

# Does China's Economic Rise Matter?

## The Outlook for Chinese Diplomacy under the New Leadership

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### Abstract

This paper is to predict the direction of the foreign policy of the new leadership of China highlighting the change of international circumstance due to its economic rise. To summarize the result of analyses, China is not necessarily expected to be a large threat to existing international order or major economies for the next 5 to 10 years, even if its economy grows at a pace of the official target. Although the country is expected to increase its voice in international economic negotiations with the economic rise and develop aggressive diplomacy to secure food, resources, and energy, the new leadership of China will basically pursue a cooperative approach in its foreign policy. However, the implications of such analysis result require consideration on the difference between the U.S. and EU, and Japan. The foreign policy of the new leadership of China on the U.S. and EU is cooperative, but as to the foreign policy on Japan, the prospect doesn't allow much room for optimism.

**Keywords:** China, Xi Jinping, foreign policy, economic power, demands for food and energy

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### Introduction

Last year, in China, new members of CPC Central Politburo Standing Committee were elected and the new leadership led by General Secretary Xi Jinping started. Also in Japan, the Liberal Democratic Party made a comeback to the ruling party in the general election and Shinzo Abe's Cabinet was inaugurated. At present, the Japan-China relationship is deteriorating because of the Senkaku Islands issue, which is seriously affecting the business of Japanese companies in Chinese market. It is one of the main issues of the Abe's Cabinet whether it successfully improves this Japan-China relationship or not. US president Obama who won re-election on the opposite side of the Pacific Ocean demonstrated his recognition of China as "both an adversary, but also a potential partner in the international community if it's following the rules" at an open debate in the presidential election<sup>1</sup>.

In the conventional security area, the rise of China is likely to be thought as imposing disadvantages on other countries like a zero-sum game. On the other hand, in the economic area, the rise of China may bring opportunities for other countries including Japan and the United States like a

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<sup>1</sup> At the third presidential debate on October 22, 2012, in Florida, USA

positive sum game and actually there are such tendencies.

If the Chinese economy which has the second largest GDP in the world continues its high growth, it inevitably imposes considerable changes on the existing international economic order. The other countries including Japan and the United States are thought to have to adapt to the changes to some extent. The major economic countries such as the United States and Japan need to tackle to minimize the cost of adaptation to the changes, maximizing the benefit from the rise of Chinese economy. Depending on its success or failure, the economic rise of China can be either a help or threat to them.

Of course, it must be noted that there are many opinions agreeing the bleak prospects of Chinese economy. For example, Tsugami (2013) argues that the potential growth rate of China over 2010s will be about 5% on the grounds of over investment since 2008, negative effect of national capitalism, a low birth rate and a growing proportion of elderly people. The author has no disagreement with the point that these factors constrain the Chinese economy. Especially, the author fully agrees that the Chinese economy will be faced with a difficult situation from 2020s.

However, the prediction that the potential growth rate of China over 2010s will be about 5% seems to be too low, at least if we discuss based on official statistics. The difference of opinion from Tsugami is the perspective on the estimation of growth rate for the next 10 years, especially on room for growth in inland areas associated with the progress of urbanization. According to the calculation of Tsugami (*ibid*, 36), in the case where the growth rate of China is 5%, the growth rate in Eastern areas is presumed to be 4% and that of the other areas 6%. However, in consideration of real situation that recorded growth rates of 2011 are 8% or more in Beijing and Shanghai and more than 10% in most of inland areas, his presumptions looks too low, especially room for growth in inland areas is estimated too pessimistic. As the investment for urbanization in inland areas will be aggressively executed, it will be an actually likely scenario to achieve the growth target set in the 5 years Plan.

Given the economy still continues its rapid growth over the 2010s, then, with what kind of diplomatic policy does the new leadership of China led by General Secretary Xi Jinping approach the existing major countries such as the U.S. and Japan?

Recently, not a little opinions predicting the foreign policy of the new leadership of China have been seen on the media, most of them focus on the speech and behavior of General Secretary Xi Jinping himself and the lineup of seven members of Central Politburo Standing Committee. Certainly as far as the directions of the policies including diplomacy are finally decided through consultation among the members of Central Politburo Standing Committee, it is imaginable that the personal thoughts of the members may affect the decision. However, more than such personal thoughts, the domestic and international situation they are facing is thought to basically define the direction of foreign policy.

Actually, in the school of International Relations, the foreign policy of a nation is thought to be decided by the factors of three levels, which include policy-making person, domestic politics, and international situation (Waltz, 1959). As for the foreign policy of China, there is a study focused on the role played by Mao Zedong as a study that looks at the policy-making person (Christensen, 1996). However, among the studies of late years, increasing studies analyze China's foreign policy comprehensively through domestic factors and international circumstances (Zhao, 1996; Shambough, 1994; Harding, 1992.). This paper stands in the stream of such comprehensive analysis of China's foreign policy.

The purpose of this paper is to predict the direction of the foreign policy of the new leadership of China highlighting the changes of international circumstance due to the expansion of China's domestic economy.

This paper presumes that Chinese economy will continue a high growth over the 2010s as Chinese authority aims. On this premise, this paper considers the direction of the foreign policy of China for the

next five to ten years performed by Xi Jinping leadership from the following two viewpoints: (1) change in influence power of China in international economic negotiations, and (2) the move of China to secure food, resources and energy. The impacts of China's economic growth on the international circumstances are grasped as quantitatively as possible based on the economic indicators of the IMF, OECD, World Bank, WTO, and the statistics of each country. Then the effect of these changes on the existing international economic order is assessed qualitatively.

To summarize the result of analyses, for the next 5 to 10 years China can be said to be not a threat surpassing the U.S. or Europe in the international economy, even if its economy grows at a pace of the official target. However, the market size gap between Japan and the U.S., China, or the EU will be greater for the next several years. Therefore the influence power of Japan in international economic negotiations will be limited. Furthermore, although China's demand expansion of food, resources, and energy is not a threat to the U.S. or EU, it must be noted that it can become an unignorable pressure for Japan whose self-sufficiency ratios for food and resources are very low.

### **Economic Power in International Negotiations**

The establishment and change of international economic rules are affected intricately by various factors such as historical background, customs, and knowledge, and such negotiations involve many actors including International organizations, multinational companies, and NGOs. However, because of this many intricate interests, the results of such negotiations are ultimately determined politically by power relationships among the countries involved (Gruber, 2000).

According to Drezner (2007; 33-39), in the negotiation of an international economic rule, power of a country (P) is determined by a market size (S) and external economic vulnerability (V). A market size (S) is measured relatively by a population size (p), a GDP size (g), a national income per capita (p), and a foreign trade size (t). When a market size is bigger, the power of the country is bigger. Meanwhile, external economic vulnerability (V) is measured relatively by foreign trade dependence (d), industrial structure diversity (i). When vulnerability is smaller, the power of the country is bigger.

In other words, in the negotiation of an international economic rule, power of influence a country has (P) is considered to be determined by the function of the following formula i.

$$P = f(S, V) = S(p, g, p, t) - V(d, i) \dots i$$

Then, how can influence power of China in the negotiation of international economic rules be estimated at present? How does it change in the future?

At first, looking at the population, China is, as is well known, the country with the largest population in the world (refer to Table 2). China has the population, which is 2.5 times more than the EU or ASEAN, about 4 times more than the U.S., and about 10 times more than Japan or Russia.

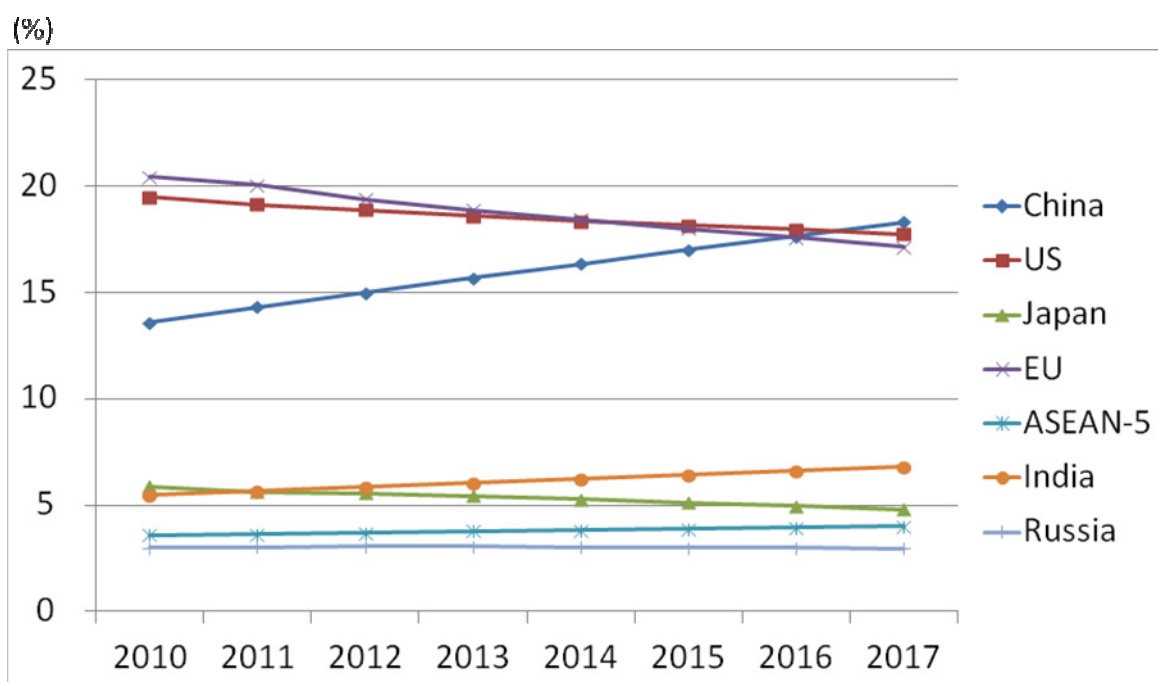
Needless to say, only country whose population is comparable with that of China is India. However, looking at GDP size, India is far smaller than China. As for now, GDP size of Russia is also similar to India, then far smaller than China.

Especially, seeing the outlook of the world share trends of GDP, relative decline of the presence of the U.S. and EU and relative rise of that of China is clear (refer to Fig.3).

**Table.1 Population**

	(Millions)							
	2010	2011	2012	2013	2014	2015	2016	2017
<b>World</b>	6815.3	6865.2	6945.1	7026.1	7108.2	7191.4	7275.7	7362.9
<b>China</b>	1341.4	1348.1	1354.9	1361.6	1368.4	1375.3	1382.2	1389.1
<b>US</b>	309.7	311.9	314.7	317.7	320.7	323.8	326.9	330.0
<b>Japan</b>	127.6	127.8	127.3	126.7	126.2	125.7	125.1	124.5
<b>EU</b>	499.3	500.6	501.4	502.5	503.4	504.4	505.4	506.4
<b>ASEAN-5</b>	512.0	519.0	526.3	533.6	541.2	548.8	556.6	564.4
<b>India</b>	1190.5	1206.9	1223.2	1239.3	1255.6	1272.1	1288.8	1305.8
<b>Russia</b>	142.9	142.4	141.9	141.4	141.0	140.5	139.9	139.4

Source) IMF, *World Economic Outlook Database*, April 2012

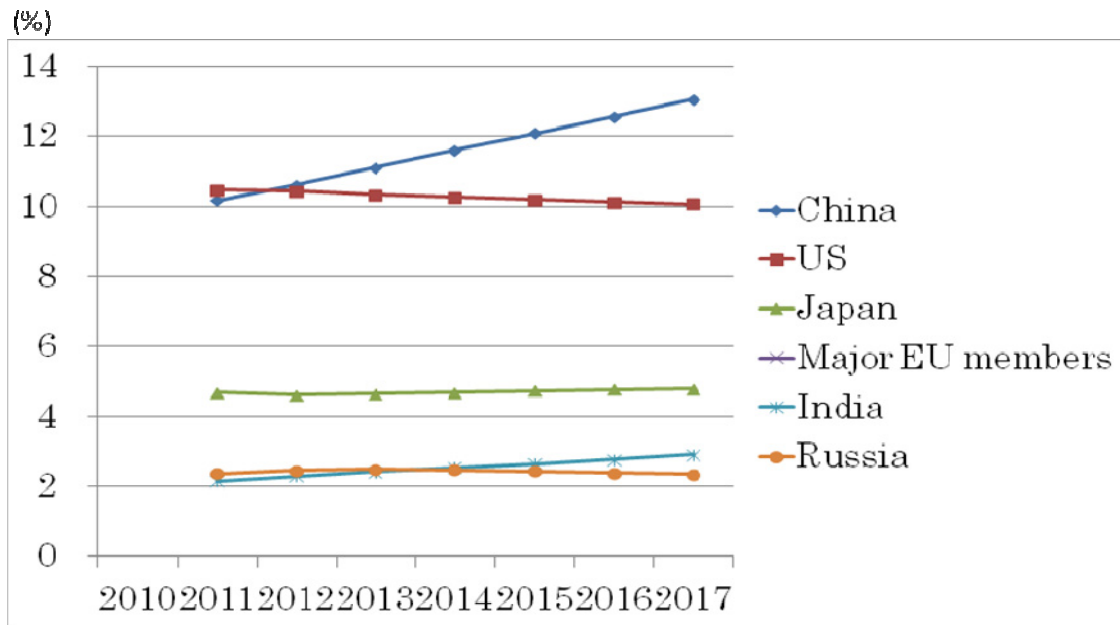
**Fig.1 GDP Share of world total (on PPP)**

Source) IMF, *World Economic Outlook Database*, April 2012

Of course, as to GDP per capita, it should be noted that China is far lower than the U.S. and lower even than Japan, the EU, or Russia. However, when considering the power of influence of a country in international economic negotiations, what is important is how much the entire country imports, exports, attracts investment from abroad, or invests abroad, but necessarily not the average economic power per person.

In that sense, China already has as large share in the world trade as the U.S. or EU and its share will increase further more (refer to Fig.4). Also from this aspect, it can be said that "strong three era" of China, the U.S., and EU is coming in respect of the market size.

**Fig.2 Trade share of world trade**



Source) Estimated from IMF, *World Economic Outlook Database*, April 2012 and WTO, *World Trade Report 2012*.

As explained above, in respect of the market size, the presence of China is comparable to the U.S. or EU now, and seems to be even surpassing them. Meanwhile, however, in respect of external economic vulnerability, we should recognize that China is rather weak compared to the U.S. or EU.

Firstly, as for foreign trade dependence<sup>2</sup>, China is at a high level of about 50%, nearly double foreign trade dependence compared to the U.S., EU or Japan (refer to Table 3).

<sup>2</sup> Foreign trade dependence means a ratio of the amount of foreign trade to GDP or the national income of a country. When this ratio is bigger, it means the dependence on export to foreign market or import from foreign supply center is bigger, which indicates that it is difficult that the all domestic industries keep going only in the domestic market self-sufficiently.

**Table 2 Trade dependence as a % of GDP**

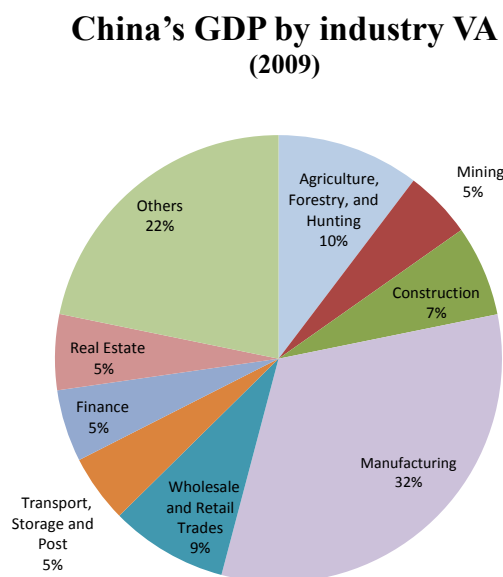
	(%)						
	2011	2012	2013	2014	2015	2016	2017
China	49.9	49.4	49.6	50.2	50.7	51.2	51.7
US	24.8	24.8	25.0	25.2	25.4	25.6	25.7
Japan	28.6	28.7	30.2	31.5	33.0	34.5	35.9
EU	25.5	26.3	25.5	24.7	23.9	23.1	22.3
India	45.8	47.7	48.3	48.8	49.3	49.9	50.4
Russia	45.7	45.1	42.3	41.5	40.5	39.3	38.0

Source) Estimated from IMF, *World Economic Outlook Database*, April 2012 and WTO, *World Trade Report 2012*.

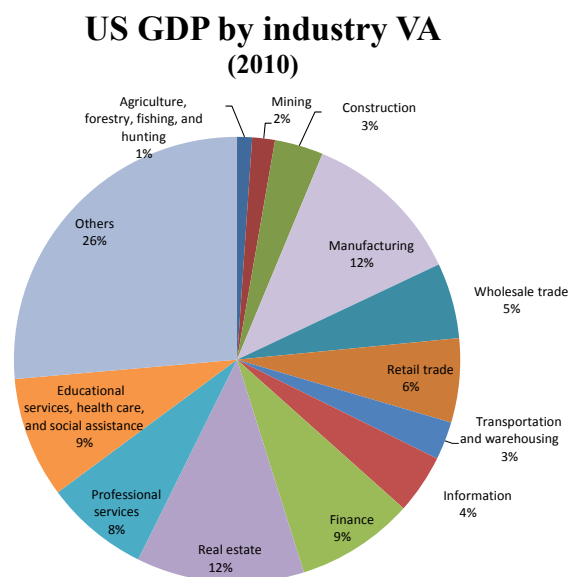
Also in respect of industrial structure diversity, the Chinese economy has a distorted structure with a high manufacturing ratio. Together with the sectors likely to be affected by international transactions such as mining and finance, these sectors account for nearly half of GDP (refer to Fig.5).

On the other hand, for example, the U.S. economy has relatively strong structure against the shock from external economies that has been developed with diversity, especially with service industries unlikely to be affected directly by international transactions.

**Fig.3 GDP by industry value added**



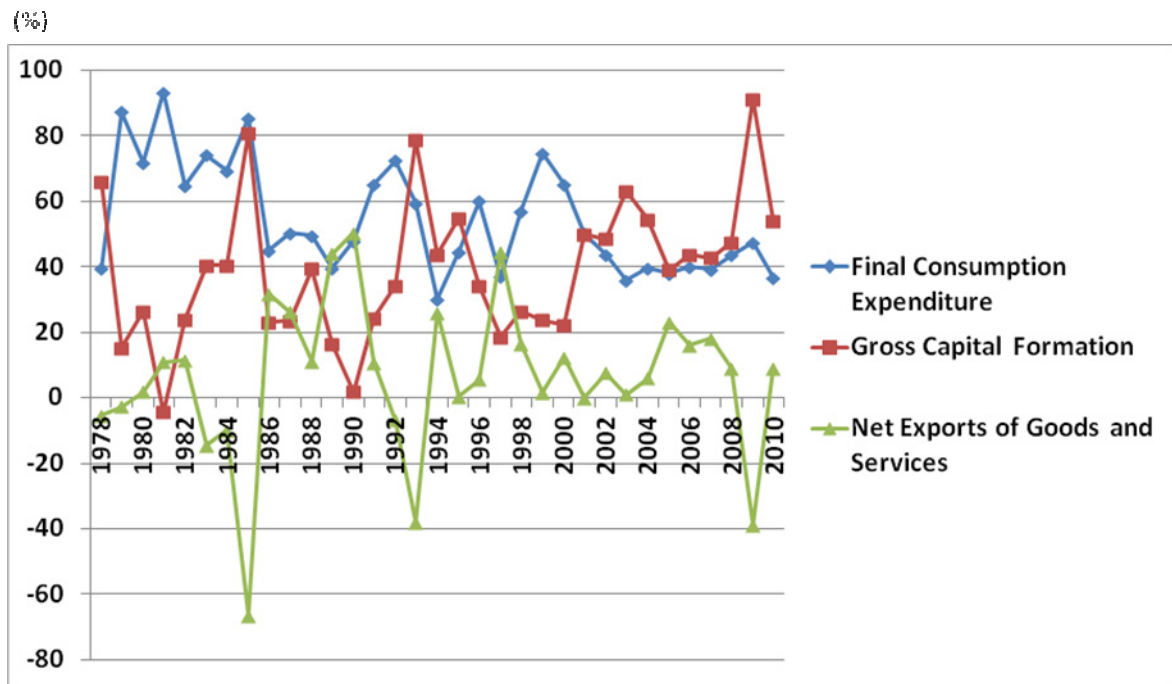
Source) China Statistical Year Book 2011



Source) US Bureau of Economic Analysis (BEA)

Actually, seeing the contribution share in GDP growth rate of China by demand for the last 30 years, net export has been the most destabilizing and turbulent factor (refer to Fig.6). In sum, the Chinese economy has the structure with relatively high external vulnerability.

**Fig.4 Contribution share to the growth of GDP (China)**



Source) *China Statistical Year Book 2011*

Conventional international rules are established mainly by the U.S. and EU as suggested by their large market size and low economic vulnerability<sup>3</sup>.

However, from the viewpoint of the population, GDP, and foreign trade size, "strong three era" of China, the U.S., and EU is coming in several years. Therefore, in negotiations of international economic rules, influence power of China is thought to become unignorable in near future (refer to Formula ii).

Meanwhile, however, as the Chinese economy has high foreign trade dependence and the industrial structure likely to be affected by international transactions, in respect of external economic vulnerability, China is weaker than the U.S. or EU (refer to Formula iii). Therefore, influence power of China in the establishment and change of international rules is thought to be still smaller than that of the U.S. or EU (refer to Formula iv).

Hence, China does not seem to have the power of influence to push through its own intent when its interests are against those of the U.S. and EU. It is predicted rather that, respecting existing international economic rules established mainly by the U.S. and EU, within such extent China will aggressively make claims to maximize their benefits.

$$\begin{aligned}
 P &= f(S, V) = S - V \\
 S_{China} &\cong S_{US} \cong S_{EU} && \text{--- ii} \\
 V_{China} &> V_{US} \cong V_{EU} && \text{--- iii} \\
 \therefore P_{China} &< P_{US} \cong P_{EU} && \text{---iv}
 \end{aligned}$$

<sup>3</sup> David. Drezner studied 13 rule making negotiations regarding internet, international finance, genetic modification, and intellectual property, and pointed out that in 12 cases out of the 13 cases the U.S. and EU exercised influence in establishing the rules (D. W. Drezner, *All Politics Is Global*, Princeton University Press, 2007).

## Move to secure food, resources, and energy

Secondly, the changes in supply and demand of food, resources, and energy of China and the world are discussed. If China having a population of 1.3 billion continues the high economic growth, the international supply and demand of food, resources, and energy is thought to be subject to influence.

Then, what is the future trend of supply and demand of food, resources, and energy in China itself? Where will China procure the food, resources, and energy not satisfied by its domestic supply from? Can that be a threat to Japan and the U.S. in international transactions of food, resources, and energy?

For example, as to wheat, China is expected to shift from a net exporting country to a net importing country, but the domestic supply-demand gap is slight (refer to Table 4). Also in the world, it is unlikely that the supply and demand get stringent because in the U.S. and Europe the increase of production is expected to surpass the increase of consumption and thus net export will increase.

As for corn, China is already a net importing country and considered to increase the import quantity continuously (refer to Table 5). Also in the EU, the increase of consumption is expected to surpass the increase of production and import from outside the region will expand. In the U.S., also corn consumption is expected to increase due to bio-ethanol production.

However, globally, it is unlikely that the supply and demand of corn get stringent as of 2020, if the weather is fine, because in the U.S. and Latin America the increase of production is expected to surpass the increase of consumption.

Also as for soybean, the import quantity of China expected to increase (refer to Table 6). The import of soybean of the EU from outside the region is expected to increase as well as China.

On the other hand, globally, the increase of supply by major soybean exporting countries such as the U.S. and Argentina can be expected. Hence, also as for soybean, it is unlikely that the supply and demand in the world get stringent as of 2020, if the weather is fine.

As for beef, the consumption in China is expected to expand, and China is thought to shift to a net importing country by 2020 (refer to Table 7). However, in the U.S., Europe, and Latin America the increase of production exceeding consumption and the increase of net export are expected.

**Table 3 Supply and demand of wheat**

	Production		Consumption		Net Import	
	2008	2020	2008	2020	2008	2020
World	658.1	787.7	637.4	788.9	-	-
China	112.3	120.8	105.5	121.8	0.8	-0.6
US	61.4	69.5	31.5	35.3	25.2	34.4
EU	136.5	152.2	123.4	139.0	12.6	13.3
India	78.4	106.7	75.2	107.5	-0.7	-0.7
Russia	58.3	71.4	39.5	46.2	15.9	25.3

Unit: million tons

Source: Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries (2011)



**Table 4 Supply and demand of corn**

	Production		Consumption		Net Import	
	2008	2020	2008	2020	2008	2020
World	800.2	1008.8	790.1	1012.6	-	-
China	157.7	185.6	152.3	189.6	-0.1	-2.7
US	323.8	417.8	269.8	364.9	52.5	54.1
EU	55.2	65.2	61.7	73.1	-5.4	-7.8
Argentina	19.8	26.3	6.8	8.8	12.6	17.5
Brazil	54.2	75.8	44.9	64.6	6.8	11.5

Unit: million tons

Source: Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries (2011)

**Table 5 Supply and demand of soybean**

	Production		Consumption		Net Import	
	2008	2020	2008	2020	2008	2020
World	230.9	310.2	230.1	310.7	-	-
China	14.7	18.9	53.7	67.6	-42.6	-48.7
US	81.7	110.3	50.2	73.0	35.0	37.3
EU	0.7	0.9	14.9	21.6	-14.0	-20.7
India	9.1	11.1	8.7	10.0	0.0	1.1
Argentina	44.2	59.8	35.1	40.9	8.2	19.2

Unit: million tons

Source: Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries (2011)

**Table 6 Supply and demand of beef**

	Production		Consumption		Net Import	
	2008	2020	2008	2020	2008	2020
World	59.2	73.1	59.2	73.1	-	-
China	6.0	8.3	6.0	9.5	0.0	-1.3
US	12.0	14.3	12.6	14.1	-0.6	0.2
EU	8.1	9.7	8.5	8.6	-0.4	1.1
Argentina	3.3	4.1	2.8	3.1	0.5	1.1
Brazil	9.1	11.7	7.3	9.4	1.8	2.4

Unit: million tons

Source: Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries (2011)

As explained above, China is thought to expand the consumption of major foods including wheat, soybean, corn, and beef at a pace exceeding domestic production and increase the import. However, as the major exporting countries have room to expand production, unless the weather is weird, it is unlikely that the supply and demand in the world get stringent for at least the next 5 to 10 years when Xi Jinping leadership leads china.

On the other hand, globally, the country where the expansion of food consumption is expected is not only China. Food demand is expected to expand also in developing and emerging countries such as India and Eastern European countries, associated with rising income levels, etc. In addition, since it is also expected that the demand of agricultural products expands as the raw materials of biofuels, the situation will continue where the demand exceeds the supply slightly. Consequently, food prices is thought to rise continuously (refer to Table 8).

**Table 7 Price change of commodities**

	2008	2020			
		Nominal		Real	
	Price (US \$)	Price (US \$)	Change (%)	Price (US \$)	Change (%)
Wheat	239 / t	297 / t	24	252 / t	5
Corn	166 / t	224 / t	35	190 / t	14
Soybean	381 / t	503 / t	32	426 / t	12
Beef	264 /100kg	385 /100kg	46	281 /100kg	7

Source: Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries (2011)

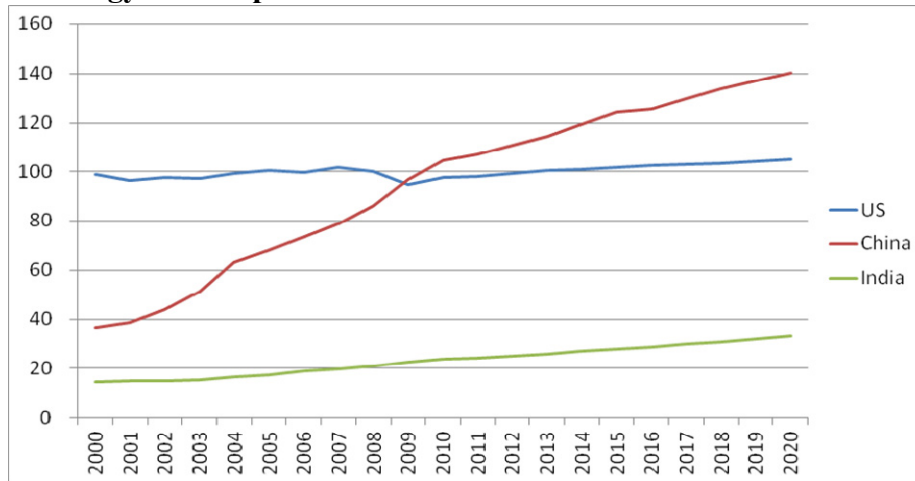
The expanding pace of energy in China is exceptionally high in the world and this pace is expected to continue along with the growth of Chinese economy (refer to Fig.7). The trend is unlikely to change

at least during the office term of Xi Jinping leadership.

Driven by such expansion of energy consumption in China, energy consumption in the whole world is expected to expand about 1.5 times more than current consumption in 2025 (refer to Fig.8).

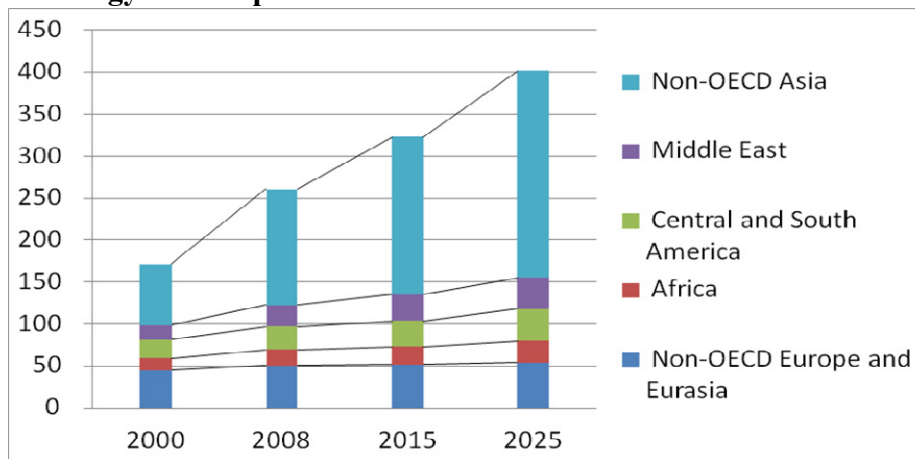
However, the main energy resource of China is the coal mined domestically. Most of its energy is supplied by coal, energy composition ratio of 2010 being coal 76.5%, oil 9.8%, natural gas 4.3%, hydraulic/nuclear/wind power generation 9.4%<sup>4</sup>. Therefore, the increase of energy consumption in China does not mean the expansion of import of energy resources directly. This is the big difference from Japan most of whose energy resources depends on import.

**Fig.5 Energy consumption**



Unit: quadrillion BTU  
Source: U.S. Energy Information Administration (2011)

**Fig.6 Energy consumption**



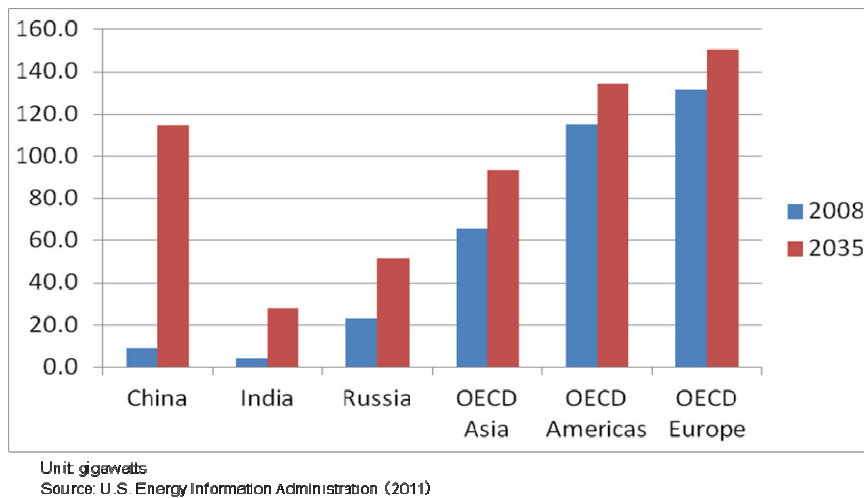
Unit: quadrillion BTU  
Source: U.S. Energy Information Administration (2011)

Additionally, China is rapidly promoting the construction of nuclear power plants, establishing the energy supply system that does not necessarily depends on fossil fuels such as oil and coal (refer to Fig.9).

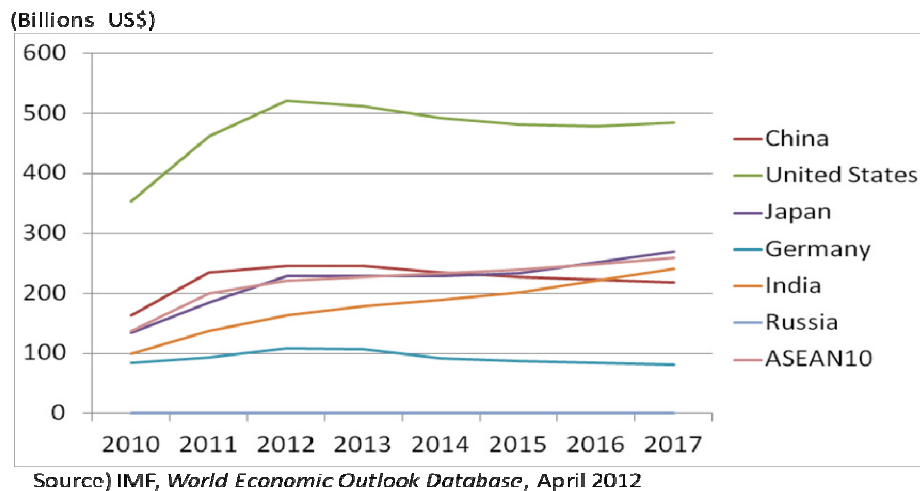
Accordingly, as to the import of oil, the import quantity of China is thought to have hit a peak (refer to Fig.10). Rather, the countries expected to increase the import of oil hereafter are emerging countries in Asia including ASEAN countries and India, and Japan expected to denuclearize its energy sources.

<sup>4</sup> China Statistical Year Book 2011.

**Fig.7 Nuclear generation capacity**



**Fig.8 Imports of oil**



As mentioned above, the demand of major foods of China including wheat, corn, soybean, and beef is expected to exceed the domestic supply in the next 5 to 10 years, the term of office of Xi Jinping leadership. To satisfy the demand, the new leadership of China will naturally strengthen relations with major food exporting countries, promote the external investment in food exporting countries by state enterprises, and thus increase food import.

From the world's perspective, the country where the expansion of food consumption is expected is not only China. Food demand is expected to expand also in developing and emerging countries such as India and Eastern European countries, associated with rising income levels, etc. In addition, it is also expected that the demand of agricultural products expands as the raw materials of biofuels.

However, fortunately, as the major food exporting countries have room to expand production, it is unlikely that the supply and demand of food in the world get stringent for the next 5 to 10 years.

On the other hand, the expanding pace of energy consumption in China is exceptionally high in the world. To satisfy the energy demand, China is highly likely to continue to act aggressively in the EAST and South China Sea to secure marine resources. Meanwhile, it is also thought that China continues to develop resource diplomacy vigorously with African and anti-U.S. Middle East countries where the U.S., EU, or Japan has placed less significance on as supply centers of energy resources.

However, the main energy resource of China is surely the coal mined domestically. In addition, as China is rapidly expanding nuclear power generation, it is unlikely that the supply and demand of fuel resources such as oil in the world get stringent or these prices rise sharply due to China.

## Conclusion

In this paper, the direction of the foreign policy of the new leadership of China has been discussed from the following two viewpoints: (1) change in influence power of China in international economic negotiations, and (2) the move of China to secure food, resources and energy.

To summarize the result of the analysis, China is not necessarily expected to be a large threat to existing international order or major economic countries for the next 5 to 10 years, while the country is expected to increase its voice in international economic negotiations with the economic rise and develop aggressive diplomacy to secure food, resources, and energy. The new leadership of China will basically pursue a cooperative approach in its foreign policy.

Originally, pursuing a cooperative approach especially to the U.S. has been the basic policy since Hu Jintao and Jiang Zemin ex-General Secretaries era. Xi Jinping leadership that has just got the leadership transfer from Hu Jintao ex-leadership is probably hard to take actions to convert the policies of the ex-leadership in either domestic or foreign affairs because conversion of existing policies can increase the chances for groups aiming to accuse the leadership.

Actually, Foreign Ministry Spokesperson Hong Lei announced at a press conference, asked about the foreign policy of the new leadership, that China maintains the cooperative foreign policy demonstrated by Hu Jintao also under the new leadership, being quoted as saying "The report delivered by Comrade Hu Jintao at the opening ceremony of the 18th National Congress wholly reveals the standpoint on international circumstance and foreign policy of China<sup>5</sup>."

Therefore, the result of the analysis in this paper that the foreign policy of the new leadership of China is basically cooperative is thought to be supported also by such domestic political situation.

However, the implications of such analysis result require consideration on the difference between the U.S. and EU, and Japan.

Japan already has been surpassed by China in GDP size, and if China grows about 7% per annum in economy for the next 10 years, the difference surely increases further. Even if the growth rate of China remains at around 5%, as some experts allege, the difference in economy size between China and Japan increases more and more. On the other hand, the situation where China further surpasses the U.S. or EU is unlikely to appear in the 2020s at least in GDP size on an exchange basis, even if China maintains its rapid economic growth over the 2010s.

That is to say, Japan will be largely surpassed in just a few years by China, the U.S., and EU in market size, and thus it is feared that its influence power in international economic negotiations can decrease less and less.

Furthermore, the expansion of China's demand for food, resources, and energy also has different impacts on the U.S. and EU, and Japan.

Fortunately, as the major food exporting countries have room to expand production, it is unlikely that the supply and demand of food in the world get stringent for the next 5 to 10 years. However, from the world's perspective, the country where the expansion of food consumption is expected is not only China. Food demand is expected to expand also in developing and emerging countries such as India and Eastern European countries, associated with rising income levels, etc. In addition, it is also expected that

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<sup>5</sup> Spokesperson Hong Lei's regular press conference, Nov.15, 2012: downloaded from the website of Ministry of Foreign Affairs of China (<http://www.mfa.gov.cn/chn/gxh/tyb/fyrbt/jzhsl/t989479.htm>) on Nov.30, 2012

the demand of agricultural products expands as the raw materials of biofuels. In the result, worldwide, food prices are thought to rise continuously.

Aggressive diplomacy by such countries including China to secure food can become an unignorable pressure for Japan that depends on imports for much of the food it consumes. To secure food at stable quantities and prices as before under competition with China and other emerging countries in the international market, Japan has to move to strengthen ties with and invest in food producing countries more aggressively than ever.

Also as for energy resources, it is unlikely that the supply and demand of fuel resources such as oil in the world get stringent or these prices rise sharply due to China. Therefore, the impacts made on the U.S. and European countries can be said to be not so big.

However, to satisfy the increasing energy demand, China is highly likely to continue to act aggressively in the East and South China Sea to secure marine resources under the new leadership. As there are disputes over sovereignty with Japan and Southeast Asian countries in these marine areas, China's expansive move to secure marine resources can become a direct threat to neighboring nations.

Meanwhile, it is also thought that the new leadership of China continues to develop resource diplomacy vigorously with African and anti-U.S. Middle East countries where the U.S., EU, or Japan has placed less significance on as supply centers of energy resources. To maintain compartmentalization of supply sources as ever is desirable, but international competition for fossil fuels etc. may possibly become more intense in accordance with the rise of global energy demand.

Also in this point, to secure energy resources at stable quantities and prices as before, Japan that depends on imports for most of its energy resources is required to strengthen ties with and invest in resources exporting countries more than ever.

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