

SPF Policy Proposal

Shaping Pragmatic and Effective Strategy Toward China

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Preface

This proposal document summarizes the essence of the discussions between Japanese and U.S. experts on a long-term strategy toward China from 2020 to 2022 in the form of policy recommendations. During this period, a series of historical events took place, including the COVID 19 pandemic, a sharp deterioration in U.S.-China relations and Russia's invasion of Ukraine. After these events, Japan committed to strengthening its own defense capability with three strategic documents in light of the possibility of a Taiwan contingency in December 2022. Subsequently, the U.S. and Japanese governments agreed to deepen alliance coordination mechanisms following the "2 Plus 2" (foreign and defense ministerial level) and the summit meetings in January of this year. In addition, the U.S. started to tighten restrictions on the export of cutting-edge dual use technology, such as high spec semiconductors, to China, and Japan and other allies are cooperating with these restrictions.

The goals of the strategy toward China in the U.S. and Japan are to deter Chinese military adventurism, maintain a rules-based order in the Indo-Pacific region, continue the current economic prosperity of Japan and the United States, and eventually induce China toward respecting the common international rules in the region.

While the functioning of the U.S.-Japan alliance itself shows gradual development, it is time for the U.S. and Japan to reconsider the purpose and path of their strategies toward China. Are we setting appropriate strategic objectives and path forward? While the U.S.-Japan alliance is steadily strengthening at least in terms of security, is the current U.S.-Japan common policy, with an eye on the economic field as well, appropriate to maintain order in the region and to induce China into becoming a rule-abiding player?

To begin with, I would like to look back at the short history of U.S.-Japan-China trilateral relations, which have experienced long periods of both strategic collaboration and competition, or even wars. In the late 19th century, it was the U.S.'s impetus that ended Japan's over 200 years of international isolation to begin building a modern nation state. At the time, the U.S. demanded that Japan open up its ports, as the U.S. wanted to secure a relay point for its frequent trade with China. After opening its doors, Japan, which had gained strength as a modern nation, barely won the Russo-Japanese War, but the postwar negotiations were mediated by U.S. President Theodore Roosevelt, who, considering their potential to upset the balance of power, was wary of Russia's growing influence in the East Asian region. After the Russo-Japanese War, Japan held railroad interests in Manchuria, gained a stronghold in mainland China, and eventually started to invade China. This time, Franklin Roosevelt, once again examining the implications for the balance of power and fearing that Japan would become too powerful in East Asia, assisted China, and defeated Japan in the Pacific War in 1945. The People's Republic of China, established in 1949, fought the Korean War with the United States, who pursued a policy of containment toward the PRC and the Soviet Union. In 1972, Richard Nixon and Henry Kissinger began to engage with the PRC, leading to Japan quickly thereafter normalizing its relations with the PRC and providing economic assistance, which would help China's later rapid economic development, and lay the groundwork for the collapse of the Soviet Union. Today, U.S. concerns about an overly powerful China have led to further U.S.-led policies aimed at maintaining the balance of power, such as deepening cooperation in the U.S.-Japan alliance, the U.S.-Japan-Australia-India Quad and in AUKUS (Australia, U.K. and U.S. defense cooperation framework). This requires the parties to seriously consider forming a common strategy perception toward China.

The resources available to Japan and the U.S. to influence China's behavior include hard power in the form of U.S.-Japan military and economic power, as well as soft power, which has maintained the post-World War II liberal international order in the Indo-Pacific region. Based on these, it is important to present a "legitimate strategic vision" that can win the Indo-Pacific countries' support for the interests of the liberal international order. These are both important goals and resources for gaining the cooperation of the Indo-Pacific players in nudging China toward compliance with regional rules.

It is also important to chart such a course without imposing any great sacrifices onto other countries in the region, whose desire for a stable order in their neighborhood does not mean they want to be forced to choose between the U.S. and China. The goals of the U.S. and Japan cannot be achieved if they are alone, and thus they need to involve other players in the region.

What is also important is how to exert influence over China. In this regard, it is necessary to consider strategies, including how to communicate with China, while assuming to some extent the future shape of China. Whether or not China's political leadership system and economic growth will move in the right direction in the long term is, at this point, unpredictable. However, at least, we should assume for the present that the direction China is heading in is one in which Xi Jinping will expand his cult of personality and personal control over the country, including its economy, and that the current hardline policies toward the outside world, as well as China's overall expansionary path, will continue.

Even if China's economic growth slows in the future, the hardline policy will likely be used to redirect the domestic contradictions that arise from the slowdown to the outside world, and we need to keep in mind the scenario that China will enter a danger zone where it will have greater incentives to use its accumulated military resources for external purposes in order to stay in power.

At the same time, it is necessary to convince China that international cooperation is necessary for continued economic growth at some point. This may require a division of roles between the U.S. and Japan. For example, Japan and China have now agreed to open a hotline between defense authorities, while the Biden administration is yet to set up guardrails to avoid unnecessary clashes. China does not want to appear weak to the U.S. in order to maintain its domestic system, but on the other hand, it also wants to avoid regional isolation and unnecessary military conflicts with the U.S., which resulted in opening the hotline with Japan as a safety valve.

Thus, it may be necessary for Japan and the U.S. to share roles, like a good cop and a bad cop. To this end, it is necessary for Japan and the U.S. to form a common perception of their strategy toward China. Otherwise, we risk giving China the opportunity to create a wedge between the U.S. and Japan.

Looking at the history of U.S.-Japan-China relations, it is indisputable that stabilizing and managing the U.S.-Japan-China relationship is essential for the stability of the Indo-Pacific region and the world. The policy recommendations presented here are not a quick-fix cure-all, but rather health guidelines for a safe and prosperous life for the U.S., Japan and China over the long term, and for moving the situation in the right direction over the long term.

Tsuneo "Nabe" Watanabe

Project Leader, Shaping Pragmatic and Effective Strategy Toward China Project
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Japan and the U.S. coordination for the long-standing competition with China

In order to take the advantage in the long-standing competition with China, it is important for the U.S. and Japan to coordinate their alliance to ensure flexibility while at the same time cooperating as allies.

This is because competition and cooperation with China are not only concerned with military and security issues, where zero-sum logic can easily be applied, but also over a myriad of individual issues confrontation between China and the United States or China and the West.

An example is China's response to the U.S.'s extraterritorial application of its domestic laws. China is not taking an isolated approach, referring to France and the EU in its response.

China is also making efforts to create a broad regime of judicial cooperation, using the Shanghai Cooperation Organization and the countries along the "One Belt, One Road" as footholds. In order to bring these Chinese moves into the construction of a more global regime, it is necessary to promote cooperation on an issue-by-issue basis, rather than mere rivalry.

In light of these pluralistic moves in the international community, we propose the following: Japan and the U.S. should coordinate their alliance relationship so that they can cooperate as necessary, advancing their foreign policies with a certain degree of autonomy and flexibility based on their respective national interests, values, and advantages. This will ultimately bring about a peaceful order in the international community that takes diversity into consideration.

(Kazuko Kojima)

How narratives of defending the rules-based international order can help in winning the soft power competition with China

In order for Japan and the United States to protect the liberal rules-based international order, they must win the competition with China. What will be significant to achieve this goal is not just the competition over hard power, such as military, economic, and technological capabilities, but also the competition over soft power, that is to say, the competition over whether liberal democracy or authoritarianism can attract more countries in the world. Japan and the United States should use narratives that are broadly acceptable to “in-between” countries that are not authoritarian but also not liberal democracies.

To win the soft power competition with China and attract more countries to their side, Japan and the United States need to recognize two realities. First, many countries in the world, particularly many in the Global South, are neither liberal nor democratic, if not authoritarian. Second, for many developing countries, again, including those in the Global South, achieving a richer and more convenient standard of living for its citizens is a more pressing issue than achieving liberal democracy, and China appears, to their eyes, to offer a shortcut to such a standard of living.

In order to attract such “in-between” countries to the side of Japan and the United States rather than China’s, Japan and the United States should be careful about using narratives that position the competition with China as a fight to promote democracy. Pressing the “in-between” countries to choose between Japan and the United States or China is counterproductive. Such a narrative is likely to alienate “in-between” countries, and can lead them to turn their backs on Japan and the United States. There is no doubt that Japan and the United States, along with other liberal democracies, are fighting a battle of “liberalism versus authoritarianism,” but to win this competition, it is essential not to overemphasize this picture.

Japan and the United States should emphasize a narrative that positions the competition with China as a fight to protect the rules-based international order. This is because a rules-based international order is based on the idea that both large and small countries should respect international rules and refrain from behavior relying on force, a concept that benefits all small and medium-sized countries, regardless of whether they are liberal or democratic. As China’s power grows, its tendency not to hesitate to attempt to unilaterally change the status quo by force is becoming increasingly salient, and the logic that a rules-based international order advocated by Japan and the United States is important to curb this trend is easily accepted by “in-between” countries.

Meanwhile, Japan and the U.S. must also recognize that narratives alone are not sufficient to win the soft power competition with China. Japan and the United States need to present a better, alternative path to a richer and more convenient standard of living to “in-between” countries than the one offered by China. Needless to say, this presupposes that Japan and the United States will not be outcompeted by China in the hard power competition, including economic and technological competition.

(Matake Kamiya)

We must rebuild our global policy to deal with China

- (1) Reassure the “Global South” and other relevant countries that the Chip War will not lead to them being denied access to technology and goods on security grounds.**
- (2) Initiate global talks or strategic dialogue with relevant countries about a post-Wassenaar Arrangement export control regime.**

As for reassurance, we should be careful to remember that how the economic and security policy implications of the Chip War can be separated will be critically important. In this regard, how we may reconstruct globalization through existing international frameworks is worth considering.

The recent tightening of export controls on semiconductors and semiconductor manufacturing equipment to China forms part of a bigger trend in international politics. Its implication is not limited to the Chip War alone. It reflects a need for serious policy adjustment in many aspects of global politics.

The nonproliferation of WMD and other related technologies and material have been a major policy theme for three decades. However, the mode is changing. We must consider creating an export control regime that can cover emerging and enabling technologies while accounting for supply-chain risks.

We will have to face with its implementation to the WTO norms and regulations that helped promote globalization. Also, we may need to reconstruct the ways in which dual-use technologies are managed both on the global and the domestic level. Furthermore, as many harbor fears about the extended impact of a high tech competition between US-led likeminded states and authoritarian states, we may have to think through whether we can stabilize the tension through institutionalizing the competition or chose other options deemed appropriate.

(Heigo Sato)

The establishment of Japan and the U.S. Track 1.5 dialogue for military resilience

Japan and the U.S. should establish a Track 1.5 dialogue, bringing government and non-governmental experts together, to discuss and publicize the need for progress in the currently underappreciated and underfunded area of military resilience. The intent will be to increase understanding of the problem and to overcome obstacles to progress.

“Resilience” has become a by-word in U.S. and Japanese defense circles, but critical elements remain unfunded or underfunded – largely for bureaucratic reasons. In military affairs, resilience is the ability to absorb attack, while continuing to operate effectively. The threat from accurate long-range fires, backed by space-based and other forms of surveillance, challenges the ability of conventionally organized forces to operate with impunity as they have historically. A variety of means can be employed to improve resilience: dispersion, mobility, hardening (of immobile assets), deception, and active defenses. The problem and means to mitigate it have been evident to analysts and planners for decades, and “resilience” has been incorporated into U.S. and Japanese defense strategies and documents. It has, for example, been identified as one of the seven priority areas in Japan’s recently released National Defense Strategy and as one of five priorities under the U.S. Pacific Deterrence Initiative.

However, military organizations are far more prone to acquire – and better equipped to fund – weapons systems and force structure (“units”) than the logistical and infrastructure necessary for their resilient operation. After building 1,000 hardened aircraft shelters in Europe and parts of Asia during the 1980s, the U.S. has not built any since, and the existing shelters in Japan are not in the right locations. (None are in Guam.) The big-ticket items in the Pacific Deterrence Initiative are weapons systems, not infrastructure. Although Japan has identified resilience as a priority, it is listed as the seventh (last) priority among the seven identified. (Standoff strike missiles are the first priority.) The MoD’s budget proposal for 2023 includes revetments for aircraft, a less effective alternative to hardened aircraft shelters. On the U.S. side, infrastructure construction falls into the budget for facilities improvement, a limited part of the military’s overall budget, and securing additional funds encounters bureaucratic obstacles.

A track 1.5 dialogue on strategy and resilience would raise the salience of resilience-related issues, foster the development of civilian expertise on defense issues in the United States and Japan, and explore ways to not only improve resilience but also to fund and implement projects. Participants would be roughly evenly divided between government and non-government personnel. Short analytic papers, presumably including modeling of specific resilience related issues, would be commissioned on different parts of the problem, and participants would be free to discuss and publish their work. Wargaming might also be employed to examine problems and provide a common frame of reference.

An important part of the work, and one that would benefit from the government-private collaboration, would be identifying obstacles to implementation and ways to ensure funding. Each paper would be summarized in a one-page memo, and an executive brief would be prepared for senior military and policy officials in Tokyo and Washington.

(Eric Heginbotham)

Japan and the U.S. cooperation for securing Japan's Southern Flank

Japan and the United States need to prevent any aggressive acts by those challenging the existing rules-based order. For this, Japan needs to enhance its defense capabilities in the Southwestern Islands for its denial capabilities in the region, and to establish a firm posture to assist in U.S. rapid deployment to the region.

The two countries need to promote their defense cooperation with the Philippines, which is concerned with the southern flank of so-called the first island chain next to Japan's Southwestern Islands. The two also need to encourage allies and partners that have interests in securing the existing order in this region, such as the other coastal countries in the South China Sea, Australia, UK, France and India.

The above-stated proposal for bilateral denial capabilities in the area around the Southwestern Islands look to have gained support from the two countries, Japan and the U.S. Japan, along with its new defense posture with focus on this area, has declared that it will improve its capabilities in various areas. These include long-range strike capabilities for stand-off operations, which can be utilized to reduce enemy capabilities to attack Japan with long range weapons, such as newly emerging systems including high speed gliding vehicles and hypersonic cruise missiles, in addition to traditional ballistic and cruise missiles. On the other hand, the U.S. side seems to have initiated new efforts to promote its defense posture in the Western Pacific. The U.S. Marines in particular, are aiming at a totally new posture there, introducing Marine Littoral Regiments specifically designed to rapidly deploy to and operate on islands and coastal areas in the Western Pacific to enhance denial posture in the region.

(Noboru Yamaguchi)

Formulation of new Japan-U.S. joint procedure adjustments in response to changes in Japan's defense policy

Japan and the U.S. need to work on adjusting new joint response procedures reflecting Japan's recent legal changes as the most urgent task. Although Japan has drastically changed its defense legislation, making it possible to exercise the right of collective self-defense and counterattack against enemy territory in the case of a potential Taiwan contingency, Japan still has many legal caveats on its military action.

Japan's use of force is limited to "the minimum necessary for self-defense" due to constitutional restrictions. For this reason, the Japanese government's official view is that even if it exercises the right of collective self-defense, what it can do is limited to protection and supply support for U.S. and other countries' forces and search and rescue of combatants, and it will not participate in general combat operations.

Even if Japan possesses the capability to attack enemy territory, Japan cannot carry this out alone without relying on U.S. capabilities, such as satellite-based intelligence on targets and terrain, and attacks on enemy air defense networks.

In addition, Japan's attacks on enemy territory are assumed to be counterattacks against missile strikes and other offensive maneuvers. Therefore, it does not envision attacks on enemy territory as a general offensive operation. Furthermore, in selecting targets for attack, Japan must set a stricter standard than the U.S. for the scope of collateral damage due to constitutional limitations.

A new Japan-U.S. joint response that reflects Japan's policy shift will require a resolution of these complex issues, but a joint response based on such a resolution is impossible without a new Japan-U.S. joint response procedure that clearly defines the respective roles of the United States and Japan.

At the same time, given the situation in which a Taiwan contingency could occur at any time, it is necessary to formulate new joint response procedure as soon as possible.

(Susumu Nakamura)

Facilitate U.S.-Japan-Australia-ROK Coordination

While multilateralism will continue to feature in the institutional architecture of the Indo-Pacific region, the trend line increasingly favors minilateralism. Shaping dynamics in a region as diverse as the Indo-Pacific necessitates coordination with a range of like-minded countries to manage strategic competition with China and preserve the rules-based international order. Japan and the United States are aligned in emphasizing this critical dimension to regional strategy and have developed multiple networks to support future stability and prosperity. Quadrilateral coordination with Australia and the Republic of Korea is an important means toward that end.

Japan's new National Security Strategy (NSS) and the NSS of the Biden administration each identify China as the greatest strategic challenge to regional security and prosperity. Both strategies also signal increased alignment on the importance of networking with like-minded countries to defend the rules-based order. Japan declares a commitment to "build a multilayered network among its ally and like-minded countries," while the United States (U.S.) pledges to "further reinforce our collective strength by weaving our allies and partners closer together" into a fabric that is both flexible enough to address various regional challenges and sufficiently resilient to underwrite regional security.

This weaving process takes many forms, from bilateral alliances to trilateral networks such as the U.S.-Japan-ROK, U.S.-Japan-Australia, and Australia-United Kingdom-United States Partnership (AUKUS) constructs, as well as the "Quad" designed to enhance cooperation among the U.S., Japan, Australia, and India across a range of issue areas. To strengthen the multilayered fabric of networking in the region and manage strategic competition with China, Japan and the United States should facilitate quadrilateral cooperation with Australia and the Republic of Korea (ROK), which is exiting a period of strategic isolation and increasingly aligned with the United States and other like-minded countries on key economic and security challenges in the Indo-Pacific.

There is a rich agenda for this network of U.S. allies to explore. Like other regional states on the front lines of the China challenge, the Republic of Korea needs to strike a delicate balance between deterrence and interaction with Beijing, and together with Japan and Australia can shape Washington's approach as U.S.-China strategic competition intensifies. The four governments have already demonstrated a willingness to address the North Korea challenge as evidenced by the coordination of unilateral sanctions imposed after Pyongyang tested a spy satellite in November 2023. In addition, the Yoon government is implementing its own Indo-Pacific strategy to help shape regional norms that dovetails nicely with strategic prerogatives in Tokyo, Canberra, and Washington. The four governments could coordinate initiatives across several issue areas including maritime security capacity building, official development assistance, and technology cooperation. In short, this is another way for the United States to weave its allies closer together on the normative dimensions of regional strategy.

Other constructs such as a "Quad Plus" have been proffered to connect South Korea and potentially others to an affirmative agenda for regional cooperation that includes India. But there is also value in facilitating coordination among U.S. treaty allies to address the China challenge and the competition over regional norms. If minilateral networks are the reality in the Indo-Pacific, all the more reason to foster the collective capacity of U.S. allies to defend the rules-based order.

(Nicholas Szechenyi)

Champion–regional digital economy rules

At this juncture, there are three critical tasks: 1) For Japan and the other CPTPP members to ensure that no future member accessions (e.g. China) come at the expense of the high standard open digital economy rules in the agreement; 2) For the United States to adopt a consistent position on digital trade rules that endorses important principles such as freedom of data flows, protection of source code, and restrictions on data localization requirements; 3) For the United States and Japan to make a coordinated effort to disseminate rules for the regional digital economy through IPEF or any successor agreements. The CPTPP and the U.S.-Japan digital agreement can provide a strong foundation for this effort, but to increase their appeal to IPEF members (especially developing Southeast Asian nations), they should emulate DEPA provisions on digital inclusivity and include a proactive capacity building program.

In my paper “Towards a U.S.-Japan Digital Alliance*,” I emphasized the critical importance for the United States and Japan of codifying rules for the digital economy that sustain open data flows with due protections for privacy protection and cybersecurity. At a time when the digital economy continues to grow robustly due to technological innovations and the lingering impacts of the pandemic, data governance lags far behind. The challenge is not just one of growing fragmentation of digital rules with separate countries adopting idiosyncratic rules that hinder inter-operability, but also of the spread of digital protectionism. China’s internet sovereignty policies play a large role here as the CCP has tightened its control over the digital sphere invoking national security but driven as well by the goal of domestic political control or regime security. China’s trade diplomacy has demonstrated heft seeking to enmesh China in the most important regional and transregional trade agreements: the Regional Comprehensive Economic Partnership (RCEP), the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA) without surrendering its digital protectionism.

The United States and Japan share an interest in sustaining an open and trusted digital economy. They came together in the negotiation of an ambitious digital chapter in the original TPP, and after the U.S. withdrawal, the two allies inked a bilateral digital agreement. Both the United States and Japan have long understood the centrality of rule-making to shape the regional economic architecture. Nevertheless, the abrupt decision of the U.S. government in October 2023 to withdraw its negotiation objectives in WTO e-commerce negotiations on core principles – and a month later to suspend IPEF digital economy negotiations – have eroded U.S. leadership. As a result, the potential of a U.S.-Japan partnership to disseminate high quality regional digital rules remains woefully underutilized. (Mireya Solís)

*Mireya Solís “Towards a U.S.-Japan Digital Alliance” in the SPF IINA (International Information Network Analysis) https://www.spf.org/iina/en/articles/mireya-solis_01.html

Costs associated with regulations on technology and product transfers to China should be minimized

- (1) Do not put the third countries at a more significant disadvantage than necessary. For advanced technology and products, for example, the scope of regulation should be clear and limited to the minimum necessary. In trying to reduce the technology and products flowing to China, we should not let these countries get caught in the middle and thereby damage relations with them.**
- (2) We should also facilitate compliance when third countries that support us are subject to our regulations and provide incentives for them to use our information technology.**

In October 2022, the United States (U.S.) introduced radical regulatory measures to prevent the flow of advanced semiconductor technology and products to China and has asked its allies to join the regulations. Given that advanced semiconductors are not only essential for the advancement of weapons but also for the further development of the economy and society, it is understandable that the U.S. has implemented such a policy to gain the upper hand in the technological competition with China. Our allies also need to cooperate with this. However, it should be noted that introducing these regulatory measures will also impose costs on allied countries. First, introducing these regulations will also cost the industries and economies of U.S. allies. This regulation must be administered so that the cost we pay is no greater than necessary. Otherwise, it will not only harm China but also harm us as well.

Based on this consideration, the United States has adopted a “Small Yard, High Fence” approach, narrowing the scope of technologies and products to be prevented from flowing to China to the minimum necessary and strictly controlling any leakage.

However, Japanese companies tend to refrain from doing business with China without exhaustively examining whether their technology and products are within the restricted “Yard” or not (a “Vague and Broad Yard” problem) because they are afraid of being sanctioned for doing “delicate” business with China.

The extraterritorial application of U.S. export control laws has made this problem even more severe. Japanese companies are inherently disadvantaged in examining whether their technologies and products are within the restricted “Yard.”

Now that the U.S. has asked its allies to join the regulations, and the Japanese government has agreed with this request, there is no reason to continue the extraterritorial application of U.S. laws. Therefore we should move to a mechanism similar to the former COCOM, in which allied countries share and jointly operate this regulation and discuss the “yardstick” of technologies and products that should be regulated for transfer to China.

The second cost borne by the allies concerns diplomatic camaraderie. As we compete with China in information technology, we must get support (or at least not opposition or criticism) for our position and actions from as many countries as possible. Otherwise, they will lean toward China, and we will lose the competition.

The current situation is far from ideal because many “Global South” countries are leaning toward the Chinese side, including adopting Huawei’s products and services without hesitation.

(Toshiya Tsugami)

Establish Economic Policy Consultative Committee (EPCC) Embassy Coordination Teams

The nascent US-Japan Economic Policy Consultative Committee (EPCC) (“Economic 2+2”) can become a valuable alliance management tool to help navigate the complexity of protecting our economic security, but the forum needs more robust support. The US and Japan should establish designated EPCC Coordination Teams at their embassies in Washington and Tokyo to maximize information sharing and help represent varied stakeholder interests as the EPCC works to harmonize allied approaches.

The Coordination Teams would be nominally led by the Ambassadors but managed day-to-day by the Political and Commercial ministers. Membership would pull from existing staff representing relevant agencies and departments, supplemented by a few new specialists (such as the US Embassy in Tokyo has done by introducing a Regional Technology Officer with private sector/venture capital experience).

The Commercial and Political ministers would have a designated coordination contact within the host country’s National Security Secretariat, who would be a key convener for a counterpart team in the capital. Meanwhile, the various Embassy members of the EPCC coordination team can reach back to their respective home offices to facilitate information sharing, coordinate policy research, and provide input to support the EPCC agenda. The EPCC Coordination Team does not assume authorities of the EPCC co-chairs, but this de facto “deputizing” of the Ambassador and his/her team is a way to make the EPCC more efficient, effective, and inclusive. Regular consultations between the Embassies and national industry associations (e.g., Chamber of Commerce, ACCJ, Keidanren, SIA, etc.) can facilitate communication with the private sector. Current US and Japanese economic security concerns vis-à-vis China are as heightened as they are complex. The allies are trying to develop new bilateral and multilateral arrangements to pool resources, create more resilient supply chains, and prosper together by forming circles of mutual trust, but this is difficult to accomplish. Although we approach this competition with China determined to do so in partnership with friends and allies, we all have our own political circumstances and ideological framing. Modern economic security places a huge burden on alliance and multilateral policy coordination infrastructure, so we must commit purposefully to strengthening and reshaping that infrastructure and associated human networks (including the private sector).

Embassies are the most tightly knit interagency bodies within our governments that share a united mission (i.e., sustaining and strengthening the relationship with their host country for the sake of national interest). They can be a critical tool for helping balance two competing dynamics related to economic security policy coordination, namely the need for wide-ranging stakeholder input, expertise, and buy-in on the one hand, and a centralized process for identifying priorities and driving policy adjustments when necessary, on the other hand.

For the EPCC to reach its full potential, a wider range of government and private sector players need to see that process as serving their needs, so that it can become a preeminent forum for alliance economic security coordination. The Ambassadors could meet twice each year with leading members of their teams to review progress and provide updates to the EPCC itself. In this way, the leaders of the EPCC (in State/Commerce and MOFA/METI) might come to see the EPCC coordination teams as a valuable resource for accomplishing stated bilateral goals (in parallel and in coordination with (but not replacing) existing forums such as Japan-US Commercial and Industrial Partnership (JUCIP) or the US-Japan Energy Security Dialogue, among others).

(James L. Schoff)

The grand strategy of security, economic security and economy for Japan and the U.S.

Japan and the United States need to engage in comprehensive discussions that will address the attainment of geopolitical and geoeconomic strategic goals. As for tools, the two governments should utilize existing “Two Plus Two” and “Economic Two Plus Two” as well as establish some new functions, which overarch two functions. In other words, they need to discuss the grand strategy reflecting security strategy, economic security strategy and economic strategy.

In such a comprehensive strategic dialogue framework, two hypothetical policy recommendations would emerge. Japan should pursue rational military investments to defend its own territory and contribute to maintaining the regional balance, such as acquiring base-strike capability, rather than its past passive and incremental development of its defense posture. The U.S. should pursue a smart and effective de-risking policy toward China by considering the negative impact on its own economy and that of its allies, particularly in light of the fact that it may cause financial restrictions on Japan’s military investment. Since competition with China could last as long as the Cold War period with the communist bloc, only a sustainable strategy and policy for the U.S. and its allies will be effective.

(Tsuneo Watanabe)

Working papers by project members

【Vol.1 Mireya Solís】

Toward a U.S.-Japan digital alliance

https://www.spf.org/iina/en/articles/mireya-solis_01.html

【Vol.2 Toshiya Tsugami】

China Heads for the “Middle-Income Trap”

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Shaping Pragmatic and Effective Strategy Toward China

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