to talk on my own impressions regarding the important points that are to be the message of this conference.