

# The China Challenge and US-Japan Relations under Fumio Kishida

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JAPAN'S NEW PRIME Minister, Fumio Kishida, passed his first test and guided the ruling Liberal Democratic Party (LDP) to victory in the Lower House election on October 31, less than one month after he assumed office. As he looks ahead to 2022, however, he now must grapple with the complex foreign and security policy challenges that he has inherited.

As the Kishida government consolidates its foreign policy posture, it will need to keep two key elements in mind. First, it must consider how to navigate the domestic constraints on its foreign policy program, deriving both from public sentiment and from the factional power balance within the LDP. And second, it will need to consider how best to define a proactive role for Japan and to work together with the United States to navigate the increasingly complex US-China rivalry while also maintaining regional stability and prosperity. This necessitates that the Kishida government formulate a comprehensive and balanced regionwide strategy that promotes strong US-Japan alliance cooperation while also maintaining, managing, and maximizing the benefits of interdependence with China.

## Navigating Japan's domestic constraints

Although Kishida's foreign policy positions are still being developed, given that he hails from the LDP's most liberal faction, the Kochikai, he may be

expected to take a more internationalist approach toward Japan's foreign and security policy than his predecessors. This would include emphasizing the need to substantially improve relations with Japan's neighbors, especially China and South Korea, while also continuing to bolster US-Japan alliance cooperation. Such a balanced approach would recognize the importance of stable relations between Japan and its neighbors, not just for Japan's sake, but for the US-Japan alliance and the region as a whole. The recent selection of Yoshimasa Hayashi to serve as foreign minister lends support to the possibility that the Kishida government will seek to take such a balanced and comprehensive approach. Hayashi is a senior member of Kishida's Kochikai faction, the former head of the Japan-China Parliamentary Friendship League, and a Harvard graduate with extensive connections in the United States.

But as Kishida seeks to put his own stamp on Japan's foreign policy, he will have to take into consideration Japanese public opinion. This will be especially important in the lead-up to Japan's Upper House election in July 2022. A poll by Genron NPO in October 2021 found that over 90 percent of the Japanese public holds either "unfavorable" or "somewhat unfavorable" views toward China, making it unlikely that he will be able to make any substantial overtures toward

China before the July election. (Although some behind-the-scenes work may need to proceed before then if the two countries hope to mark the 50th anniversary of the normalization of Japan-China relations in September 2022.)

Adding to this pressure is the fact that the center of gravity within the LDP has shifted over the last two decades in favor of the nationalist conservative factions led by former Prime Minister Shinzo Abe and former Deputy Prime Minister Taro Aso. These factions favor Japan adopting a more assertive foreign policy vis-à-vis China and South Korea while emphasizing the development of Japanese indigenous and autonomous defense capabilities. The continued influence of the nationalist conservatives in the party was seen in the LDP's election campaign manifesto pledge to double defense spending to 2 percent of GDP, as championed by LDP policy chief and Abe protégé Sanae Takaichi, and in Kishida's own rhetoric on enemy base strike capability as part of his efforts to win broader support across the party. Already, the far-right has complained that Kishida's new foreign minister is too soft on China, thus the extent to which the conservative factions will influence the Kishida government's foreign policy bears watching.

### The “Four C’s” of the China Challenge

Against this backdrop, the biggest foreign and security policy challenge facing the Kishida government is how to work together through the US-Japan alliance to cope with China. We are living in the era of globalization, and the intensifying rivalry between the United States and China—the two biggest economies in the world—means that Japan and other US allies and partners across the region increasingly fear getting caught in the middle. In contrast to the outright US-USSR confrontation during the Cold War, the US-China relationship is complex and can be better understood within the framework of the “four C’s”: military *confrontation*, political *competition*, economic *coexistence*, and *cooperation* on shared global challenges.

First, China's rapid growth to become the world's second largest economy and the second biggest spender on defense after the United States means that military and security **confrontation** is structurally baked into the US-China rivalry. At the same time, the Chinese Communist Party (CCP) and President Xi Jinping say they cannot compromise on the country's

self-declared core interests, such as the South China Sea, Hong Kong, and Taiwan, lest it undercut their legitimacy and Xi's “China Dream” concept to “rejuvenate” the nation by 2049. As such, there is a need for the United States to work with Japan and other allies and partners to continue to increase their deterrence power against unilateral changes to the status quo. At the same time, it is crucial that diplomacy surrounding potential regional flashpoints be carefully managed to ensure that tensions and miscommunications do not undermine regional stability or spill over into violent conflict.

Second, the political **competition** between the United States and China is a systemic battle between democracy and authoritarianism. This competition requires the United States, along with Japan and other US allies and partners in the Indo-Pacific, to cooperate in promoting democracy and calling out human rights violations both by China (such as in Xinjiang and Hong Kong) and by other states around the region. For those efforts to be effective, however, the United States must get its own house in order. China's tremendous economic growth, its ability to lift over 800 million of its own people out of poverty since 1978, its rhetoric about “common prosperity” to curb the excesses of capitalism, and its apparent success in controlling COVID-19 offer an appealing image. By contrast, extreme income inequality, racial discrimination and violence, and political polarization have dulled the shine of the American democratic ideal. It is critical that the United States understand the implications of these images in the international context and address the underlying issues if it wants its political system be seen as a beacon of hope for the world.

Third, recognition is needed of the fact that economic **coexistence** and interdependence is essential to the prosperity of the United States, China, and the global economy. For the United States, the Chinese market is critical both as a provider of imports that can ease the bottlenecks and supply shortages causing inflationary pressures and as an export destination for US agricultural goods and other products and services. And for China, continued economic growth is imperative for the CCP's political legitimacy. It is therefore in the interest of both countries to ensure free and open trade, particularly as the world seeks to recover from the COVID-19 induced downturn. To maintain and strengthen the integrity of the current multilateral trade systems, the world needs to pull

back on the use of protectionist tariffs. The imposition of tariffs on China, such as through Section 232 of the US Trade Expansion Act, which enables the US President to impose tariffs on national security grounds, has proven to be a blunt, counterproductive, and growth-dampening instrument. While certain exceptions to free trade may be necessary for national security, they must be founded on well-thought-out rules with a precise scope. At the same time, in order to address US concerns over unfair Chinese trade practices, greater efforts are needed between the United States, China, and Japan on multilateral rulemaking, including the reform out-of-date World Trade Organization rules.

Fourth, US-China **cooperation** is essential in order to address some of today's key global challenges, which also represent important shared interests for both countries and for Japan. Mitigating climate change is an urgent and shared threat to all of humanity. The US-China Joint Glasgow Declaration on Enhancing Climate Action in the 2020s was a positive step forward, showing that US-China cooperation is possible despite intensifying rivalry. Continued follow-up is now needed to ensure that the declaration is rigorously implemented. Denuclearizing North Korea is another shared interest between the United States and China given the need to maintain the integrity of the global nuclear nonproliferation regime and to promote regional stability in East Asia. A restart of US-DPRK dialogue is needed as soon as possible as a first step in the process. Chinese cooperation will be especially important in supporting any agreement reached between the United States and North Korea, given its position as North Korea's only significant trading partner, a trend that has been intensified by COVID-19.

### **Establishing a Balanced Strategy for US-Japan Cooperation**

Given the complex nature of the US-China rivalry represented by the "four C's," the Kishida government needs a comprehensive and balanced regional strategy to work together with the United States to maintain and bolster regional stability.

Looking at the first C, in order to best manage military confrontation with China, US-Japan cooperation should focus on increasing deterrence power. This should entail deepening US-Japan defense cooperation, including planning for the management of contingency scenarios regarding Taiwan and North

Korea and deepening cooperation through joint military exercises. The United States and Japan should also deepen their cooperation through the Quad with Australia and India, and through the Free and Open Indo-Pacific vision. Yet this does not obviate the necessity of Asia Pacific-based institutional cooperation, which is firmly established under APEC, the East Asia Summit, and the ASEAN Plus process. ASEAN in particular is reticent to be seen as choosing between the United States and China, making Asia-Pacific cooperation a vital vehicle for easing regional confrontation.

In order to bolster its proactive security, Japan should continue to gradually increase its defense spending. A rapid doubling of the defense budget, as proposed by some corners of the LDP, is not realistic given Japan's fiscal situation and aging population. But the expected increase in Japan's host-nation support for the United States, which is likely to reach ¥250–¥299 billion (\$2.17–\$2.6 billion) in fiscal year 2022, is a positive step forward.

At the same time, Japan and the United States must also bolster their proactive diplomacy with the overarching objective of ensuring that potential regional flashpoints, such as Taiwan, are not allowed to boil over into violent conflict, which could fatally undermine regional stability. If China were to seek unification with Taiwan forcefully through military action, the United States would have to intervene or suffer a loss of credibility and perhaps forfeit its status as a Pacific power. Such a scenario would also compel Japan to provide support to the US military action or risk the credibility of the US-Japan alliance. Yet continued economic growth and recovery from COVID-19 is critical for the CCP's political legitimacy, so China cannot afford to endlessly sow enmity in the international community. As such, it is critical that the situation be managed carefully on all sides with a baseline assumption of maintaining the status quo through strategic ambiguity.

On the second C, the competition between political systems, while in the past Japan has often kept a low profile on promoting democratic values and human rights, there is room now to be more proactive. The Kishida government established a new post of special adviser to the prime minister on human rights, filled by former Defense Minister Gen Nakatani, which represents a positive step forward. At the same time, Japan should aim to coordinate with the United States on human rights cooperation in regional multilateral forums,

while also looking inward to address its own treatment of minorities and foreign residents.

On the third C, coexistence, Japan and the United States should also work together to develop precise rulemaking on economic security to enable the region to manage interdependence with China without needing to resort to sweeping, growth-dampening restrictions. A key mechanism to this end will be the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). While it would be politically difficult for the United States to join an unaltered CPTPP, applications by China, Taiwan, and the United Kingdom to join the pact mean the timing is fortuitous for the Biden administration to find a strategic way forward to join an upgraded CPTPP. This will provide an opportunity to set out conditions for Chinese entry into the CPTPP, engage China in economic rulemaking, resolve issues surrounding the use of economic coercion, and shape China into a constructive regional economic actor. Given Japan's leadership role in salvaging the CPTPP after the Trump administration's withdrawal, it is well positioned to work with the United States on this process.

Finally, as noted in the fourth C, more substantive cooperation on various international issues can help to ease the intensity of the US-China rivalry given the complex nature of their relations, and here Japan can play a facilitating role. The United States and Japan should work together on energy strategy to accelerate the global transition away from fossil fuels. Japan has been relatively slow to act on climate change, especially after the Fukushima nuclear disaster. While Japan will need to maintain some nuclear energy capacity in the short term, public sentiment surrounding nuclear energy means it should also invest more heavily in developing its own non-nuclear renewable energy industry over the long term. The US-Japan Climate Partnership on Ambition, Decarbonization, and Clean Energy that was agreed to by President Joe Biden and former Prime Minister Yoshihide Suga in April 2021 was a positive step forward in the two countries' cooperation. Efforts are now needed to leverage this partnership and to work together to help developing countries in Asia meet their climate change commitments by

moving away from coal. A key agenda here must be cooperation on ending coal financing—which has been dominated by the United States, China, and Japan—and bolstering financing for green energy.

And last, in order for Japan to support US, Chinese, and other international efforts toward denuclearizing North Korea for the long-term stability of East Asia, the Kishida government must promote a proactive diplomatic posture and comprehensive strategy to deal with both the nuclear and abduction issues. This should include Japan establishing a joint investigation commission on abductees with North Korea and returning to the 2002 Japan-DPRK Pyongyang Declaration. Such an approach is necessary because North Korea appears to see the abduction issue as a bargaining chip for its survival, meaning that it may only be resolved within the overall framework of denuclearization and peace treaty negotiations.



Bolstering US-Japan cooperation to cope with China's growing economic and military power is the most important foreign policy challenge facing Prime Minister Kishida. But the increasingly complex nature of US-China relations under the "four C's" means that Japan's long-term security and prosperity depends not just on militarily deterring China from making any unilateral changes to the status quo, but also on building a stable peace in the region that allows Japan to manage and maximize the benefits of interdependence with China. To this end, the Kishida administration must formulate a comprehensive and balanced regional strategy to deepen and fine-tune Japan's cooperation with the United States in a way that is founded on a recognition of the current complexities. Kishida's ability to deal with these issues while staving off domestic pressures will determine the longevity of his tenure and his ability to build a legacy.

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