Mainland Chinese workers assemble computer boards in a Taiwan-owned factory, an example of the foreign direct investment that skyrocketed China's economy. Labor unrest in such factories in 2010 brought higher wages. (Imagine China/AP Photos)
“Let China sleep,” warned Napoleon, “for when she wakes, she will shake the world.” Napoleon’s prediction is now coming true. The 2008–2009 recession confirmed a trend underway for years: the shift of economic power from West to East. The West—especially the United States—looked economically incompetent. Great U.S. financial institutions gambled away billions in risky deals. Western economies suffered the biggest recession since the 1930s.

Most of Asia, on the other hand, suffered little and recovered quickly. China, with money to spare, continued to grow, thanks to massive stimulus packages for construction and infrastructure projects. In 2009, China passed Germany as the world’s biggest exporter. By 2010, China eclipsed stagnant Japan to become the world’s second-largest economy. China is now the world’s biggest energy consumer and locks in huge deals for Latin American, African, Persian Gulf, and Central Asian oil, natural gas, and raw materials. China holds a world-record $2.5 trillion in foreign-currency reserves, two-thirds of it in dollars, and much of that in U.S. Treasury debt.

This creditor position gives Beijing political clout. Growing economies with massive surpluses gain power and prestige. Battered, indebted economies lose power and prestige. All countries, including the United States, now speak respectfully to China, and Beijing speaks assertively to other powers. Some admired China as a new and effective system that boosted economic growth without disruption or democracy (see box on page 274). China celebrated the 2008 Olympics, the 2010 Shanghai Expo, and earth-orbiting space launches. Beijing’s motive in all this is to show both its own citizens and the world that China is again a great nation—as it was for most of history—and Asia’s leading power, its “Middle Kingdom” (Zhōngguó), and the second power globally (after the United States).

Beijing’s basic policies, both domestic and foreign, are not hard to discern: Nothing gets in the way of China’s stable economic growth. Nothing. To complaints of undervalued currency, Beijing replies that it keeps China’s economy growing. As for China’s environmental degradation, Beijing notes that smokestacks mean industry. As for dealing with unsavory regimes, Beijing claims it does not interfere in other countries’ human rights questions but needs their resources to keep growing. Nuclear proliferation? China is reluctant to apply UN sanctions on Iran because China gets much oil from Iran and invests a lot in its energy industries. To calls for democracy, Beijing argues

**Questions to Consider**

1. Is China “rising peacefully”? Or are tensions appearing?
2. Who owns the China Seas? Based on what?
3. Why has East Asia become the center of economic growth?
4. Can China’s rapid economic growth continue and serve as a model for others?
5. How have the United States and East Asian countries historically misunderstood each other?
6. Is Taiwan a separate country from China? Should it be?
7. How did Japan handle Western penetration?
8. Was the U.S.–Japanese war inevitable? What steps led to it?
9. What explains Japan’s economic growth and later stagnation?
10. Long term, is the Middle East or East Asia our biggest problem?
that it is messy and disrupts growth. When an imprisoned Chinese dissident won the 2010 Nobel Peace Prize, an angry Beijing denounced it as outside interference.

China’s growth-first policy makes it somewhat predictable, at least in the short term. As long as China keeps growing rapidly, it would be unlikely to endanger that growth by invading Taiwan or starting a trade war with America. But if China’s growth is thwarted, say, by a global downturn, protectionism, or disruption of oil supplies, China could turn aggressive and let its military dominate policy, as Japan did in the 1930s. China’s military enjoys a growing budget, but so far Beijing’s civilian chiefs keep the army on a leash.

China’s claim to all its nearby seas and support for bellicose North Korea could heighten tension and lead to the formation of an anti-China coalition. Much can go wrong in East Asia, which in the long term could be more dangerous than the Middle East.

Beijing claims its is a “peaceful rise” without wars (see page 204). China’s President Hu Jintao in 2005 called for a “harmonious world” where all live in peace. That has not always been the case with China. At one time or another, Communist China has had hostile relations with most of its 15 immediate neighbors. It has fought India, the Soviet Union, Vietnam, and the United States in Korea. As China gets richer it becomes more assertive. Neighboring countries fear China dominating the region. Many countries perceive China as an unfair trade competitor that keeps its currency too cheap. Beijing warns other countries to not sell arms to Taiwan or receive the Dalai Lama. An assertive China is flexing its newly acquired economic, diplomatic, and even military muscles.

China, which has become the “factory of the world,” demands and gets respect. Beijing reckons that its “Century of Humiliation” began with defeat in the 1839–1842 Opium War, which Britain fought to sell opium in China, where it was illegal. Superior European firepower turned China into a semicolonial. Then in the 1930s Japan began the conquest of China. Understandably, China’s defeats and humiliations created nationalist rage, which Beijing now turns up and down as suits it. Resident observers say average Chinese are more nationalistic than the regime, which sometimes has to restrain mass anger at foreign powers. Almost everything China does, from rapid economic growth to nuclear weapons (see Chapter 14) to spacecraft, is an expression of China’s deep but wounded sense of nationalism. As Mao Zedong said as he took power in 1949: “Our nation will never again be an insulted nation. We have stood up.”

Should China’s quest for power and prestige bother us? (What, by the way, does America strive for?) The answer depends on what kind of China will emerge. If China is moving to democracy, great. But China could become rich but not free, a one-party Communist system with aggressive and expansionist designs on the
region. Every decade or two, our picture of China alternates. One year we note that China is friendly and cooperative and has adopted pragmatic domestic and foreign policies. A few years later we notice that China uses sweatshop labor, abuses human rights, crushes protests, and claims vast areas of sea.

Modemization theory (see page 181) suggests that a richer China—and it has been growing at around 10 percent a year for decades—will create a large, educated middle class, which will push for
This is what happened in South Korea and Taiwan; as they became “middle-income countries” (those with per capita GDPS over $8,000), they moved from dictatorship to democracy. China, which could soon reach $8,000 per cap, will not necessarily follow this pattern. China has a totalitarian past; South Korea and Taiwan were authoritarian. Many authoritarian systems have reformed themselves into democracies, but no totalitarian system has reformed into a democracy; instead, they have collapsed. China is far bigger (population 1.35 billion) and more complex than those two little countries. China has an historical memory of past greatness and nurtures grievances against the foreign powers it believes kept it down. Chief and permanent culprit in Beijing’s eyes is Japan, followed by the United States.

China’s Communist leaders like the rapid growth of its supervised market economy but refuse to relinquish one-party rule. They permit no organizations or news media not controlled by the Communist Party. Foreigners are watched, and few Chinese discuss controversial topics—such as democracy, religion, or Taiwan—with them. Dissidents and whistle-blowers—including writers, editors, lawyers, medical doctors, and union organizers—are arrested and sent to prison or to “reeducation through labor” camps. China has thousands of Internet watchers to keep out criticism and messages of freedom and democracy. Internet providers

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**ECONOMICS ■ CHINA’S NEW MODEL**

Since Deng Xiaoping took over in 1978, China has developed a new economic model that is neither communist nor capitalist but something in between, a market economy at the lower levels but state-guided at the top. Some call it “market authoritarianism” or “authoritarian capitalism.”

Based on the Chinese propensity to save (in contrast to Americans’ love of spending), China has plenty of capital to invest. The parts of the economy that we see—bustling export industries, modern cities, and a rising middle class—look like those of a free-market economy. Behind the scenes, however, the state, guided by the Chinese Communist Party, carefully controls major economic activities—banking, investments, and currency parities.

The Party is controlled by its nine-member Standing Committee, all very bright and highly educated (most in engineering), which sets China’s economic direction in considerable detail. The Standing Committee, it must be said, generally makes sound economic decisions, which let China brush off the 2008–2009 downturn.

Able young Chinese—including businesspeople—are recruited into the Party by educational, business, and career opportunities. Unlike in Mao’s day, the only ideology that matters is China’s economic growth. The best cadres are promoted to lead cities, provinces, and the nation. At the top, the Standing Committee selects China’s president and premier, who serve two five-year terms, preventing both lifetime dictators like Stalin or Mao and succession crises.

China is not a federal system, but administration is decentralized to the provincial and local levels with instructions to do whatever it takes to grow the economy. This opens the door for uneven enforcement of law and vast corruption, which a Party commission attempts to halt but barely slows. Corruption is the system’s weakest point and the cause of protests. The Zhongnanhai can back down in the face of mass discontent before it threatens the regime. Critical individuals or groups are arrested, but when millions of Chinese complain loudly or ignore the law, the regime bends, passing new laws and punishing crooked officials.

China faces problems that could slow its growth. Banks, under Beijing’s orders, made dubious loans that fueled a dangerous housing-price bubble. Chinese workers, fed up with low pay and bad conditions, sometimes strike for hefty wage increases, which push up inflation. The Chinese model is not necessarily as stable and effective as Beijing portrays it.
either censor themselves or get closed down. The Zhongnanhai fears that any easing up could unleash dangerous forces, and they may be correct. Peasant protests over crooked officials could get out of hand. In China’s west, Tibet and Xinjiang could try to break away. What keeps most Chinese content is their constantly rising living standards. If that tanked, Beijing fears, mass discontent could surface.

America must take China’s need for respect into account. China could become the most important problem of the twenty-first century. If things go well, China could move in an open and democratic direction. If things go badly, China could move in a nationalistic and aggressive direction. We should remember that America’s involvement in East Asia has been a history of misperceptions, misunderstandings, and tragedies.

**A HISTORY OF EXAGGERATIONS**

Asia did not ask to be “opened” by the West. It was perfectly content with its traditional civilizations when the first Portuguese navigators, sometimes by gunfire, pushed into India, Indonesia, China, and Japan in the early sixteenth century (see Chapter 6). By the early nineteenth century, extensive U.S. trade developed with China, followed by thousands of American missionaries. But the United States never sought a “sphere of influence” or participated in the imperialist carve-up of the China coast. Because of this, Chinese called Americans their “favorite people,” and we were proud of that. At the beginning of the twentieth century, U.S. Secretary of State Hay issued the famous Open Door notes, telling all powers to keep trade with China open and to preserve China’s territorial and administrative integrity.

We saw ourselves as China’s big brother and in 1911 supported the new Republic of China and its Nationalist Party. We especially favored Generalissimo Chiang Kai-shek, who was on the cover of Time magazine ten times. (Publisher Henry Luce was born and raised in China of missionary parents.) As Japan invaded China in the 1930s, we immediately sided with China and thus collided with Japan. Pearl Harbor grew out of U.S. support for China.

But after World War II and years of fighting the Nationalists, the Chinese Communists under Mao Zedong won power in 1949 and in late 1950 flung their army against us in Korea. McCarthyism looked for someone to blame (chiefly Democrats) for “who lost China?” China went from little brother to dangerous foe; we fought in Vietnam to halt Chinese Communist expansionism, or so we thought. Washington did nothing official with Beijing until Nixon’s 1972 visit. Then suddenly U.S.–China ties warmed as both sides used them as leverage against Moscow. Trade, exchanges, and embassies were established. We had reasonable relations again.

But by the 1990s, things turned sour. In 1989 the regime shot prodemocracy demonstrators around Tiananmen Square and gave long prison terms to critics. The Chinese economy boomed, but China (like Japan) sold a lot more to America than it bought; U.S. trade deficits soared. Chinese manufacturers ignored U.S. patents and copyrights. The Chinese Renminbi was pegged too low to the dollar, giving China an export advantage. Chinese Christians and Buddhist sects were harassed. Many Chinese, with regime approval, said they were tired of America telling them what to do.

Beijing and Moscow on occasion have said they stand together against the “world hegemonic power,” meaning us. They have held joint military exercises, which looked like practice to invade Taiwan. But a strong China scares a weak Russia. Siberia is depopulating, and China could use its resources and lands, some of which Russia took from China long ago by “unequal treaties.” A true Sino–Russian alliance is unlikely.
Farther north, in the Yellow Sea between China and Korea, North and South Korea occasionally fight over their undefined maritime boundaries. In 2010, a North Korean torpedo sank a South Korean corvette (see box above), but Beijing refused to condemn Pyongyang and denounced U.S.–South Korean naval exercises in the Yellow Sea, most of which is international waters. China, fearful of renewed war on the Korean Peninsula, both supports and tried to calm North Korea. In effect, China claims the Yellow Sea as a security zone.

Amid growing U.S.–China friction in 2010, U.S. Secretary of State Hillary Clinton told an Asian security forum in Hanoi that peaceful settlement of overlapping claims in the China Seas was a U.S. national interest and urged a multilateral conference (see page 305). She did not say the seas themselves were a U.S. national interest, just peaceful settlement of them. Clinton was promoting stability and offering to mediate, but China’s foreign minister reacted angrily, claiming Washington was trying to “internationalize” what should be a series of bilateral talks. One at a time, of course, China would dominate the little countries and take whatever it wanted.

If the analysis at the start of this chapter is correct, though, Beijing’s moves are likely to be subdued, to avoid anything that might hurt economic growth. China does not like the informal anti-China coalition that is slowly forming; it would isolate China strategically. Vietnam now seeks U.S. support to stand up for the rights of small Southeast Asian countries in the South China Sea. Not long ago we defined war against Vietnam as a national interest. Is it now in our national interest to help Vietnam?

One big problem is that Washington has never precisely defined U.S. interests in the China Seas. Clearly, they are not American lakes, but are they entirely Chinese lakes? Some urge a U.S. presence to stabilize the region—not as owner but as balancer. With no one to keep competing claims in check, things could destabilize. Despite shrill public rhetoric, Beijing recognizes that with no U.S. forces in the Taiwan Strait and South Korea, tensions would build and hurt China’s economic growth. Our hunch: China will calm its stormy seas.
What does the roller coaster in U.S.–China relations mean? We have almost continually misperceived China (see page 201), seeing it as a nation for us to either save or destroy, total friend or total enemy. We exaggerated China's friendship and then, after 1949, exaggerated its enmity. Starting with Nixon, we exaggerated it as a friend again. One exaggeration starting in the nineteenth century is the “China market,” millions of customers for U.S. products. In truth, we never sold that much to China (it was too poor to buy much) and for decades did far more trade with Japan. Manufacturing in and selling to China still makes portions of U.S. business and agriculture pro-Chinese.

**WHICH WAY FOR CHINA?**

China was actually easier to handle when it was a straight Communist dictatorship. It was revolutionary but isolated and poor, consumed by its latest self-destructive campaign (Great Leap Forward in the late 1950s, Cultural Revolution in the late 1960s) unleashed by Chairman Mao. We were glad when it came out of its shell under Deng Xiaoping in the late 1970s, but that created a new set of economic and political problems.

China’s Special Economic Zones, at first in the south and along the coast (in part, aiming to make Hong Kong easier to swallow), encouraged private enterprise and foreign investment. Taking advantage of China’s low wages, Japanese, Taiwanese, and Hong Kong capital poured in and was soon producing textiles, clothing, footwear, and consumer electronics. China, starting in the 1980s, scored the fastest economic growth in history, but it cannot boom forever. As Chinese labor costs

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**GEOGRAPHY ■ CHINA, INDIA, AND THE INDIAN OCEAN**

Separated by the Himalayas, China (population 1.35 billion) and India (1.17 billion) are Asia’s great rivals. Both were hostile to market economics, but China began opening up in 1979, using foreign direct investment and cheap labor to grow at an amazing 10 percent a year. India began liberalizing its economy only in 1991 but now shows impressive 8 percent growth. Per capita, Chinese are more than twice as rich as Indians. Their economies are different: China concentrates on manufacturing, India on information technology.

India has been a democracy since independence in 1947; the media are free, and power alternates among parties in competitive elections. Indians are famously argumentative. Currently, the founding Congress Party rules India. China has been an authoritarian system since the Communists won in 1949 and keeps tight control of the media, banking, religion, labor, and criticism. China is a unitary system, India a federal system. Both countries have nuclear bombs.

Geopolitics gives China a strong interest in the Indian Ocean, as it depends on Persian Gulf and African oil shipped across it. Much like Britain’s “imperial lifeline” to Asia in the nineteenth century, China now develops a “string of pearls” of safe and friendly ports along its oil lifeline, especially with Sri Lanka. China is also building a major navy with a long reach—a “blue water” or “deep water” fleet. India, seeing itself the Indian Ocean’s major power, doesn’t like this.

China makes increasingly stiff demands on territories it disputes with India, especially Arunachal Pradesh in the very northeast of India. This is not just a remnant of British colonialist borders, but a potential transportation corridor that could link Western China to the Bay of Bengal. A Chinese pipeline through Burma is already under construction. It will (1) open China’s inland provinces, (2) shorten shipping distances, and (3) avoid the dangerous chokepoint of the Strait of Malacca. To promote its interests around the Indian Ocean, China invests and never raises human rights questions. Should Chinese influence in the Indian Ocean bother us?
Beijing demands reunification of Taiwan with the mainland and swears that if Taipei (Taiwan’s capital) declares independence, China will invade and reunite by force. Some see a serious threat from Beijing; others see a bluff. China and Taiwan do a lot of business with each other. A forcible takeover would also create an anti-Chinese coalition among other Asian powers. Taiwan’s current president improves ties to Beijing. So, for the time being, China holds back from invading. Will it do so forever?

When the Chinese Communists beat the Nationalists in 1949, Chiang Kai-shek’s army retreated to the large island of Taiwan with the promise to return soon to liberate the mainland from the “bandit clique of Mao Zedong.” For both Nationalists and Communists, there is only one China, a hallowed point of Chinese political culture.

For all intents and purposes, Taiwan really is a separate country. The Manchu dynasty annexed Taiwan in 1683 to stop piracy and a Dutch takeover. It was run by Japan from 1895 to 1945, and elderly Taiwanese still speak Japanese. Their native dialect is quite distinct from Mandarin, and Taiwanese do not much like mainlanders. When the Nationalists took over after World War II, Taiwanese complaints about the new government led to rioting, which Chiang gunned down. Until recently, no Taiwanese were allowed in Taipei’s top ranks; those positions were reserved for mainland Nationalists. Many Taiwanese felt like a colony; some formed the opposition Democratic Progressive Party (DPP).

Taiwan was a military dictatorship until 1987, with only one party, the Nationalists, but vigorous economic growth turned Taiwan into a vibrant democracy. Taiwan-born Lee Teng-hui, a Nationalist, won Taiwan’s first free presidential election in 1996. In 2000, Chen Shui-bian of the DPP won the presidency and stressed Taiwan’s sovereignty, which angered Beijing. The 2008 election of President Ma Ying-jeou, a Harvard-educated Nationalist, calmed things; Ma dropped mention of Taiwan independence and reached a major trade pact with the mainland.

When the United States, under President Nixon, began a rapprochement with Beijing in 1972, some Americans talked about a “two Chinas” policy, that is, recognizing that they are two separate countries. Neither Taipei nor Beijing would hear of it, so the United States shifted its diplomatic recognition from the former to the latter. Informally, U.S.–Taiwan diplomatic relations continue (see Chapter 19).

China’s standing offer to Taiwan: Come back to China and you can keep your political and economic system for 50 years. This is called “one country, two systems,” by which China regained Hong Kong from Britain in 1997 and Macau from Portugal in 1999. Now both are Special Administrative Regions of China with their own governments, currencies, and border controls but under Beijing’s sovereignty and quiet veto. Taiwan resists Beijing’s offer but in 2010 signed a major free-trade agreement with the mainland. Beijing’s aim is to draw Taiwan ever closer.

Should Washington support Taiwan independence? Would threats to cut off China’s U.S. trade work? China could simply withdraw its mammoth financial holdings now in the United States, doing serious harm to the U.S. economy. (At the same time, of course, China would harm its own economy; the two economies are intertwined.) Actually, China would not have to withdraw anything but simply stop buying any more U.S. Treasury bills. We are in hock to China, and that gives Beijing leverage.

China boosts military spending and has some 2,000 missiles—some of them anti-ship—near the 110-mile (175-kilometer) wide Taiwan Strait. China’s nationalistic military itches to retake Taiwan and harasses U.S. ships and planes in the China Seas, in effect warning: “America, keep out of our waters!” U.S. policy for years has been to oppose forcible unification; if it’s peaceful, no problem. Washington urges Taipei to pipe down about sovereignty or independence and preserve Taiwan’s strange status—a country that is legally not a country. As you review the tragedy of U.S.–Japan relations in the last century, ask if the same could happen between us and China. Would the United States really fight for Taiwan?
grow, manufacturing shifts to cheaper Asian lands, such as Vietnam and Indonesia. Massive environmental damage is choking off (literally) China’s economic growth.

The political problem is that China is still governed by a Party elite reluctant to admit that the whole Maoist enterprise—including the death of as many as 50 million of their own citizens—was a mistake. Starting in 1979, Beijing’s rulers liberalized China’s economy but not its political system, which they still tightly control. Can that last? Or do market economies create pressures for democracy, as they did in Taiwan?

With communism now meaningless, Beijing wins legitimacy by providing higher and higher living standards, especially for the new middle class of businesspeople and urban professionals. China has lifted perhaps half a billion citizens out of poverty. It also deflects citizen discontent into China’s very strong nationalism by calling Japan unrepentant and the United States a bully and by staking out territorial claims far into the South and East China Seas. Possible undersea natural gas fields around the Paracel, Spratly, and Senkaku Islands brought China into disputes with Vietnam, Indonesia, the Philippines, Malaysia, Brunei, and Japan. (See map on page 273.) Beijing is uninterested in settling these disputes except on China’s terms.

**JAPAN ENCOUNTERS THE WEST**

The reasons for Japan’s success are many. Geography and history helped. The island archipelago was close enough to China to adopt much Chinese culture but sufficiently distant to resist invasion. Two invasion attempts by the Mongol emperor of China, Kublai Khan, in 1274 and 1281, had Japan petrified with fear until a “divine wind” (in Japanese, kamikaze) wrecked the invasion fleets. With few natural resources, Japan had to rely on human resources of thrift and cleverness.

Unlike China, Japan did not unify early into a bureaucratic empire but stayed feudal for centuries, until one clan conquered the island chain and founded the Tokugawa Shogunate by 1600. An emperor, virtually a prisoner of the court, served as a symbolic descendant of the sun goddess. Real power was in the hands of a shogun, a military chief who ruled by police and by carefully balancing the powers of lesser lords. By the nineteenth century, Japan was a prosperous, highly developed feudal system—with power dispersed among many groups, each with right of veto, and insufficient central authority.

Some thinkers argue that feudalism was so deeply ingrained in Japanese culture that Japan has never come out of it and remains feudal. Tokyo lacks the central authority we take for granted in other modern countries. This is what makes Japanese government so difficult to deal with. Japan’s leaders seem to promise one thing, but back home they knuckle under to domestic economic interests. It also means that Tokyo has great difficulty in reforming Japan’s ailing financial system.

The arrival of the first Westerners—daring Portuguese navigators in 1542—confused the Japanese. Some traded with the Europeans, and hundreds of thousands embraced the Catholic faith brought to Japan by Jesuits. Others feared the dynamic outside influence would wreck Japan’s delicate balance. In 1622 the Tokugawa shogun had the Westerners expelled and Japanese Catholics butchered. Then he firmly closed the door to outsiders; there was little trade or contact for over two centuries.

As the China trade grew, however, the West grew curious and annoyed about Japan. In 1853, the Americans made the opening move as Commodore Perry’s black, fire-belching ships entered Tokyo Bay. The worried Japanese officials asked Perry to return next year for their answer. It was no longer possible to keep the foreigners out, so Japan in 1854 exchanged diplomatic recognition with the United States.

What followed was amazing. Officials saw that Japan had to modernize quickly or be taken over, as China was. In 1868, upon the accession of the new Emperor Meiji, vigorous samurai clans
pushed through a series of reforms called the Meiji Restoration, which modernized everything from government and industry through education and clothing. Under the slogan “Rich nation, strong army!” Japan went from the crafts age to the industrial age in one generation. In 1895, Japan beat China, a decade later Russia.

THE ROAD TO PEARL HARBOR AND HIROSHIMA

Economics played a major role in the march to war. Japan depended—as it does today—on exports. Japanese goods, especially textiles, flooded the American market until they were limited by quotas. Japanese felt they were unfairly treated, and this played into the hands of militarists who argued that only imperial possessions could give Japan the economic growing room it needed. As the world economic depression deepened in the 1930s, everyone locked out foreign goods, hurting Japan even more (see Chapter 18). Japan also resented U.S. laws in the early 1900s against Asian immigrants. In California, local laws discriminated against Japanese (and Chinese), and Tokyo felt insulted. Domestic matters have international repercussions.

Like newly unified Germany, Japan began to demand its “place in the sun.” If the Europeans could grab colonies, why couldn’t Japan? Japanese democrats tried to transplant Britain’s constitutional monarchy—with a parliament and cabinet—but they were soon subverted by Japanese ways, a pattern also seen later. The Japanese armed forces were hotbeds of militant nationalism that demanded imperial expansion. They knew this would mean eventual collision with the United States and started quietly thinking about it after World War I. When U.S. Colonel Billy Mitchell demonstrated that airplanes could sink ships in 1926, the Japanese military delegation paid special attention.

The Japanese army in southern Manchuria—there since victory over the Russians—decided on its own to seize all of Manchuria in 1931. They staged a fake bombing and then “punished” the Chinese. Tokyo politicians who opposed this were assassinated. Japan set up the puppet state of Manchukuo, but U.S. Secretary of State Henry Stimson did not recognize it. Stimson’s nonrecognition doctrine showed our indignation in a verbal rather than military way, which Tokyo didn’t take seriously. As Stimson recalled later, the Japanese bomb at the Mukden (now Shenyang) railroad tracks in 1931 led straight to Pearl Harbor in 1941 and Hiroshima in 1945. By the mid-1930s, the military owned the Japanese government. In 1937, Japan began the slow conquest of China and was still at it when Tokyo surrendered in 1945. The United States denounced every Japanese move, but words unsupported by power were not taken seriously.

The U.S. military was remiss in not anticipating Pearl Harbor. Many signs pointed to it, but the intelligence was scattered and under no single authority. (One upshot: the creation of the Central

TURNING POINT  ■  THE FIRST PEARL HARBOR

Americans did not like tsarist Russia, infamous for its tyranny, Siberian penal colonies, and persecution of Jews. Americans admired Japan, which quickly copied everything Western and embraced dynamic, modern values. In 1904 Japan attacked the Russian fleet at Port Arthur in China, then trounced the Russians on land and sea. President Theodore Roosevelt called them “plucky little Nips” and personally mediated the Treaty of Portsmouth (New Hampshire) that ended the war. Japan’s victory in the 1904–1905 Russo–Japanese War convinced other Asians (Chinese and Vietnamese) to copy Japan and resist European takeover. Japan’s taste for imperial expansion was only whetted. In 1941, Japan repeated its sneak attack on a naval base.
Intelligence Agency to collate all intelligence data.) Where had the Japanese fleet gone? Why was a special telegram (whose code we had broken) scheduled from Tokyo to the Japanese embassy in Washington on December 7? And the complacent U.S. commanders in Hawaii had depth-charged one Japanese minisub and sighted their air squadrons on radar but didn’t understand they were under attack until the bombs fell.

Pearl Harbor gave America one major break. By chance, the carriers Lexington and Enterprise were at sea that day, and carriers were the ships that really mattered in the Pacific war. The battleships and cruisers lost at Pearl were largely irrelevant. Pearl Harbor roused the Americans without seriously harming them. An enthusiastic America was now in the war.

Could the war have ended sooner? A “war party” of extreme militarists—led by the prime minister, General Hideki Tojo—would not consider surrender. One of their arguments was that the Allies would get rid of Emperor Hirohito, still regarded by some Japanese as a living god, which was never the Allies’ demand or intention. Again, misunderstanding fed war.

Were the atomic bombs absolutely necessary? No, but we didn’t know that at the time. As usual in war, Japan presented an image of willingness to fight forever. Many Japanese soldiers refused to surrender. (The unofficial U.S. policy of executing Japanese prisoners contributed to this.) A U.S. invasion of the main Japanese islands would have been bloody. But the war had become impossible for Japan. American submarines had cut Japanese shipping, and American air attacks had burned cities, industries, and crops. If the war had lasted another year, millions of Japanese would have starved to death. We didn’t realize how close Tokyo was to surrender in the summer of 1945.

And the United States had, at great expense, just produced the first atomic bombs. It seemed a waste not to use them. Some radical historians argue that Truman wanted to drop the bombs to show Stalin how tough we were and that we weren’t going to put up with his demands. The evidence for this alleged “atomic diplomacy,” however, is disputed. Truman ordered the bombings because he

TURNING POINT ■ THE U.S.–JAPAN WAR

Was war between the United States and Japan inevitable? It was as long as we were China’s protector. If we had been willing to look the other way as Japan pillaged China—using live Chinese, including babies, for bayonet practice—we could have avoided war with Japan. The entire Far East would be united under a single, hostile hand, which then would have invaded Russia and linked up with Hitler to control all of Eurasia.

Yes, we could have defined our interests narrowly, ending at Midway and Guam, but the world in general and Asia in particular would have been an uncomfortable place for us, to say nothing of those under Imperial Japanese rule. The Japanese view of themselves paralleled the Nazi view of Germans as a superior, conquering race. Recognizing kindred spirits, Hitler put aside his Nordic image of race to declare Japanese “honorary Aryans.”

If the United States had had strong forces in the Pacific, Washington might have persuaded the Japanese militarists to desist. But the isolationist United States was lightly armed and uninterested in war, and the Japanese militarists knew it. Instead of firm military steps, Washington used verbal protests and embargoes to try to make Japan stop conquering China. The Japanese thought we were bluffing and supposed they would call our bluff at Pearl Harbor.

The calculation omitted the crucial psychological factor—how Americans would react. The brilliant Admiral Yamamoto who planned Pearl Harbor knew he was awakening a sleeping giant and warned Tokyo. He had served several years in Washington as naval attaché and knew how Americans would react, but as a good soldier he obeyed orders. The U.S. reaction exceeded his fears. Americans instantly put aside isolationism and rose with vengeful hatred on December 7, 1941.
wanted to end the war. Was it immoral? Would death by starvation of millions of Japanese have been moral? Could we have dropped just the one Hiroshima bomb on August 6, 1945? Tokyo, still torn between war and peace parties, did not reply. The Nagasaki bomb came August 9, the emperor tilted against the war, and Japan asked for peace the next day. Ultimately, the Japanese can blame only their own militarists.

FROM RUBBLE TO RICHES

Japan’s cities after the war were gray rubble. A military occupation government under General Douglas MacArthur ran the country but through Japanese bureaucrats. (Too few Americans spoke Japanese.) Hirohito was demoted from living god to ordinary human but stayed figurehead emperor. A new constitution—still called the “MacArthur constitution” because it was drafted by Americans on his staff—set up a British-style system in 1946.

CONCEPTS ■ THE UNFORESEEN CONSEQUENCES OF NORTH KOREA

The world’s first Communist dynasty—son and grandson succeed the founding dictator—North Korea got its start in the way World War II ended. Not knowing that the atomic bombs then nearing completion would actually work, Roosevelt at Yalta in early 1945 persuaded Stalin to enter the war against Japan three months after Germany surrendered. (Moscow and Tokyo had adhered faithfully to their 1941 neutrality pact.) When Truman learned that the bomb worked—he was at Potsdam conferring with Stalin after Germany’s defeat—he tried to talk Stalin out of entering the war with Japan, but Stalin was happy to grab new territory.

As the U.S. bombs exploded at Hiroshima and Nagasaki in early August of 1945, Soviet forces smashed the Japanese in Manchuria and brought Communist power into North Korea, where Stalin set up a puppet Communist regime under guerrilla leader Kim Il Sung. The expansion of Soviet influence in Northeast Asia, originally meant just to finish off Japan, led to the Korean War in 1950 and to an aggressive North Korea that kidnapped Japanese children (so its spies could perfect their Japanese), practices terrorism, sells missiles to Middle East regimes, and builds nuclear bombs. North Korea engaged in nuclear talks but only as a device to get economic aid.

Policy analysts use second-order consequence for an aftereffect, often unforeseen and undesirable, that flows from a policy’s initial result. A third-order consequence is the same, only one step later. With Korea, the initial World War II decision brought an initial consequence of Soviet power in North Korea. A second-order consequence was the Korean War. A third-order consequence is the nuclear impasse and threats of war from a paranoid regime.

In 2010, a North Korean submarine sank a South Korean corvette. Pyongyang denied it but threatened war. Analysts speculated that North Korea’s military was positioning itself to dominate the regime after the death of the current dictator, Kim Jong Il, who had suffered strokes. Many North Koreans know their situation is miserable; a rising of the hungry could spin out of control. Several countries fear the sudden collapse of the North Korean regime, which would send starving refugees in all directions. South Koreans are about 20 times richer per cap and, unlike West Germans, are not eager for an expensive reunification.

Beijing, the only regime with good ties to Pyongyang, does not want chaos in its region and quietly tries to persuade North Korea to join multilateral talks, open its economy, and follow China’s path. Beijing argues that sanctions just enrage Pyongyang, that quiet diplomacy is best. If China wants to be respected as a major power, however, it had better show some results with North Korea. One possible opening may come when the likely new young dictator, Kim Jong Un, takes over. He had some experience in a Swiss prep school and may know more about the outside world and be willing to calm things. On the other hand, he may be eager to show how tough he is.
Economically, the defeat had certain beneficial aftereffects. The Japanese had nothing else to do but work. Everyone was poor; there was a rough equality. Gone was the dream of imperial expansion; they would have to make do with their little archipelago. Expectations were low; Japanese concentrated on survival and did not ask for much. At first Japanese products were cheap copies of American and European goods made of used tin cans. “Made in Japan” meant shoddy, but quality Japanese goods started appearing soon. Photojournalists discovered Nikon and Canon lenses and then cameras—at first blatant copies but soon quite original—and Japan replaced Germany in the camera business. A GI took his U.S.-made tape recorder to a Tokyo shop for repair. The owner was inspired to make his own and founded Sony.

Economic desperation gave the Japanese a competitive edge. They had to work harder and smarter, innovate more, and boost productivity. Japan’s political culture is cooperative, and Japanese companies accepted MITI guidance. Corporations did not feel confined to a single product line; they continually branched out. Japanese growth rates, for many years 10 percent a year, awed the rest of the world. Japan is now the third-largest industrial economy in the world, after the United States and China (Germany is fourth). And it has less than half the U.S. population. Japan’s success gives several hopeful lessons: A poor nation can quickly become rich. Low wages give the poor country a competitive edge over rich ones. Natural resources are not the basis for growth; human resources are. Japan’s declining population shows once again that rapid population growth in developing lands slows with industrialization.

No economy grows rapidly forever; all eventually slow. In 1990 Japan began two decades of stagnation, bad debts, and depressed stock and property values. Japan suffered deflation, which many economists fear more than inflation. Some of Japan’s once-praised features made things worse: foolish loans, not enough profits, inability to let failed banks and businesses go bankrupt, and (thanks to poor advice from MITI) overexpansion of major industries. Japan has 11 carmakers, most losing money. Japan’s wage rates and currency climbed. Now it’s cheaper to build a Nissan in Tennessee than in Japan. Japanese corporations turned to outsourcing in lower-wage Asian lands, including China, Malaysia, and Vietnam.

MITI Ministry of International Trade and Industry, guiding hand of Japan’s economy; now called METI.

deflation Overall, long-term fall of prices.
inflation Overall, long-term rise of prices.
outsourcing Moving production to lower-wage countries.
peg To fix one currency in relation to another, the opposite of float.
yuan China’s currency, another name for RMB.
float To let market forces cause a currency to rise or fall in relation to others.

**ECONOMICS ■ YUAN GET FLEXIBLE?**

Exchange rates (see next chapter) are a hot topic. Beijing deliberately kept its currency undervalued—by an estimated 20 to 40 percent in relation to the dollar—in order to export more. China for years pegged the RMB at 8.3 to the dollar. After much complaint, in 2005 it unpegged the yuan in a controlled, managed float, but then in 2008 rep pegged it at 6.8 to the dollar (a 21 percent rise). Many charge China with “currency manipulation” that subsidizes Chinese exports and tariffs imports, but Beijing, fearing any economic slowdown, kept the RMB fixed and low.

With pressures mounting to float the yuan—especially threats from the U.S. Congress—Beijing in 2010 began to make the yuan flexible, but not much and not fast. China gradually makes the RMB usable in more and more international trade deals, apparently aiming to let it grow into a world reserve currency that can compete with or even replace the U.S. dollar. To make that happen, though, the yuan will have to float freely. Fearing harm to its economic growth from Western protectionism, Beijing is likely to get flexible on its yuan.
Japan faces a security dilemma. Long protected by a U.S. treaty and with 47,000 U.S. troops on its soil (most on Okinawa), Japan benefited from holding its defense expenditures to a mere 1 percent of GDP. Japan was a “free rider” but never liked the U.S. bases and subservience to U.S. policy. In 2009, the pro-U.S. Liberal Democratic Party (LDP) was finally ousted by the Democratic Party of Japan (DPJ), which vowed to cut the U.S. presence on Okinawa. Tokyo quickly noticed, however, that without U.S. backup, Japan would face China and North Korea alone. Result: Japan’s defense policy changed little, and the U.S. Marines are still on Okinawa.

Things could go wrong with East Asia’s economic growth. Heightened by the 2008–2009 global recession, trade protectionism grows. More countries slap punitive tariffs on Chinese goods—which, they charge, are dumped on the world market—and China retaliates. Some countries have already put up barriers to East Asian products, and American politicians talk about “getting tough” with “unfair” trade competitors. On their part, Asian lands import raw materials but are protectionist on finished goods. They insist on running trade surpluses. If trade doesn’t roughly balance (over the long term, not necessarily in a given year), eventually it will decline. One of the keys to peace and stability in East Asia is trade.


