

Chapter 3 Ongoing US-China Competition and the Situation in the Indo-Pacific

Section 1 Political situation

The US-China rivalry continued in 2022, with the visit of US Speaker of the House Nancy Pelosi to Taiwan in August leading to a breakdown in dialogue amid heightened tensions. A US-China summit meeting was held in November and efforts were made to manage bilateral relations, but there is no prospect for a fundamental improvement in relations, partly due to domestic circumstances on both sides. On the Korean Peninsula, the new South Korean administration inaugurated in May has steered the country toward greater cooperation with Japan and the US, while North Korea is trying to get closer to Russia and China over the situation in Ukraine and Taiwan. North-South relations have consequently deteriorated and there currently seems little chance for US-North Korea dialogue.

Intensified US-China confrontation over Taiwan

The Biden administration emphasized the importance of the Indo-Pacific region to the United States in its Indo-Pacific Strategy issued in February 2022 and its National Security Strategy issued in October. In the latter, the administration maintained its stance – set forth in the Interim National Security Strategic Guidance issued in March 2021 – of positioning China as the United States' most important strategic competitor. Even after Russia's invasion of Ukraine, the US considers strategic competition between the US and China a top foreign policy priority.

The basic structure of the US-China confrontation remained unchanged after Russia's invasion of Ukraine. In the first half of 2022, there were several meetings between US and Chinese leaders and foreign ministers, building momentum for dialogue but, after the summer, a confrontational tone was evident, especially over Taiwan. Although the November summit saw efforts to manage relations and cooperate on global issues such as climate change and energy supply, the two countries' claims



Chinese President Xi Jinping meets with U.S. President Joe Biden in Bali, Indonesia, Nov. 2022. (Photo by Xinhua/Afro)

over the issues such as Taiwan, human rights, trade practices and freedom of navigation remain far apart, and there is no prospect for a fundamental improvement in relations between the two countries. Immediately after the US-China summit meeting, the leaders of Japan and China met face-to-face for the first time in about three years, agreed to strengthen cooperation in areas such as the environment, medical and nursing care, and to resume various dialogues and exchanges, in an attempt to reestablish relations despite a number of pending issues.

In 2022, human rights issues in Hong Kong and the Xinjiang Uyghur Autonomous Region remained a major focus of US-China confrontation. The US continued to criticize China on human rights issues, including the enactment of the Uyghur Forced Labor Prevention Act, which China strongly opposed as interference in its internal affairs. Furthermore, in early August, US Speaker of the House Pelosi, who has long emphasized human rights issues, visited Taiwan. China, which upholds “one China” as its core interest, strongly opposed the visit, and conducted large-scale military exercises in response and stepped up military activities in the Taiwan Strait (see Section 2). The US-China relationship has turned confrontational despite the efforts to improve relations and ease tensions in the first half of 2022, and has entered a phase that makes risk management of contingencies between the two countries all the more important.

In addition to China’s expansion of power in the military and economic fields, the current state of US-China relations was also greatly affected in 2022 by the domestic situations in both countries. In the US, prices continued to soar to record highs, with the consumer price index reaching its highest level in 40 years. Voter dissatisfaction with the rising cost of gasoline and other commodities was so strong that the Biden administration’s approval rating declined. In the November midterm elections, often referred to as a “report card” for the current administration’s policies, the Democrats maintained control of the Senate, but yielded a slight advantage to the Republicans in the House, while the results of gubernatorial races were almost equally divided between the two parties. Although Speaker Pelosi’s visit to Taiwan took place under such severe partisan political division, 26 opposition Republican members of Congress, including Minority Leader Mitch McConnell, the top Republican in the Senate, issued statements of support. While the division continued in the US domestic politics due to sharply different partisan positions on such domestic issues as inflation, abortion, and immigration, Speaker Pelosi’s visit to Taiwan was seen by some as an opportunity to build a sense of congressional unity. Even with the change in the balance of political parties in Congress after the midterm elections, there is no expectation that US policy toward China will shift in a more conciliatory direction in the near future, since policies to oppose China, such as strengthening support for Taiwan, have bipartisan support (see Section 2).

In China, the National Congress of the Communist Party of China (CPC), held once every five years, was convened in October. Xi Jinping was reappointed as General Secretary and began an unprecedented third term, breaking with the principle of two terms with 10-years. The newly inaugurated third-term leadership has been solidified by President Xi's close associates, and the collective leadership system designed to prevent personal dictatorship has been reduced to a mere formality. The possibility that policy decisions will be made solely according to the wishes of President Xi has increased, and there is concern that more hardline foreign policies will be chosen. In the past, Party Congress years have tended to be more inward-looking with a priority on the logic of domestic politics, and were characterized by hardline stances in foreign policy to avoid China being seen as weak. Although President Xi had continued to consolidate power during his decade-long rule and had established a stable administration, 2022 was a sensitive time for achieving a third term, making it difficult for him to offer concessions to the United States on a variety of issues. In response to a resurgence in COVID-19 infections, the Chinese government maintained a zero-COVID policy and sought to contain the disease by force. A two-month lockdown was implemented in Shanghai, with severe limitation in access to regular medical care and food shortages resulting in widespread discontent among citizens. The damage to the economy caused by the zero-COVID policy was considerable: real GDP growth from April to June was a low 0.4%; real GDP growth from July to September rose to 3.9%, but the recovery in domestic demand remains sluggish. China had adhered to the zero-Covid policy at the expense of the economy but, in response to the outbreak of social discontent in the second half of November with numerous protests in Beijing, Shanghai and other parts of the country, the government took an abrupt step of drastically easing restrictions from December. The sudden change in response has led to a rapid spread of infection across China, and there are concerns that risk factors such as social unrest and economic stagnation caused by the Covid response will continue to impact China's domestic and foreign policies.

Formation of a new South Korean government and the situation on the Korean Peninsula

In South Korea, the new Yoon Seok-yue administration that took office in May advocated liberal democracy, market economy, and universal international norms as its policy tenets. With respect to relations with the US, the new administration announced immediately after assuming office its intention to participate in Quad working groups and the "Chip 4" and clearly adopted a cooperative direction by joining the IPEF and formulating its own Indo-Pacific policy. On the other hand, certain aspects of South Korea's troubled relations with China became conspicuous. At a meeting between the foreign ministers of China and South Korea held immediately after US Speaker Pelosi's visit to Asia in August, conflicts of opinion surfaced over the THAAD issue and participation in the Chip 4 initiative. In terms of policy toward North Korea, the Yoon administration emphasized a shift away from the appeasement policy and reaffirmed the strengthening of extended deterrence by the US (May). North Korea was offered an

economic and development assistance package in return for denuclearization in the “Audacious Initiative” that was strongly rejected by North Korea as “a product of hostile policy” (August).

In his relations with Japan, President Yoon emphasized the need to improve relations through the dispatch of a delegation even before his inauguration, and Japan’s foreign minister Yoshimasa Hayashi attended the presidential



President Joe Biden meets with South Korea’s President Yoon Suk Yeol, left, and Japan’s Prime Minister Fumio Kishida during the NATO summit in Madrid, Wednesday, June 2022. (Photo by AP/Afro)

inauguration ceremony as a special envoy of the prime minister. Furthermore, as Russia’s invasion of Ukraine and North Korea’s escalating provocations have raised security concerns, the leaders of the US, Japan, and South Korea held a trilateral summit meeting during the June NATO summit for the first time in about five years (the last having been in September 2017), and the leaders of the three countries also met during ASEAN-related meetings in November. In addition, frequent working-level consultations have been held both in person and online among the US, Japan, and South Korea on how to deal with North Korea’s repeated missile launches. Working-level consultations between Japan and South Korea have been conducted frequently and, following informal talks during the UN General Assembly (September), a formal summit meeting was held for the first time in nearly three years during the ASEAN-related meetings in November. A telephone call between the leaders also took place in response to North Korea’s first missile launch over Japan in about five years on October 6. On the other hand, it is still unclear whether the resumption of dialogue, including at a high level, will lead to the resolution of various bilateral issues, including the most contentious issue between the two countries, that of former civilian workers from the Korean Peninsula.

In North Korea, control has been further tightened under the guise of a “people-first” policy in the wake of the announcement of COVID-19 cases (May), and the “declaration of victory” over COVID (August) was also proclaimed to be the result of the zero-COVID policy. Shoring up agriculture to increase food production has been stressed since the end of 2021, the aim being to produce visible results in order to ward off regime-threatening destabilization. In terms of foreign policy, North Korea has made clear its pro-Russian position by successively opposing a series of UN General Assembly resolutions condemning Russia’s invasion of Ukraine (March, April, and October), by cutting off diplomatic relations with Ukraine (July), and by supporting the “annexation” of four provinces by Russia (October). It also

supported China's position by linking the Taiwan situation to the situation on the Korean Peninsula and called for closer military ties (August). The proceedings of the 20th Party Congress of the Communist Party of China (October) were reported in detail through the domestic media, giving the impression of a rapprochement between the two countries. This has been interpreted as a move to emphasize North Korea's role as a bulwark against US-centered coordination in the Indo-Pacific region and to justify its nuclear and missile development. China and Russia also responded by taking a pro-North Korea position at the Security Council to the string of missile launches since September. On the other hand, North Korea in September denied reports that it was providing arms to Russia, but the allegation has been raised frequently since then.

Pacific island and ASEAN countries at the forefront of competition

Amid the growing strategic importance of the Indo-Pacific region, the United States released its Indo-Pacific Strategy in February, demonstrating its intension to contribute to the region's development and increase its involvement along with its allies and partner countries. For its part, China concluded a security agreement with the Solomon Islands in April, which was seen as a move to increase its military presence in the South Pacific region, causing concern and opposition from Western countries. Alarmed, the US immediately dispatched senior government officials to the Solomon Islands and moved to reopen its embassy there at an early date. From Australia, where a change of government took place in May, Prime Minister Anthony Albanese and Foreign Minister Penny Wong visited the Solomon Islands and other Pacific island countries soon after taking office to strengthen relations. On the other hand, Chinese Foreign Minister Wang Yi visited eight Pacific Island countries from the end of May to the beginning of June, aiming to conclude a comprehensive agreement covering security and other issues with the region, but the agreement was not concluded due to opposition from some countries. Diplomatic efforts by the US and Australia have yielded some results, including a meeting in September of the foreign ministers of the "Partners in the Blue Pacific (PBP)," a support framework for Pacific island countries by Japan, the US, Australia, the UK, New Zealand, and other countries, and the first summit meeting between the leaders of the US and Pacific island countries at which a partnership declaration that includes cooperation on climate change measures and economic development was issued.

The US and China are also engaged in a power struggle in Southeast Asia. While China and ASEAN upgraded their relationship in 2021, the US decided to upgrade the US-ASEAN relationship to a "comprehensive strategic partnership" at a May summit meeting with ASEAN in Washington and issued a declaration on the details of the partnership at the US-ASEAN summit in Cambodia in November. In its National Security Strategy released in October, the US also expressed its strong commitment to stepping up its engagement with Southeast Asian countries. Meanwhile, China has also been working

to strengthen its relations with ASEAN. In July, Foreign Minister Wang Yi visited Southeast Asian countries to conduct diplomacy that emphasized cooperation in economic and development issues, and in November, President Xi Jinping attended the G20 Summit in Indonesia and the APEC Summit in Thailand, where he held separate meetings with the leaders of five ASEAN countries. In the Philippines, the new president Bongbong Marcos, in a departure from the previous administration, took a strong stance toward China regarding maritime interests in the South China Sea while emphasizing the economic relations with China. During a visit by Vice President Kamala Harris in November, he agreed to expand the base of operations of US forces, thereby strengthening the alliance with the United States. Japan and the Philippines also deepened their security cooperation, holding the first “2+2” ministerial meeting in April, dispatching the first SDF fighter jets to the Philippines in December, and hosting the first trilateral uniformed personnel meeting among the SDF and the US and Philippine armies in Japan.

Deepening cooperation among Quad countries and a Free and Open Indo-Pacific (FOIP)

The Quad has been pursuing close cooperation, holding a face-to-face foreign ministers’ meeting in February, an online summit meeting in March in response to Russia’s aggression against Ukraine, a second face-to-face summit meeting in Tokyo in May, and another foreign ministers’ meeting in September. At the May summit, against the backdrop of Russia’s invasion of Ukraine, the leaders reiterated their support for the principles such as the rule of law and the sovereignty and territorial integrity. They also announced new initiatives on cybersecurity, the provision of satellite data, and the start of consultations with regional countries on maritime domain awareness (MDA) (see Section 3).

Security cooperation was promoted on a country-by-country basis. Japan concluded a Reciprocal Access Agreement (RAA) with Australia in January, and a new “Japan-Australia Joint Declaration on Security Cooperation” replacing the 2007 Japan-Australia Joint Security Declaration was announced at the Japan-Australia Summit in October, further upgrading defense cooperation between the two countries. Defense cooperation between Australia and India is also gaining momentum, including high-level visits by defense officials and joint maritime exercises. In November, a joint US-India exercise was held in the mountainous state of Uttarakhand, which borders China.

Regarding FOIP, a series of policy statements were made by major countries in the region. In February, the US emphasized the importance of FOIP, including an order based on international law, in its Indo-Pacific Strategy, and placed its promotion at the forefront. For the deepening of FOIP, Prime Minister Kishida in his speech at the Shangri-La Dialogue in June announced that he would publish a new plan to promote FOIP by spring 2023 to further promote the FOIP vision. The importance of peace and stability

in the Indo-Pacific region was also emphasized at the June NATO Asia-Pacific Partners (AP4) Summit attended by Japan, Australia, South Korea, and New Zealand. In November, Canada announced its own Indo-Pacific Strategy, which includes enhanced cooperation with Japan on FOIP. In December, South Korea also launched its “Strategy for a Free, Peaceful, and Prosperous Indo-Pacific Region,” emphasizing solidarity and cooperation among nations that share values.

Perspective

US-China relations in 2022 were characterized by mutual distrust and narrowing communication channels. The intensification of the US-China confrontation, which has been sometimes described as a “new Cold War,” and the destabilization of the Taiwan Strait are increasing security risks for Japan. Since the confrontation between the US and China has structural factors, including differences in their positions on the US-led order and the values that the US emphasizes, the basic structure of the confrontation will not change despite efforts to manage the relationship to avoid unexpected conflicts, and the conflict will undoubtedly remain protracted.

North Korea is expected to promote closer relations with both China and Russia amid the deepening competition and confrontation between the US and China/Russia to bypass sanctions and continue its nuclear and missile development. South Korea is expected to continue strengthening relations with Japan, with which it shares fundamental values. Given the Yoon administration’s fragile political power base, being a minority government which will continue at least until the next general elections in April 2024, however, the prospects for progress in bilateral relations remain unpredictable.

The contest for influence between the US and China is likely to continue in Southeast Asia and the South Pacific. Many ASEAN and Pacific island countries do not wish to explicitly take sides with either the US or China, with the majority more interested in extracting favorable support for their countries from both countries and from other countries involved. It is hoped that the implementation of assistance carefully tailored to the needs of each country will be provided. The new plan to promote FOIP, to be released by Japan in the spring of 2023, is expected to contribute to the maintenance and promotion of a rules-based, peaceful, and stable order in the region. ■

Section 2 Security and military situation

The United States sought to manage the competition with China in the Indo-Pacific region responsibly even as the situation in Ukraine worsened, but China was particularly strong in its opposition to US support for Taiwan, and tensions between the United States and China increased over Taiwan. China and Russia, which share interests in countering the US, strengthened their military ties in Asia. North Korea stepped up its efforts to deter US military intervention on the Korean Peninsula by improving its tactical nuclear capabilities and launching ICBMs.

US-China competition and crisis management

In its Indo-Pacific Strategy announced in February, the US expressed its intention to increase its involvement in the region in security and well as foreign and economic affairs with competition from China in mind. In the National Defense Strategy fact sheet released after the invasion of Ukraine began, the Biden administration also made it clear that, while Russia poses acute threats, China is its “most consequential strategic competitor” and that, again from a long-term perspective, the challenge by China to the international order is of paramount importance. The Biden administration has requested \$6.1 billion for the Pacific Deterrence Initiative and announced a policy of emphasizing the expansion of joint warfare capabilities, including a supply system to support the dispersed deployment of US forces around the First Island Chain, as China is gaining an advantage over the United States in conventional forces especially in the Western Pacific. The Biden administration’s National Security Strategy, whose announcement was delayed until October in response to Russia’s invasion of Ukraine, positions China as “the only competitor that has both the will and the ability to change the international order,” and notes that the next ten years will be crucial for winning the competition. The emphasis was on strategic stability through crisis management, greater transparency, and arms control in order to compete with China in a responsible manner. While the Biden administration emphasizes competition with China to maintain US dominance in emerging technologies and economic strength, it is evident on the military front that the administration is trying to be very careful not to escalate the confrontation with China into a conflict. On the other hand, the National Defense Strategy released at the end of October reiterates the pursuit of integrated deterrence in all areas and regions by leveraging the capabilities of the United States and its allies, and the Nuclear Posture Review published at the same time mentions China’s nuclear capability before that of Russia, indicating an emphasis on countering China’s nuclear arms expansion in terms of strategy.

Although China criticizes the US policy of emphasizing competition as “outdated,” a positive attitude toward avoiding conflict with the US was expressed, and stabilization of the military relationship between the US and China described as a common interest, in the meetings between Secretary of Defense

Lloyd Austin and Defense Minister Wei Fenghe (May) and between Chairman of the Joint Chiefs of Staff General Mark Milley and Chief of the Central Military Commission Joint Staff Department Li Zuocheng (July). The US continued freedom of navigation operations in the South China Sea and passage through the Taiwan Strait and, although China criticized these, it did not take actions that would create a dangerous situation. However, Chinese military provocations against US allies increased, with the PLA Navy targeting an Australian patrol aircraft with a laser over waters near Australia (February). In the East China Sea, Chinese aircraft repeatedly made abnormal approaches to Canadian military patrol aircraft monitoring North Korea's evasion of sanctions in the spring (April-May) and, in the South China Sea, Chinese aircraft released flares and chaff at Australian military patrol aircraft (June). When Speaker Pelosi visited Taiwan in August, China announced a unilateral suspension of the US-China military-to-military crisis management and confidence-building framework in protest. This is a sign that China is more concerned with political goals than crisis management and demonstrates the difficulty of managing the conflict between the US and China.

Peace and stability in the Taiwan Strait threatened

While the international community was busy responding to Russia's invasion of Ukraine, there was increasing awareness in Asia of the growing possibility of a Chinese military invasion of Taiwan: in May, the Chinese military conducted carrier-based drills along Taiwan's eastern coast, and in June it formally announced that it would no longer recognize the Taiwan Strait as international waters. In December, a Chinese aircraft carrier strike group conducted drills in the waters near Guam, strongly warning against possible US



In this photo released by the Taiwan Presidential Office, U.S. House Speaker Nancy Pelosi speaks during a meeting with Taiwanese President Tsai Ing-wen, second from right, in Taipei, Taiwan, Wednesday, Aug. 3, 2022. U.S. House Speaker Nancy Pelosi, meeting top officials in Taiwan despite warnings from China, said Wednesday that she and other congressional leaders in a visiting delegation are showing they will not abandon their commitment to the self-governing island. (Taiwan Presidential Office via AP)

military intervention in the Taiwan contingency. In the US, efforts to enhance Taiwan's self-defense capabilities have intensified not only in the executive branch but also in Congress, with five arms sales approved in 2022 alone. The US Congress also debated the Taiwan Policy Act, which would designate Taiwan as a major non-NATO ally and include \$6.5 billion over five years for arms sales and military training with the US military. In conjunction with these moves, a string of visits to Taiwan were made by congressional delegations. When Nancy Pelosi visited Taiwan as Speaker of the House for the first time since 1997, China conducted a maritime blockade exercise around Taiwan in response. During the exercise, some ballistic missiles flew over Taipei and landed in Japan's exclusive economic zone

and at a point only 80 km from Yonaguni Island in Okinawa Prefecture. Since then, Chinese military activities across the median line in the Taiwan Strait, which had been the de facto cease-fire line, have also become the norm, and Chinese drones have been intruding into Taiwan's airspace. Meanwhile, the Biden administration postponed a previously scheduled intercontinental ballistic missile launch test in response to rising tensions in the Taiwan Strait, indicating its willingness to avoid escalation with China.

In his interactions with the media, Biden repeatedly made positive statements about US military intervention in the event of a Taiwan contingency, but each time his government emphasized that there was no change in its Taiwan policy. Although the Taiwan Relations Act requires the US government to sell arms to maintain Taiwan's self-defense capabilities, the president is supposed to consult with Congress on whether the US military would intervene in the event of a Taiwan contingency. Therefore, increased involvement by the US Congress is important for maintaining peace and stability in the Taiwan Strait. On the other hand, there is concern that China may repeat its maritime blockade of Taiwan, a hub for semiconductor production, in the name of exercises in the future, thereby demonstrating its ability to inflict economic losses on Taiwan and the world. While there are indications that US arms transfers to Taiwan are being delayed due to supply chain disruptions and support for Ukraine, a full-scale maritime blockade of Taiwan by China would be expected to make it more difficult to transport arms to the island.

Despite the growing threat from Russia, Europe continued its engagement in Asia as the situation in Taiwan worsened; NATO noted in its new strategic concept formulated in June that China poses a "serious challenge," and in August, British, French, and German fighter jets participated in a multilateral air force exercise hosted by Australia. Germany also sent fighter jets to Japan, South Korea, and Singapore for training to deploy forces in the Indo-Pacific region. Until now, Europe's military involvement in Asia has been mainly naval, but the deployment of air power, which can reach Asia more quickly, gave the impression of growing European engagement in the region. The AUKUS security pact among the US, the UK and Australia also deepened cooperation, and Royal Australian Navy personnel began training on British nuclear submarines. France, the UK, and observers from NATO participated in the November US-Japan joint integrated exercise "Keen Sword," and the UK included its naval vessels in the exercise alongside those of Canada and Australia. This indicated the possibility of involvement by US allies from outside the region in an East Asian contingency.

Military developments around Japan

The Chinese military continued to deploy sea and air power in the vicinity of Japan, and in particular began to operate reconnaissance and attack drones more often. Dealing with unmanned aircraft entering the air defense identification zone is more difficult than dealing with manned aircraft, raising concerns that this

could lead to unforeseen circumstances. In addition, China began to conduct frequent observations and intelligence gathering, including intrusions into Japan's territorial waters, in and around the Tokara Strait, which it unilaterally considers an "international strait". This move is believed to be aimed primarily at gathering information necessary for submarine operations in order to prevent US aircraft carriers from heading toward the Nansei Islands in the event of an emergency. As in the past, the China Coast Guard repeatedly intruded into territorial waters around the Senkaku Islands and approached Japanese fishing boats, but there was also an incident in which a Chinese warship remained in the surrounding waters for a week, raising the degree of provocation to another level.

The Russian military in the Far East is believed to have been greatly reduced in size as ground troops were deployed to the Ukrainian front. However, exercises were repeatedly conducted, including those featuring maritime and air forces in the Northern Territories and tests of new submarine-launched cruise missiles in the Sea of Japan. In September, the annual strategic exercise "Vostok 2022" was conducted on a much reduced scale, with Chinese and Indian forces participating. In May, while the Quad Summit meeting was being held in Tokyo, joint flights were conducted by Chinese and Russian strategic bombers from the Sea of Japan to the East China Sea. Furthermore, Chinese and Russian naval vessels simultaneously entered the waters adjacent to the Senkaku Islands and circled the Japanese archipelago, thus confirming the deepening of cooperation between the two militaries at the operational level reflecting closer strategic alignment of the two countries.

Rising military tensions on the Korean Peninsula in a "new Cold War"

Since the latter half of 2021, North Korea has clearly stated that it would continue its nuclear development program while avoiding any statement on its stance toward the US. At a ceremony commemorating the 90th anniversary of the founding of the People's Army in April, however, Kim Jong-un referred to a nuclear first strike and, at a June meeting of the Central Committee, he declared a shift to a hardline stance that would not back down from an arms race



This photo released on Nov. 19, 2022, by the North Korean government shows of North Korea's missile launch a Hwasong-17 intercontinental ballistic missile at Pyongyang International Airport in Pyongyang, North Korea, Friday, November. 18, 2022. Photo by Office of the North Korean government press service / UPI

with the US under a principle of "power for power and head-on contest". In particular, he highlighted the pursuit of a precision strike capability with tactical nuclear weapons; since June North Korea has

announced the operation of a “tactical nuclear weapons unit” and in October it even dared to launch a medium-range ballistic missile over the Japanese archipelago, emphasizing the actual deployment of tactical nuclear weapons. It has also focused on diversifying the missiles and platforms that will serve as the means of delivery and has launched missiles aiming at diversified and highly accurate flight ranges and trajectories (the Hwasong-17 ICBM that can reach the US mainland, SLBMs, hypersonic missiles, and irregular-trajectory short-range ballistic and cruise missiles) a total of 37 times in 2022. Furthermore, the nuclear force policy newly decreed in September declared that a preemptive nuclear attack could be carried out “if an attack by nuclear weapons or other weapons of mass destruction were launched or deemed imminent” or “if compelled to respond with catastrophic force to a threat to the existence of the state and safety of the people that only nuclear weapons can pose,” thereby declaring the right to “utilize” nuclear weapons, a step beyond the claim of status comparable to that of nuclear weapon states under the NPT that North Korea had made before. In line with the “Five-Year Plan for the Scientific Development of National Defense and Weapon Systems” announced at the Party’s 8th Congress (January 2021), provocative actions intended to improve the operational capability of nuclear weapons are expected to intensify, including conducting nuclear tests on a controlled scale, employing nuclear submarines as a means of delivery, and launching military surveillance satellites.

These moves appear to be aimed at making the US military hesitate to intervene and expand its operations in the event of an armed conflict on the Korean Peninsula. In particular, the conduct of air, artillery, and missile launch drills simulating saturation attacks in response to the Japan-US-South Korea joint drills in the Sea of Japan (September) suggests North Korea’s intention to avoid a repeat of circumstances during the Korean War by embracing the Anti-Access/Area Denial (A2/AD) strategy that China adopted after the Third Taiwan Strait Crisis (1996). However, North Korea’s posture in 2022 was not limited to mere deterrence but characterized especially by its perception of superiority (based on its nuclear capabilities) over South Korea and its open threat to use nuclear weapons first. In the September decree, North Korea reiterated its compliance with nonproliferation obligations as a “responsible nuclear power,” while further clarifying its pursuit of tactical nuclear weapons as “usable nuclear weapons”. This further heightened the threat to Japan, the US, and South Korea and brought greater instability to the region.

While the international community fell into disarray with the failure of the UN Security Council to adopt resolutions and statements to condemn a series of missile launches and to strengthen sanctions (in May, October, and November) due to opposition and vetoes by China and Russia, the US, Japan, and South Korea strengthened their security cooperation. The US and South Korea agreed to strengthen US extended deterrence through nuclear, conventional, and missile defense (US-South Korea summit meeting in May) and, in August and October, they conducted joint military exercises on an expanded

scale. In addition, the three countries have not only sent political messages by emphasizing coordination at the summit and foreign ministerial levels in response to provocations, but have also formulated a policy of strengthening military responses, such as conducting prompt missile launch tests and joint drills. In particular, the first large-scale exercises by the US-South Korea Combined Division were held in August, and in September, joint US-Japan-South Korea anti-submarine warfare drills were conducted for the first time in five years, clearly showing a visible stance of bolstering bilateral and trilateral military coordination against North Korea.

Perspective

As the US-China confrontation over Taiwan deepens, the Biden administration is seeking to manage the confrontation, but it is unlikely that China will show interest in managing the conflict with the US as the US Congress moves to support Taiwan in a bipartisan manner. The US faces the dilemma that the more it increases its own support for Taiwan, the more China will increase its military pressure on Taiwan. In particular, the FY2023 National Defense Authorization Act included up to \$10 billion in military assistance to Taiwan over five years and the annual dispatch of US government officials to Taiwan to strengthen US-Taiwan defense ties. Although analyses by US intelligence agencies have concluded that President Xi Jinping has not decided on an armed invasion of Taiwan and still prioritizes unification by nonmilitary means, deterrence signals need to be strengthened to prevent China from deciding that an armed invasion would be successful.

Deepening strategic coordination between China and Russia could make the defense of the Senkaku Islands and US-Japan operations in a Taiwan contingency more difficult. Although it is unlikely that Russian forces would directly participate in a Senkaku or Taiwan contingency and support Chinese forces, it is necessary to prepare for Russian military provocations in the Sea of Japan and around Hokkaido while Japan and the United States conduct operations around the Nansei Islands and Taiwan.

While keeping a close eye on the situation in Ukraine, North Korea is likely to further strengthen and diversify its nuclear capabilities, including through conducting its seventh nuclear test, to enhance its ability to attack US forces in South Korea and Japan, Guam, and the US mainland in an attempt to break up the Japan-US/US-ROK alliance. In addition, provocations over the Northern Limit Line (NLL) have resumed, and there is concern that the situation may worsen due to a perception of superiority over the South due to nuclear capabilities. Although cooperation among the US, Japan, and South Korea to deter North Korea has made progress, there are still many issues of defense cooperation that need to be addressed between Japan and South Korea, such as the reactivation of the Japan-ROK General Security of Military Information Agreement (GSOMIA) and the conclusion of the Acquisition and Cross-Servicing Agreement (ACSA). ■

Section 3 The Indo-Pacific in an era of economic security

In recent years, natural disasters, infectious diseases, US-China competition, and Russia's invasion of Ukraine have changed the course of the way supply chains have developed across borders. The year 2022 continued to see supply chain disruptions due to the pandemic, and the Chinese government's zero-COVID policy led to the lockdown of Shanghai City for two months from the end of March 2022, causing a slowdown in production activities and international logistics. In addition, Russia's aggression against Ukraine, which has been ongoing since February 24, has caused instability in energy, food, and other supplies, while at the same time revealing the risks of economic interdependence through the imposition of economic sanctions against Russia, mainly through coordination at the G7, and Russia's countermeasures (see Chapter 2, Section 2). Furthermore, China's military exercises around Taiwan in response to US House Speaker Pelosi's visit to Taiwan in August reminded us of the risk of a maritime blockade against Taiwan and the resulting disruption of supply chains.

Against this backdrop, governments around the world began to formulate institutions and support measures to strengthen supply chains. One of the aims is to ensure the stable supply of critical materials and other products that could have a profound impact on people's lives and the economy. In addition, the efforts to establish various international frameworks to promote cooperation among allies and partners have been accelerated. However, these measures could also lead to fragmentation of the global market and inefficient resource allocations. Therefore, it is important to maintain and develop a free and open trading system while at the same time ensuring the stability of critical supplies and other resources.

Toward an era of friend-shoring

Globalization thrived on international economic interdependence, which developed significantly after the end of the Cold War, has recently come under reconsideration from a security perspective. For example, diversification and restructuring, including reshoring of supply chains presently stretched across national borders, began to be pursued. In addition to the multilateral free trade regime underpinned by the World Trade Organization (WTO) and other institutions, there is also a movement to establish frameworks consisting of security allies and partners.

Believing it should reduce its dependence on China and other geopolitical competitors with regard to critical supplies, the US has been accelerating its move toward "friend-shoring," which the Biden administration has been emphasizing to strengthen supply chains through cooperation with allies and like-minded countries. In the process of restructuring supply chains for critical products, the US has sought out collaboration with allies and partners while at the same time concretizing measures to keep China out of these supply chains. Measures to strengthen supply chains have been put in place to support

various sectors, primarily aimed at advancing domestic investment. Specifically, Congress authorized \$50 billion in investments in the semiconductor industry for domestic manufacturing and R&D related to the US government's efforts to bring Taiwan Semiconductor Manufacturing Company (TSMC) and Samsung semiconductor plants to the US (CHIPS Act). On the other hand, the CHIPS Act restricts semiconductor companies that received federal subsidies to invest in advanced semiconductor projects or build new fabs in China for 10 years (guardrail provision). In addition, the US Department of Energy decided to invest \$7 billion in infrastructure to establish domestic supply chains for storage batteries.

Strengthening international partnerships for economic security

Generally said, the Biden administration is more focused on working with allies and partners than the previous Trump administration. As the Biden administration entered its second year, the substance of international collaboration in areas related to economic security such as supply chain resilience, data governance, export controls, and investment screenings gradually became clear.



U.S. Secretary of State Antony Blinken and Commerce Secretary Gina Raimondo participate in a family photo with Japan's Foreign Minister Yoshimasa Hayashi and Koichi Hagiuda, Japan's Minister of Economy, Trade, and Industry, during the U.S.-Japan Economic Policy Consultative Committee (EPCC) at the State Department in Washington, U.S., July 29, 2022. REUTERS/Tom Brenner/Pool (United States)

Several new frameworks in the Indo-Pacific region were launched in 2022. Between

Japan and the US, it was agreed at the Japan-US Summit in May 2022 to launch a new Japan-U.S. Economic Policy Consultative Committee (the Economic “2+2”). The Economic 2+2 is a framework in which ministers in charge of the economy and foreign affairs discuss economic and security issues in an integrated manner, aiming to maintain and strengthen a rules-based free and open international economic order and to strengthen cooperation in economic security areas such as export control, international standards, supply chain resilience, and technology investment (including R&D for next-generation semiconductors). The Economic 2+2 meeting held in July discussed (1) achieving peace and prosperity through a rules-based economic order, (2) countering economic coercion and unfair and opaque lending practices, (3) promoting and protecting critical and emerging technologies and critical infrastructure, and (4) strengthening supply chain resilience.

At the Japan-US-Australia-India (Quad) Summit held in Japan the day after the Japan-US Summit in May, the leaders discussed economic security areas such as sharing threat information to strengthen

cybersecurity, harmonizing basic software security standards in government procurement, establishing international standards for critical technology supply chains such as semiconductors, and holding forums for industry partnership building. Furthermore, the Quad, as an advocate for the principles of quality infrastructure investment agreed at the G20, will also work to promote debt sustainability and transparency by providing capacity-building support to countries that need to address their debt problems. In addition, the Quad Climate Change Adaptation and Mitigation Package (Q-CHAMP) was launched with the aim of providing more than \$50 billion in infrastructure assistance and investment in the Indo-Pacific region over the next five years.

The day after the Japan-US summit, the US government announced in Japan the launch of the Indo-Pacific Economic Framework (IPEF), which consist of 14 countries, including South Korea and Southeast Asian countries in addition to the Quad members. The IPEF covers four areas: trade, supply chains, infrastructure/decarbonization, and taxes/anti-corruption. A ministerial meeting was held in Los Angeles in September, where it was agreed to formally enter into negotiations, and specific items in each area were announced in a ministerial statement. While India will not participate in the trade area, the other participating countries have expressed their willingness to participate in all four areas. The IPEF has significance as a framework for the US to engage the Indo-Pacific region economically after the US withdrawal from the TPP. However, the challenge is how much incentive can be given to developing countries in particular in a framework that does not involve market access through reduced tariffs on goods.

Regarding the possibility of Taiwan's participation in the IPEF, some believed that, if Taiwan joined the IPEF, some Southeast Asian countries which have strong economic ties to China and are concerned about China's opposition to Taiwan's membership might not participate in the IPEF. In the end, Taiwan's participation in the IPEF was not realized, but the "U.S.-Taiwan Initiative on Trade in the 21st Century," a consultative body to strengthen economic ties between the US and

Taiwan, was launched. The Initiative was seen as an alternative to the IPEF and covers 11 areas, including



U.S. President Joe Biden and Japan's Prime Minister Fumio Kishida listen to other leaders joining the Indo-Pacific Economic Framework for Prosperity (IPEF) launch event virtually, at Izumi Garden Gallery in Tokyo, Japan, May 23, 2022. REUTERS/Jonathan Ernst (Japan)

trade facilitation, digital trade, and the elimination of forced labor in supply chains.

China has voiced criticism of such moves toward alignments, saying that it goes against the trend of economic globalization. Meanwhile, after Lithuania allowed Taiwan to open a representative office in August 2021, China imposed trade restrictions on imports from Lithuania and the use of Lithuanian-made components. The EU brought the issue to the WTO process in January. China has also been exercising economic coercion against Taiwan, imposing restrictions on food imports and exports after House Speaker Pelosi's visit to Taiwan in August.

Japan's efforts

Against the backdrop of the friend-shoring movement represented by the restructuring of supply chains in the Indo-Pacific region and international security trends in the region and beyond, the public and private sectors in Japan have been working together on economic security measures. Policy initiatives to secure critical goods and strengthen supply chains are being institutionalized through the Economic Security Promotion Law enacted in May 2022. The Act consists of four pillars: (1) a system to ensure stable supplies of critical materials, (2) a system to ensure stable provision of services using critical infrastructure, (3) a system that supports the development of critical technologies and (4) a secret patent system. Of these, policies related to (1) and (3) have already been implemented ahead of the other two systems.

In particular, with regard to semiconductors, which was designated as a critical good, it was decided in June to offer a subsidy of approximately 480 billion yen to have Taiwan's TSMC set up a plant in Japan, and it was announced in November that a subsidy of 70 billion yen had been approved for Rapidus, a new company established by eight Japanese companies with the aim of developing a mass-production center for next-generation semiconductors. In addition, following the Japan-US Economic 2+2 agreement in July, the Leading-edge Semiconductor Technology Center, a research and development center for the realization of mass production technology for next-generation semiconductors, was established in November. The center aims to establish an open R&D platform that will collaborate with relevant overseas organizations, including the National Semiconductor Technology Center (NSTC) to be established under the US CHIPS Act.

Japan is also pursuing international collaboration in the field of economic security with Indo-Pacific countries other than the US. For example, in October, a partnership on critical minerals was signed between Japan and Australia that will promote cooperation between the two countries to develop Australia's domestic critical minerals industry and to secure mineral resources needed in Japan. It was also announced that a dialogue on economic security among the governments of Japan, the US and

South Korea would be launched after their Trilateral Summit Meeting in November. Although there are some issues that need to be addressed with regard to the three-party economic security dialogue, such as the fact that the specifics of the dialogue have not yet been clarified, it can be seen that international economic security platforms in the Indo-Pacific region are being developed.

Perspective

Global economic circumstances have transitioned from the era that enjoyed a free trading system centered on the WTO and various free trade agreements enabling supply chains to develop remarkably in tandem with the end of the Cold War, to a new era of economic security against the backdrop of great power competition and heightened geopolitical risks due to Russia's invasion of Ukraine. Against this backdrop, countries in the Indo-Pacific are facing challenges to deal with the trade-offs between strengthening alignments on economic security and maintaining the free trade regime.

Furthermore, as countries become increasingly interdependent through supply chains that stretch around the world, any disruption in supply chains becomes a challenge that directly affects the economic activities and livelihoods of their citizens. In this regard, the friend-shoring promoted by the Biden administration also has its challenges. First, the IPEF participating countries have different positions on China. The possibility that differences in the perceptions and approaches of each country toward China could act as a diffusive force in the friend-shoring cannot be dismissed. In such a case, Japan will need to take measures to reduce such a diffusive force in cooperation with its allies and partners such as the US. It has also been pointed out that various policies for friend-shoring may conflict with existing international rules such as those of the WTO. Surely, there should be no undermining of the good faith implementation of international rules. On the other hand, new international rules and norms will be required to deal with issues that cannot be addressed by the existing international trade regime. In order to promote such efforts, Japan is expected to advance its economic security policy in the Indo-Pacific region through alignment with allies and partners as well as public-private cooperation. ■