

# **SYNCHRONIZING THE AMERICAN AND JAPANESE DEBATES ON CHINA**

**ASIA STRATEGY INITIATIVE**

**POLICY MEMORANDUM #5**

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July 2020

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## About the Asia Strategy Initiative

The U.S.-Japan alliance remains the cornerstone of regional security and prosperity, but it is vital that Washington and Tokyo pursue an ambitious agenda to deepen, broaden, and sustain the alliance. The Asia Strategy Initiative brings together leading experts to develop detailed policy proposals to form the foundation for the next set of efforts to enhance the U.S.-Japan alliance. The Asia Strategy Initiative seeks to stimulate debate in both capitals about how to move the alliance forward by identifying, developing, and disseminating novel policy proposals. To that end, the Asia Strategy Initiative issues policy memos with specific and actionable recommendations, which are authored jointly by experts from both countries. Although the findings and recommendations are discussed by all members of the group, the specific proposals remain those of the individual authors. The Asia Strategy Initiative was established under Japan-U.S. Program of the Sasakawa Peace Foundation in 2017 and it meets regularly in Washington and Tokyo.

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## Introduction

The U.S.-Japan alliance's greatest challenge is managing China's rise. For decades, the United States and Japan pursued engagement with China in the hopes that this would lead China to respect the status quo. Yet this proposition appears increasingly untenable to many in Washington and Tokyo. Although the allies are increasingly aligned in their assessment of China's unpredictability, they continue to differ about how best to respond. This memorandum identifies three critical questions about alliance policies in the geostrategic, economic, and ideological arenas. First, can the allies shape China or must they confront Beijing? Second, should the allies actively decouple their economies from China? And third, should the allies put more or less emphasis on the emerging ideological competition? For the allies to meet this challenge together, they must develop greater consensus on these questions. This is true not only between the United States and Japan, but also within each country.

### **The Allied Assessment: How do the United States and Japan perceive China?**

The United States and Japan increasingly agree that China's future—and its national ambitions—are inherently unknowable. China's ultimate ambitions are unknowable because they are the subject of profound debate within the Chinese Communist Party, with doves and hawks competing for influence. They are also contingent on China's economic power (which may decline or rise; another area of profound uncertainty); on its political cohesion (which has been challenged by Hong Kong, Taiwan, COVID-19, and domestic unrest); and on the opportunities it encounters abroad (such as a regional leadership vacuum).

In the short-term, allied observers of China largely agree that Beijing's primary goal is the stability and continuity of domestic governance, and the economic growth that makes it possible. Though China's regional ambitions seem to be increasing, Beijing's domestic political weaknesses could severely undermine its ambitions. In the long-term, Xi Jinping has declared that China will become the world's greatest power by 2050. Yet China's domestic situation is likely to have a significant impact on China's foreign policy and its ability to pursue this abstract goal.

At the same time, leaders in both Washington and Tokyo acknowledge that China has already been revisionist to the extent that it has significantly changed the military balance of power in the region. Beijing has increased its network of regional military installations through land reclamation and militarization of disputed maritime features, as well as pursuit of overseas military facilities. China has begun to challenge the status quo by pushing claimants out of disputed areas and by appropriating resources—such as oil, gas, and fishing stocks—claimed by others, particularly Vietnam, Malaysia, and the Philippines. China has also begun to interfere politically in other countries, with notable cases in the Indo-Pacific including Australia, New Zealand, and South Korea. India and China have also engaged in increasingly tense border standoffs. And China is seeking greater influence within international institutions. Yet, China's most active recent interference in Hong Kong's democratic processes and meddling in Taiwan has thus far backfired on Beijing. As a result, China may tone down these activities or it may step them up. That is a key question on which experts in Tokyo and Washington remain uncertain.

Although China's future behavior is unknowable, it is notable that the pace of China's revisionist behavior has increased under Xi Jinping. Since the outbreak of COVID-19, Beijing has offered more international assistance and amplified its overseas propaganda campaigns.

Nonetheless, China's ambitions remain uncertain given that most of these recent activities have proven counterproductive and appear aimed at satisfying domestic, not foreign, audiences. Many of China's more assertive activities also began under Xi's predecessor, but Xi has been more willing to challenge the United States for regional leadership. This reality should remind observers that China's future is highly dependent on the leaders in power and that there has been significant variance in the objectives and strategies pursued by recent Chinese leaders.

Many American and Japanese officials and experts are converging on elements of the assessment described above (although there remain notable outliers in both countries). Nevertheless, significant differences persist about how best to respond to China's uncertain intentions and future. Three of the most important questions revolve around the allies' geostrategic, economic, and ideological responses. The expert communities in both countries are divided on the answers to these questions. But the American debate tends to be more hawkish on each, as compared to the Japanese conversation. In the years ahead, the allies should look to build both domestic and allied consensus on the answers to these questions in order to ensure that the United States and Japan remain aligned on how best to respond to China's rise.

### **Geostrategic Competition: Can the allies integrate and shape China?**

Efforts to socialize China, while allowing it to rise peacefully, have long been a hallmark of allied strategy. Yet, leaders in both Washington and Tokyo increasingly agree that more pressure is now required to oppose certain Chinese behaviors that threaten to undermine the regional order. Foremost among these concerns are the use of coercion or force to resolve disputes, including vis-à-vis Taiwan.

From Japan's point of view, what China is trying to do in and around East Asia is clearly different from what it is doing globally. For Japan, China constitutes a direct military threat in the East China Sea, while at the same time it is building military capabilities that are undermining the alliance's long-standing military supremacy in East Asia. The allies face growing security challenges on the Korean Peninsula, across the Taiwan Strait, in the Pacific, and beyond. For the last decade, Japanese diplomacy has aimed to underpin American hegemony by maintaining its diplomatic and defense commitments. Japan has not come up with good alternatives to an America-led order, and it is still rejecting a Sino-centric order. Although the current Sino-Japanese relationship is stable and Japan still hopes to engage, exchange, and maintain dialogues with China, Japan understands that China is a major potential threat to Japan's security. Whether China is revisionist globally remains to be seen. China is not ready to replace the United States internationally, but it is inevitably changing the shape of the East Asian order through its sheer size. Thus, China's recent choices are not the only challenge; the allies' discomfort is also rooted in the prospect that China's power could continue to grow.

The American national security community, and indeed the Trump administration itself, is divided in its assessment of the Communist Party and its aims. The administration's 2017 National Security Strategy labels China a "revisionist power." The White House's "Strategic Approach to the People's Republic of China" rejects efforts "premised on a hope that deepening engagement would spur fundamental economic and political opening." Yet, many critics have cautioned that this approach is overly confrontational and "fundamentally counterproductive." The Trump administration has shifted away from hopes of engagement bringing about a more democratic and cooperative China, in its place relying on punishing

destabilizing behavior by the Communist Party. Whether this strategy will succeed or be continued by future administrations remains unclear. For Washington's strategy to succeed, Chinese leaders would have to either accept rules and norms about acceptable international behavior or recognize that it is too costly to attempt to alter them.

If efforts to convince Chinese leaders to avoid challenging these fundamental rules and norms fail, then the allies will be forced to consider efforts to constrain China until its leaders moderate their behavior or are supplanted. In this case, it would be necessary to mount a more concerted collective pressure campaign to push back against destabilizing actions. Doing so would require investing more in the military capabilities required to deter and defend against Chinese coercion or use of force. The allies' would also need to work more closely with friends in Asia and beyond to delineate and incentivize acceptable Chinese behavior, and to simultaneously deter or defend against destabilizing actions. As discussed in the next section, some advocates of decoupling the two economies would certainly push for economic measures designed to constrain China's technological advances and slow the growth of Chinese power. The focus would likely be on Chinese behavior in East Asia, although leaders in Washington would no doubt desire to gain the support of Europeans and others outside the region. It remains unclear, however, whether a more hard-edged approach would succeed in shaping the choices of China's leaders.

### **Economic Competition: Should the allies decouple from China?**

In the 1990s, the United States and Japan embraced an economic engagement strategy with China. Today, China is a major power with the potential to challenge American and Japanese interests. It is not possible (nor perhaps desirable) to undo the economic growth that China has experienced in recent decades. However, at this stage, it is reasonable to consider how China intends to continue its economic growth and what role international cooperation should play in assisting its development.

China has a very real risk of falling into the middle income trap. To avoid this, China needs to innovate, which will require foreign direct investment and continued spending on education, research, and development. China will therefore need access to the best research in the world and the best universities, most of which are outside China. As a condition for this access (especially in the natural sciences), the United States, Japan, and others could insist on ceasing forced technology transfer, as some in the Trump administration are attempting. Nevertheless, these types of efforts—or more substantial restrictions such as trade embargoes—are unlikely to get substantial international traction unless relations with China take a serious downturn.

It must also be acknowledged that such efforts would contradict many of the values of the scientific and educational communities. For this reason this policy would probably be pursued only if relations with China become extremely hostile. The United States and Japan have already curtailed access to international scientific cooperation for research connected to the People's Liberation Army. The United States and Japan are wise to cooperate on regulating researchers connected to China's military and intelligence communities, but cutting all scientific exchanges with China is unnecessary at this moment. Furthermore, efforts to counter China's military-civil fusion would be most successful if pursued on a multilateral rather than a unilateral basis. After all, reducing scientific cooperation could be offset by neutral or noncompliant countries, which might see an opportunity to work with China. Such was the case with Finland and the Soviet Union during the Cold War.

At the moment, Japanese and American leaders have somewhat different views on this issue. Japan's aim has largely been to fix the worsening relationship with China and also to persuade China to practice more fair and responsible behavior in the international community. From Japan's standpoint, it is positive that Americans have recognized the gravity of the Chinese potential military threat and unfair economic practice. This was one aim of Japan over the last decade. It could prove a major boon to Japan and the region as a whole if the United States commits more resources to the Indo-Pacific and responds to China's threats accordingly. Yet, it would not be good for Japan or the region if the United States pursues excessively punitive sanctions that trigger a major regional economic slowdown or wholesale restructuring of global value chains. Building a strong, durable regional order in which everyone plays by the rules will require a multifaceted response to China's rise, one that acknowledges the role of inclusion and persuasion as well as competition. Japanese leaders will continue to remind Washington of this fact and urge them not to give up hope for change.

### **Ideological Competition: To what extent is the emerging competition ideological?**

Ideology is emerging as an important source of competition with China. A vital aspect of this competition is the struggle between liberalism and illiberalism. This competition is playing out in changes to both the international order and Chinese politics.

Regarding the international order, China has recently framed itself as a supporter of the liberal, free-trade system, but the reality is far more complicated. China supports multilateralism: we have this in common. Although it is true that Chinese compliance with the World Trade Organization has been inferior to many other countries, it is difficult to conclude that China is intentionally challenging the post-Cold War international order. What China has been trying to do is not to replace international institutions, but to consolidate its political influence in the existing order.

After all, the Chinese Communist Party sees international institutions and global governance as an important and beneficial achievement since World War II. Chinese leaders therefore favor continuing engagement with international institutions and creating new ones (such as the Regional and Comprehensive Economic Partnership and the Asian Infrastructure Investment Bank), which would allow China to better leverage its growing international influence. Beijing thus favors some vehicles that could advance global governance and the liberal international order. Chinese leaders partly support multilateralism, specifically the United Nations, precisely because they can be used to prevent intrusions on its sovereignty and to limit U.S. influence by enmeshing the United States in a web of multilateral institutions. Given China's efforts to dominate some international institutions and standard setting bodies, the United States must remain engaged in shaping these institutions rather than rejecting them outright.

Despite this support for elements of the liberal order, China is not a full supporter of the existing system. China is an illiberal state: a mercantilist, statist economy that favors the current system because it provides China tremendous advantages. Of course it wants to maintain that system, but not because it wants to advance liberal principles. In fact, China is ideologically committed to the opposite: a state capitalist model that features government subsidies for firms, forced technology transfer, intellectual property theft, currency controls, and substantial limitations on market access. Observers should therefore maintain serious doubts about the extent to which Chinese-led institutions will be compatible with elements of the liberal order.

The emerging competition is also ideological because China's preferred form of government does not permit the freedom of expression that the United States, Japan, and many European

partners have come to expect. Chinese leaders may see Hong Kong and Taiwan as issues of territorial integrity, but this is not how they are viewed by many democracies. This tension has long been evident regarding Taiwan, and is increasingly salient in Hong Kong and Xinjiang. Many democracies are committed to the protection of political liberalism and human rights, which increasingly appears incompatible with China's illiberal regime. The United States will not intervene militarily over Hong Kong or Xinjiang, but the bilateral relationship could become more toxic if the Communist Party cracks down domestically, worrying foreign politicians and publics.

Is it desirable for the alliance to confront China over these ideological issues? Opinions are divided in Japan. Some experts would support a more concerted effort to draw attention to human rights issues in China. Others worry that more ideological pressure on China's Communist Party could backfire and make it more difficult to work not only with China, but also with non-democratic neighbors in Southeast and Central Asia. On the other hand, if Chinese political objectives and behaviors become more belligerent, then allied views could change rapidly. Many in Japan desire to defend human rights and democracy, but worry about taking too harsh a line on China because American resolve cannot be taken for granted.

Building consensus on these geostrategic, economic, and ideological questions should be the leading objective for alliance managers. A shared assessment of China is necessary, but not sufficient. The allies must also come to agreement on how best to respond. Alliance leaders in Washington and Tokyo should make this their top priority.