

Overview

Contested Values, Technologies and Oceans: Intensifying US-China Competition and the International Response

The confrontational relationship between the United States and China that characterized the international situation in 2020 showed no signs of easing in 2021, but intensified and became more multifaceted and structured. The strategic competition between the United States and China has taken the shape of a struggle between major powers with different values-based governance models. This has become most acutely visible in the Indo-Pacific region, and the conflict and competition between the two countries is intensifying not only over military and security issues but also in areas such as safeguarding supply chains for advanced technologies and securing strategic resources. The new US administration of President Joe Biden sees competition with China as a long-term struggle over the values and governance models between democracy versus authoritarianism. Positioning the Indo-Pacific region as its main arena, the US administration is committed to a “free and open Indo-Pacific” (FOIP), and strengthening cooperation with allies and friends by strengthening the framework for cooperation among Japan, the United States, Australia and India (the QUAD), cooperating in the G7 and NATO, and launching a new framework for security cooperation with the United Kingdom and Australia (AUKUS). In response, China has become increasingly hostile to and critical of the United States’ defining of US-China relations and its diplomacy highlighting human rights. There have been moves by the United States and China to seek cooperation and dialogue on global issues such as climate change, and to manage the overall relationship between the two countries notably in the latter half of 2021. However, there is little prospect of improvement in their overall relationship.

The security environment in Northeast Asia is becoming increasingly severe due to heightened tensions around Taiwan and North Korea’s modernization of its military. The relations between Japan and the Republic of Korea (ROK) showed no signs of improvement throughout 2021, and this has had an impact on efforts to strengthen increasingly important Japan-US-ROK security cooperation. The Indo-Pacific region has seen deepening cooperation through the QUAD and the launch of AUKUS. There were increased lobbying efforts by the United States and China directed at ASEAN, which faced challenges with the situation in Myanmar and the COVID-19 pandemic. In the economic arena, the Regional Comprehensive Economic Partnership (RCEP)’s entry into force has been confirmed, and China and Taiwan have applied for membership in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Europe’s perceptions of China become much harsher, and it has shown increased interest in the Indo-Pacific with clearer stance. While Russia has maintained a certain level

of relations with the United States, it has increased its cooperation with China amid the polarization between democracy and authoritarianism, and tension with the US and Europe has risen over Ukraine. In the Middle East, the withdrawal of US forces from Afghanistan and the resurgence of the Taliban regime symbolized the transformation of the regional order. Negotiations aimed at reviving the Iran nuclear deal (JCPOA) have stalled, heightening tensions in the region. Multilateralism, which faced a crisis in 2020, was revived by the Biden administration's policy of emphasizing international organizations and multilateral cooperation, but its effectiveness continues to be questioned. As the world continues to be deeply affected by the coronavirus pandemic, the vaccine gap between North and South has become apparent. In the area of climate change, some progress was made at COP26, including cooperation between the United States and China, but strengthening the international efforts to achieve the 1.5 °C target remains a major issue.

The Strategic Annual Report 2021 reviews global developments in 2021 focusing on the intensifying competition between the United States and China over values, technologies and oceans; it also describes the international response, and presents perspectives and recommendations.

Intensifying Strategic Competition between the United States and China over Values, Technologies and Oceans

China's leadership in curbing the spread of COVID-19 and its own economic recovery ahead of other countries bolstered its confidence in its governance model, and it is applying more authoritarian and heavy-handed policies at home and abroad. Domestically, China has tightened its control over Hong Kong and the Xinjiang Uygur Autonomous Region despite strong concerns expressed by Western countries and the imposition of sanctions. In addition, China has announced a policy of strengthening the Communist Party's rule led by President Xi Jinping in the economy, society, speech and ideological education. On the security front, China continues to step up its influence in the Western Pacific by enhancing its naval and A2/AD capabilities, enforcing its Coast Guard Law and increasing its activities around the Senkaku Islands, intensifying its military activities around Taiwan, and reinforcing its military bases in the South China Sea, even as it expands its nuclear capabilities. The increase in its military activities in the air and sea areas around Taiwan has been particularly significant. On the diplomatic front, China has continued its Belt and Road Initiative and deployed vaccine diplomacy, and has been actively seeking to restrain the United States and further expand its influence in the Indo-Pacific region, including through its application for membership in the CPTPP.

The Biden administration has taken over the Trump administration's harsh perception of China and regards China as the only competitor that could challenge the stable and open international system, and

believes that the fight over values and governance models will continue for a long time. Based on this viewpoint, President Biden has taken a tough stance against China on human rights and Taiwan issues, and made clear his diplomatic stance of placing emphasis on the Indo-Pacific by holding his first face-to-face summit after taking office with Japan. Prioritizing diplomacy over military arena to win the competition with China, the Biden administration has been engaged in active diplomacy to strengthen cooperation with allies and friends by bolstering the QUAD framework, pursuing cooperation in the G7 and NATO, and launching AUKUS, a new security framework with the UK and Australia, to complement bilateral diplomacy. The US also held the Summit for Democracy, which embodies diplomacy based on values. While positioning Russia, along with China, as an authoritarian competitor, the US has nevertheless indicated its willingness to maintain a certain level of relations by such means as starting a new strategic dialogue. However, tensions have increased over Ukraine.

In the area of economic security, differences in values concerning technology and data are acting as a centrifugal force between the United States and China. The United States is trying to gain an edge over China in developing advanced technologies such as artificial intelligence, quantum technology and hypersonic technology. To reduce dependence on China for strategic technologies and products such as semiconductors and information and communications equipment, as well as for resources such as rare earths, the Biden administration has issued policies to step up R&D and production in the United States and strengthen network supply chains among democratic countries. In terms of security, the United States is particularly concerned about the situation around Taiwan and is working with its allies and friends to counter China's growing military strength and activities in the Western Pacific. Statements on the importance of peace and stability in the Taiwan Straits were issued in summit meetings, and the United States and its allies have deployed the largest number of troops in the Western Pacific since the end of the Cold War. The launch of AUKUS can also be seen to reflect US concerns over the military balance in the region.

China strongly opposed the US' definition of Sino-American relations as a competition between democracy and autocracy and its intervention in human rights issues, and has intensified its criticism of the United States, stressing its unwillingness to compromise on its core interests as it defined. China is also pursuing advanced technology superiority against the United States, as well as policies to mitigate supply chain vulnerabilities and strengthen state control over data. In the second half of 2021, both the United States and China announced their intention to ease tensions, sought cooperation on common agenda such as climate change, and endeavored to manage overall US-China relations through high-level meetings, but these efforts did not lead to improvement in their overall relations. China also made clear its intention to strengthen its relations with Russia, as shown by the first joint cruise in waters around Japan by Chinese and Russian naval vessels.

International Impact of US-China Relations and the International Response

In Northeast Asia, the DPRK continued to strengthen its nuclear capabilities and modernize its military despite its economic difficulties. Since September, it has increased and diversified its missile launches to include cruise missiles and SLBMs as well as new ballistic missiles. North Korea has shown no willingness to respond to the Biden administration's call for dialogue, and the security environment in the region has increased its severity due to North Korea's continued development of nuclear weapons and missiles amid the prolonged stalemate in US-North Korea relations since the end of the Trump administration, and to the aforementioned heightened tensions around Taiwan. Under these circumstances, closer Japan-US-ROK security cooperation has become ever more important, but Japan-ROK relations showed no signs of improvement throughout 2021, which also affected Japan-US-ROK cooperation.

The Biden administration has clearly committed to a "free and open Indo-Pacific" (FOIP) and cooperation through the QUAD has deepened significantly, with two summits held and specific cooperative measures agreed upon and implemented. A military coup in Myanmar in February upset the tortuous course of democratization, and had a significant impact on ASEAN unity and integration. ASEAN countries and the South Asian region including India suffered from widespread COVID-19 infections that had a major impact on the region's politics, economies and societies. Faced with the challenges of dealing with the problems surrounding Myanmar and the coronavirus pandemic, ASEAN has not made notable progress in implementing the ASEAN Outlook on the Indo-Pacific (AOIP), while external actors, including the United States and China, have stepped up their lobbying to ASEAN countries. In the economic arena, the entry into force of the RCEP has been confirmed, and China and Taiwan have applied to join the CPTPP.

In Europe, the perception of China has become much more severe, and a growing interest in the Indo-Pacific region has been accompanied by a clarification of the EU's position, as demonstrated by the European Parliament's decision to freeze consideration of the investment agreement with China and its adoption of a strategic document containing a harsh view of China, as well as by the release of an Indo-Pacific strategy by the European Commission and the External Action Service. Some countries in Central and Eastern Europe also reviewed their relations with China and strengthened political and economic ties with Taiwan. The United Kingdom, France and Germany each sent naval vessels to the Indo-Pacific and conducted joint exercises with Japan, the United States, and QUAD countries to demonstrate their more active engagement with the region in a concrete manner. Following its departure from the EU, Britain has taken a markedly greater interest in the Indo-Pacific region, as demonstrated by its application to the CPTPP and the AUKUS agreement with the United States and Australia, but its relations with the EU have been strained. There were moves in NATO to reaffirm and improve the unity that had been strained under the Trump administration, but the disarray caused by the withdrawal of US forces

from Afghanistan without consultation with NATO drew criticism. Relations between NATO and Russia continued to deteriorate, and tensions with Russia over Ukraine is escalating from autumn.

Russia established a certain degree of relations with the United States through holding of a US-Russia summit meeting and launch of the Strategic Stability Dialogue agreed upon at that meeting. However, in the midst of the polarization between democracy versus authoritarianism, Russia has showed increased cooperation with China. The Chinese and Russian navies conducted the first joint cruise in waters near Japan and Russia was engaged in more in-depth dialogue with regional countries in cooperation with China after the withdrawal of US forces from Afghanistan.

In the Middle East, the withdrawal of US forces from Afghanistan and the resurgence of the Taliban regime symbolized the transformation of the regional order. As President Biden shifted his diplomatic and security focus from the Middle East to the Indo-Pacific, the withdrawal of US forces from Afghanistan was implemented at the end of August, but the Taliban took control of Kabul ahead of the withdrawal, and the withdrawal took place amid chaos. Some observers suggested that the withdrawal of US forces would undermine the Biden administration's international standing by raising questions about its emphasis on human rights and democracy and its commitment to cooperate with its allies. There is growing concern about Afghanistan under Taliban rule over its governance policies such as protection of human rights, and the possibility that it will once again become a hotbed of international terrorism. China and Russia have increased their presence in the region since the US withdrawal. There have been changes of government in Israel and Iran, and following the establishment of a hardline anti-US administration in Iran, negotiations with the countries concerned aimed at reviving the Iranian nuclear agreement (JCPOA), from which former US President Donald Trump withdrew, have been facing difficulties, heightening tensions in the region.

Multilateralism, which faced a crisis in 2020, was revived as the Biden administration promoted a return to international organizations and agreements and took the initiative in multilateral international collaboration and policy coordination. Although concrete improvements have been made in the field of international taxation, the effectiveness of multilateralism continues to be questioned. As the coronavirus pandemic continues, provision of vaccines to developing countries was slow, highlighting the North-South disparity in vaccine supply. In the area of climate change, some headway was made at COP 26, including cooperation between the United States and China, but the 1.5 degree target remains a major issue.

Perspectives and Recommendations

The strategic competition between the United States and China is expected to be prolonged, and it will inevitably continue to have various implications on the international community. For Japan, situated at the forefront of this competition, the United States is an ally that shares fundamental values and strategic interests, and the Japan-US alliance is the cornerstone of Japanese diplomacy. Japan and the United States need to further promote the maintenance and strengthening of democracy and the rules-based international order and consider bilateral cooperation to reinforce their security capabilities.

The competition for technological hegemony between the United States and China is heating up over the semiconductor supply chain, export control policies, and data handling, but the United States and China have not completely decoupled over economic and technology issues. While Japan shares security interests and democratic values with the US, it is deeply tied to China economically. Based on these circumstances, Japan needs to address technology policy from the viewpoint of economic security. The Kishida Cabinet has made clear its position of placing importance on economic security by appointing the first minister responsible for economic security. In addition to establishing a new fund to support R&D in advanced technologies and making the semiconductor supply chain more robust, ensuring the security and reliability of core and digital infrastructure is a particularly urgent and important issue. It is also necessary to promote policies that support private companies and research institutes in taking concrete measures. Scheduled to host the G7 Summit in 2023, Japan will be also expected to play a leading role in making data processing rules. As the battle lines for technological hegemony between the United States and China expand, it is important for Japan to promote a balanced approach to economic security in both domestic and foreign policies.

China continues to build up its military capabilities while lacking transparency and intensify its offensive moves in the East China Sea, South China Sea and Taiwan Strait. North Korea's development of new weapons already poses a direct threat to Japan's defense posture, and the DPRK has vowed to further strengthen its military. Given the increasingly severe security environment in Northeast Asia, establishing a comprehensive deterrence posture has become an important agenda. In this context, the Biden administration's National Security Strategy and Nuclear Posture Review scheduled for early 2022 will draw attention.

In Japan, the Kishida cabinet announced a review of the National Security Strategy and the National Defense Program Guidelines. Adapting its foreign and security policies to the times and radically improving its own defense capabilities are of crucial importance to Japan. The times demand that defense spending be increased to a level of 2% or more of GDP within, say, in the early part of ten years. The

debate on Japan's capability to strike enemy bases should not simply be an argument over the pros and cons, but should be structured in a manner consistent with the deterrence theory. There is also an urgent need to develop arms control measures such as crisis management mechanisms, confidence-building measures, and transparency measures between the United States and China and between Japan and China. With regard to the denuclearization of North Korea, it is hoped that Japan-ROK cooperation on security issues will advance under the next president of the ROK.

It is important that Japan continue to pursue concrete cooperation through the QUAD as one of the useful frameworks contributing to the FOIP concept. It is important to pay heed that the benefits of the QUAD as a flexible framework for cooperation among a few friendly countries are not undermined by excessive structuring or an overly diverse scope of activities, and to promote the values of freedom and democracy and a rules-based international order and pursue closer security cooperation. In addition to Japan-US, Japan-Australia and Japan-US-Australia security cooperation, active promotion of stronger Japan-UK cooperation is desired as it will also lead to closer relations between the QUAD and AUKUS. More thorough explanations will be required to gain the understanding and support of ASEAN and other regional countries regarding the contributions of the QUAD and AUKUS to regional security and FOIP, and Japan can play a major role with regard to the QUAD. Multi-layered initiatives, including strengthening cooperation with ASEAN and other countries in the region as well as with countries in Europe and elsewhere outside the region that share fundamental values, will continue to be important in promoting FOIP. It will be important for Japan to actively support ASEAN's efforts to implement the AOIP, and provide assistance to ASEAN and Pacific countries in the areas of vaccine supply, development of high-quality infrastructure, and maintenance of maritime order.

Japan can also play a leading role in international rulemaking. The strategic significance of the TPP is well understood in Japan, and while many in Japan hope the US will return, few welcome China's participation. It is important for Japan to uphold the principles of maintaining the CPTPP's high standards for both market access and rules in considering membership applications. Some observers contend that China's application presents an opportunity to correct various aspects of China's behavior through negotiations. However, even if strategic and political considerations are set aside, Japan will need to carefully evaluate whether China can meet the strict requirements for joining the CPTPP. Taiwan has applied for membership as an independent customs territory, which poses no problems under the CPTPP provisions and is consistent with WTO rules. In assessing Taiwan's application, it will be necessary to take into account Taiwan's democratic maturity and its development of practical economic relations in high-tech and other sectors. It is important, along with the expansion of economic relations between Japan and China, to further promote working-level economic relations with Taiwan while maintaining Japan's

principled position on the stability of the Taiwan Strait. Japan can also contribute to maintaining and strengthening the trade system through a multilayered approach that employs multilateral trade regimes and free trade agreements (FTAs), by emphasizing the importance of the CPTPP in the context of China policy to the United States, and by engaging the US through greater cooperation in labor, environment and high-tech areas.

Japan should also undertake diplomatic efforts that emphasize values such as human rights. Japan has made the concept of human security an important pillar of its diplomacy, but it is the only G7 country that has yet to impose sanctions on China over human rights issues in China's Xinjiang Uighur Autonomous Region, showing some difference with Western countries. In light of the establishment of the post of special advisor to the prime minister on human rights issues, discussions should be advanced on how the nation should deal with human rights issues.

It is important for Japan to employ proactive diplomacy with Europe, a strategic partner with which Japan shares fundamental values, through further strengthening of its bilateral relations as well as its cooperation with the EU and NATO, so that support for FOIP will continue to be reflected in the policies and actions of European countries. Japan and Europe should cooperate in promoting multilateral cooperation that combines values and technologies such as advanced technology supply chains made up of democratic countries. It is also hoped that Japan will actively work to enhance Japan-UK relations, including by supporting the UK's participation in the CPTPP and further strengthening ties between the Self-Defence Forces and the British Armed Forces.

Moves by Russia to provoke Japan are likely to push Japan to reconsider its view of Russia, and Japan's policy toward Russia will require not only addressing the Northern Territories issue but also adopting a new approach that balances security and economy. It is essential to maintain and utilize such channels as the Foreign and Defense Ministerial Consultations (2 + 2) and keep close communication between Japan and Russia. To improve its security environment, Japan should also actively cooperate with Russia in areas where it is able to pursue mutually beneficial interests.

In the Middle East, Japan is expected to actively contribute to endeavors involving Afghanistan, Middle East peace, and the Iranian nuclear issue. With regard to Afghanistan, Japan should continue its efforts in calling on the Taliban to ensure that the regime upholds basic human rights, particularly the rights of women, while providing humanitarian assistance through international organizations. With regard to peace in the Middle East, it is important for Japan to appeal to both Israelis and Palestinians to stop the exchange of violence and build trust, and to continue making steady efforts through its assistance based

on relationships of trust with both sides. With regard to the Iranian nuclear issue, Japan needs to continue diplomatic efforts through close channels of dialogue with both the United States and Iran to ensure that the issue does not escalate tensions in the region.

Regarding the supply of COVID-19 vaccines, it is essential that Japan continue its assistance, especially “last mile” support, to developing countries. In the area of climate change, Japan should continue making bold efforts to fulfill the reduction targets it has set. Japan will also need to urge that China set and implement reduction goals that are appropriate for a responsible great power. Furthermore, Japan should actively support climate change countermeasures in developing countries, and take proactive and strategic approaches to rulemaking on decarbonization. ■