Asia's Future at a Crossroads

A Japanese Strategy for Peace and Sustainable Prosperity

"Asia's Future" Research Group

July 2023

Asia's Future at a Crossroads

A Japanese Strategy for Peace and Sustainable Prosperity

"Asia's Future" Research Group

Yoshihide Soeya and Mike Mochizuki
Co-Conveners

Kuniko Ashizawa
Saori Katada
Jong Won Lee
Takashi Terada
Hirotaka Watanabe
Miwa Hirono
Kei Koga
Kiyoshi Sugawa
Kazuhiko Togo

July 2023

Contents

Preface

In 2018, we convened the "Asia's Future" Research Group because of concern about the intensification of U.S.-China geopolitical rivalry and the increasing risk of military clash in the Asia-Pacific region. The lack of balance in Japanese public discourse about how Japan should address this evolving strategic environment in Asia deeply troubled us. We saw that not only Asia's future but also Japan's future was at a strategic crossroads. We therefore invited scholars and experts on Japanese foreign policy and international relations to join a multiyear project in order to develop a realistic and moderate Japanese strategy for Asia. The shortcomings of the National Security Strategy adopted by the Kishida Cabinet in December 2022 confirmed the urgency of this task and the need to chart an alternative course for Japan.

The project involved two retreats in Karuizawa held in December 2018 and August 2019, panel discussions and workshops held at George Washington University in March 2019 and March 2020 and in Tokyo in July 2022, and multiple virtual online meetings convened during and after the height of the COVID-19 pandemic. This report is the culmination of the research group's deliberations over a period of more than four and a half years. We thank all of the participants for their expertise and insights and their contributions to the discussions and final report.

Dr. Kuniko Ashizawa and Mr. Kiyoshi Sugawa served as the project coordinators and ably managed the preparation of both the Japanese and English editions of this report. During the last four years, Dr. Ashizawa has been teaching a seminar course on "Asian Order and Community-Building" at the Elliott School of International Affairs at George Washington University. This course parallelled the "Asia's Future" project and enabled a number of experts to engage students and scholars regarding key regional issues examined in the "Asia's Future" project.

We express our gratitude to former Prime Minister Yukio Hatoyama and the East Asian Community Institute for providing generous support for the project and for hosting the two retreats at the Yuai Villa in Karuizawa and the workshop in Tokyo. We are grateful to Mr. Daisuke Haga of the East Asian Community Institute for his assistance in organizing the meetings in Japan and to Mr. Kantarō Suzuki for preparing the transcripts of the discussions.

We also extend our appreciation to the Eurasia Foundation (from Asia), especially Mr. Yōji Satō (Chairman) and Dr. Joon-Kon Chung (Senior Researcher), for the generous grants to fund the "Asian Order and Community-Building" course and the various activities related to the "Asia's Future" project. Finally, we thank the leadership and staff of the Sigur Center for Asian Studies at George Washington University for their invaluable assistance throughout this endeavor.

Yoshihide Soeya and Mike Mochizuki
Co-Conveners of the "Asia's Future" Research Group

Forward

I am very concerned about Japan's future. This concern extends not only to domestic politics but also to foreign affairs.

Japan must be a nation that respects the dignity of others as well as its own. That spirit is what I call fraternity. But what is the current situation? The tendency to get along and cooperate with nations that share the same values, to view those with different values as enemies, and to behave as if it were justice has become more pronounced. What lies ahead is inevitably intensifying conflict. I believe that the true meaning of diplomacy is to enable nations with different values to understand, respect, and cooperate with each other. Without this, the creation of an East Asian Community, which I have long advocated, is impossible.

Today, we are facing the so-called "Thucydides Trap," where tensions between the United States, which still maintains global hegemony, and China, which has achieved unprecedented growth, are rising. We cannot turn away from this reality. U.S.-China tensions are unlikely to ease anytime soon; in fact, they will probably become more acute. Japan should, of course, make diplomatic efforts to mitigate the growing Sino-American tensions, and it cannot ignore the need to discuss national security matters. What should be Japan's conduct in the face of such tensions? To address this question, Japan must rid itself of the diplomatic disorder of adhering to the concepts of "following the United States" and "leaving Asia, entering Europe."

When I was contemplating these thoughts, I had an opportunity to converse with Associate Professor Mike Mochizuki of George Washington University five and a half years ago. When Professor Mochizuki stated that Japan should develop a more autonomous foreign policy, I agreed and offered my support. Professor Yoshihide Soeya of Keio University and Professor Mochizuki have led this project to examine Japan's position in Asia's future, consider Western perspectives as well, and develop policy proposals. Researchers of different generations joined the project, and heated discussions took place over several years. Their enthusiasm helped to overcome the outbreak of COVID-19, and the report has now been completed. I could not be more pleased.

The report's recommendations include a number of policies that differ from current Japanese government policy. However, these policies are necessary for Japan to become a

truly independent, peace-loving nation that is respected not only in Asia but throughout the world. I am convinced that these proposals deserve a wide audience, not just from those in government. Finally, I would like to thank Drs. Soeya and Mochizuki, and all the other professors who participated enthusiastically in the discussions. I hope that this report will inspire many of you, and that it will be a beacon of light for the future of Asia.

Yukio Hatoyama
President
East Asian Community Institute

Acronyms

ADB	Asian Development Bank
AIIB	Asian Infrastructure Development Bank
AOIP	ASEAN Outlook on the Indo-Pacific
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
BRI	Belt and Road Initiative
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DEPA	Digital Economy Partnership Agreement
EAS	East Asia Summit
EU	European Union
FOIP	Free and Open Indo-Pacific
FTA	Free Trade Agreement
G7	Group of Seven
G20	Group of Twenty
GDP	Gross Domestic Product
INF	Intermediate-Range Nuclear Forces
IMF	International Monetary Fund
IPEF	Indo-Pacific Economic Framework
NATO	North Atlantic Treaty Organization
NPT	Treaty of the Non-Proliferation of Nuclear Weapons
OECD	Organization for Economic Cooperation and Development
OECD/DAC	OECD Development Assistance Committee
RCEP	Regional Comprehensive Economic Partnership
SDGs	Sustainable Development Goals
TPP	Trans-Pacific Partnership
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
WHO	World Health Organization
WTO	World Trade Organization

Executive Summary

As the strategic competition and confrontation between the United States and China intensifies and the future of the international order in Asia has become uncertain, Japan confronts the task of refashioning its diplomatic and security strategy. In December 2022, the Japanese government adopted a new "National Security Strategy" for the first time in a decade. Although it does not ignore the need for diplomatic dialogue and cooperation, what stands out is the strong emphasis on power politics (including military capabilities) and geopolitics as well as economic security. In response, the new strategy stresses the centrality of Japan's self-defense capabilities and the U.S.-Japan alliance. However, there exists a significant disparity between the paradigm presented in the new "National Security Strategy" and Japan's own capabilities. Consequently, the U.S.-Japan alliance is deemed essential to fill this gap; and in that sense, there is an element of logical consistency in the new strategy. Accordingly, strengthening the U.S.-Japan alliance ends up being the strategy's a priori premise and its absolutely indispensable prescription. What underlies the discussion and recommendations in this report is our serious concern that the new paradigm will leave Asia entangled and divided in the future.

Japan's long-held emphasis on a multifaceted and multilayered approach to Asia policy continues to be a constructive way to address the new regional and international challenges that have emerged. The transnational challenges that have become particularly prominent in recent years have acutely demonstrated the need for an unprecedented level of international cooperation. Nevertheless, recent foreign policy discourse around the world has tended to focus more on great power competition than on interstate cooperation. In this context, Japan should maintain and promote security cooperation with the United States; but at the same time, it should also exercise leadership to help mitigate the competition between the U.S. and China in Asia through constructive diplomacy, thereby reducing the danger of great power war in the region. Without this, there can be no solution to transnational problems and no progress toward a world free of nuclear weapons. Such efforts and practices are consistent with the concept of "middle power diplomacy," which aims toward a more autonomous foreign policy that is close to but not solely dependent on the United States.

Approach toward Asia and the Promotion of Middle Power Diplomacy

One of the most important goals of Japan's policy toward Asia is to promote further prosperity in the region through international trade, investment, and technological advances while making

its economic activities more environmentally sustainable and ensuring that the benefits of economic development are distributed more equitably. To achieve this future vision, cooperation with countries that share values and similar political and economic institutions is crucial. Relations with the United States remain an important pillar of Japan's foreign policy. However, using the rationale of strengthening the U.S.-Japan alliance, Japan should not neglect countries that are not allies or partners of the United States. To mitigate great power competition and prevent it from escalating into great power wars, Japan should deepen cooperative relationships with middle powers in the Asian region, such as South Korea, Australia, New Zealand, India, and the Association of Southeast Asian Nations (ASEAN) and become a driving force of middle power cooperation.

While defending fundamental human rights and democratic principles, Japan should recognize the diversity of political systems in Asia and be sensitive to the different historical trajectories and sociocultural traditions in each country. Japan should resist moves to divide Asia into a struggle between democracies and autocracies and avoid an overly ideological approach to foreign policy. It should also be cautious about defining the Asian region solely in terms of the "Indo-Pacific," a concept that has recently been used frequently in international political discourse. While the concept of the "Indo-Pacific" has the advantage of emphasizing the importance of freedom of navigation and the security of long sea lanes vital to international trade, it has the drawback of viewing the Asian region primarily in maritime terms. The "Indo-Pacific" concept diminishes the importance of continental Asia and suggests an intention to counter or contain China. Rather than concentrating on a single geographical concept, Japan's diplomacy should reflect a multifaceted view that also incorporates the perspectives of "Asia-Pacific," "East Asia," and "Eurasia."

Japan should reinvigorate its middle power diplomacy to build a more stable, peaceful, and prosperous future for Asia. South Korea, which shares basic strategic interests and political values, is Japan's most important partner in middle power diplomacy. Japan can also build on the meetings involving Japan, Australia, India, and the United States (i.e., the Quad meetings) and take the lead in promoting a "middle power coalition" of Japan, Australia, and India. Inviting other Asian middle powers, such as South Korea and the ASEAN nations, to the mix would lead to the formation of a region-wide middle power alignment. Japan should energetically engage China on the basis of partnerships with middle power countries in Asia and Europe to achieve stability in bilateral relations between Japan and China and cooperation on urgent transnational issues.

Regional Economics

The Asian region has achieved remarkable economic development since World War II. At the same time, economic liberalization and rapid globalization that have driven this development have brought to the surface problems such as widening economic disparities and environmental degradation. To mitigate such side effects and socio-political costs, Japan must place greater emphasis on Sustainable Development Goals (SDGs), which focus more on social and environmental protection. In addition, the negative impact of the COVID-19 global pandemic and the disruption of international supply chains due to the Russia-Ukraine war, as well as China's "weaponization of trade" and economic coercion have become prominent as new challenges of economic security. Devising an effective response to these challenges is now an urgent priority for Japan and many Asian countries. Therefore, Japan's regional economic diplomacy requires policies from three separate perspectives: economic liberalization, sustainable development, and economic security.

Japan has played an important role in the Asian region in areas such as financial governance, trade promotion, and development assistance cooperation, including infrastructure development. Building on this past success, Japan should continue to play a leadership role in rulemaking and cooperation in each of these areas as a leading economic power in Asia and a global middle power. For example, Japan can make a meaningful contribution to implementing and expanding the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP), which is widely regarded as a "high standard" FTA in terms of trade liberalization and order building. It can also help to devise an effective international debt restructuring program for Sri Lanka, which defaulted last year. In the area of infrastructure development, Japan should continue to promote and realize its proposal to standardize the international principles of "quality infrastructure investment." Encouraging China to follow these principles would help steer China's investment and support for infrastructure development toward sustainable economic development in the developing countries in Asia. In addition, while various frameworks for regional economic cooperation exist in Asia, Japan's basic position should be "open regionalism" and the prevention of a fragmented Asia. From this perspective, Japan should promote cooperation under the U.S.-led "Indo-Pacific Economic Framework" (IPEF), as its founding member, but also consider joining the "Digital Economy Partnership Agreement" (DEPA), which was launched by small and medium-sized Asia-Pacific countries (Singapore, Chile, and New Zealand) and is expected to expand its membership in the future, as well as the China-led Asian Infrastructure Investment Bank (AIIB).

Regional Security

In order to maintain peace in Asia and to uphold Japan's security, a certain level of deterrence is essential, but this raises the potential of a "security dilemma." For deterrence to be effective, it is necessary not only to properly develop defense capabilities, but also to provide some assurance to potential adversaries that their core interests will not be threatened. Also, in pursuing defense cooperation between Japan and the United States, Japan should not hesitate to actively and openly express its views on security issues to the United States. A healthy alliance is not one in which Japan simply submits to U.S. policies and intentions, but rather one in which Japan confidently engages in strategic dialogue with the United States on a more equal footing.

Regarding various Asian security issues, Japan should skillfully balance deterrence and diplomacy and pursue policies that contribute to reducing tensions and preventing crises. With regard to North Korea, Japan should seek a realistic, gradual, reciprocal, and step-by-step approach toward the ultimate goal of denuclearization of North Korea by making concrete progress on the "resolution" of the abduction issue. With regard to the Taiwan issue, it is necessary to avoid a military crisis by maintaining conditions under which the status quo is preserved until the day comes when China and Taiwan can find a peaceful solution to the unification issue. To this end, it is important that both Japan and the United States convey to China in a credible manner that they clearly oppose any unilateral use of military force by China and at the same time have no intention of supporting Taiwan's permanent separation or independence from China. Meanwhile, the Senkaku Islands issue is one of the major factors undermining stability and cooperation in Sino-Japanese relations, and Japan should be creative in discussing with China various ideas for reducing tensions over the Senkaku Islands. Japan should politically revive and try to implement the Japan-China joint press release of June 2008 and the understanding on joint development in order to make the East China Sea a "sea of peace, cooperation, and friendship."

The first pillar of Prime Minister Kishida's "Hiroshima Action Plan" is the continued non-use of nuclear weapons. To strengthen this pillar, the Japanese government should publicly urge the nuclear weapon states to adopt a doctrine of "no first use" of nuclear weapons. By doing so, it will help institutionalize a global norm against the use of nuclear weapons. By participating as an observer in the UN Treaty on the Prohibition of Nuclear Weapons, Japan can demonstrate international leadership toward nuclear disarmament as a long-term goal. Japan's participation as an observer would not undermine U.S. nuclear deterrence but rather serve as a bridge between the nuclear weapon states and non-nuclear weapon states.

Transnational Challenges

Japan has heretofore made considerable contributions through international organizations and bilateral aid to address transnational issues such as global warming, pandemics of infectious diseases, and refugees from conflict in unstable regions. Based on this track record, Japan should continue to demonstrate its leadership in this area as a responsible major Asian country and a leading global middle power. In addition, as an economically developed liberal democracy, Japan has an international responsibility to defend and promote universal human rights. In this regard, the concept of "human security," which Japan has long advocated, is effective in dealing with these transnational challenges in Asia, where many countries tend to emphasize national sovereignty and a variety of political systems exist. Therefore, Japan needs to promote more inclusive and effective regional and international cooperation, while keeping this concept as a basic principle and acting as a bridge across the geopolitical and ideological divides that have become more pronounced in recent years.

Specifically, Japan should work with other Asian countries to ensure that public health cooperation, such as COVID-19 vaccine provision, is not unnecessarily drawn into the intensifying Sino-American strategic competition. On climate change, given that both Japan and China are major carbon emitters in Asia, Japan should directly cooperate with China in the development and promotion of environmental technologies. This would not only enhance their ability to meet their own emission reduction targets, but also contribute to helping other Asian countries reduce their greenhouse gas emissions. In the area of human rights and humanitarianism, Japan should first and foremost improve its own human rights and human security situation and lead by example. While refraining from bringing up human rights and democracy as ideological tools in the geopolitical competition with China, Japan should adopt practical humanitarian approaches that are in line with local realities. For example, through existing frameworks such as the ASEAN Intergovernmental Commission on Human Rights, Japan can share best practices with other countries on improving government transparency and reforming legal and judicial systems and foster and support civil society actors involved in providing humanitarian assistance to victims of human rights abuses.

Major Recommendations

Based on the above ideas, this report presents the following specific fifteen recommendations for Japanese policy toward Asia:

1. To develop middle power diplomacy, lead the promotion of a "middle power coalition" of Japan, Australia, and India, which could drive the agenda-setting of the Quad (Japan, Australia, India, and the United States), and further strengthen functional cooperation with the Republic of Korea, ASEAN, and other middle power countries.

2. In response to the South Korean government's decision regarding the "conscripted labor issue," make continuous efforts to improve relations with South Korea.

3. Regarding debt restructuring measures for Sri Lanka, encourage China to participate continuously in the newly established "Creditor Committee for Sri Lanka" and cooperate by disclosing necessary information.

4. Encourage the return of the United States to the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP) and make diplomatic efforts toward the goal of simultaneous accession of China and Taiwan, which have formally applied for membership.

5. Explore the appropriate timing with a view to joining the Asian Infrastructure Investment Bank (AIIB).

6. With regard to rulemaking in the digital sector, consider applying for membership in the Digital Economy Partnership Agreement (DEPA), while promoting cooperation in the Indo-Pacific Economic Framework (IPEF).

7. Strengthen and deepen the doctrine of strictly defensive defense in the direction of enhancing deterrence by denial rather than focusing on counterstrike capabilities, which are less effective and have greater side effects.

8. Encourage North Korea to conduct another investigation into the abduction victims and establish a liaison office in North Korea to carry out such an investigation, with the aim of resuming negotiations for the normalization of diplomatic relations with North Korea.

9. Since a gradual, realistic, incremental, and reciprocal approach is needed to achieve the ultimate goal of denuclearization of North Korea, seek as a first step a freeze of North Korea's nuclear weapons and missile development programs.

10. Based on paragraph 3 of the 1972 Japan-China Joint Statement, while opposing unilateral changes in the status quo from either side of the Taiwan Strait, clearly state that Japan does

not support Taiwan's independence.

11. Acknowledge the reality of the existence of an issue between Japan and China regarding the Senkaku Islands and discuss with China ways to ease and resolve tensions over the islands.

12. Urge the nuclear-weapon states to adopt a doctrine of "No First Use" of nuclear weapons and participate as an observer in the UN Treaty on the Prohibition of Nuclear Weapons.

13. Encourage inclusive transnational cooperation in the public health sector and work to reduce the negative impact of geopolitical tensions, ideological differences, and sovereignty conflicts on such cooperation.

14. Cooperate with China to promote environmental technologies and develop low-carbon infrastructure in third-country markets to address the climate change crisis in Asia.

15. Regarding human rights and human security, focus on improving the human rights situation at home while promoting a non-ideological, humanitarian approach that is practical in line with local realities in order to broaden support and cooperation among Asian countries.

Introduction

As the strategic competition and confrontation between the United States and China grows more intense and the future of the international order in Asia has become uncertain, Japan confronts the task of refashioning its diplomatic and security strategy. In this context, on December 16, 2022, the Japanese government approved a new "National Security Strategy" for the first time in a decade, outlining Japan's strategic choices for the foreseeable future.[1] Based on an assessment that Japan faces "the most severe and complex security environment since the end of World War II " (p. 2) and that the activities of China, North Korea, and Russia in the Indo-Pacific region are causing serious security concerns (pp. 8-10), this new strategy outlines an ambitious effort to take "full advantage of [Japan's] comprehensive national power, including diplomatic, defense, economic, technological, and intelligence capabilities" (p. 3). Although it does not ignore the need for diplomatic dialogue and cooperation, what stands out is the strong emphasis on power politics (including military capabilities) and geopolitics as well as economic security. In response, the new strategy stresses the centrality of Japan's self-defense capabilities and the U.S.-Japan alliance.[2]

In retrospect, Japan's postwar security policy until around 2012 did not embrace such an explicit geopolitical orientation. On the contrary, postwar Japan consciously withdrew from the realm of power politics in international relations, abandoned the notion of a "required defense force" in the 1970s, and limited itself to a "basic defense force" to deal with "small and limited" acts of aggression." As reflected in Prime Minister Yasuhiro Nakasone's diplomacy during the 1980s, even while maintaining the U.S.-Japan alliance as the foundation of its foreign policy, Japan focused on building a stable relationship with China. The new "National Security Strategy," however, marks a 180-degree turnaround. Regarding a fundamental strengthening of defense capabilities, the strategy states that "it is difficult to accurately predict when an entity with powerful military capabilities will come to have an intention to directly threaten other countries." Therefore, Japan must focus on "the capabilities of such actors and develop defense capabilities to take all possible measures to ensure the security of Japan in peacetime." (p. 17).

1 *National Security Strategy of Japan*, December 16, 2022, https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf

2 For example, Japan's defense capabilities are given a higher significance than economic, technological, and intelligence capabilities and are viewed as "the last guarantee of Japan's national security." "[T]his function cannot be replaced by any other means." (p. 11) The new strategy goes on to state: "Japan, while ensuring the bilateral coordination at its strategic levels, will work in coordination with the United States to strengthen the Japan-U.S. Alliance in all areas, including diplomacy, defense, and economy." (p. 13)

However, this raises a fundamental question. It is indeed true that the security environment surrounding Japan is becoming more severe. It is also true that China's posture toward the outside world has become increasingly hardline in recent years. And it goes without saying that Russia's invasion of Ukraine is a major event in international politics. But to what extent is Japan really able to cope with this new geopolitical situation on its own? Although it does not explicitly acknowledge such a premise, the "National Security Strategy" appears to express a wish for building up Japan's own comprehensive power capabilities. Also, as shown by the discussion of "counterstrike capabilities," what would only be of tactical use during a military conflict is recklessly justified from the logic of strategic deterrence. Given what the new strategy calls "the most severe and complex security environment since the end of World War II," does anyone believe that Japan's national power is now greater than before in either relative or absolute terms? Under such circumstances, is it reasonable to shift so fundamentally the paradigm of Japan's postwar security policy? One must conclude that there exists a significant disparity between the paradigm presented in the "National Security Strategy" and Japan's own capabilities. Accordingly, the U.S.-Japan alliance is deemed essential to fill this gap; and in that sense, there is an element of logical consistency in Japan's new security strategy. Accordingly, strengthening the U.S.-Japan alliance ends up being the strategy's a priori premise and its absolutely indispensable prescription.

From the perspective of "middle power diplomacy," which this report presents below, the U.S.-Japan alliance remains an important pillar of Japan's security policy. What is problematic, however, is the paradigm shift articulated in the new "National Security Strategy." What underlies the analysis and recommendations in this report is our serious concern that this new paradigm will leave Asia entangled and divided in the future. Although Asia faces numerous challenges today, they do not erase the successes that the region has enjoyed over the past several decades. After the end of the decolonization process and its attendant conflicts and wars ended, much of Asia has enjoyed international peace and stability. Many of the countries in Asia have engaged in successful nation and state-building and have focused on economic development. Most observers now see the region as the most economically dynamic in the world with the potential to become even more prosperous. Japan has played a critical role in this regional success. Through trade, investments, and economic assistance, Japan supported the development efforts of numerous Asian nations and promoted regional economic integration. It cultivated dialogues and institutions to foster mutual understanding and trust among countries and to encourage regional cooperation. Even as the Japanese government partially implements the "National Security Strategy" in the face of new geopolitical challenges, it should build on the successes of previous Asian policies and not discard the key elements that remain relevant today.

Japan's long-held emphasis on a multifaceted and multilayered approach to Asia policy continues to be a constructive way to address the new regional and international challenges that have emerged.

The transnational challenges of the COVID-19 pandemic and climate change have acutely demonstrated the importance of international cooperation. Compared to other regions in the world, the countries of Asia on the whole have addressed the pandemic with relative effectiveness. They have kept the death toll relatively low through state-society cooperation in the implementation of both "non-pharmaceutical interventions" and vaccination programs.[3] The countries of Asia along with the rest of the world must learn from the tragedy of COVID-19 to develop more effective preventive and response measures against future pandemics. The negative effects of climate change are already being felt in Japan and the rest of Asia with extreme weather patterns and accompanying natural disasters. Unfortunately, global and regional efforts to reduce greenhouse emissions and to curtail rising temperatures have been woefully inadequate despite the fact that climate change poses the greatest threat to human livelihood and security.

Whereas the above transnational challenges demand more international cooperation, the shifting power balance between China and the United States along with internal developments within both countries has unfortunately precipitated a preoccupation with great power competition. To be sure, the rapid growth of China's military capabilities and its assertive international behavior are worrisome for Japan and most countries in Asia, and the close alliance relationship with the United States should continue to be the foundation of Japan's foreign policy. An overemphasis on U.S.-China strategic competition, however, can increase the risk of military conflict and will inhibit cooperative efforts to deal with serious transnational problems. Therefore, while continuing to enhance security cooperation with the United States, Japan should exercise more regional leadership to help mitigate the U.S.-China competition in Asia through constructive diplomacy and to reduce the danger of great power war. This practice is consistent with the notion of "middle power diplomacy."[4] Rather being solely dependent on the United States, Japan needs a more autonomous foreign policy —what might be called a "pro-American, autonomous

3 Jeffrey D. Sachs, "Reasons for Asia-Pacific Success in Suppressing COVID-19," *World Happiness Report 2021*, Chapter 4, March 21, 2021, https://worldhappiness.report/ed/2021/reasons-for-asia-pacific-success-in-suppressing-covid-19/

4 "Middle power diplomacy" refers to the diplomacy of countries that may possess a certain degree of national power capabilities but focuses on conflict prevention and multilateral cooperation, while abandoning unilateralism and all-out confrontation with great powers, as in the case of "great powers." In terms of Japan, while building on U.S.-Japan relations, Japanese middle power diplomacy seeks a more proactive role in other areas. Soeya Yoshihide, *Nihon no "Midorupawa– Gaikō": Sengo Nihon no Sentaku to Kōsō* [Japan's "Middle Power" Diplomacy: Choices and Concepts in Postwar Japan] (Tokyo: Chikuma Shinsho, 2005).

diplomacy”(親米自立の外交).[5]

Finally, the Russian invasion of Ukraine clearly violated international law, including the United Nations Charter. Japan has correctly aligned itself with G7 and NATO countries and many nations in the world in condemning the aggression and imposing sanctions on Russia. The Russian invasion also showed that security should never be taken for granted; and Japan should be vigilant about security threats, do what is appropriate and necessary to defend itself, and advance security cooperation with the United States and partner countries. But at the time, Japan should not misapply the lessons of the Ukraine war to Asia. It needs to examine carefully the various factors that contributed to the strategic context that made the Russian aggression more likely and to consider ways to prevent a similar contextual evolution regarding tensions in Asia. Japan should also assess how the developments in the war between Russia and Ukraine might affect the calculations of states in Asia that might be contemplating the use of force to settle disputes. And it should seek to prevent China and Russia from acting together in ways that jeopardize Japan’s security interests.

5 Watanabe Hirotaka, “Takyoku Jidai no Shin Bei Jiritsu” [Pro-U.S. Autonomy in a Multipolar Era] in Watanabe Hirotaka (ed.), *Yu−rasia Dainamizumu to Nihon* (Tokyo: Chuo Koron Shinsha, 2022), pp. 11-30.

Chapter 1 Approach toward Asia and Promotion of Middle Power Diplomacy

One of the most important goals of Japan's strategy toward Asia should be to foster a region that continues to become more prosperous through international trade, investments, and technological progress while ensuring that economic activity is more environmentally sustainable, and the benefits of economic development are shared more equitably. Japan should facilitate social and political developments in the region so that they are more consistent with universal values such as human dignity, freedom, and equal rights. It should also promote a regional community in which a diversity of cultures, societies, economies, and political systems can co-exist peacefully and cooperate effectively to address urgent transnational challenges like climate change, environmental degradation, and the spread of infectious diseases. And Japan should strive to prevent military conflicts and cultivate a region in which war among major powers becomes unthinkable as a means for settling international disputes.

Although Japan should enhance its national capabilities to play a leading role in shaping Asia's future, it must collaborate closely with other countries and peoples to achieve the above regional vision. Japan should cooperate with countries that closely share its values and have similar political and economic systems, but an emphasis on so-called "like-minded countries" should not lead to a neglect of countries whose values and political systems might differ from those of Japan and other liberal democracies. As Prime Minister Fumio Kishida stated in his January 2023 speech in Washington, D.C., "We need to be more committed to our values, and at the same time, when engaging with the Global South, we need to remain humble while putting aside preconceptions and then have a firm understanding of their respective historical and cultural backgrounds." [6]

While the relationship with the United States should remain a key pillar of Japan's foreign policy, strengthening the U.S.-Japan alliance should not prevent Japan from developing its own autonomous foreign policy to reach out to countries outside the U.S. security alliance network. To mitigate great power competition and prevent such competition from escalating to a war between

6 Policy Speech by Prime Minister Kishida Fumio at the Johns Hopkins University School of Advanced International Studies (SAIS), January 13, 2023, https://japan.kantei.go.jp/101_kishida/statement/202301/_00005.html

great powers, Japan should become a leader of middle power diplomacy by forging a cooperative coalition with other middle powers in the region like the Republic of Korea, Australia and New Zealand, the ASEAN states, and India. Such a coalition would also contribute to developing and implementing more cooperative approaches to deal with transnational challenges.

In working to shape Asia's future, Japan must also see the international order from a global perspective and not just an Asian one. For example, the Russia-Ukraine war has affected Japan's diplomacy with both China and Russia insofar as Moscow and Beijing have increased their cooperation after the Russian invasion. This trend has indeed had a worrisome effect on Japanese security because of greater China-Russia coordination of military activities in Japan's vicinity. In short, what happens in Europe or elsewhere will affect international relations in Asia. Japan therefore should not think about Asian regionalism in isolation of global trends and regional conflicts outside of Asia proper. In this era of globalization, cooperation and dialogue from a global perspective are necessary to develop an effective collective security system.

1.1 Values, Norms, and Principles

Japan as a leading democratic nation in Asia has naturally welcomed the democratization of a number of countries in the region and hopes more countries will follow this path. Japan can support this process first and foremost by being a better model of democracy in Asia. It can improve its own policies and practices that relate to human rights and social equality and enhance its own democratic institutions and processes. Insofar as successful democratization is more likely to occur when the basic economic and social needs of the population are addressed, Japan should continue to assist the lesser developed countries in Asia so that their peoples have greater human security. An effective way to promote human rights abroad is to support a humanitarian approach to international affairs and continue to highlight the importance of human security.

While championing basic human rights and democratic principles, Japan should also recognize the diversity of political systems in Asia and be sensitive to their different historical trajectories and sociocultural traditions. Rather than being self-righteous in pursuing a so-called values-oriented foreign policy, it should respect political diversity and underscore the importance of peaceful coexistence. Japan should resist efforts to divide Asia into a struggle between democracies and autocracies and avoid an overly ideological approach to foreign policy. A "divided Asia" is not beneficial to Japan, and all other Asian countries want to avoid such a division. Japan therefore should value moderation, pragmatism, and compromise to decrease the

danger of military conflict, encourage tension reduction, and promote interstate cooperation.[7] In short, adopting a political realist approach that relies on multiple perspectives, Japan should promote a region that is both open and inclusive.

1.2 Different Geographic Prisms for Asia

The notion of Asia as a region has been dramatically changing due to economic and technological progress, geopolitical interactions and security calculations, and social and cultural developments. Moreover, the increasing salience of global transnational challenges argues against the imposition of strict regional boundaries.

It is problematic to frame the Asian region solely in terms of the "Indo-Pacific", which is now commonly used in international discourse. The concept of "Indo-Pacific" emerged by linking together the Pacific and Indian Oceans and emphasizing maritime connectivity. Although the term "Indo-Pacific" has the benefit of highlighting the importance of navigational freedom and the security of long sea lanes essential for international commerce, this maritime conception of the region has shortcomings. The "Indo-Pacific" prism diminishes the importance of continental Asia and suggests a regional orientation designed to counter and even contain China.

Rather than adopting a single geographic framework or label for thinking about Japan's Asia policy, this report advocates a multiplicity of geographic prisms to underscore the different dimensions and complexity of Asia's recent evolution. Indeed, after the end of the Cold War, Japan's foreign policy discourse has reflected these different geographic prisms in addressing regional challenges and opportunities.

The following provides an overview of such geographic prisms:

Asia-Pacific

Asia-Pacific is a framework that encompasses the countries on both sides of the Pacific

7 A Japanese approach to Asia that values diversity, tolerance, and "listening to the other side" has its roots in Japanese thinking that has accumulated over a long history and has been disseminated as one approach to international politics. One example is *"World" Thought from Japan: Philosophy, Philosophy, Public Affairs, and Diplomacy* published by the Kyoto Sangyo University Institute of World Affairs in 2017. A key concept for diplomacy based on this intellectual tradition is "yawaragi," which the late Ezra Vogel translated into English as "moderation." Tōgō Kazuhiko, Nakatani Masahiro, Mori Tetsurō (eds.), *Nihon Hatsu no "Sekai" Shisō: Tetsugaku, Kōkyō, Gaikō* ["World" Thought from Japan: Philosophy, Public Affairs, and Diplomacy] (Tokyo: Fujiwara Shuppan, 2017).

Ocean and East Asia, including all the major countries involved in Asia: the United States, China, Japan, and Russia. In the late 1980s, Japan promoted the geographic prism of the Asia-Pacific region to counter the potential movement toward exclusive regional economic groupings in Europe and North America. Tokyo sought to prevent an economic and strategic divide in the Pacific basin between East Asia on the one hand and the western hemisphere on the other hand. In particular, Japan wanted U.S. continued security engagement in Asia and the preservation of Japanese and Asian access to the American market. The creation of the Asia-Pacific Economic Cooperation forum and the ASEAN Regional Forum to discuss security issues are two of the fruits of the Asia-Pacific perspective.[8] This perspective served to integrate China into the regional economic system and facilitated China's acceptance of Taiwan's participation in regional economic multilateralism as Chinese Taipei.

The concept of the Asia-Pacific not only links maritime Asian countries with continental East Asian countries, but also has the potential to promote U.S. and Chinese involvement in regional cooperation. This framework has also deepened the involvement of Australia and New Zealand in the Asian region and helped to orient various Latin American countries toward Asia. In this respect, Asia-Pacific is a more comprehensive and non-exclusionary framework than the other regional concepts discussed below.

Eurasia

In July 1997, then Prime Minister Ryūtarō Hashimoto invoked the perspective of Eurasia "to enlarge the horizon" of foreign policy toward the Asia-Pacific region.[9] Recalling Russian President Boris Yeltsin's statement that there were neither winners nor losers in the process of ending the Cold War, Hashimoto argued that developments within Russia and China held "the key to the formation of an international order." Japan's Eurasian diplomacy should therefore foster cooperation with both Russia and China across a variety of issue areas. He also highlighted the importance of the "Silk Road'' region that encompassed the Central Asian Republics and the nations of the Caucasus region. Drawing on this Hashimoto vision, Prime Minister Junichirō Koizumi then launched the "Central Asia plus Japan'' initiative in 2004, which culminated in Prime Minister Shinzō

8 Kuniko Ashizawa, *Japan, the US, and Regional Institution-Building in the New Asia: When Identity Matters (New York: Palgrave* Macmillan, 2013).

9 "Address by Prime Minister Ryutaro Hashimoto to the Japan Association of Corporate Executives," 24 July 1997, https://japan.kantei.go.jp/0731douyukai.html.

Abe's visit to all five Central Asian countries in 2015.

In recent years, especially after Russia's invasion of Ukraine, Japan's Eurasian diplomacy has faded and continues to be stagnant because of frictions with both Russia and China. After the end of the Cold War, Central Asian countries had hoped to build direct relations with Japan; but these expectations have been recently deflated. Notwithstanding the dramatic change in Japan's relations with both China and Russia, the Eurasian perspective still has a role to play since it links East Asia and Europe. This perspective also has the potential of allowing Japan to foster cooperation with China and Russia on a wide variety of issues, as well as with European countries and the European Union (EU).[10] It could also create opportunities for Japan to engage in "mediation diplomacy" in relations between the major powers (United States, China, and Russia).

East Asia

The prism of East Asia became salient in the wake of the 1997-98 regional financial crisis. To prevent a similar crisis from happening again, Japan took the lead in promoting financial cooperation among Japan, the Republic of Korea, China, and the ASEAN states in what came to be known as the ASEAN-Plus Three framework. Out of the ASEAN-Plus Three process emerged the East Asian Vision Group that articulated in 2001 a vision of an East Asian community that would prevent conflict and cultivate peace in the region, promote economic cooperation, advance human security through environmental protection and good governance, enhance cooperation in education and human resources development, and foster the identity of an East Asian community. The Vision Group also recommended the establishment of an East Asian Summit (EAS).[11]

During the Koizumi government, Japan supported the inclusion of Australia, New Zealand, and India in the regional integration process, yielding the ASEAN-Plus Six Framework. This move reflected Japan's concerns about a China-centric process of community building that could diminish U.S. influence in the region. The Hatoyama government in 2009-2010 energized the East Asian Community vision by invoking the

10 In recent years, the EU has been seeking to strengthen ties with ASEAN; and Japan could play a bridging role by supporting the building of connectivity between the EU and ASEAN in the context of Eurasian diplomacy.

11 Terada Takashi, *Higashi Ajia to Ajia Taiheiyō: Kyōgō suru Chi-iki Tōgō* [East and Asia-Pacific: Competing Regional Integration] (Tokyo: Tokyo University Shuppnkai, 2013); and Lee Jong Won, "Higashi Ajia Kyōdōtai Keisei no Genjō to Kadai" [Current Situation and Problems in Developing an East Asian Community] in Hiroshima Peace Institute (ed.), *Ajia no Heiwa to Gabanansu* (Tokyo: Yushindo, 2022), pp. 208-217.

positive example of the development of the European Economic Community after World War II and by emphasizing the principles of openness, transparency, inclusiveness, and functional cooperation. In his first press conference as prime minister, Yukio Hatoyama noted that the East Asian community idea is not intended to exclude the United States and would be a step toward the realization of an Asia-Pacific community which could not readily be achieved without the United States.[12]

Compared to other regional frameworks, the East Asian framework is marked by the embodiment of functional cooperation in specific areas such as finance, trade, and even medicine and health. There has also been an awareness of the need to promote confidence building among East Asian countries through institution building. From early on, Europe has attached great importance to ASEAN as a form of regional integration in Asia and launched the Asia-Europe Meeting (ASEM) in 1996.

Indo-Pacific

Prime Minister Shinzō Abe articulated the Indo-Pacific framework in 2007 when he referred to the confluence of the Pacific and Indian oceans as creating a "dynamic coupling" of the seas of freedom and prosperity. He stressed how the coming together of Japan and India helps the evolution of a "broader Asia" into an immense open and transparent network that would "allow people, goods, capital, and knowledge to flow freely." Abe's Indo-Pacific framework dovetailed with his "Arc of Freedom and Prosperity" diplomacy that would seek to promote democracy, human rights, and the rule of law based on universal values along the Eurasian continent. Given that this framework evolved into Abe's proposal in 2012 for "democratic security diamond," it gave the impression that Japan was departing from its previous middle power diplomacy and was aspiring to become a "major power," if not a great power, and was seeking to contain China's influence in shaping the regional order.

In 2016 at the Sixth Tokyo International Conference on African Development (TICAD VI) held in Kenya, Prime Minister Abe unveiled Japan's vision for a "Free and Open Indo-Pacific" (FOIP) and discussed "the union of two free and open oceans and two continents" [Asia and Africa]. Although the FOIP vision aimed to protect the freedom of navigation, enhance connectivity across Asia and strengthen a rules-based order, Japan

12 "Press Conference by Prime Minister Yukio Hatoyama," September 16, 2009, https://japan.kantei.go.jp/hatoyama/statement/200909/16kaiken_e.html.

by 2017 began to indicate that the vision was not designed to counter or exclude China. In fact, Abe suggested that China's "One Belt, One Road" initiative could harmonize with a "free and fair Trans-Pacific economic zone." Japan became sensitive to the concerns of the ASEAN states that the FOIP vision might intensify interstate rivalry and undermine the prospects for regional cooperation. Therefore, Japan embraced the ASEAN Outlook on the Indo-Pacific adopted in 2019, which viewed "the Asia-Pacific and Indian Ocean regions, not as contiguous territorial spaces but as a closely integrated and interconnected region, with ASEAN playing a central and strategic role." Nevertheless, some of original ideas contained in FOIP since the Abe administration still remain, and future developments should be closely monitored.

The overlap of the above four geographical prisms reflects the multifaceted and multilayered nature of Japan's approach to Asia policy. In recent years, the first three approaches have weakened, and there is now a much greater emphasis on the U.S.-Japan alliance and the Indo-Pacific. This tendency is not desirable because it deprives Japanese diplomacy of strategic flexibility. Japan should continue to recognize the utility of integrating multiple perspectives, rather than focusing on one geographic perspective to the exclusion of others.

1.3 Dialogues, Institutions, and a Rules-Based Order

Since the end of the Cold War, multilateral dialogues and institutions have proliferated in Asia; and many of them have been established because of Japan's initiatives. Some of these fora have encompassed many countries and addressed a broad agenda, while others have been relatively small in size and tended to focus more on particular functional areas or policy issues.

In the economic realm, Japanese policymakers developed a proposal for an Asia Pacific Economic Cooperation (APEC) forum and worked with Australia to launch APEC in 1989. Regarding security affairs, Japan worked closely with the Association of Southeast Asian Nations (ASEAN) to create the ASEAN Regional Forum in 1994. To connect Europe and Asia together and discuss a broad array of economic, political, and sociocultural and educational issues, the Asia-Europe Meeting (ASEM) was initiated in 1996. Japan has been an active supporter and participant along with 50 other countries and two regional organizations (the European Union and ASEAN). In December 2005, the first East Asia Summit (EAS) was convened in Malaysia, and this forum has expanded into a meeting involving leaders of 18 countries after the admission of the United States and Russia in 2011. Japan's efforts to promote regional cooperation in the wake of the 1997-98 East Asian financial crisis laid the foundation for the establishment

of the EAS. Japan was also instrumental in concluding the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) in 2004 and the creation of the Information Sharing Center in 2006 with 21 contracting parties. In order to enhance mutual understanding and cooperation, a key characteristic of these large multilateral processes and institutions has been openness and inclusivity. They have sought to overcome national differences based on types of political regime, levels of economic development, and country size and relative power.

In addition, Japan has supported a variety of minilateral regional dialogues to address specific functional issues. It was an early supporter of initiating six-party talks to deal with the problem of North Korea's nuclear weapons program. Japan was also responsive to South Korea's proposal for regular trilateral meetings among Japan, China, and the Republic of Korea to discuss functional cooperation and regional economic issues (e.g., a trilateral free-trade agreement), and the three countries have held summit and ministerial meetings on a quasi-annual basis since 2007-2008. In recent years, however, the trilateral summit process has stagnated, and summit meetings have been postponed for three consecutive years since the last one that was held in December 2019. The recent agreement between Japan and South Korea and between Japan and China to resume a high-level Japan-South Korea-China trilateral process is a welcome development, and Japan should respond proactively without missing this opportunity. Some of the minilateral dialogues have focused on enhancing cooperation among allies of the United States to advance common security interests and move beyond the traditional bilateral "hub-and-spokes" U.S. alliance system. A good example is the trilateral security dialogue among Japan, Australia, and the United States, which was inaugurated in 2006.

In recent years, much attention has focused on the Quad involving Japan, Australia, India, and the United States. Building upon the cooperation among these four countries to provide humanitarian assistance and disaster relief in the wake of the 2004 Indian Ocean earthquake and tsunami, Japan during the Abe Administration initiated this dialogue in 2007. In 2008, the Quad ceased to function because of Australia's concerns that this minilateral could exacerbate tensions between the United States and China. After Australia renewed its support for the Quad in 2017 as Canberra's relations with Beijing deteriorated, the Quad has emerged as a dynamic agenda and pace setter in the region. The annual Malabar joint military exercises of Quad members have given the impression that the Quad could evolve into a military alliance to counter and even contain China in the Indo-Pacific region. Some have even argued that the Quad should indeed become an Asian version of NATO.

Japan as well as the other Quad members, however, have denied that the Quad will be a military alliance designed to contain China. The strength and potential of the Quad lies in the fact that it has not focused narrowly on military security. During recent Quad summits, the leaders addressed the issues of COVID-19 pandemic, the climate change crisis, critical and emerging technologies, and the regional demand for infrastructure as well as maritime domain awareness, cybersecurity, and cooperation in the space field. As a consequence, the Quad certainly can and should be consistent with Japan's promotion of open and inclusive regionalism. Because the Quad is limited in size, the grouping can serve as an effective agenda and policy pace setter for the region because it is not hampered by the need to forge a consensus among a large number of members. But as the Quad-Plus dialogues suggest, the Quad can work with other countries on a case-by-case basis to deal with specific issues and functional areas.

The establishment of numerous regional dialogues and institutions has facilitated inter-state discussions to explore points of both agreement and disagreement, to enhance mutual understanding, and to explore areas of common ground. But a frequent criticism of many dialogues and institutions in Asia is that they are too process-oriented and insufficiently results-oriented. As a consequence, Japan in recent years has emphasized the promotion of a rules-based order. But the concept of a rules-based order raises the question of how these rules are formulated and how they can and should be implemented and enforced.

After the end of World War II, the United States played a critical leadership role in establishing many of the international institutions and rules that have become the foundation for global governance. They include the United Nations, the World Bank, the International Monetary Fund, and the General Agreement on Tariffs and Trade. But these institutions have evolved over time; and new institutions and rules, both global and regional, have emerged. In short, the international order is not fixed, but rather a work in progress. Certainly, the advanced democracies, especially the United States and other G7 countries including Japan, have exercised a major influence in the formulation of new international rules. But international rule formulation is by no means just a top-down process spearheaded by so-called hegemonic or great powers. New rules are often established through complex negotiations involving the initiatives and active participation of middle powers and small countries, debates between developed and developing economies, and the increasing role of non-state actors and civil society groups.

As a consequence, the rules that emerge are often the product of difficult compromises and contain ambiguities that are subject to different interpretations. This fact makes the implementation of international rules a challenging task, especially because dispute resolution

and adjudication processes remain underdeveloped. The premium that states usually place on their own sovereignty also impedes the creation of effective rule-enforcement mechanisms and practices. Given this reality, a stridently legalistic and formalistic approach to a rules-based order carries the danger of exacerbating rather than mitigating international conflict. Moreover, the argument that China seeks to overturn a U.S.-led liberal international order and establish an alternative China-led autocratic international order over-simplifies and mis-represents the actual international dynamics of order creation, maintenance, and reform. Promoting a rules-based order requires astute diplomacy and a pragmatic problem-solving approach that utilizes both the large multilateral and the smaller "minilateral" processes and institutions in the region.

In addition to regional multilateral and minilateral processes, Japan should be more proactive in utilizing the United Nations to address regional issues and challenges. The United Nations indeed provides a good platform for Japan to engage China and to explore promising areas of cooperation with China as well as with other Asian countries.

1.4 Japan's Diplomacy and Middle Power Leadership

To promote a more stable, peaceful, and prosperous future for Asia, Japan should re-energize its middle-power diplomacy. Japan's diplomatic activism as a leading middle power has indeed become even more necessary because of international developments during the last several years in general and the Russian invasion of Ukraine in particular.

With his long-term grip on power, Russian President Vladimir Putin has not been able to hide his nostalgia for the former Russian empire and the Soviet era. The annexation of Crimea in 2014 and the military invasion of Ukraine are manifestations of this tendency. Similarly, Chinese President Xi Jinping who has consolidated power for the long term, appears to be driven by actions reminiscent of traditional Chinese thinking. For both Russia and China, the greatest obstacle to their "dreams" is the United States, and the root of the ties between Russia and China is their rivalry with the United States. Amid this strategic triangle among the three great powers, the so-called NATO Asia-Pacific Partners (AP4) consisting of Japan, South Korea, Australia and New Zealand have been deepening ties with European countries and seeking mutual engagement between their respective regions whose security and prosperity have become inseparable.

The vital strategic theaters of Russia and China, however, are Europe and Asia respectively, and they do not necessarily ally with each other in each other's theater. In Asia, while the strategic friction between the United States and China is the defining factor of a regional order, a number

of regional countries do not wish to take sides in the great power rivalry. Many of them, which are now referred to as part of the Global South, are neither democracies nor supporters of the U.S.-led liberal international order, but they also do not necessarily side with China nor accept Chinese dominance in the region. Engagement with these developing countries in the Global South is an important agenda of middle power diplomacy for Japan and other leading middle powers.

The most important partner for Japan's middle power diplomacy is the Republic of Korea. South Korea is an established democracy and a developed economy. It has become one of the ten largest economies in the world, and its per capita income matches or even exceeds that of Japan. Japan and the Republic of Korea share fundamental strategic interests as well as political values. Both countries are close allies of the United States; and they both see North Korea's nuclear and missile programs as acute threats and are concerned about China's military buildup and coercive behavior. But at the same time, they share a deep interest in preventing a military conflict in East Asia that would have devastating consequences for both countries; and they want to maintain close and stable economic relations with China which is their largest trading partner. In short, both Japan and South Korea desire an Asia that is not divided into two conflicting camps and would prefer a region that is open and inclusive. Despite this basic convergence in strategic interests, relations between Japan and South Korea have unfortunately been marred in recent years because of disputes regarding the past. In March 2023, the South Korean government under President Yoon Suk Yeol offered a solution to the "conscripted labor" issue; and President Yoon and Prime Minister Kishida agreed to resume shuttle diplomacy. In response to the South Korean government's courageous decision, Japan should address its own historical issues and work sincerely and energetically with South Korea to develop a strong partnership as leading middle powers in Asia.

As part of its middle power diplomacy, Japan could also build on the Quad involving the United States, Japan, Australia, and India and take the lead in promoting a "middle power coalition" among Japan, Australia, and India, and thus lead the agenda-setting of the Quad. The notion then can be extended to include other middle powers in the region, including South Korea and the ASEAN countries. In this process, it would be effective to envision a "middle power quad" by inviting South Korea to join the Japan-Australia-India coalition. Through such efforts, Japan could enhance cooperation among the middle powers in the region and contribute to mitigating U.S.-China competition and confrontation, while sustaining cooperative relations with the United States. This is not necessarily unrealistic if there is political will, because the leaders' meetings of Quad have been emphasizing the principle of "ASEAN centrality" as a foundation

of Quad cooperation, thus in effect endorsing the importance of the "middle power" approach in the Indo-Pacific region.

By building on its partnerships with middle powers in Asia and in Europe, Japan should vigorously engage China to stabilize bilateral relations as well as to cooperate on pressing transnational challenges. Japan should work with China to develop robust mutual assurance and confidence building measures so that changes in the regional balance of power do not increase the risk of military conflict. In cooperation with other middle powers, Japan should encourage China to abide by its Five Principles of Peaceful Coexistence: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

The following chapters will discuss possible policy initiatives as a leading middle power in Asia in three broad functional areas: economics, security, and transnational challenges.

Chapter 2

Regional Economics

2.1 Striking a Balance between Economic Liberalization, Sustainable Development, and Economic Security

Economic liberalization and deepening international economic interconnectedness have contributed significantly to global economic growth. In recent years, however, their economic side effects and social costs have become more pronounced in countries around the world in the form of widening economic disparities and the rise of anti-globalization and anti-immigrant sentiments. Asia, which has enjoyed remarkable economic development since World War II, is no exception to this recent trend. For example, in 2021, the top 10 percent of the population in Asia owned nearly 70% of the wealth in the region (compared to 76% for the world as a whole).[13] These adverse effects of economic liberalization and deepening economic interdependence are likely to lead to social fragmentation and instability. They can even threaten existing democratic institutions, as seen in the rise of authoritarian-leaning populist leaders in some countries.

Therefore, as Japan seeks stable economic and social development in the region, it needs to pay close attention to the need of providing and securing social protection against these negative effects. In other words, Japan's regional economic foreign policy should strike an optimal balance between two agendas: (1) promoting economic liberalization to further growth and (2) strengthening regional mechanisms to mitigate the adverse effects of liberalization. The Chiang Mai Initiative led by Japan to ensure regional financial and fiscal stability is a good example of the latter agenda. Japan's long-standing economic and technical assistance to Asian countries should be more closely aligned with Sustainable Development Goals (SDGs), with greater emphasis on environmental and social protection. Furthermore, Japan, as a major economic power in Asia and a leading global middle power, must promote rules-based economic integration aimed at "shared growth" in the Asian region.

The issue of economic security also needs to be incorporated in this equilibrium. Economic security concerns efforts to eliminate "economic threats" that could threaten national security;

13 World Inequality Lab, *World Inequality Report 2022*, https://wir2022.wid.world/executive-summary/

and the concept had heretofore been discussed in terms of stable supply of energy resources and food self-sufficiency. Recent developments including U.S.-China trade conflict sparked by the Trump administration, the COVID-19 pandemic, and the disruption of international supply chains due to Russia's war in Ukraine have renewed interest in this concept. In May 2022, the Japanese government passed the Economic Security Promotion Act and defined four areas of economic security enhancement: "strengthening supply chains for critical goods," "ensuring the reliability of key infrastructure," "promoting the development of key advanced technologies," and "establishing a closed patent system." Also this May, G7 leaders issued the "G7 Leaders' Statement on Economic Resilience and Economic Security" at the Hiroshima G7 Summit.

Japan's economic diplomacy in the Asian region will require integrating three perspectives: economic liberalization, sustainable development, and economic security. However, policies based on these three perspectives will often conflict with each other. Accordingly, when determining and implementing specific individual economic and foreign policies in Asia, Japan needs to strike a balance among these contending perspectives. Based on the above, this chapter considers Japan's regional economic diplomacy in the following four areas: financial stability and governance, regional trade, infrastructure development, and supply chains and digital technology.

2.2 Regional Financial Stability and Governance

In response to the 1997 Asian economic crisis, which entailed the collapse of several national currencies and precipitated severe recession across the region, Asian countries pursued financial reforms, including the consolidation and restructuring of their own financial institutions and the reinforcement of bank capital. Furthermore, China, Japan, and South Korea, as well as the ten ASEAN countries, established a regional cooperative mechanism called the Chiang Mai Initiative, a currency swap arrangement to address short-term liquidity difficulties during emergencies. These efforts strengthened the financial system in the Asian region as a whole, and a 1997-type currency crisis did not recur in Asia during the global financial crisis of 2008. In other words, the financial situation in the region has remained reasonably stable for more than two decades, and there is little likelihood of a major region-wide crisis in the near future. Yet, recent major developments at the global level raise some concerns for regional financial stability in Asia.

The global COVID-19 pandemic and the outbreak of Russia's war in Ukraine have caused economic stagnation and recession, disruption of manufacturing and supply chain, soaring

oil prices, and inflation in many countries. Some countries have faced severe food shortages and price hikes. The IMF, the World Bank, and others have observed not only a sharp decline in economic growth throughout the Asian region but also major capital outflows in some countries, most notably India, and they have warned about the possibility of a major recession in developing countries in coming years.[14] In addition to these new economic challenges, the problem of excessive debt in low-income countries has become more pronounced worldwide since the outbreak of COVID-19 crisis. In Asia, Sri Lanka defaulted in May 2022 on its overseas loans for the first time since its 1948 independence; and there have been growing concerns about financial conditions of small island developing states such as the Maldives.[15] Also, how and to what extent the rising U.S. federal interest to counter inflation, and resulting rapid appreciation of the U.S. dollar (especially against the Japanese yen), would affect Asian economies as a whole is another important concern. Furthermore, the Chinese government has been gradually internationalizing its official currency since 2019 and now appears to be accelerating this process.[16] This suggests that the influence of the renminbi (RMB) will incrementally expand in Asian economies where the US dollar has been the dominant international currency and could bring about major structural changes over the medium to long term.

Asian currency and financial stability is critically important to the Japanese economy. As Asia's second largest economic power and a leading global middle power, Japan must make the maintenance of regional financial stability one of the priorities of its regional economic foreign policy. As mentioned earlier in this chapter, Japan has already undertaken a major and indispensable initiative in establishing the Chiang Mai Initiative. Therefore, Japan should continue to provide leadership in regional discussions on further strengthening the existing regional financial cooperation system and ensuring its effectiveness.[17] As for the excessive debt problems of low-income countries, Japan, as a world's major creditor, will inevitably have to be involved in devising both preventive measures for risk countries against defaults and debt

14 The World Bank, *Global Economic Prospects June 2023*, https://www.worldbank.org/en/publication/global-economic-prospects; Krishuna Srinivasan, "Asia's Economies Face Weakening Growth, Rising Inflation Pressures," *IMF Blog*, July 28, 2022, https://www.imf.org/en/Blogs/Articles/2022/07/28/blog-07282022-apd-asias-economies-face-weakening-growth-rising-inflation-pressures

15 Masood Ahmed and Niki Baroy,"A Spiraling Debt Crisis, LICs, and SIDS," *Asia Insights and Analysis*, April 27, 2022, https://asiafoundation.org/2022/04/27/a-spiraling-debt-crisis-lics-and-sids/

16 Seki Shinichi, "Jinmingen Kokusaika no Kasoku wo Mezasu Chūgoku" [China that Seeks to Accelerate the Internationalization of the Renminbi], *Ajia Mansuri-*, May 27, 2021, https://www.jri.co.jp/page.jsp?id=38965; Yamaguchi Ayako, "Ajia Ikinai ni Okeru Jinmingen Keizaiken Kakuchō no Ugoki" [Movement in the Expansion of the Renminbi Economic Sphere in the Asia Region], *Kokusai Tsūka Kenkyūjo New Letter*, March 10, 2020, https://www.iima.or.jp/docs/newsletter/2020/nl2020.10.pdf

17 The Japanese government has recently proposed expanding the scope of the Chiang Mai Initiative to cover temporary foreign currency shortages caused by disasters and other events, and further developments in this line are expected.

restructuring measures after defaults. In this regard, the above-mentioned Sri Lanka, which entered a serious economic crisis in early 2022 and has been in a state of suspension of external debt repayment, should receive a special attention here. Indeed, given the fact that China has been Sri Lanka's largest creditor, followed by Japan as the second largest and India as the third, the Sri Lankan debt crisis represents a challenge for global and regional economic governance.

To arrange international debt restructuring for countries experiencing debt crises, the Paris Club (an informal group of major creditor countries), consisting of 22 states centered around G7 members, has been the main forum for negotiation. In the case of Sri Lanka, however, its largest creditor country, China, and the third largest, India, are not members of the Paris Club. This rendered the Paris Club an inadequate mechanism to coordinate effective bailout measures and temporarily stalled initial debt restructuring efforts.[18] Against this backdrop, a new negotiation framework, the "Creditor Committee for Sri Lanka," was launched in April 2023, under the leadership of Japan, India and France. The establishment of this framework enabled India and other members of the Paris Club to work together to formulate a debt restructuring program for Sri Lanka. Notably, this committee will be co-chaired by Japan and India, two major creditor countries, together with France which has many years of experience in debt restructuring negotiations. However, the fact that China, the largest creditor, has not formally joined the negotiation framework raises questions about the committee's ability to produce meaningful and workable measures. In this regard, China's participation as an observer in the first round of talks held on May 9th is a positive sign., Therefore, Japan as a co-chair should seek to create conditions that will encourage China to continue participating in the talks and cooperate by sharing the details of China's loan programs.[19]

Furthermore, since China's bilateral loans to the poorest countries now account for 49% of the global total, there is a strong international call for China to increase transparency regarding its loan programs and unilateral debt restructuring measures.[20] Accordingly, Japan, in cooperation

18 This problem had been pointed out even before the Sri Lankan case emerged. Accordingly, the G20 members (including China and India) and the Paris Club agreed, in November 2020, on establishing a "Common Framework" to arrange debt relief arrangements for low-income countries that are experiencing difficulties in making public payments due to the impact of the COVID-19 pandemic. However, as Sri Lanka falls into the category of middle-income countries, the "Common Framework," which was designed exclusively for low-income countries, was deemed unsuitable for the Sri Lankan case. Discussions on expanding the scope of countries subject to the Common Framework are continuing at the G20.

19 In fact, when the Sri Lankan problem first came to light, some suggested that China and Japan, the two largest creditors, should co-chair an international negotiation to arrange Sri Lankan debt-credit measures. "Faced with an overseas debt crisis, will China change its ways? It may have no choice," *Economist*, April 24, 2022, https://www.economist.com/china/2022/08/24/faced-with-an-overseas-debt-crisis-will-china-change-its-ways

20 "Fukuramu Shinkōkoku Saimu" [Growing Debt of Developing Countries], *Nihon Keizai Shimbun* February 26, 2023.

with other concerned countries, should keep encouraging the Chinese government to participate in existing and new multilateral frameworks to address debt problems facing some of the most vulnerable countries in the world.

2.3 Regional Trade (CPTPP and RCEP)

For Japan, a leading trading nation, the stability and sound expansion of intra-regional trade in Asia remains an important foreign policy objective. This section focuses on two recently established frameworks of regional trade cooperation, namely the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP).

The CPTPP, which entered into force in 2018, established a new free trade area involving eleven Asia-Pacific countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam) that accounts for 15% of global trade. Its origins date back to 2005, when New Zealand, Chile, Singapore, and Brunei concluded a free trade agreement (FTA), which was later renamed the Trans-Pacific Partnership (TPP) Agreement, with 12 countries, including the United States and Japan, participating in the negotiations that culminated in the signing of the agreement in 2016. However, the following year, the United States under the Trump administration withdrew from the agreement, compelling the remaining 11 countries to renegotiate the agreement under the current name of CPTPP, which was signed in March 2018. Though initially reluctant, Japan joined the TPP negotiation in 2013 in response to the Obama administration's enthusiasm for creating a trans-pacific FTA and a growing international concern about the increasingly dysfunctional World Trade Organization (WTO). After the U.S. departure, Japan played a central role in realizing the successful conclusion of the CPTPP. [21]

The CPTPP is widely regarded as a "high-standard" trade agreement, as it covers not only the liberalization of goods but also a wide range of sectors from services, direct investment, state-owned enterprises, e-commerce, labor, and environment. It has also received substantial attention as a new kind of trade rulemaking by a self-selected group of countries, or a "coalition of willing," against the backdrop of decades of stagnation in WTO trade liberalization processes and the rising protectionism triggered by the Trump administration and observed in other notable countries. Interestingly, after its inception, the United Kingdom, China, and Taiwan, as well as Ecuador, Costa Rica and Uruguay, submitted their formal applications to join the

21 Saori N. Katada, *Japan's New Regional Reality: Geoeconomic Strategy in the Asia-Pacific* (New York: Columbia University Press, 2020), pp. 109-118.

CPTPP; and South Korea, Thailand, and the Philippines have expressed interest in joining. Since the United Kingdom reached in March 2023 an agreement in principle to join the CPTPP, it is now set to become the twelfth member by the end of 2023. These developments suggest that the CPTPP will gradually expand both within and beyond Asia, thereby embodying Japan's principle of "open regionalism" as well as "high-standard" rulemaking. Given its origins as an initiative by four small and medium-size countries in the Asia-Pacific region, the CPTPP is a successful example of "bottom-up," as opposed to "top-down" led by major powers, regional institution-building, which may serve as a useful model for future institution-building in Asia.

Considering the significance of the CPTPP and Japan's notable role in its founding, Japan should continue to be actively involved in implementing and strengthening it. As for membership expansion, it should be based on the "open regionalism" principle. Regarding membership conditions, as was the case for U.K.'s admission, "accepting the CPTTP rules in their entirety," "explicitly committing to transparency, predictability, and credibility," and "providing maximum market access," should remain as the baseline criteria for any future membership negotiation.[22] As for individual countries, the prospect of the United States rejoining the CPTPP appears slim because of the current domestic political climate. Yet, considering the benefits of promoting high-standard trade rules and open regionalism as well as enhancing U.S. engagement in Asia, Japan should keep the door open for the United States' eventual return. Japan should also encourage South Korea, which is already interested in CPTPP membership, and the European Union, which fully meets the CPTPP criteria, to join the CPTPP.

With regard to China and Taiwan, which applied for membership in September 2022, Japan needs to approach their membership applications with considerable prudence and creativity. As for China, the process of accession negotiation itself will provide a valuable opportunity for Japan and other member countries to obtain information about China's domestic rules and conditions in light of the CPTPP rules, its past practices in dealing with trade agreements, and China's intentions regarding compliance. China's eventual accession will greatly facilitate its domestic economic reforms, which will be a major benefit not only to the Chinese economy, but also to companies of other countries that operate in and with China. Considering these benefits, China's application for membership should not be dismissed outright, and it should be weighed with greatest care. In doing so, China's acceptance for the aforementioned membership criteria devised for the case of U.K.'s accession should be the baseline. This requires persistent and vigilant negotiations to ensure that current CPTPP standards are not weakened or become a

22 Munakata Naoko, "Tsūshō Senryaku no Saikōchiku: CPTPP to Sono Sakie" [Restructuring Trade Strategies: CPTPP and Beyond], *Asia Pacific Initiative*, 2022.

mere formality because of Beijing's possible abuse of the security exception clause and treatment of the scope of state-owned enterprises.[23] As for Taiwan, its advanced economy and longstanding good relationship with Japan make it obvious for Japan to support Taiwan's application for membership. If both China and Taiwan were to become members, CPTPP would serve as one of the few official channels for Sino-Taiwanese dialogue in multilateral settings, and therefore, provide a valuable tool for managing the difficult cross-strait relations. In light of these potential benefits, the optimal option is arguably for both China and Taiwan to join CPTPP.

While Taiwan's economy is already fully compliant with CPTPP criteria, China will need to undertake major institutional reforms to become a member. If Taiwan were to join first, there is a strong possibility that China would withdraw its application for membership given its strong aversion to any sign of elevating Taiwan's official status in international institutions. Also, whether Taiwan's accession prior to China would indeed secure unanimous support by the current CPTPP member countries is uncertain. On the other hand, if China were to join first, it would inevitably oppose Taiwan's accession, making Taiwan joining the CPTPP virtually impossible. Considering these scenarios, the only way to enable both China and Taiwan to become members is that Beijing and Taipei join "simultaneously." Indeed, the format of simultaneous accession has already been practiced in the cases of APEC in 1991 and the WTO in 2001. In this sense, the conditions for initiating accession negotiations should be for both parties to agree to adopt the WTO's 2001 format of simultaneous accession and to refrain from intentionally obstructing the accession of the other party.[24]

RCEP, which was concluded in 2020, two years after the conclusion of the CPTPP, and entered into force in January 2022, is a regional free trade agreement consisting of 15 countries, including the 10 ASEAN countries plus China, Japan, South Korea, Australia, and New Zealand. RCEP accounts for about 30 percent of global trade, GDP, and population. When negotiations led by ASEAN began in 2012, India initially joined. But India later withdrew in 2019 leaving RCEP in its current form. The level of tariff liberalization rates and the range of sectors subject to discipline are generally lower than those of CPTPP. When compared to the WTO, RCEP rules include areas that are not covered by the WTO, such as e-commerce and small and

23 Ibid.; Kawase Tsuyoshi, "Chūgoku Taiwan no CPTPP Kanyū Shinsei to Nihon no Taiō: Kōsuijyun na Ru-ru wo Ijishi FTAAP Keisei ni Mukau Senryaku" [China and Taiwan's Application to Join the CPTPP and Japan's Response--Strategy to Maintain High Standard Rules and Move Toward FTAAP Formation] February 18, 2022, https://www.rieti.go.jp/jp/papers/contribution/kawase/09.html

24 The WTO was established in 1995 by the then seventy-six GATT (General Agreement on Tariffs and Trade) member countries. China formally acceded on December 11, 2001 and Taiwan on January 1, 2002 under the name "Customs Territory of Taiwan, Penghu, Kinmen and Matsu" on January 1, 2002. The idea of separating the accession timing by three weeks made it possible to implement the simultaneous accession of China and Taiwan.

medium-sized enterprises (SMEs); and it contains more advanced regulations on intellectual property rights than the WTO. Given that bilateral FTAs centered around ASEAN, such as China-ASEAN, Japan-ASEAN, and Korea-ASEAN, had proliferated over the past decades, the fact that these Asian countries are now under RCEP's common rules is of great significance in terms of regional economic development and governance.[25] Furthermore, RCEP is a long-waited regional FTA that encompasses all East Asian economies, except for North Korea and Taiwan, and in effect, functions as a China-Japan-South Korea FTA. Therefore, RCEP marks a positive development in Japan's regional policy by reducing fragmentation and division in Asia.

Given this significance of RCEP, Japan should be actively involved in further institutional building within RCEP (e.g., establishing a permanent joint committee) to enhance its effectiveness. Tokyo should also aim to deepen regional rules through RCEP's five-year review process. These processes would provide an opportunity for Japan to raise the issue of "weaponization of trade," a growing concern in recent years, so as to exchange frank views with other member states including China and to discuss new mechanisms to deter such behavior.[26] In the meantime, as RCEP leads to further deepening and expansion of business-to-business supply chains in the region in coming years, it will inevitably make RCEP member countries more economically dependent on China. Prior to RCEP, about 8% of Japan's industrial exports to China were tariff-free. After RCEP comes into effect, that percentage is expected to rise to 86%. This may raise economic security concerns, noted at the beginning of this chapter, in terms of supply chains for critical goods. Moreover, RCEP could be problematic for the U.S.-led "friend-shoring" initiative to build up supply chains among its allies and partner countries.[27] In this regard, Japan should remain fully conscious about this economic security challenge associated with RCEP, while making sure that the United States appreciates RCEP's positive role in setting trade standards, and not regard it as merely a China-led and anti-US grouping in Asia. Lastly, India, which withdrew from the negotiations midway through the process, is a strategically important partner for Japan, and its participation in RCEP is highly desirable in order to realize the principle of open regionalism. Accordingly, Japan should persistently encourage India to join RCEP in the future.

25 Yanagida Kensuke, "Indo Taiheiyō no Keizai Renkei to RCEP" [Indo-Pacific Economic Partnership and RCEP] *Kokumonken Senryaku Komento*, October 17, 2020, https://www.jiia.or.jp/strategic_comment/2020-16.html; Ajia Kenkyūjo, "RCEP wo Dou Miruka: Seijigaku-Keizaigaku no Kenkyū Kadai," 2021, https://www.ide.go.jp/Japanese/Publish/Reports/Seisaku/202011.html.

26 Currently, Japan and Australia are seeking to address this "trade weaponization" issue in the pre-negotiations of China's CPTPP accession, which they view would enable more direct communication with China.

27 The U.S.'s "friend-shoring policy will be further discussed in section 5 of this chapter.

2.4 Regional Infrastructure Development Cooperation

With the adoption of the "Seoul Development Consensus" at the G20 Seoul Summit in 2010 and Chinese President Xi Jinping's "Belt and Road Initiative" (BRI) introduced in 2013, infrastructure development assistance and cooperation for developing countries have become a major focus of discussion in Asia and globally. A 2018 report of the Asian Development Bank (ADB) notes that, by 2030, the regional demand for new infrastructure in Asia region will exceed US$ 1.5 trillion annually, highlighting a large gap with the current annual investment of around US$ 881 billion.[28] Given that Japan has been heavily involved since the 1960s in the construction of transportation and energy infrastructure in Asia through its Official Development Assistance (ODA), the growing need for regional infrastructure development is an important issue area for its economic diplomacy in Asia.

China's BRI originally sought to establish a vast economic zone spanning the continents of Asia, Europe, and Africa with China being the point of origin. According to China's official account, 146 countries and 32 international organizations as of March 2022 had concluded cooperation agreements under the BRI framework; and in 2021 alone, US$59.5 billion in loans and investments were reportedly made in 144 countries.[29] Because of its origin and nature, BRI has been widely viewed as China's geopolitically-driven national strategy aimed at expanding the country's hegemonic position and possibly building an international order based on the "Chinese model"; and therefore it has, become one of the key causes of tension between China and Western countries. Other often noted problems associated with BRI include the so-called "debt trap" problem under which some recipient countries become unable to repay their loans, overdevelopment and corruption caused by massive capital investment, environmental destruction and accompanying human suffering, and the lack of transparency and uncertainty surrounding BRI-related projects. The case of Sri Lanka's Hambantota port whose operation rights were transferred to a Chinese company for a 99-year term is commonly cited as a quintessential example of this debt trap.

28 Asian Development Bank, *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*, July 2018, https://www.adb.org/documents/strategy-2030-prosperous-inclusive-resilient-sustainable-asia-pacific

29 Green Finance and Development Center, "Countries of the Belt and Road Initiative (BRI)," https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri; Wong, K., "China's belt and road plans face new EU, US competition, but 'space for cooperation' remains," *South China Morning Post*, 4 Feb 2022, https://www.scmp.com/economy/china-economy/article/3165794/chinas-belt-and-road-plans-face-new-eu-us-competition-space

In response to these developments, Japan put forth the concept of "quality infrastructure investment" at the G7 Ise-Shima Summit in 2016 and has led discussions for setting up global standards of infrastructure development investment that require consideration for local job creation, economic viability, and environmental impacts.[30] In a similar vein, the United States, in 2019, proposed the "Blue Dot Network," a new international certification system for infrastructure projects, and has been working with Japan, Australia, and the OECD, to actualize the concept. In the meantime, although the Japanese government has not participated in the BRI, Prime Minister Abe, during his visit to China in 2018, announced his administration's new policy to promote cooperation between Japanese and Chinese companies in infrastructure development in other countries in Asia under the banner of "Promotion of Japan-China Economic Cooperation in Third Country Markets." Prime Minister Abe identified four basic standards as conditions for this Sino-Japanese infrastructure cooperation: "openness," "transparency," "economic efficiency," and "durability of the recipient country's finances."[31] The Chinese side has been adjusting its polices and undertaking necessary measures in response to international criticism and concerns about BRI, especially in terms of sustainability and cost-effectiveness of BRI projects. Xi Jinping, for instance, announced at the second BRI Forum in 2019 that China would shift the primary focus of BRI from quantitative expansion of investment and aid to "high-quality development," declaring that "Chinese companies will operate according to international standards in project management and bidding."[32] At the same time, it should be noted that for many developing countries, financing of BRI projects often appears attractive due to more lenient conditionality regarding environmental regulations and human rights compared with that of the World Bank and Western donors.

Considering these developments, Japan's basic position toward infrastructure development cooperation in Asia should be to refrain from overreacting to concerns about China's hegemonic expansion associated with BRI, and instead, to induce BRI's infrastructure development investment to move toward contributing to sustainable economic development in developing

30 The concept of "quality infrastructure investment" was first mentioned in a speech by then Prime Minister Abe at the "21st International Exchange Conference on the Future of Asia," hosted by Nihon Keizai Shimbun, in May 2015, in Tokyo. Ministry of Foreign Affairs, "Dai 21-kai Kokusai Kōryūkaigi 'Ajia no Mirai' Bansan Kai. Abe Sōri Supi-chi" [Dinner Speech by Prime Minister Abe at the 21st International Exchange Conference on the "Future of Asia"], May 22, 2015, https://www.mofa.go.jp/mofaj/ic/dapc/page1_000106.html.

31 Shushō Kantei, "Nicchū Daisankoku Shijō Kyōryoku Fo-ramu, Abesōru Supi-chi" [Japan-China Third Country Market Cooperation Forum: Prime Minister Abe's Speech], October 26, 2018, https://www.kantei.go.jp/jp/98_abe/statement/2018/1026daisangoku.html

32 Ōnishi Yasuo, "Tenki no Ittai Ichiro Kōsō to Nicchū Keizai Kyōryoku" [The One Belt, One Road Initiative at a Turning Point and Japan-China Economic Cooperation], *Ajiken Porishi-Buri-fu*, No. 133, April 10, 2020, https://www.ide.go.jp/Japanese/Publish/Reports/AjikenPolicyBrief/133.html; Watanabe Shino, "Ittai Ichiro Kōsō no Henkan to Jittai" [Changes and Realities of the "One Belt, One Road" Concept], *Kokusai Anzen Hoshō*, Vol. 47, No. 1 (2019).

Asian countries.[33] This will lead to further and stable development of the regional economy as a whole and will also provide opportunities for Japan's business to utilize BRI indirectly and directly. Along this line, Japan should further promote the above-mentioned "quality infrastructure investment" initiative for setting up international standards for infrastructure investment finance and encourage China to adopt these principles. In fact, China has endorsed the G20's "Principles on High-Quality Infrastructure Investment," which was adopted under the Japanese leadership at the G20 Osaka Summit in 2019. Drawing on this positive development, Japan should persistently encourage China to follow through on these principles, especially transparency and information disclosure, by, for instance, submitting self-monitoring reports on their BRI projects. With regard to the looming sovereign debt problems discussed in Section 2, as the largest creditor for the least developed countries, China urgently needs to cooperate with other creditors by disclosing the details of loan contracts, so as to arrange effective debt rescue and reconstruction programs. This again highlights the importance of encouraging China through the G20 framework. In a similar vein, given that China has so far been reluctant to participate in the OECD Development Assistance Committee (OECD/DAC), which sets standards for general development assistance among major donor countries, Japan should make efforts to promote dialogues and cooperation mechanisms between China and the OECD/DAC and encourage China to participate.

With regard to Prime Minister Abe's initiative on Sino-Japanese private-sector cooperation in third countries noted above, there has not been significant progress made in terms of large-scale infrastructure projects, probably due to Japanese business concerns about profitability and inherent difficulties in coordinating among private firms. However, it is necessary for Japan to continue its efforts to realize Japan-China cooperation among private business actors, as it could facilitate behavioral changes among Chinese. In doing so, Japan must make sure that the four conditions set by Prime Minister Abe be met and that the OECD/DAC Principles and SDGs perspectives be incorporated in Sino-Japanese joint projects.

Finally, Japan needs to adopt a constructive and flexible approach to the Asian Infrastructure Investment Bank (AIIB), established in 2016 under China's leadership. Japan, along with the United States, did not join AIIB, due to a concern, among others, that it might be arbitrarily used for China's BRI projects. However, the majority of AIIB's investment projects have so far been carried out in the form of co-financing with the well-established international development banks

33 Hirono Miwa, "Chūgoku Akuta- no Guro-baru ka to Ittai Ichiro no Kokunai Mondaika: Nihon eno Shisa" [Globalization of Chinese Actors and One Belt, One Road as a Domestic Issue: Implications for Japan] in Hirono Miwa (ed.), *Ittai Ichiro wa Nanio Motarashitanoka: Chūgoku Mondai to Tōshi no Jirenma* (Keisōshobō, 2021).

such as the ADB and the World Bank, rendering them consistent with international standards.[34] In this sense, Japan, as a leading member of the ADB and the World Bank, should seek to shape indirectly the AIIB's projects, by further promoting joint projects with the AIIB while ensuring that the AIIB continues to act in line with established international standards. Given today's political climate in Japan, the possibility that Japan will seek AIIB membership in the near future is close to zero. Yet, the AIIB, which already has 106 members, can serve as a great venue for Japan to exercise its leadership as a major middle power and enhance its presence in Asia. Furthermore, considering Japan's decades-long experience in economic cooperation in Asia and its wealth of accumulated expertise, the country's close collaboration with AIIB would be a significant contribution to the AIIB and to the regional economy. Accordingly, Japan should be open to the idea of eventually joining AIIB and carefully monitor the timing of its membership so that Tokyo would be able to ensure, from the inside, that AIIB will continue to provide solid and high-quality infrastructure development investments.

2.5 Supply Chain and Digital Technology

As noted in the beginning of this chapter, Japan's new Economic Security Promotion Act highlights "strengthening critical goods supply chains" as one of the key issue areas for formulating new measures. Russia's invasion of Ukraine which disrupted supply chains of some key goods served as a trigger for this new policy. There has also been a growing wariness in Japan that China, which has greatly benefited from global supply chains over the past three decades, has in recent years taken excessive advantage of global economic interdependence and engaged in hostile economic measures against some countries. President Xi Jinping's statement that "We must make the international supply chain dependent on our country and develop the ability to retaliate and intimidate others through supply disruptions"[35] symbolizes China's willingness to use its enormous economic power not only to exert influence for realizing its own political and strategic interests but also to challenge the United States in hegemonic competition. While Japan needs to avoid becoming exclusively preoccupied with indicators of China's hegemonic expansion, Japan and many other countries must effectively address the challenges of economic coercion associated with supply chain and economic interdependence.

Washington's response to this growing challenge is to prioritize the following three goals: delay

34 Sano Junya, "AIIB no Genjō to Wagakuni no Kakawarikata" [The Current Status of the AIIB and Our Country's Involvement], *Ajia Mansurii*, August 2018, https://www.jri.co.jp/page.jsp?id=33071

35 *Nihon Keizai Shimbun*, November 15, 2020.

as much as possible China's economic and technological catch-up, maintain U.S. technological and military superiority, and ensure the survival of the liberal international order based on existing and long-standing rules and principles. To achieve these goals, the United States imposed trade restrictions on China bilaterally, while working to establish, in the form of "friend shoring," an economic collective security regime among its trading partners. In this vein, the United States proposed the "Indo-Pacific Economic Framework" (IPEF) in May 2022 and held the first ministerial-level meeting four months later. Currently, the IPEF is a relatively loose framework consisting of 14 countries including Japan and India that discusses policy coordination and cooperation around four pillars: trade (including the digital economy), supply chains, clean economy, and fair economy. IPEF is explicitly designed to restructure supply chains among participating countries in order to reduce excessive dependence on the Chinese market.

For Japan's economic security strategy, IPEF is important in several ways. First, IPEF is and will remain for the foreseeable future the only regional multilateral framework, in which the United States participates, to explicitly address China's economic rise. The same is true with India, which withdrew from RCEP. In this sense, IPEF is the only regional framework in which Japan, the United States, and India — all major economies in Asia — can collaborate on economic security challenges, especially the growing fragility of supply chains due to China's possible economic coercion. Second, IPEF will serve as a new venue for Japan, the United States, and India to consult and work with other participating countries, including South Korea, Australia, and other Southeast Asian countries, which are more economically vulnerable in terms of their economic dependence on China. Third, IPEF is significant because there are no existing international institutions designed to establish secure supply chains, which has become a pressing global issue since the outbreak of COVID-19. Finally, insofar as RCEP's implementation will further increase Japan and other Asian countries' dependence on the Chinese market and supply chains, the U.S.-led IPEF is expected to help offset this particular effect of RCEP.

These apparent benefits notwithstanding, when it comes into full swing, IPEF could effectively bar China from joining the process of rulemaking in international trade and investment in the Asia-Pacific region. It could further escalate the U.S.-China tensions, which would result in a more fragmented Asia. The potential negative impact of IPEF-led supply chain policies on Japan's economic activities is another concern. For instance, the U.S. government, in October 2022, unilaterally introduced export restrictions on advanced semiconductors to China, which the Japanese government duly followed five months later; and it has been widely reported

that Japanese firms in this sector will be badly affected by these new measures.[36] The scope of goods targeted for new supply chain restriction, or enhancement, is another concern. The Japanese government currently designates 11 types of goods, as critical goods for supply chain enhancement, such as semiconductors, storage batteries, and natural gas. The U.S. government has been reportedly weighing the idea to add biotechnology and quantum computers to its list of targeted goods, both of which are not included in the current Japanese list. This means that in the future, Tokyo will likely be asked by Washington to follow suit, which may pose further stress on some Japanese firms. Accordingly, regarding policymaking about supply chains, Japan will need to carefully weigh these different considerations such as economic security, alliance management, the impact on U.S.-China tensions, and spillover effects on Japanese firms and its economy as a whole.

In addition to supply chains, security of high-tech digital equipment and technology and data has become a major concern for economic security. At the global level, G7 members and OECD members have been discussing the establishment of rules and principles for digital trade, while WTO members have been negotiating international rules and regulations on digital data management and security. In the Asia-Pacific region, the CPTPP agreement stipulates principles of free flow of data, the first international agreement of this kind. Meanwhile, Singapore, New Zealand, and Chile concluded in June 2020 (effective in 2021) the Digital Economic Partnership Agreement (DEPA), which is dedicated to the digital sector and stipulates rules and principles for digital trade and use of digital technology, including Artificial Intelligence. Similar to the way TPP originated (see section 3 of this chapter), the founding countries of DEPA are small and medium-size countries in the Asia-Pacific (and all three were founding members of CPTPP's precursor); and therefore, DEPA may follow path similar to CPTPP in terms of membership expansion. In fact, three countries, South Korea, China, and Canada, have already applied to join DEPA; and in June 2023, South Korea officially acceded to this agreement.[37] Japan has been actively involved in discussions within existing multilateral frameworks such as the WTO where it is currently co-chairing negotiations on the digital sector.[38] Tokyo should

36 "Nihon Seifu, "Handōtai Seizō wo Yushutsu Kanri Taishō ni. Bei ga Taichū Kisei Yōsei" [Japanese Government Makes Semiconductor Manufacturing Subject to Export Controls: US Requests Restrictions on China], *Roita-Tsūshin*, March 31, 2023, https://jp.reuters.com/article/idJPT9N31N01I

37 Ministry of Trade, Industry and Energy, "Press Releases: Korea becomes first country to join DEPA as non-founding member," June 12, 2023, https://english.motie.go.kr/en/pc/pressreleases/bbs/bbsView.do?bbs_cd_n=2&bbs_seq_n=1318#

38 Keizai Sangyō Shō, *Tsūshō Hakusho* 2022, "Dai III Bu Dai 1 Shō Dai 6 Setsu, 'Aratana Takokukan Renkei (IPEF, Nichibeigōin, Dejitaru Nado)' [New Multilateral Collaboration (IPEF, Japan-US Australia-India, Digital, etc.)]," https://www.meti.go.jp/report/tsuhaku2022/2022honbun/i3160000.html

therefore closely monitor the evolution of DEPA and carefully explore the option of Japan's applying for membership. At the moment, international efforts for rulemaking in the digital field remains in a state of disarray. Yet, ensuring national security and protecting personal information are urgent issues that should not be undermined by any digital devices due to their country origins. In the meantime, from an economic rationality standpoint, creating separate blocs over digital communication technologies in an extreme form, as well as decoupling is undesirable.[39] Thus, Japan should further strengthen cooperation with countries that share the same concerns, and seek to play a leading role in rulemaking in this new area of international economic governance in Asia.

39 The G7 Hiroshima Leaders' Communiqué announced on May 20, 2023 emphasized the concept of "de-risking," not "decoupling," as the basis of G7's approach. Given the lack of clarity of the "de-risking" concept at the time of writing, this report refrains from assessing in details the implication of the use of this concept. Gaimushō, "Hiroshima Shunō Komyunike" May20, 2023, https://www.mofa.go.jp/mofaj/files/100507034.pdf

Chapter 3

Regional Security

3.1 Defense Policy

During the last decade, the security environment has become more worrisome and uncertain. Despite various diplomatic efforts, North Korea continues to develop and test missiles that threaten South Korea, Japan, and the United States; and the international community has failed to end and reverse North Korea's nuclear weapons program. China is strengthening its naval, air, missile, and other military capabilities and is pursuing what some have called an "anti-access/area denial (A2/AD)" strategy that encompasses a substantial portion of Japan's territory. Chinese assertive behavior in the Taiwan strait and the East China and South China seas has alarmed many countries in the Asia-Pacific region as well as Japan.

In response to this change in the security environment, Japan saw a need to strengthen its defense capabilities. In December 2022, the Kishida Cabinet approved three security-related documents ("National Security Strategy," "National Defense Strategy," and "Defense Force Development Plan") and intends to increase the defense budget in a broad sense so it reaches 2 percent of current GDP by 2027.[40] However, with the Japanese economy showing no signs of getting out of its long-term slump, it is difficult to predict whether Japan will be able to sustain a large increase in its defense budget over the medium to long term, especially given its already massive budget deficit and the inevitable increases in the social security-related expenditures. In addition, the defense force buildup announced by the Kishida Cabinet includes items that are ineffective (or counterproductive) in enhancing deterrence. The Japanese government needs to constantly reevaluate its priorities for

40 Japan has heretofore narrowly defined the items that are considered to part of defense spending; and as a consequence, defense spending in fiscal year 2022 amounted to 0.95 percent of gross domestic product (GDP) in FY2022. When the Cabinet approved the security-related document in December 2022, the Japanese government decided that the total amount of defense spending would include not only the conventional standard defense budget, but also supplemental items such as the Japan Coast Guard budget, UN PKO contributions, benefits for former military personnel, expenses for developing ports and airports for use by the Self-Defense Force and U.S. forces, and budget for science and technology research with potential military applications. Using this revised method of calculating defense spending, the government has decided that total defense expenditures should reach 2 percent of the current gross domestic product (GDP) in FY2027. Regarding defense spending on a conventional basis, the government decided to set the total amount at around 43 trillion yen over the five years from FY2023 to FY2027. Since the total defense spending from FY2019 to FY2023 was 27.5 trillion yen, this represents an increase of about 1.56 times.

strengthening defense capabilities.

Recently, the Kishida government decided to acquire "counterstrike" missile capabilities to deter missile attacks against Japan, including the procurement of long-range Tomahawk cruise missiles from the United States. Supporters of such counterstrike capabilities employ the logic of deterrence by both punishment and denial in support of Japan getting these longer-range missile capabilities. Such missiles would enable Japan to deter missile attacks by having the ability to punish the adversary through punishment and to prevent or limit further attacks by being able to degrade the adversary's military capabilities. Realization of the shortcomings and exorbitant expense of missile defense systems has understandably reinforced calls for acquiring long-range missiles to hit at least North Korean and Chinese missile sites in order to bolster deterrence. But assessing the necessity and efficacy of such an option requires looking at possible concrete scenarios.

One is the possibility of North Korean missile attacks on Japanese targets. Although Japanese missiles to strike North Korean military targets in response to a North Korea attack might make sense according to the logic of deterrence by punishment, why would North Korea choose to attack Japan with missiles? If Pyongyang were to contemplate a launch of missiles tipped with nuclear warheads against Japan, the United States still has overwhelming strategic superiority over North Korea to make extended deterrence credible and effective. A bolt out-of-the-blue North Korean missile attack against Japan is improbable since such an action would be suicidal for the North Korean regime given the retaliatory capabilities of the United States. A major reason why North Korea would like to retain a missile capability to threaten Japan is to deter a U.S.-led attack on North Korea. Ultimately, the best way for Japan to address the North Korean missile threat is to facilitate a peace-building system in the Korean peninsula rather than to exclusively invest in expensive offensive strike missiles and the necessary ancillary systems.

U.S. extended deterrence regarding possible Chinese missile attacks against Japan is less robust compared to the North Korean case because China has a nuclear arsenal capable of striking the U.S. continent. But determining whether or not Japan needs to have its own missile capabilities to strike military targets on China's mainland for deterrence purposes demands an analysis of the possible motive that China might have to attack Japan with missiles. A Chinese missile attack against Japan in isolation is hard to imagine. Such an attack is most likely when China has decided to seize control of Taiwan by military force and in that context seeks to destroy U.S. military assets in Japan to weaken the U.S.

ability to intervene militarily to help defend Taiwan. Therefore, the most direct way to deter Chinese missile attacks against Japanese territory would be to deter China from using military force to take Taiwan in the first place. Since a Chinese seizure of Taiwan will ultimately require an amphibious invasion across the Taiwan strait, China could be deterred by supporting U.S. as well as Taiwan's efforts to interdict and stop such an invasion. In other words, deterrence would function by having the ability to deny China's achievement of its military objectives against Taiwan. Japan can best contribute to this deterrence by denial by improving the resilience and survivability of U.S. and Japanese defense assets in Japan and by strengthening Japan's own capabilities to defend its own territory, especially its southwest island chain that is close to Taiwan.

Japanese capabilities to strike Chinese military targets on the mainland with missiles would not make a meaningful contribution to deterrence. Since Chinese missile and air bases are dispersed across a vast geographic area, the number of missiles that would be necessary to prevent Chinese attacks against Japan would be enormous and therefore costly. Moreover, given the size of China's missile arsenal, China could easily retaliate against Japanese "punishment" strikes with overwhelming force. Deterrence by retaliatory punishment against an adversary like China places Japan at a strategic disadvantage because of China's geographic depth as well as its expansive network of airfields and missile bases. Moreover, there is the risk that China could launch some form of a nuclear attack on Japan if the exchange of fire between China and Japan escalates in the context of a high-intensity war over Taiwan that engulfs China and the United States.[41] In the end, the best way to prevent a Chinese missile attack on Japan is to encourage tension reduction and demilitarization across the Taiwan strait.

In summary, the deterrence benefits of offensive counterstrike capabilities are marginal at best and could pose huge opportunity costs by diverting limited defense funds away from more important investments. Proponents of long-range land-attack missiles to strike enemy bases tend to focus on tactical military utility and ignore the broader strategic perspective. Rather than adopting a military doctrine of counterstrikes against military targets inside the territory of potential adversaries and investing in expensive long-range missiles to strike such targets, Japan should increase its defense expenditures within the framework of a strictly defensive

41 Sugawa Kiyoshi, "'Teki Kichi Kōgeki Nōryoku' Rongi no Shinjitsu" [Reality of the Debate about 'Enemy Base Attack Capability'], *Alternative Viewpoint* No. 43 (September 1, 2022), https://www.eaci.or.jp/archives/avp/699; Sugawa Kiyoshi, "'Hangeki Nōryoku' wa Taiwan Bō'ei no tame ni: Uōgēmu kara Yomitoku ['Counterstrike Capability' to Defend Taiwan: Analysis Based on War Games], *Alternative Viewpoint* No. 48 (January 28, 2023), https://www.eaci.or.jp/archives/avp/785.

defense doctrine (専守防衛). Some of the priority defense investments include more robust air and maritime defense capabilities, more mobile defense forces to respond rapidly to contingencies and to engage in non-combatant evacuation operations, the enhancement of the resilience and survivability of Japanese and U.S. defense bases and assets in Japan, combat readiness by increasing and securing stockpiles for fuel and ammunition, greater efforts to address cyber-security and space-security challenges, and protection against electromagnetic threats. Japan should also continue to develop air, sea, and ground-launched longer-range missiles that can be used as stand-off weapons to interdict attacking forces as part of an active defensive denial operation.[42]

Although a certain level of deterrence remains critical for maintaining peace in Asia as well as protecting Japan's security, deterrence must be supplemented by diplomatic initiatives that foster security reassurances and mitigate tensions. An overreliance on deterrence can exacerbate what political scientists call a "security dilemma" –that is, military efforts to respond to security threats could worsen the threat because of the military competition fueled by the mutual pursuit of deterrence.[43] A key element of making deterrence effective is reassurance. Without some reassurance toward a potential adversary that its vital or core interests would not be threatened, deterrence will not be effective as a dissuasion strategy.[44] History has shown that a state may use force even if it finds itself at a military disadvantage in order to counter threats to its most important interests. Therefore, diplomacy to reduce tensions and promote regional cooperation is just as important as military deterrence to build a more stable and peaceful security environment. An example of reassurance regarding the Taiwan issue will be discussed in section 4 of this chapter.

3.2 U.S.-Japan Alliance

The alliance with the United States is a key pillar of Japan's security policy, and it should

42 Regarding a more active "strictly defensive defense" doctrine, see the following: Sugawa Kiyoshi, "Tai-Chū Bō'ei Senryaku no Yōtei wa 'Senshu Bō'ei no Jūjitsu' ni ari: Ukuraina Sensō ni Manabu Nihon no Bō'ei Ryoku no Seibi (3)" [The Key to Defense Strategy Against China Is "Enhancement of Strictly Defensive Defense": Preparation of Japan's Defense Capabilities based on Lessons from the War in Ukraine (3)], Alternative Viewpoint No. 45 (November 5, 2022), https://www.eaci.or.jp/archives/avp/758; and Sugawa Kiyoshi, "'Senshu Bō'ei no Jūjitsu Saseru Tame no Itsutsu no Kadai: Ukuraina Sensō ni Manabu Nihon no Bō'ei Ryoku no Seibi (4)" [Five Issues for Enhancing Strictly Defensive Defense: Preparation of Japan's Defense Capabilities based on Lessons from the War in Ukraine (4)], Alternative Viewpoint No. 46 (November 22, 2022), https://www.eaci.or.jp/archives/avp/760.

43 Robert Jervis, "Cooperation under the Security Dilemma," *World Politics* Vol. 30, No. 2 (1978), pp. 167-214.

44 Thomas C. Schelling, *Arms and Influence* (New Haven: Yale University Press, 1966), pp. 74-75; and Matthew D. Cebul, Allan Dafoe, and Nuno P. Monteiro, "Coercion and the Credibility of Assurances," *Journal of Politics* Vol. 83, No. 3 (July 2021, pp. 975-991.

remain so. As discussed in the above, U.S. extended deterrence helps to protect Japan from external threats, especially from nuclear weapons and other weapons of mass destruction. The American military presence in Japan and South Korea as well as the Western Pacific makes its treaty-based defense commitments more credible. Since the 1990s, Japan has enhanced defense cooperation with the United States along numerous dimensions including communication, coordination, joint training and operational planning, and rear-area support. These efforts should continue so that both Japan and the United States can respond more effectively to regional security challenges. At the same time, as U.S.-Japan defense cooperation deepens, Japan should not be shy about actively and candidly voicing its views to the United States about security issues. A healthy alliance relationship is not one in which Japan simply follows U.S policy and preferences, but rather one in which Japan has the confidence to engage in a strategic dialogue with the United States on a more equal basis.

As Japan strengthens its defense capabilities and assumes greater responsibility for defending Japanese territory, opportunities should emerge to reduce the U.S. military presence in Japan. For example, Japan's Amphibious Rapid Deployment Brigade (ARDB) established in 2018 could be expanded. With intensive training with the U.S. Marine Corps, the ARDB could become ready to assume responsibility for the defense of Japan's southwest island chain. As a result, there could be a reduction of U.S. Marine units in Okinawa, thereby alleviating some of the burden that Okinawan residents bear for hosting American bases and military personnel. Moreover, as the Japan-U.S. alliance becomes more equal, the current Status of Forces Agreement (SOFA) could be revised so that Japan has a more effective voice in regulating U.S. military exercises and operations on Japanese territory.

3.3 North Korea

Although more than 75 years have passed since the end of World War II, Japan still does not have diplomatic relations with North Korea, and bilateral relations continue to be hostile. Negotiations to normalize diplomatic relations did begin in 1991, but this process has been suspended because of the abduction issue as well as North Korea's nuclear and missile programs. The 2002 Japan-North Korea Pyongyang Declaration provided a positive framework for improving Japan-North Korea relations; but without tangible progress on "solving" the abduction issue, a breakthrough in Japan-North Korea relations

is politically impossible. Japan continues to demand "complete, verifiable, and irreversible denuclearization" (CVID), and Tokyo has imposed strict sanctions against North Korea beyond the U.N. sanctions and has even banned the use of Japanese contributions to various U.N. agencies for humanitarian assistance.

To overcome this impasse and improve the environment for normalization talks, Japan should address the abduction issue first by clarifying what "solving" the issue means. Japan should ask North Korea to re-examine the situation of Japanese in North Korea including abductees, missing persons, and others and to provide accurate information that Japan can verify with field surveys. A Japanese liaison office should be established in North Korea so that Japanese officials can conduct this verification. As North Korea makes progress on this investigation and verification process, Japan could begin to relax its own sanctions on North Korea and eventually resume normalization talks and comprehensively address issues related to the abduction of Japanese nationals, North Korean nuclear weapons and missiles, economic cooperation, and the status of Korean residents in Japan.

While Japan-North Korea bilateral talks move forward, Japan should actively promote an international framework for addressing North Korea's nuclear and missile programs by building upon the multiple layers articulated in the September 2005 Joint Statement of the Six-Party Talks. Progress on "solving" the abduction issue would allow Japan to support a realistic incremental and reciprocal step-by-step approach to achieve the ultimate goal of North Korean denuclearization. Japan could also help promote a "Korean Peninsula Peace System" through economic cooperation with North Korea after the normalization of bilateral diplomatic relations. Regarding the human rights issue in North Korea, Japan should encourage a "human rights dialogue" through various international organizations based on the experiences of the European Union.

3.4 Taiwan

Since the rise of Xi Jinping as the top leader of China in 2012 and the election of Tsai Ing-wen as president of the Republic of China (on Taiwan) in 2016, the Taiwan issue has become more tense. China has stepped up its effort to isolate Taiwan internationally, has accelerated its military buildup across the Taiwan strait, and has used both military and economic coercion to intimidate Taiwan. On the other hand, developments in Hong Kong have reinforced the skepticism and indeed opposition among the people of Taiwan

regarding China's so-called "one country, two systems" formula for Taiwan's unification with mainland China. Support for independence has grown in Taiwan, and Taipei has moved to reduce Taiwan's economic dependence on China through its southern strategy. As the prospects for peaceful unification become more unlikely in the foreseeable future, analysts are increasingly concerned that China might seriously consider the use of military force against Taiwan. In response, the United States has been seeking to mobilize its allies, especially Japan and Australia, to support the defense of Taiwan. From the American perspective, deterring a Chinese attack on Taiwan is an important goal because Taiwan is a thriving democracy and is strategically important for Japan as well as the United States. China, however, sees recent U.S. policy statements and initiatives as undermining the "one-China" policy that has been the basis for U.S.-China normalization and stable bilateral relations. Although the Biden Administration has stated that there is no change in the U.S. "one-China" policy, calls by members of the U.S. Congress as well as former American officials to end the one-China policy, extend diplomatic recognition to Taiwan, and defend Taiwan unconditionally are especially provocative. As a consequence, the danger of an U.S.-China military conflict over Taiwan has unfortunately increased.

A war over Taiwan would be devastating for Japan given its geographic proximity to Taiwan and the presence of U.S. military bases and forces in Japan that will be used to defend Taiwan. During a Taiwan contingency, China would have a strong incentive to attack U.S. bases on Japanese territory. Therefore, the policy objective of Japan should be to maintain the conditions for preserving the status quo until the day comes when China and Taiwan can find a peaceful solution to the issue of unification. Japan should be cautious about American calls to become more integrated in U.S.-led military planning for defending Taiwan. Japan should of course take measures to strengthen its ability to defend its own territory; and such self-defense efforts might raise the risks for China of using military force against Taiwan, thereby indirectly contributing to deterrence. But direct involvement in military efforts to defend Taiwan is likely to entrap Japan in a Taiwan-related security dilemma and contribute to the escalation of cross-strait tensions. The primary responsibility for the defense of Taiwan lies with the people of Taiwan.

As a consequence, Japan should firmly uphold the 1972 Japan-China Joint Communique in which the Government of Japan stated that it "fully understands and respects" the stand of the Chinese government that "Taiwan is an inalienable part of the territory of the People's Republic of China." And it should support the peaceful resolution of the Taiwan issue. Moreover, Japan should not base its policies on forecasts of imminent military conflict

or Chinese purported deadlines on unification and should not support the drawing of various "redlines." Such moves will contribute to escalating tensions rather than deterring conflict. At the same time, Japan should explore ways that Taiwan can participate more in international fora and agreements and contribute more to the international community in areas of global public health especially after its success in dealing with the COVD-19 pandemic.

Observing Russia's difficulties in its war against Ukraine, China could become more cautious about using military force to unify Taiwan with China. Xi Jinping would also like to avoid the economic costs as well as military risks China would inevitably incur if it were to attack Taiwan. Nevertheless, China could still resort to the use of force if Taiwan moves closer to de jure independence from China because of encouragement by the United States, Japan, and other countries. Therefore, as the United States recently reaffirmed in its October 2022 National Security Strategy, Japan should clearly state that it does not support the independence of Taiwan.[45] And Japan should declare that it would welcome any settlement of the Taiwan issue that emerges between Beijing and Taipei through peaceful and non-coercive means. Without credible assurances to China that the United States and Japan do not favor the permanent separation or independence of Taiwan from China, military deterrence will be inadequate to prevent a military conflict across the Taiwan Strait.

3.5 Senkaku Islands

Tensions between Japan and China regarding the Senkaku Islands intensified after September 2012 when the Japanese government bought Uotsuri, Kitakojima, and Minamikojima from their landowner. It all started with then Governor Shintarō Ishihara's attempt to purchase the islands and build facilities on them. The Cabinet of then Prime Minister Yoshihiko Noda decided to purchase the islands in order to prevent the escalation of tensions between Japan and China over the Senkaku Islands. Although the transaction was simply a transfer of ownership from a private family to the national government, the Chinese government referred to this as "nationalization" of the islands and accused Japan of changing the status quo. Since then, China has been sending at regular intervals its Coast Guard vessels into the territorial waters of the Senkakus to assert its territorial

45 *National Security Strategy* October 2022, p. 24,. https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf

claim to the islands and challenge Japan's administrative control. Although the number of Chinese intrusions in the territorial waters has generally stabilized, Chinese Coast Guard ships now maintain a near constant presence in the contiguous zone waters around the Senkakus. And when Japanese fishing boats enter the Senkaku territorial waters, Chinese ships tail these boats.[46] Japan is also concerned that the Chinese Coast Guard vessels have gotten larger and equipped with more powerful armaments. Therefore, Japan must continue to be vigilant, invest in Coast Guard capabilities, and enhance coordination between the Coast Guard and Self-Defense Forces.

At the same time, Japan should work with China to reduce the risks of dangerous accidents by implementing the Maritime and Air Communication Mechanism that was agreed to in 2018. Japan should also launch a dialogue without preconditions with China on how to address the Senkaku Islands issue. In 1971, the Chinese government declared its sovereignty over the Senkakus; but during the Japan-China normalization talks in 1972 when Prime Minister Kakuei Tanaka raised the issue, Zhou En-lai stated that it would be better not to talk about these islands at that time. And after the signing of the Japan-China Peace and Friendship Treaty in 1978, Deng Xiaoping proposed deferring the matter to future generations. The Japanese government takes the position that a territorial dispute does not exist with China because the Senkakus are inviolably Japanese territory; and therefore, there should be no talks with China regarding the sovereignty of the islands. But with the increasing risk of militarization of this issue, Japan should adopt a more flexible approach by building on the four-point consensus reached between Japan and China in November 2014.[47] Depending on how a dialogue between China and Japan progresses, Japan might be able to recognize the existence of a bilateral problem and explore various ideas to defuse tensions about the Senkaku Islands, which has been one of the major factors undermining stability and cooperation in Japan-China relations.[48] Moreover, Japan should try to revive and implement the June 2008 agreement with China to turn the East China Sea into "a sea of peace, cooperation and friendship" based on a joint development arrangement. In 2017, Japan and China indeed confirmed that the 2008 negotiations remain valid.[49]

46 Mike Mochizuki and Jiaxiu Han, "Is China Escalating Tensions with Japan in the East China?" *The Diplomat*, September 16, 2020, https://thediplomat.com/2020/09/is-china-escalating-tensions-with-japan-in-the-east-china-sea/.

47 "Regarding Discussion toward Improving Japan-China Relations," November 7, 2014, https://www.mofa.go.jp/a_o/c_m1/cn/page4e_000150.html

48 One possibility might be a joint mechanism to control the goats in Uotsuri and establish a nature preserve for the Senkaku Islands, while China ceases the entry of its Coast Guard vessels into the territorial waters of the islands.

49 "Japan-China Summit Meeting," November 11, 2017, https://www.mofa.go.jp/a_o/c_m1/cn/page4e_000711.html.

3.6 South China Sea

Sovereignty disputes between China and various claimant states in Southeast Asia intensified because of competition to demarcate maritime rights under the UNCLOS regime.[50] The situation worsened after China engaged in coercive tactics to promote its resource claims in the South China Sea and the United States appeared to move away from its traditional neutral position in these sovereignty disputes after the United States supported the Philippines in the 2016 South China Sea arbitral tribunal. China faced off with the Philippines in the Scarborough Shoal over fishing rights and began aggressive land reclamation projects in some of the maritime features in the Spratly Islands. The Philippines sought international legal arbitration according to UNCLOS procedures, but China refused to accept the legitimacy of this legal proceeding by insisting that UNCLOS did not allow an international tribunal to rule on issues of sovereignty. Eventually, the Permanent Court of Arbitration (PCA) ruled in favor of the Philippines on almost all points, but China has refused to recognize the PCA ruling.

What is especially worrisome now is the gradual militarization of South China Sea maritime disputes because of possible Chinese deployment of military capabilities on the large land reclamation projects in the Spratly Islands. The United States has in response stepped up its naval freedom of navigation operations (FONOPs), and there is now a danger that the South China Sea will become a key area for U.S.-China military competition.

Japan's objective should be to prevent further militarization of the South China Sea disputes. To do so, Japan should continue its policy of capacity-building of various Southeast Asian countries, including more frequent workshops and education on international maritime law and norms as well as joint training between coast guards, so that they can legitimately protect their maritime rights through effective coast guard patrols rather than turning to military capabilities. It should also promote the Quad's "Indo-Pacific Partnership for Maritime Domain Awareness" (PMDA) for capacity-building and information-sharing so as to empower the littoral states in Southeast Asia. For example, the creation of a regional data center could increase the transparency of the South China Sea situation by regularly publicizing information. Japan should also encourage ASEAN and China to finalize a Code of Conduct and try to persuade China to be clearer about its maritime claims so that they are consistent with UNCLOS. Finally, Japan should

50 Aoyama Rumi, *Chūgoku no Ajia Gaikō* [Foreign Policy of China] (Tokyo: Tokyo Daigaku Shuppankai, 2013), pp. 223-227.

work closely with the ASEAN states to implement the ASEAN Outlook on the Indo-Pacific to avoid "the deepening of mistrust, miscalculation, and patterns of behavior based on a zero-sum game" and promote regional maritime cooperation based on the principles of openness, transparency, inclusivity, and a rules-based framework. Practically, Japan should support any initiatives and participate in maritime cooperation in nontraditional security fields, such as environmental protection –for example, cleaning plastic debris in the South China Sea.

In recent years, European military forces, including a British aircraft carrier and a French fleet, have come to the East China Sea to conduct joint exercises with Japan and South Korea. In addition, 2+2 meetings involving foreign and defense ministers are being actively held with European countries. While these are beneficial for East Asian security, it would be wrong to assume that this marks a major perceptual change of European countries toward China. The EU and West European strategy in Asia and the Indo-Pacific is a mix of caution and hopeful expectation, and they do not necessarily assume a hostile stance toward China. West European countries see themselves as stakeholders in the region, and the EU is neutral on territorial issues. In this sense, Japan needs to emphasize its relations with European countries and at the same time foster an institutional framework that facilitates European countries' commitment to the Indo-Pacific. Such a framework would likely include China. Japan should also insist on institutional reforms of ARF and other fora and strengthening democratic frameworks.

3.7 Nuclear Arms Control and Disarmament

In August 2019, the United States withdrew from the Intermediate Nuclear Forces (INF) Treaty because Russia's deployment of ground-launched cruise missiles violated the treaty. Also behind this U.S. decision was the concern that China, which was not party to the INF Treaty, had expanded its regional ballistic and cruise missiles, in the context of a decline in the U.S. conventional military advantage in the Western Pacific. According to the *Bulletin of Atomic Scientists*, China possesses about 350 nuclear warheads that can be delivered by "approximately 280 operational land-based ballistic missiles, 72 sea-based ballistic missiles, and 20 nuclear gravity bombs assigned to bombers."[51] The US Defense Department's 2022 report on China's military estimates that China currently possesses more than 400 operational nuclear warheads and that if the current pace of

51 Hans M. Kristensen and Matt Korda, "Chinese nuclear weapons, 2021," *Bulletin of the Atomic Scientists* Vol. 77, No. 6 (2021), 318.

increase continues, China's nuclear warhead count would reach approximately 1,500 by 2035. The report also states that China has expanded its rocket arsenal to include more than 300 ground-launched cruise missiles with a range of up to 1,500 km, more than 600 short-range ballistic missiles (with a range of 300 to 1,000 km), more than 500 medium-range ballistic missiles (with a range of 1,000 to 3,000 km), over 250 intermediate-range ballistic missiles (range 3,000-5,500 km), and 300 intercontinental ballistic missiles (range over 5,500 km).[52] In short, China now has a robust capability to strike the entire Japanese archipelago with missiles tipped with conventional or nuclear warheads. To counter these capabilities, American defense planners have been considering the deployment of U.S. ground-launched ballistic and cruise missiles of medium and intermediate range on Japan and other locations along China's periphery. Such missiles might enable the United States to quickly damage Chinese air bases as part of a counterair mission during a high-intensity conflict like a Taiwan contingency. Some U.S. policymakers believe such deployments might encourage China to engage in arms control talks to limit and reduce China's missile capabilities. Despite the U.S. interest in deploying ground-launched missiles in allied countries like Japan, South Korea, and the Philippines, there is a recognition that such deployments are likely to meet strong local resistance from these treaty allies.

A nuclear arms race is also brewing because of the U.S. pursuit of strategic primacy through its new triad of nuclear forces, regional missile defense systems, and conventional and nuclear counterforce capabilities. In response, China is projected to expand its nuclear arsenal to an estimated 1,000 warheads in order to maintain an assured retaliation capability, and there are reports that Beijing might be reconsidering its doctrine of no first use of nuclear weapons.[53] The Ukraine war may have strengthened Chinese belief that secured nuclear arsenals are the weapons of last resort in order to deter the United States. Although U.S. defense analysts justify strategic primacy and the regional deployment of ground-launched medium and intermediate range missiles as a way to strengthen both direct and extended deterrence, such developments will not only fuel an arms race, but also could be destabilizing by increasing fears of preemptive attacks and risks of inadvertent nuclear escalation during a crisis.

Japan may have limited influence over U.S. strategic policy in the nuclear realm, but it

52 U.S. Department of Defense, *Military and Security Developments Involving the People's Republic of China 2022 Annual Report to Congress* (Office of the Secretary of Defense, 2022), ix and 167.

53 Henrik Stålhane Hiim, M. Taylor Fravel, and Magnus Langet Trøan, "The Dynamics of an Entangled Security Dilemma: China's Changing Nuclear Posture," *International Security* Vol. 47, No. 4 (Spring 2023), 147-187.

should not reinforce the above trend. U.S. defense policy makers often justify their strategic choices because of the need to reassure allies at a time of North Korean nuclearization and a Chinese military buildup. Japanese defense analysts echo this justification by alluding to concerns of potential strategic decoupling between Japan and the United States. But such concerns are exaggerated. The United States possesses ample nuclear capabilities to deter nuclear attacks by China or North Korea against Japan. As already noted, North Korea has no rational motive to threaten Japan with nuclear weapons except to deter a U.S. attack against North Korea. And the best way to counter potential Chinese threats to Japan is through conventional deterrence based on defensive denial and diplomatic efforts to reduce tensions and the danger of military conflict. Therefore, Japan should firmly oppose U.S. requests to deploy ground-launched medium and intermediate-range missiles on Japanese territory. It should also encourage the United States to pull back from its quest for strategic primacy and devote more efforts to promote strategic stability and restraint.

In preparation for the G7 Summit in Hiroshima, Prime Minister Kishida outlined a "Hiroshima Action Plan" to promote a world without nuclear weapons. Unfortunately, the G7 Leaders' Hiroshima Vision on Nuclear Disarmament of May 19, 2023 failed to provide new concrete steps toward nuclear disarmament and an effective path to reverse the current alarming trend of expanding nuclear arsenals and weakening of the global nuclear non-proliferation regime. In fact, the G7 Hiroshima Vision statement was weaker than the November 2022 G20 Bali Declaration which stated that "the threat of use or use of nuclear weapons is inadmissible."

The first pillar of Kishida's "Hiroshima Action Plan" entails continuing the non-use of nuclear weapons. To buttress this pillar, Japan should publicly favor the adoption of no-first use of nuclear weapons by the nuclear weapons states. By doing so, Japan would help to institutionalize a global norm against the use of nuclear weapons. Insofar as deterrence remains necessary to prevent military aggression, nuclear weapons should be limited to deterring attacks with nuclear weapons or other weapons of mass destruction. Deterring conventional, non-nuclear military aggression with nuclear weapons is not credible, increases the danger of nuclear war, and motivates nuclear weapon states to enlarge and modernize their nuclear arsenals.

The Nuclear Posture Review (NPR) issued by the Biden Administration in October 2022 stated that the United States conducted a thorough review of "No First Use" and "Sole

Purpose" policies[54] and rejected them because they "would result in an unacceptable level of risk in light of the range of non-nuclear capabilities being developed and fielded by competitors that could inflict strategic-level damage to the United States and its Allies and partners."[55] But the 2022 NPR retained "the goal of moving toward a sole purpose declaration" and noted that the United States "will work with our Allies and partners to identify concrete steps that would allow us to do so." One of the many factors that contributed to the U.S. reluctance to embrace a "No First Use" or "Sole Purpose" declaration has been the opposition of allied countries like Japan.[56] Moreover, from the U.S. perspective, reducing the role of nuclear weapons will depend on how much Japan and other allies are willing to upgrade their conventional defense capabilities.

Japan can exert international leadership for nuclear disarmament as an ultimate goal by participating in the U.N. Treaty on the Prohibition of Nuclear Weapons as an observer. Even if Japan is unwilling at this time to sign the treaty, being an observer would allow Japan to express its views in meetings of the treaty signatories. Japan being an observer would not necessarily weaken nuclear deterrence by the United States and provoke an international divide between nuclear weapon states and states that do not have nuclear weapons. Japan would instead serve as a bridge between states with nuclear weapons and those without nuclear weapons.[57] Moreover, as declared by the Kishida Administration, Japan should not pursue nuclear sharing with the United States. Given the clear US commitment to extended nuclear deterrence, nuclear sharing is unnecessary and

54 "No First Use" is a declaratory policy to not use nuclear weapons except in retaliation for nuclear attacks. A "Sole Purpose" is a policy that seeks to constrain the reasons for having nuclear weapons. For example, a "Sole Purpose" policy might limit the purpose of nuclear weapons to deter a nuclear attack as well as retaliate against a nuclear attack. Although "Sole Purpose" is ambiguous compared to "No First Use," such a policy could reduce the role of nuclear weapons in a country's national security strategy.

55 U.S. Department of Defense, *2022 Nuclear Posture Review*, p. 9.

56 According to media reports, the Abe government had expressed its concerns about the Obama Administration's consideration of "no first use." "Abe tells U.S. of Japan's concerns over 'no first use' nuke policy being mulled by Obama, *Japan Times*, August 16, 2016. However, former U.S. Secretary of Defense William Perry has criticized Japan's opposition to "no first use": "As the only nation to have suffered a nuclear attack, and as a supporter of the elimination of nuclear weapons, Japan should support no first use as a step toward that goal. If all nations declared a no-first-use policy, and those declarations were credible, then nations would not need their arsenals and could work together to eliminate them. In opposing no first use, Japan is opposing the principle of nuclear disarmament itself." William J. Perry and Tom Z. Collina, *The Button: The New Nuclear Arms Race and Presidential Power from Truman to Trump* (Dallas: BenBella Books, 2020), p. 103.

57 In June 2022, Germany attended as an observer the first meeting of states parties to the TPNW held in Vienna. In explaining its attendance, Germany stated the following: "We do not deem the TPNW to be an appropriate framework to make tangible progress on nuclear disarmament and we will not accede to it. But we want to continue to improve dialogue on nuclear disarmament with all interested stakeholders, hold an honest debate on how we can realistically create the conditions necessary for concrete steps towards disarmament and explore cooperation, especially with regard to addressing the humanitarian consequences of nuclear weapons, victims' assistance and environmental remediation." "Statement of the Federal Republic of Germany on Nuclear Weapons at the UN General Assembly," 77th Session, First Committee, October 17th, 2022, https://new-york-un.diplo.de/un-en/-/2558968#:~:text=Germany%20participated%20as%20an%20observer,will%20not%20accede%20to%20it.

carries the risk of provoking and accelerating a regional nuclear arms race.

For the longer term, to encourage North Korean denuclearization, Japan should explore with South Korea the creation of a Northeast Asia Nuclear Weapon Free Zone. If Japan and South Korea together would commit to a non-nuclear weapons policy, they could be more persuasive in getting North Korea to freeze its nuclear weapons program and participate in a step-by-step process of denuclearization with the encouragement of negative security assurances from the United States, China, and Russia.[58] The concept of a nuclear-free zone in East Asia as well as a ban on the first use of nuclear weapons have been discussed in the Nuclear Nonproliferation Treaty conferences, and Japanese participants should continue to make such proposals.

3.8 Ukraine-Russia War and Asia

More than a year has passed since the war in Ukraine began. Since it was Putin who invaded Ukraine, Japan has naturally joined the United States and other G7 countries in supporting Ukraine and condemning Russia's actions. However, over the past year, the struggle between the two sides has intensified in terms of weapons, troops, and morale; and prolonged fighting seems inevitable with little prospect of an end to the war. Under these circumstances, the majority opinion in the West, including the Japanese government, is that as long as Ukraine has the will to continue to fight, support for Ukraine should continue with the provision of increasingly sophisticated weapons. However, there also exists within Japan and the West at large a minority opinion that questions the above majority opinion. For example, there is concern about whether unforeseen escalation and prolonged continuation of the fighting between Ukraine and Russia can be left unchecked, resulting in a loss of life far greater than that of the past year. This minority opinion has been reflected by researchers, journalists, and others who suggested that an "exit strategy" for an early ceasefire should be developed among the warring parties.[59]

While the Russian invasion of Ukraine demonstrates that security should never be taken for granted, it is also important not to misapply the lessons of the Ukraine-Russia war to Asia. After the end of the Cold War, many scholars of NATO warned about the danger of expanding NATO into Eastern Europe too quickly because this expansion would provoke Russia. Although NATO now supports Ukraine in its defense against Russia, this view

58 Negative security assurance means a promise by a nuclear weapons state to a non-nuclear weapons state that it will not use nuclear weapons.

59 Kazuhiko Togo, "An Alternative Way to Face the Ukrainian War," *Journal of Territorial and Maritime Studies*, Vol.10, No.2 (Summer/Fall 2023), pp. 86-96.

regarding the negative effect of NATO expansion remains evident in various European countries, especially France and Germany. The Ukraine-Russia war indeed shows that military deterrence is not sufficient to prevent war unless military deterrence is supported by robust and credible assurances that the core interests of a potential adversary are not trampled.

In light of the above, we strongly suggest that Japan explore the possibility of mediating toward a ceasefire on the Ukraine issue. In doing so, Japan should seek to establish a multilateral framework with Turkey and other countries. As a precondition for this, Japan should not close off relations with China and Russia. There is a strong tendency in Japan to view relations with the United States and with China and Russia as incompatible, but this view is not correct.

Chapter 4

Transnational Challenges

Japan has long been an advocate of the concept of human security. In 1995, Prime Minister Tomiichi Murayama emphasized "human-centered" social development at the Copenhagen World Summit for Social Development. Two years later, Prime Minister Ryūtarō Hashimoto stressed the "security of human beings" at the United Nations. During the 1997-98 Asian economic crisis, Prime Minister Keizō Obuchi strengthened Japan's commitment to "human security" and announced the establishment of the "Human Security Fund" in 1998 to help the people of Southeast Asia who were suffering because of the collapse of local social and economic infrastructure. In 2001, the Government of Japan with UN Secretary- General Kofi Annan took the initiative to establish the Commission on Human Security. Chaired by former UN High Commissioner for Human Refugees Sadako Ogata and Nobel Prize winning economist Amartya Sen, the Commission in its final report submitted in February 2003 defined human security in the following manner: "Human security means protecting fundamental freedoms –freedoms that are the essence of life.... It means creating political, social, environmental, economic, military and cultural systems that together give people the building blocks of survival, livelihood, and dignity."[60]

Two decades after the 2003 Commission on Human Security report, promoting human security has become even more urgent and critical both regionally and globally. The COVID-19 pandemic demonstrated the importance of universal access to basic health care and the need for international coordination and cooperation to deal with public health challenges. The effect of climate change is becoming much more serious. Extreme weather conditions due to global warming have already had devastating consequences for human life and livelihood. Not only must the international community do more to reduce greenhouse gas emissions, but it must also actively mitigate the effects of climate change. Conflict, environmental degradation, natural disasters, and political repression have magnified human suffering, the impact of poverty, and the tragedy of refugees and other vulnerable people.

60 Commission on Human Security, *Human Security Now: Protecting and Empowering People* (New York, 2003), p. 4, https://digitallibrary.un.org/record/503749?ln=en.

These acute transnational challenges demand that Asia transcend the current preoccupation with great power competition and military rivalry. Given its longstanding efforts on behalf of human security, Japan should revitalize its leadership in Asia and beyond to address the pressing transnational challenges to human security. It should harness existing global and regional institutions and processes and work to bridge geopolitical and ideological divisions that hamper more inclusive and effective approaches to international cooperation. Japan should avoid an overemphasis on cooperation among so-called "like-minded" countries to the neglect of countries with different political systems and values. As Japan's new National Security Strategy of December 2022 states, "Japan has built relationships of trust with many countries, regardless of differences in political and economic systems, through various forms of cooperation." [61]

4. 1 International Public Health

The countries of East Asia and Oceania have been more effective in dealing with COVID-19 compared to the United States and those in Europe and South America. They generally experienced substantially fewer deaths relative to their populations. Part of the explanation is that some like South Korea, Taiwan, Singapore, and Vietnam had learned from the SARS (severe acute respiratory syndrome) epidemic in 2002-2004 and were institutionally better prepared to pro-actively address COVID-19 compared to other countries. In addition to this institutional preparedness, the high degree of trust and social cohesion in these societies contributed to widespread acceptance of public measures and guidance to deal with the pandemic, including the wearing of masks, social distancing and contact tracing, and vaccinations. Absent were the political polarization, public distrust, and incompetent leadership that contributed to a comparatively high fatality rate in the United States. Moreover, whereas Asian countries have favored transnational cooperation, some leaders in the United States have tried to use the pandemic to amplify their confrontational stance toward China. As the region and the world gradually shift to a post-COVID-19 situation, Japan should strive with other countries in Asia to insulate public health issues from the intensifying strategic competition between the United States and China.

In March 2021, the four countries in the Quad (Japan, the United States, Australia, and India) launched the Quad Vaccine Partnership to be implemented by the Quad Vaccine Experts

61 *National Security Strategy of Japan*, December 2022, p. 32, https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf

Group consisting of senior government officials and top scientists. The Quad nations have been coordinating vaccine financing, manufacturing, production, and distribution to provide COVID-19 boosters and pediatric doses to countries with the greatest need. As part of this effort, the Japan Bank for International Cooperation (JBIC) and the Export-Import Bank of India provided a $100 million loan to the Indian health sector engaged in responding to the COVID-19 pandemic. One implicit objective of the Quad Vaccine Partnership has been to compete with China, which has supplied about 2 billion doses worldwide. Although such international competition may be helpful in getting vaccines to the largest number of people as quickly as possible, an overemphasis on this competitive mindset could obstruct the need and opportunities for cooperation with China.

During the early months after the outbreak of COVID-19, Japanese local governments, corporations, civil society groups, and politicians mobilized quickly to provide China with much needed medical supplies. This support created much goodwill among Chinese citizens toward Japan; and Chinese local governments and firms later reciprocated this support when the virus began to spread in Japan. Regional cooperation among Asian public health experts has also been ongoing since the SARS outbreak. In 2006, Japan's National Institute of Infectious Diseases signed agreements with both the China Center for Disease Control and the Korea Centers for Disease Control and Prevention (later the Korea Disease Control and Prevention Agency or KDCA) to share information, promote research cooperation, and exchange human resources.

While such cooperative efforts must be deepened to prevent and respond to future pandemics, geopolitical competition between China and the United States could present obstacles and dilemmas for the Asian region. For example, ASEAN has steadily been improving collaboration among its members to deal with infectious diseases, but a worsening of tensions between the United States and China could undermine ASEAN unity.[62] After the election of Tsai Ing-wen as president of the Republic of China (on Taiwan), relations between Beijing and Taipei have deteriorated, and China has blocked Taiwan's participation as an observer in the World Health Assembly. If cross-strait relations worsen in the context of U.S.-China military rivalry, the prospect of China allowing Taiwan to participate in World Health Organization activities will grow dimmer. Insofar that the risk and dangers of infectious diseases transcend national borders, the aim of

62 Kei Koga, "Countering Emerging Infectious Diseases and COVID-19," in A.P. van der Veere, F. Schneider and C.Y.-p Lo (eds.), *Public Health during the COVID-19 Pandemic: Global Health Governance, Migrant Labour, and International Health Crises* (Amsterdam University Press, 2022), pp. 45-61.

Japanese foreign policy should be to encourage inclusive transnational cooperation in the public health sector and reduce the negative impact of geopolitical tensions and sovereignty conflicts on such cooperation.

4.2 Climate Change

Climate change poses a global existential crisis for humanity, but the implications for Asia are especially acute. Given Asia's large population and its rapid economic development, the continent as a whole has been dramatically increasing greenhouse gas emissions. Moreover, the devastating effects of climate change are already being experienced by many countries in the Asia-Pacific region.

As a leading advanced industrial country, Japan has an obligation to reduce its greenhouse gas emissions and help meet international targets to limit rising temperatures. But unfortunately, after the Great East Japan Earthquake in March 2011 and the Fukushima nuclear disaster, Japan has increased its reliance on fossil fuels such as natural gas and coal to make up for the sharp decline in nuclear-powered electricity generation. Insofar as the revival of nuclear energy remains controversial in Japan because of safety concerns and challenges regarding the storage of spent nuclear fuel, Japan should accelerate the development of renewable energy sources. Japan should also push further on the decarbonization of its transportation sector through the proliferation of electric vehicles.

During the first two decades of the 21st century, Japan played a prominent role in promoting both regional and bilateral environmental policy dialogues and initiatives. They include the East Asia Summit Environmental Ministers Meeting, the ASEAN+3 Environment Ministers Meeting, the Tripartite Environment Ministers Meeting among Japan, China, and Korea (TEMM), and the Japan-ASEAN Dialogue on Environmental Cooperation. In recent years, Japan's regional activism regarding the environment has lost momentum in part because of frictions in Japan-China relations. Japan now tends to focus more on the Quad as the key regional venue for addressing the climate crisis. With establishment of the Climate Working Group in March 2021, the Quad has worked to convene the transportation and energy ministers to advance policies to address climate change, to develop clean hydrogen and clean ammonia fuels and reduce methane emissions, and to create a Quad Climate and Information Service Task Force.

This emphasis on the Quad, however, has reduced efforts to cooperate with China on the challenges posed by climate change. Although the Biden Administration has mentioned possible

cooperation with China in this policy area despite its stress on strategic competition with China, the Japanese leadership has not expressed much will to engage China.

As the two largest economies in Asia, Japan and China must play a leading role in dealing with the climate crisis; but both countries have fallen short of bold new initiatives to reduce greenhouse gas emissions, especially their reliance on coal. To some extent, Japan-China competition can have a positive effect by encouraging Beijing and Tokyo to declare more ambitious carbon neutrality targets and to invest more in green technologies. But direct bilateral cooperation on pro-environment technologies would not only facilitate their ability to meet their emission reduction targets, but also assist other countries in Asia to limit their greenhouse gas emissions. As Japan and China compete and cooperate on Asian infrastructure aid and investments, both countries should stress the United Nations' Sustainable Development Goals. In August 2021, Japan and China did convene a bilateral forum in Wuhan to discuss cooperation in third-country markets regarding low-carbon and carbon neutral projects. But the top leadership of Japan and China needs to follow up and encourage the implementation of such cooperative projects.

While doing what is necessary to mitigate global warming, Asia must also collaborate more to alleviate the consequences of climate change and to respond effectively to natural disasters caused by extreme weather patterns. To protect the livelihood of people, Japan through its development assistance policies should encourage infrastructure that would be more resilient to climate-induced natural disasters. It should also work to enhance the region's ability to provide multinational humanitarian assistance and disaster relief in a timely and effective manner.

In 2004, a "Core Group" of Japan, the United States, India, and Australia worked together to provide humanitarian assistance after the 2004 tsunami disaster in the Indian Ocean. This four-country collaboration eventually evolved into the Quadrilateral Security Dialogue or the Quad. Rather than being the foundation for more inclusive international cooperation, the Quad has become increasingly an agenda-setting venue to counter Chinese influence in the region. In September 2022, the four Quad countries agreed to guidelines for the "Quad Partnership on Humanitarian Assistance and Disaster Relief (HA/DR) in the Indo-Pacific." These guidelines may open the way for cooperation with Southeast Asian countries to deal with humanitarian disasters. But the risk of the Quad-led HA/DR partnership is it could exacerbate tensions with China by being a thinly disguised attempt to mobilize some of the ASEAN states to counter China militarily. A more constructive approach would be to explore ways that regional countries could also cooperate with China on HA/DR operations in response to natural disasters triggered

by climate change. Such an approach would facilitate making HA/DR cooperation into a confidence-building tool rather than a means for geopolitical competition.

4. 3 Human Rights and Humanitarianism

Fundamental human rights are an essential foundation of human security. As an economically advanced liberal democracy, Japan has an international responsibility to promote and protect universal human rights that are delineated in the United Nations Universal Declaration of Human Rights, including "the right to life, liberty and security of person." Unfortunately, during the last decade, Asia has witnessed numerous assaults against human rights. These human rights challenges include persecution of Rohingya Muslims and military repression in Myanmar, political crackdown in Hong Kong, detention of Uyghurs in Xinjiang, arbitrary arrests and police brutality in the Philippines, and repression of Muslims in India. No country has an unblemished human rights record, but the international community should be persistent as well as pragmatic in maintaining and protecting fundamental human rights throughout the world.

Liberal democracies like Japan should first and foremost promote human rights and human security by example. In fact, numerous human rights and human security issues have been raised in Japan, including the following: (1) criminal procedures that violate the rights of suspects and defendants to remain silent, to be presumed innocent, and to have access to counsel during interrogations; (2) the long-term incarceration of undocumented foreign workers and the inhumane treatment that accompanies it; (3) discrimination against social minorities; and (4) the issue of internally displaced persons following the Great East Japan Earthquake and the Fukushima Daiichi Nuclear Power Plant disaster. Japan must reform its current criminal justice system to provide greater legal protection to defendants and rectify discrimination based on sexual orientation and gender identity in addition to race and ethnicity. It is also necessary to improve the labor rights of foreign and irregular workers and to expand the acceptance of refugees. Improving the human rights situation in Japan in this way will make the country more persuasive when pursuing human rights policies in the international community.

Given the emphasis that Asian countries place on national sovereignty, Japan must also take an approach that is both realistic and pragmatic. Efforts to trigger regime change or intervene in the domestic politics of other countries are likely to be counterproductive. Such actions can often worsen human rights abuses. In light of the plurality of political and economic systems in Asia, attempts to divide the region into a simplistic competition between democracies and autocracies

will also be ineffective in promoting human rights and democratic norms. Japan should continue to stress the importance of economic and social development and the alleviation of poverty in the promotion of human rights. And it should refrain from using human rights and democracy as an ideological tool in a geopolitical competition with China.

Rather than openly challenging the sovereignty of nation-states, a constructive Japanese approach would be to champion good governance norms in Asia. Japan could build upon existing regional frameworks such as the Bali Democracy Forum created in 2008 and the ASEAN Intergovernmental Commission on Human Rights founded in 2009 to share ideas and best practices for increasing government transparency and accountability and for developing legal and judicial institutions. Japan could also help establish a regional organization that would cultivate and assist civil society actors engaged in humanitarian assistance for victims of human rights abuses. As part of this effort, Japan should increase both public and private funding for humanitarian assistance activities.

A non-ideological, humanitarian approach to human rights that is practical in line with local realities is likely to garner more support among Asian countries, including China. For example, with the establishment of the China International Development Cooperation Agency (CIDCA) in 2018, Japan could offer China its knowledge and experience in the humanitarian assistance field. After the Kosovo refugee crisis in 1999, Japan formed Japan Platform (JPF) as an international emergency humanitarian aid organization to provide emergency aid to refugees as well as victims of natural disasters. JPF embraces the four principles of humanitarian assistance: humanity, impartiality, neutrality, and independence. Japan is also a member of Good Humanitarian Donorship, an informal forum and network of donors to improve humanitarian action. Since it has adopted a "whole of society" approach that encompasses both firms and non-governmental organizations as well as government support, Japan could work with China to conduct joint research on how to coordinate aid activities with localities, to assess the need for humanitarian assistance, and to collaborate on relief development. Doing so would help China's humanitarian community that includes civil society and businesses to enhance individual and organizational capacities.[63]

63 Miwa Hirono, "Exploring the links between Chinese foreign policy and humanitarian action: Multiple interests, processes and actors," *Humanitarian Policy Group Working Paper*, January 2018, p. 31.

Major Recommendations

During these tumultuous times, the most important goal of Japanese diplomacy should be to prevent the U.S.-China competition from leading to war and the formation of economic blocs and to ensure that Asia is not divided because of a "democracy versus authoritarianism" conflict. To this end, while continuing to regard its relationship with United States as an important pillar of foreign policy, Japan must also actively pursue a more autonomous diplomacy, such as strengthening ties with middle powers in the Asia-Pacific region and Europe and promoting dialogue with China. In formulating its policy toward Asia, Japan should not concentrate exclusively on the geographical prism of the "Indo-Pacific," which has been the focus in recent years, but should also balance the perspectives of the "Asia-Pacific," "East Asia," and "Eurasia" prisms, and strategically utilize and promote regional cooperation frameworks for each. Based on these ideas, the following 15 items are presented as specific policy recommendations.

1. **To develop middle power diplomacy, lead the promotion of a "middle power coalition" of Japan, Australia, and India, which could drive the agenda-setting of the Quad (Japan, Australia, India, and the United States), and further strengthen functional cooperation with the Republic of Korea, ASEAN, and other middle power countries. (Chapter 1, Section 4)**

   A Japan-Australia-India "middle power coalition" could play an agenda and pace setting role in addressing functional issues in the region by bringing in middle power countries in Asia, such as South Korea and the ASEAN countries, as well as middle power countries in Europe. As part of such an effort, it would be effective to envision a "middle power quad" that includes Japan, Australia, India, and South Korea. Such an effort could help deepen cooperation among middle power countries in the region and mitigate competition and conflict between the U.S. and China, while maintaining a cooperative relationship with the United States (including cooperation in the Quad).

2. **In response to the South Korean government's decision regarding the "conscripted labor issue," make continuous efforts to improve relations with South Korea. (Chapter 1, Section 4)**

Shared political values and convergent economic and security interests make the Republic of Korea the most critical partner for Japan's middle power diplomacy in Asia. In addition to enhancing deterrence and the security of supply chains in cooperation with the United States, Japan and the Republic of Korea should work closely together to stabilize relations with China and promote a more open and inclusive regional order. To facilitate this process, Japan should energetically support the revival of the annual Japan-South Korea-China trilateral summits. Japan should also seize the opportunity of the recent improvement in inter-government relations to expand and deepen educational exchanges and civil society dialogues in order to cultivate a shared understanding of history and ultimately reconciliation with South Korea at the societal level.

3. **Regarding debt restructuring measures for Sri Lanka, encourage China to participate continuously in the newly established "Creditor Committee for Sri Lanka" and cooperate by disclosing necessary information. (Chapter 2, Section 2)**

The excessive debt of Sri Lanka, whose external debt repayment was suspended in 2022, is important for Japan's diplomacy toward Asia. China is the largest creditor of Sri Lanka, followed by Japan and India. The "Creditor Committee for Sri Lanka," launched in April 2023, is a multilateral framework led by Japan, India, and France; but China, the largest creditor nation, has not officially joined. In order for the debt restructuring measures to be effective, it is important to understand the details of China's loan program. Therefore, Japan, as co-chair, should encourage continued participation by China, which participated in the first meeting as an observer, and persistently seek its cooperation, including the disclosure of information. This is an opportunity for Japan, as a long-time creditor nation, to show its leadership in the area of bailing out Sri Lanka, an Asian country, and the problem of excessive debt, which is now becoming more serious at the global level.

4. **Encourage the return of the United States to the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP) and make diplomatic efforts toward the goal of simultaneous accession of China and Taiwan, which have formally applied for membership. (Chapter 2, Section 3)**

Japan, which played an important role in the realization of the CPTPP, should be actively involved in future implementation and strengthening of the CPTPP and should make "open regionalism" a principle for membership expansion. Regarding the issue of China's accession to the CPTPP, it will be possible to assess the actual status of China's domestic institutions through the accession negotiation process. Furthermore, accession will have the advantage of promoting China's domestic economic reforms and implementing trade policies in accordance with high-level rules. Given that Taiwan is an advanced economy and has a longstanding friendship with Japan, Japan naturally supports Taiwan's application to join CPTPP. Accession by both China and Taiwan would provide one of the few official channels for Taiwan-China dialogue within a multilateral framework and would be a valuable tool for managing Taiwan-China relations. It is desirable to establish the following conditions at the start of accession negotiations: maintaining the current CPTPP standards, no mutual obstruction of accession, and some form of simultaneous Sino-Taiwanese accession following the example of the WTO accession in 2001.

5. **Explore the appropriate timing with a view to joining the Asian Infrastructure Investment Bank (AIIB). (Chapter 2, Section 4)**

Japan's basic position with regard to infrastructure development cooperation in Asia should be to avoid overreacting to China's Belt and Road Initiative (BRI) solely in terms of hegemonic expansion and to encourage investment and support for infrastructure development in a way that contributes to the sustainable economic development of developing countries in Asia. As far as China-led AIIB's operations to date are concerned, many of its investment projects have been carried out in the form of co-financing with existing international development finance institutions such as the ADB and the World Bank and have been sound and in line with international standards. The AIIB, which already has 106 member countries and regions, can serve as a good institution within which Japan can exercise its leadership as a major middle power and enhance its presence in Asia. Given Japan's accumulated expertise based on many years of experience with economic cooperation in Asia, Japan can contribute

enormously to the regional economy by ensuring the AIIB's sound operations and quality infrastructure development investments from the inside as a member of the AIIB.

6. With regard to rulemaking in the digital sector, consider applying for membership in the Digital Economy Partnership Agreement (DEPA), while promoting cooperation in the Indo-Pacific Economic Framework (IPEF). (Chapter 2, Section 5)

The creation of international rules and regulations in the digital field is in a state of disarray. As a basic principle, national security or personal information protection should not be undermined by digital devices, regardless of the country in which they are manufactured. At the same time, an extreme development of exclusive international blocks (decoupling) over digital communication technologies is undesirable in terms of economic rationality. The U.S.-led IPEF is the primary framework in which the major Asia-Pacific economies of Japan, the U.S., and India work together to address economic security issues involving China's economic coercion. IPEF aims to coordinate policies with participating countries such as Southeast Asian countries, South Korea, and Australia, which are especially vulnerable because of their economic dependence on China. DEPA, on the other hand, is a bottom-up framework of small and medium-sized countries in the region signed by Singapore, New Zealand, and Chile in 2020, which will define rules and principles for digital trade and use of technology, including AI, among the signatory countries. South Korea has already officially decided to join, and China and Canada have also submitted applications for membership and have begun negotiations. Japan should take a leadership role in rulemaking in these frameworks, while strengthening cooperation with countries that share a common awareness of the salient issues.

7. Strengthen and deepen the doctrine of strictly defensive defense in the direction of enhancing deterrence by denial rather than focusing on counterstrike capabilities, which are less effective and have greater side effects. (Chapter 3, Section 1)

The acquisition of counter-strike missiles to attack military bases of adversaries yields only marginal deterrence benefits and could exacerbate security dilemmas in the region. Moreover, it will divert limited defense funds away from more

important investments. These priority defense investments include more robust air and maritime defense capabilities, more mobile defense forces to respond rapidly to contingencies and to engage in non-combatant evacuation operations, the enhancement of resilience and survivability of Japanese and U.S. defense bases and assets in Japan, combat readiness by increasing and securing stockpiles for fuel and ammunition, greater efforts to address cyber-security and space-security challenges, and protection against electromagnetic threats. Japan should also continue to develop air, sea, and ground-launched longer-range missiles that can be used as stand-off weapons to interdict attacking forces as part of defensive denial operations and consistent with a strictly defensive defense doctrine.

8. Encourage North Korea to conduct another investigation into the abduction victims and establish a liaison office in North Korea to carry out such an investigation, with the aim of resuming negotiations for the normalization of diplomatic relations with North Korea. (Chapter 3, Section 3)

Although the 2002 Japan-North Korea Pyongyang Declaration provided a framework for improving Japan-North Korea relations, a breakthrough in bilateral relations has been impossible for lack of tangible progress in "solving" the abduction issue. Japan should therefore clarify what "solving" the abduction issue means and ask North Korea to re-examine the situation of Japanese in North Korea including abductees, missing persons, and others and to provide accurate information that Japan can verify with field surveys. Establishing a Japanese liaison office in North Korea would facilitate conducting this verification by Japanese officials. As North Korea makes progress on this investigation and verification process, Japan could resume normalization talks and begin to relax its sanctions on North Korea and comprehensively address issues related to North Korean nuclear weapons and missiles, economic cooperation, and the status of Korean residents in Japan as well as the abduction of Japanese nationals. This should also serve as an important guarantee for the North Korean regime.

9. **Since a gradual, realistic, incremental, and reciprocal approach is needed to achieve the ultimate goal of denuclearization of North Korea, seek as a first step a freeze of North Korea's nuclear weapons and missile development programs. (Chapter 3, Section 3)**

   Although Japan continues to call for "complete, verifiable, and irreversible denuclearization" (CVID), North Korea continues to develop nuclear weapons and missiles. The most acute North Korean security threats are the rapid succession of missile tests as well as its nuclear weapons programs. Therefore, while maintaining the ultimate goal of North Korea's denuclearization, Japan should work closely with the Republic of Korea and the United States to develop a realistic incremental and reciprocal step-by-step approach to negotiate a verifiable freeze of North Korea's missile and nuclear programs. Japan could also help promote a "Korean Peninsula Peace System" through economic cooperation with North Korea after the normalization of bilateral diplomatic relations.

10. **Based on paragraph 3 of the 1972 Japan-China Joint Statement, while opposing unilateral changes in the status quo from either side of the Taiwan Strait, clearly state that Japan does not support Taiwan's independence. (Chapter 3, Section 4)**

    Japan's policy objective should be to preserve the status quo until the day comes when China and Taiwan can find a peaceful solution to the issue of unification. As the United States has already done in its October 2022 National Security Strategy, Japan should explicitly declare that it does not support the independence of Taiwan in order to reassure China as well as opposes any unilateral changes to the status quo from either side of the Taiwan strait. While being cautious and prudent about becoming more integrated in U.S.-led military planning for defending Taiwan, Japan should strengthen its ability to defend its own territory. Such self-defense efforts might raise the risks for China of using military force against Taiwan, thereby indirectly contributing to deterrence. But direct military involvement to defend Taiwan is likely to entrap Japan in a Taiwan-related security dilemma and contribute to the escalation of cross-strait tensions.

11. Acknowledge the reality of the existence of an issue between Japan and China regarding the Senkaku Islands and discuss with China ways to ease and resolve tensions over the islands. (Chapter 3, Section 5)

In order to reduce the risk of militarizing the area surrounding the Senkaku Islands, Japan should adopt a more flexible diplomatic approach toward China that builds on the four-point consensus reached between Japan and China in November 2014 and recognizes the reality of an issue between Japan and China, while continuing to maintain that the Senkaku Islands are Japan's territory. A constructive bilateral dialogue might facilitate the exploration of various ideas to defuse tensions about the Senkaku Islands, which has been one of the major factors undermining stability and cooperation in Japan-China relations. Moreover, Japan and China can revive and implement the June 2008 agreement to turn the East China Sea into "a sea of peace, cooperation and friendship" based on a joint development arrangement. In 2017, Japan and China indeed confirmed that the 2008 negotiations remain in effect.

12. Urge the nuclear-weapon states to adopt a doctrine of "No First Use" of nuclear weapons and participate as an observer in the UN Treaty on the Prohibition of Nuclear Weapons. (Chapter 3, Section 7)

Japan should publicly favor the adoption of "No First Use" of nuclear weapons by the nuclear weapons states to help institutionalize a global norm against the use of nuclear weapons. Nuclear weapons should be limited to deterring attacks with nuclear weapons or other weapons of mass destruction. Deterring conventional, non-nuclear military aggression with nuclear weapons is not credible, increases the danger of nuclear escalation, and motivates nuclear weapon states to enlarge and modernize their nuclear arsenals. Japan should exert international leadership for nuclear disarmament as an ultimate goal by participating in the U.N. Treaty on the Prohibition of Nuclear Weapons as an observer. Japan being an observer would not necessarily weaken nuclear deterrence by the United States and provoke an international divide between nuclear weapon states and states that do not have nuclear weapons. Japan would instead serve as a bridge between nuclear weapon and non-nuclear weapon states.

13. Encourage inclusive transnational cooperation in the public health sector and work to reduce the negative impact of geopolitical tensions, ideological differences, and sovereignty conflicts on such cooperation. (Chapter 4, Section 1)

Cooperation among so-called "like-minded" countries such as the Quad Vaccine Partnership has certainly facilitated the distribution of COVID-19 vaccines to countries with the greatest need. But an overemphasis on competition with China could obstruct opportunities to promote more inclusive and effective regional cooperation regarding public health. The Japanese government should therefore work closely with the private sector and civil society groups to engage the myriad of regional organizations and actors to prevent and address the spread of infectious diseases. While promoting cooperation with China, Japan should encourage China to improve transparency as well as continue to support Taiwan's participation in the World Health Assembly as an observer.

14. Cooperate with China to promote environmental technologies and develop low-carbon infrastructure in third-country markets to address the climate change crisis in Asia. (Chapter 4, Section 2)

Japan's activities in Asia on environmental policy have lost some of their previous momentum, particularly with the decline of cooperative efforts between Japan and China regarding climate change. As Asia's leading economies, Japan and China are well positioned to play a leadership role in addressing the regional environmental crisis, but both countries lack bold, new initiatives to reduce greenhouse gas emissions. Direct cooperation between Japan and China in the development and promotion of environmental technologies will not only enhance their ability to meet their respective emission reduction targets but will also help other Asian countries limit their greenhouse gas emissions. And the idea of Sino-Japanese cooperation in third-country markets on low-carbon and carbon neutrality, discussed at the 2021 bilateral forum in Wuhan, should be pursued and implemented.

15. Regarding human rights and human security, focus on improving the human rights situation at home while promoting a non-ideological, humanitarian approach that is practical in line with local realities in order to broaden support and cooperation among Asian countries. (Chapter 4, Section 3)

First and foremost, liberal democracies like Japan should promote human rights and human security by setting a good example. Given the emphasis that Asian countries tend to place on national sovereignty, efforts to trigger regime change or intervene in the domestic politics of other countries are likely to be counterproductive. A more pragmatic and constructive approach would be for Japan to champion good governance norms in Asia by building upon existing frameworks like the Bali Democracy Forum and the ASEAN Intergovernmental Commission on Human Rights. Japan can also assist China's humanitarian community that includes civil society and businesses to enhance individual and organizational capabilities.

.

Research Group Members

Kuniko Ashizawa

Kuniko Ashizawa teaches international relations at the School of International Service, American University, and at the Elliott School of International Affairs, George Washington University. Her research interests include Japan's foreign policy, regional institution-building in Asia, and global governance. She has published a number of academic journal articles and book chapters, including in *International Studies Review, Pacific Affairs,* the *Pacific Review,* and *Journal of Peacebuilding and Development*. Her book, *Japan, the U.S. and Regional Institution-Building in the New Asia: When Identity Matters* (Palgrave McMillan, 2013), received the 2015 Masayoshi Ohira Memorial Prize. Ashizawa was a visiting fellow at various research institutions, including the Woodrow Wilson International Center for Scholars, the East-West Center in Washington, the Reischauer Center for East Asian Studies, SAIS. She received her PhD in international relations at the Fletcher School of Law and Diplomacy, Tufts University.

Miwa Hirono

Dr Miwa Hirono is a Professor at the College of Global Liberal Arts at Ritsumeikan University. Until 2015, she held a Research Councils UK (RCUK) Research Fellowship at the University of Nottingham. She was also a Visiting Fellow at the Ash Center for Democratic Governance and Innovation at Harvard Kennedy School on Fulbright Fellowship (2018-2019). Her publication includes "China's Evolving Approaches to the Principle of Non-Intervention" (*The China Quarterly 2019*), "Linkages between China's Foreign Policy and Humanitarian Action" (Overseas Development Institute 2018), and *China's Evolving Approach to Peacekeeping* (London: Routledge 2012).

Saori Katada

Saori N. Katada is Professor of International Relations and the director of the Center for International Studies at University of Southern California. Her book *Japan's New Regional Reality: Geoeconomic Strategy in the Asia-Pacific* was published from Columbia University Press in July 2020. She has co-authored two recent books: *The BRICS and Collective Financial Statecraft* (Oxford University Press, 2017), and *Taming Japan's Deflation: The Debate over Unconventional Monetary Policy* (Cornell University Press, 2018). She has her Ph.D. is from the University of North Carolina at Chapel Hill (Political Science), and her B.A. from Hitotsubashi University (Tokyo). Before joining USC, she served as a researcher at the World Bank in Washington D.C., and as International Program officer at the UNDP in Mexico City.

Kei Koga

Kei Koga is Associate Professor at the Public Policy and Global Affairs Programme, School of Social Sciences, Nanyang Technological University (NTU). Concurrently, he is a Nonresident Fellow at The National Bureau of Asia Research (NBR), the United States, and a member of RIPS Research Committee, the Research Institute for Peace and Security (RIPS), Japan. His research focuses on International Security, International/Regional Institutions (particularly ASEAN), and East Asian/Indo-Pacific security.

Jong Won Lee

Jong Won Lee is Professor at the Graduate School of Asia-Pacific Studies, Waseda University. He was an assistant professor at the School of Law, Tohoku University, a professor at the School of Law, Rikkyo University, and a visiting scholar at Princeton University before assuming his current position. His publications include *East Asian Cold War and ROK-US-Japan Relations* (University of Tokyo Press 1996, winner of the Ohira Masayoshi Memorial Prize), *East Asian Community from the Perspective of International Politics* (co-author, Minerva Bō, 2012), *Japan-ROK Diplomatic Normalization as History* (co-editor, Hosei University Press, 2011), *History of Postwar Japan-ROK Relations* (co-author, Yuhikaku, 2017), *The East Asia: The Road to Reconciliation* (co-edited, Iwanami Shoten, 2016,).

Mike Mochizuki

Mike Mochizuki holds the Japan-U.S. Relations Chair in Memory of Gaston Sigur at the Elliott School of International Affairs of George Washington University, and he is also a Non-Resident Fellow at the Quincy Institute for Responsible Statecraft. He received his Ph.D. in political Science from Harvard University. He specializes in East Asian international relations and Japanese politics and foreign relations. His works include *Energy Security in Asia and Eurasia* co-edited with Deepa Ollapally (2017), *Nuclear Debates in Asia: the Role of Geopolitics and Domestic Processes* co-edited with Deepa Ollapally (2016), *Okinawa Solution* (2015), *Crisis on the Korean Peninsula* (2003), and *Toward a True Alliance: Restructuring U.S.-Japan Security Relations* (1997).

Yoshihide Soeya

Yoshihide SOEYA is Professor Emeritus of Keio University, from which he retired in March 2020 after serving as professor of political science and international relations at the Faculty of Law for 32 years since 1988. He received Ph.D. from the University of Michigan in 1987, majoring in world politics. His areas of interest are international relations in East Asia, and Japanese diplomacy and its external relations.

Kiyoshi Sugawa

Kiyoshi Sugawa is a senior research fellow at the East Asian Community Institute (EACI). After working for Sumitomo Bank, he earned an MA in international relations from the University of Chicago. After 1996, he worked for the Democratic Party of Japan and its successor parties for almost 24 years. From 2009 to 2012, he served as a Special Researcher on Foreign Policy at the Cabinet Secretariat of the Prime Minister's Office of Japan, advising three Prime Ministers under the DPJ government. He is the author of *How to Enhance Japan's Diplomatic Power* (Kodansha, 2008) and *Second Korean War Scenario and Japan* (Kodansha, 2007).

Takashi Terada

Takashi Terada is Professor of International Relations at Doshisha University, Kyoto, Japan. He received his Ph.D from the Australian National University in 1999. Before taking up his current position in April 2012, he was an assistant professor at the National University of Singapore, and professor at Waseda University, Tokyo. He also served as a visiting fellow at University of Warwick, U.K., a Japan scholar at Woodrow Wilson Center, Washington D.C., and an adviser for the US-Japan Institute. His areas of specialty include international political economy in Indo-Pacific, theoretical and empirical studies of Asia-Pacific integration, and Japanese politics and foreign policy. His latest works include "Politics on TPP/CPTPP: Turning Japan into One of the World's Major FTA Powers" in *Critical Review of Abe Administration* (Routledge, forthcoming) and "The Evolution of Japan-ASEAN Relations: Core Moves for Japan's Initiatives in Asian Regionalism beyond Southeast Asia" in *The Oxford Handbook of Japanese Politics* (OUP, 2021).

Kazuhiko Togo

Kazuhiko Togo, (Ph.D. 2009, Leiden University) is Visiting Professor, Global Center for Asian and Regional Research, University of Shizuoka. He joined the Japanese Foreign Ministry in 1968. Half of his career was directly related to Russia, He retired as Ambassador to the Netherlands in 2002. Then he first taught in foreign universities, including Leiden University and Princeton University. He served as Professor and Director of Institute for World Affairs, Kyoto Sangyo University from 2010 to 20. His research interests include International politics and Japanese foreign-security policy in East Asia and Identity and civilizational dialogue. For his publications, refer to http://kazuhiko-togo.com

Hirotaka Watanabe

Hirotaka Watanabe is Professor at the Department of Political Science, Teikyo University. He graduated from Tokyo University of Foreign Studies in 1978, and received M. A. from Tokyo University of Foreign Studies in 1980. After the completion his doctoral studies in international relations at the Universite de Paris I Pantheon-Sorbonne in 1986, he served as Assistant Professor, and then Professor of Tokyo University of Foreign Studies. He also served as a Minister, Public Diplomacy at Japanese Embassy in France (2008-2010) and Editor in Chief of *Cahier du Japon* (2002-2012). Concurrently serves as Director, Institute of International Relations at Tokyo University of Foreign Studies, Editor in chief, French edition of "nippon.com."

Asia's Future at a Crossroads

A Japanese Strategy for Peace and Sustainable Prosperity

"Asia's Future" Research Group