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China Risk and China Opportunity in the “Free and Open Indo-Pacific Era”



**U.S.-JAPAN LEADERS’
URGENT RECOMMENDATIONS:**

PROPOSED BASIC PRINCIPLES OF A U.S.-JAPAN STRATEGY FOR CHINA

-Revised and Expanded-

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About Project

How should the risks and opportunities presented by a rising, increasingly self-assertive China be addressed? This is a pressing issue for the international community, particularly for Japan and the United States, whose alliance has proactively helped form and maintain the liberal, rules-based international order in the Indo-Pacific region and globally.

To enhance mutual understanding and encourage effective policymaking between the two allies vis-a-vis China, the Japan Forum on International Relations (JFIR) and the American Enterprise Institute (AEI) have been convening a group of Japanese and American (plus a small number of European) scholars to conduct a research project titled “China Risk and China Opportunity in the ‘Free and Open Indo-Pacific Era’” to examine the risks and opportunities accompanying China’s ascent. This group includes select experts in U.S.-Japan relations as well as Chinese, European, and Indo-Pacific studies from both nations.

Led by Mataka Kamiya, Zack Cooper, James L. Schoff, Shin Kawashima and Yuichi Hosoya, the group has conducted research and facilitated dialogue since April 2020 through private roundtables and public symposia (held online due to the current COVID-19 situation) to further U.S.-Japan cooperation and coordination on China policy. The project is a uniquely comprehensive bilateral effort to jointly study China strategy, in particular ways in which Tokyo and Washington, together with other liberal democracies and Indo-Pacific nations, can effectively respond to China’s increasing assertiveness to ensure that the Indo-Pacific region remains free and open. Since February 24, 2022, the project has also looked at Russia’s challenge to the liberal, rules-based international order.

This project is the successor to the “China Risk and China Opportunity” project, conducted by the JFIR and the Carnegie Endowment for International Peace (CEIP) from April 2017 to March 2022. During this time, the implementing body on the U.S. side was CEIP, but in April 2022 it was changed to the American Enterprise Institute (AEI). Accordingly, Zack Cooper has succeeded Jim Schoff as the leader of the U.S. research team.

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**U.S.-Japan Joint Research Group on
China Risk and China Opportunity in the “Free and Open Indo-Pacific Era”**

**U.S.-Japan Leaders’ Urgent Recommendations:
Proposed Basic Principles of a U.S.-Japan Strategy for China**

—Revised and Expanded—*

CO-CHAIRS; KAMIYA Mataka, Zack COOPER, James L. SCHOFF, KAWASHIMA Shin, and HOSOYA Yuichi

Preface

1. Following a series of meetings between the leaders of the United States and Japan, the two nations have started to reach a consensus about their policies regarding the Indo-Pacific region. During Joe Biden’s first trip to Asia as president, he and Prime Minister Kishida Fumio agreed that “Japan and the United States have a unique obligation to support democratic values, norms, and principles, and to advance a vision for the future in which peace, prosperity, and freedom are ensured.” They also committed through the Quad to “uphold the international rules-based order where countries are free from all forms of military, economic and political coercion.” Based on that emerging consensus, what follows are a series of recommendations for a set of basic principles that can guide the two nations’ China policies to ensure that the Indo-Pacific region remains free and open.
2. Of course, the allies must remain cognizant of potential perception gaps and discrepancies in priorities that may emerge between themselves. Should these gaps and discrepancies be left unattended, they could pose considerable risks to the alliance. Alternatively, if properly addressed, they can demonstrate the strength of the alliance. This dynamic underscores the imperative for clear communication between the two allies regarding China policy.
3. Facilitating such communication has been one of the primary objectives of our “China Risk and China Opportunity in the ‘Free and Open Indo-Pacific Era’” project and research group. Toward that end, this group of researchers includes experts in U.S.-Japan relations as well as Chinese, European, and Indo-Pacific studies from both nations to consider how the United States’ and Japan’s China policies can be better coordinated and harmonized. This is a uniquely comprehensive bilateral effort to jointly study China strategy.

* This document reflects the views of the named research group members and not their affiliated organizations.

4. The principles included below are framed around four policy issues and problems presented by China that are of critical importance to the United States and Japan: 1) the maintenance of the free and open rules-based international order; 2) economic security; 3) Taiwan; and 4) the promotion of democracy and basic human rights. These policy domains will continue to motivate the *China Risk/China Opportunity* research group's work into the future.

General Remarks: The United States and Japan as Defenders of the International Rules-Based Order

- The United States and Japan, together, are in the midst of international strategic competition with China, Russia, and other autocratic governments over the values that will govern the international order in the years to come. As two nations guided by the principles of freedom and democracy, the United States and Japan should clearly recognize this competition.
- The United States and Japan are resolved that China and Russia should not be permitted to usher in an illiberal international order. Rather, the foundation for the future international order must be laid by liberal democracies, an endeavor that requires central roles for the United States and Japan.
- However, while Japan and the United States work to curtail China and Russia's illiberal external behaviors and compete with them in the international system, the allies should be clear that they are not actively attempting to change either into a liberal democracy.

Focus on the China Challenge: The United States and Japan as Shapers of the International Order

- In light of challenges to the free and open rules-based international order, the United States and Japan should endeavor to ensure that the existing order remains attractive to developing nations.
- If China challenges the central tenets of the liberal rules-based international order—among them freedom and the rule of law—the United States and Japan should not hesitate to act.
- The United States and Japan should not be indifferent to human rights abuses or suppression of democracy by authoritarian leaders. The allies should engage other like-minded countries to ensure that democratic principles are articulated clearly and consistently.
- However, the United States and Japan should continue to maintain dialogue with China to ensure that windows for dialogue remain open. China should not be excluded from cooperation on public-minded efforts, including for example, bringing an end to the COVID-19 pandemic or mitigating global warming.
- The United States and Japan should not, however, compromise national security, human rights, democracy, or the integrity of the international system in order to secure China's cooperation on the above issues. The United States and Japan should refuse cooperation on these issues if it is made conditional on compromising core values or the integrity of the international system.

Preventing Unilateral Changes to the Status Quo by Force

- The United States and Japan should regularly reiterate that in their relations with China they aim to support stability and the overall current state of global affairs.
- At the same time, both nations—together with other affected countries—should demand that China and Russia remedy recent unilateral actions such as illegitimate claims to territory and reclamation of artificial islands in the South China Sea that have already changed the international state of affairs. Additionally, the United States and Japan should resist any further unilateral action by China that would undermine the international order.
- The United States and Japan have been supporters of the existing liberal international order for decades, and—together with other like-minded allies and partners—they should continue to highlight the benefits that this order delivers for the world and underscore their legitimate place as defenders of the status quo.
- The United States and Japan should counter China’s efforts to use force to unilaterally alter the status quo. The United States and Japan must recognize that China uses its economic strength, propaganda, and “hybrid warfare,” to coerce and influence other nations. The two nations should develop measures to deter and counter those efforts.
- In the years to come, China will likely attempt to press the narrative that the United States, Japan, and other advanced liberal democracies are, in fact, revisionist powers. The United States, Japan, and other likeminded allies should cooperate to counter any such narrative. After all, it is the views of the Chinese people and their demands of their own government that will lead to changes in China’s domestic system and behavior abroad.

Presenting an Alternative to Opportunities China Presents to the International Community

- The United States and Japan must be able to provide more opportunities to the international community than can China.
- The United States and Japan must create an environment where developing nations can choose technology and financing platforms that are conducive to democratic and free societies. This must be a compelling alternative to Chinese offerings that promise prosperity and convenience, but sometimes require strategic or ethical compromises.

Strengthening Cooperation Among the United States, Japan, and Other Partners

- The United States and Japan should be a core source of support for efforts to achieve the above-mentioned goals and principles. The U.S.-Japan alliance needs to be strengthened, and the two allies should deepen their economic and technological cooperation to better achieve these ends.

- At the same time, the United States and Japan should coordinate with other liberal democracies to improve cooperation. The Quad and Quad-Plus can be a framework that leverages the strength of the U.S.-Japan bilateral alliance.
- The United States and Japan should also cooperate with other Indo-Pacific nations—including those that are not full electoral democracies--reassuring them of the merits of the existing liberal rules-based international order.

Economics and Security are Inextricably Linked

- The United States and Japan must dispense with the outdated notion that the economy and national security are not connected domains. This is particularly true with respect to China as continued economic integration and cooperation necessarily carries the associated risk of potential over-reliance. Both nations should be aware of the security risks associated with economic cooperation and integration with China, especially when entities have ties to China's military or security apparatus.
- When re-structuring economic relationships with China, the United States and Japan should recognize that China is willing to use economic relations with other nations as a political tool. The two allies should also recognize that China is willing to prioritize national security over economic performance.
- The United States and Japan should not compromise their principles, among them freedom, human rights, and democracy, in cooperating with China for short-term economic gains. Rather, both should regularly reassess the long-term effects of continued economic cooperation with China on the rules-based international order.
- The United States and Japan should insist that China's economic practices conform to the rule of law and the international rules-based order.
- The United States and Japan should recognize the possibility that China is willing to apply its rules extra-territorially. For instance, China may take extra-judicial or extra-territorial measures to seize the property of top executives of foreign firms that are seen to have violated Chinese domestic law. The two allies, with other liberal democracies, should work together to make sure that domestic laws are not unjustly levied against foreign entities.

Investing Sufficient Resources

- The United States and Japan should acknowledge that the COVID-19 pandemic has not diminished the challenge that China presents to the existing liberal international order.
- Even if the responses to the COVID-19 pandemic impose budget constraints upon the United States and Japan, the two nations should dedicate sufficient human and financial resources to protect the international rules-based order and to establish a "Free and Open Indo-Pacific."

Strengthening Communication Between the United States and Japan

- The United States and Japan should redouble communication efforts in order to promote greater cooperation within the bilateral alliance, with other liberal democracies, and among other Indo-Pacific nations, in line with the recommendations made above. To ensure mutual understanding of each other's intentions, multi-layered channels of communication should be established at the leader, ministerial, and legislative levels and throughout the civilian and military branches of both nations' governments. This also necessitates greater communication not only in Track 1, but also Track 1.5 and Track 2 settings.
- The following three issue areas require particularly close communication and more robust alliance architecture in the short-term: 1) how national economic security can be maximized even in the face of continued economic cooperation with China; 2) how the "peace and stability across the Taiwan Strait" can be preserved; and 3) what a commitment to democracy and human rights should mean in terms of rhetoric and policies.
- Bilateral Track 2 initiatives such as our "China Risk and China Opportunity in the 'Free and Open Indo-Pacific Era'" project can contribute to this endeavor by providing opportunities for dialogue and mutual understanding among policy makers and scholars. Furthermore, the insights gained in such initiatives can be shared with policy makers as well as the public in both countries. Thus, the U.S. and Japanese governments should support the strengthening of Track 2 initiatives.



About The Japan Forum on International Relations (JFIR)

The Japan Forum on International Relations, Inc. (JFIR or The Forum) is a private, non-profit, independent, and non-partisan organization dedicated to improved understanding of Japanese foreign policy and international relations. The Forum takes no institutional position on issues of foreign policy, though its members are encouraged not only to analyze but also to propose alternatives on matters of foreign policy. Though the Forum helps its members to formulate policy recommendations on matters of public policy, the views expressed in such recommendations represent in no way those of the Forum as an institution and the responsibility for the contents of the recommendations is that of those members of the Forum who sign them alone.

The Forum was founded on March 12, 1987 in Tokyo on the private initiative of Dr. OKITA Saburo, Mr. HATTORI Ichiro, Prof. ITO Kenichi, and 60 other independent citizens from business, academic, political, and media circles of Japan, recognizing that a policy-oriented research institution in the field of international affairs independent from the government was most urgently needed in Japan. On April 1, 2011, JFIR was reincorporated as a “public interest foundation” with the authorization granted by the Prime Minister in recognition of its achievements.

JFIR is a membership organization with three categories of membership, namely, (1) corporate, (2) associate corporate, and (3) individual. As for the organizational structure of JFIR, the “Board of Trustees” is the highest decision-making body, which is in charge of electing the “Directors” and of supervising overall activities of JFIR, while the “Board of Directors” is an executive body, which is in charge of the management of day-to-day operations of JFIR.

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The Forum’s activities are composed of seven pillars such as “Policy Recommendations,” “e-Forum,” “Research Programs,” “International Exchanges,” “International Frameworks,” “Information Gathering,” and “PR and Enlightenment.” Of these pillars of activities, one important pillar is the “e-Forum: Hyakka-Seiho” which means “Hundred Flowers in Full Bloom” (<http://www.jfir.or.jp/cgi/m-bbs/>). The “e-Forum,” which started on April 12, 2006, is open to the public, functioning as an interactive forum for discussions on foreign policy and international affairs. All articles posted on the e-Forum are sent through the bimonthly e-mail magazine “Meru-maga Nihon Kokusai Foramu” in Japanese to about 10,000 readers in Japan. Furthermore, articles worth attention for foreigners are translated into English and posted on the English website of JFIR (<http://www.jfir.or.jp/e/index.htm>) as “JFIR Commentary.” They are also introduced in the e-mail magazine “JFIR E-Letter” in English. “JFIR E-Letter” is delivered bimonthly to about 10,000 readers worldwide.

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About the American Enterprise Institute (AEI)

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