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Issue Brief

Japan and US–China Strategic Competition: Alliances and Alignments

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S*ummary*

Prime Minister Kishida Fumio gave a resolute call for pursuing “realism diplomacy for a new era”, anchored on three pillars: advancing universal values, resolving global challenges and defending the Japanese people. As Tokyo balances its national interest amid intense US–China strategic competition, the central question preoccupying the mind-space of policy elites is how to optimise security insurances vis-à-vis Washington and economic dividends vis-à-vis Beijing within the frame of “realism diplomacy for a new era”. A closer look reflects more continuity, rather maturity of some of the key policies sowed during the Abe Shinzo administration, focussing on external and internal balancing—buttressing national strength and bolstering deterrence, and reinforcing alliances.

The year 2022 may shake up East Asia as the regional security situation remains fluid. As an important theatre of US–China strategic competition, observers are critically analysing how China postures on Taiwan ahead of the 20th National Congress of the Communist Party of China (CPC)? What are the implications for Inter-Korea relations and the larger denuclearisation of Korean Peninsula following a change of political guard in Seoul? How Japan emboldens its role in East Asian security within the plank of positive pacifism as it revises the National Security Strategy (NSS), something that will inevitably draw reactions from neighbours and regional stakeholders. Pyongyang’s relentless pursuit of nuclear and missile technology in violation of United Nations Security Council (UNSC) sanctions and the issue of sequencing has derailed the goal of denuclearisation. Meanwhile, Beijing’s power projection in the near-seas region including the South China Sea, East China Sea and Taiwan Strait, unilaterally challenging the status quo and maritime order has kept regional security on the edge and any miscalculation or adventurism may prove costly.

Additionally, broader issues including the effectiveness of Washington’s leadership and credibility, as tested in Afghanistan and now the developing situation in Ukraine are being debated. The potency of American regional alliance system with regard to defending the rules-based liberal order on the one hand, and the maturity of a potential China–Russia alignment on the other will be at play in shaping the geopolitical and geo-economic landscape of the Indo-Pacific. Amid intensified geopolitical tensions in the Indo-Pacific, a web of expansive security structures is at play—whether it is putting in place the US–UK–Australia pact called AUKUS and Japan–Australia Reciprocal Access Agreement, reinforcing existing structures like the Quad and the Five Eyes, or Europe’s deeper embrace of the Indo-Pacific. Furthermore, the conversation on economic security amid Beijing’s deeper economic integration with US allies through Regional Comprehensive Economic Partnership (RCEP) is also a space to watch.

As a decades-old US security ally and an Asian economic force, Japan’s centrality in upholding a rules-based regional order has become more pronounced and definitive. Prime Minister Kishida Fumio gave a resolute call for pursuing “realism diplomacy for a new era”,¹ anchored on three pillars: advancing universal values, resolving global challenges and defending the Japanese people. As Tokyo balances its national interest amid intense US–China strategic competition, the central question preoccupying the mind-space of policy elites is how to optimise security insurances vis-à-vis Washington and economic dividends vis-à-vis Beijing within the frame of “realism diplomacy for a new era”. As Tokyo engages in shaping a favourable balance of power and order in the Indo-Pacific, how strategically innovative and politically effective is Prime Minister Kishida’s “realism diplomacy for a new era”? A closer look

¹ **“New Year’s Reflection by Prime Minister KISHIDA Fumio”**, Prime Minister of Japan and His Cabinet, 1 January 2022.

reflects more continuity, rather maturity of some of the key policies sowed during the Abe Shinzo administration, focussing on external and internal balancing—buttressing national strength and bolstering deterrence, and reinforcing alliances.

Being one of the most consequential architects of the Free and Open Indo-Pacific (FOIP) vision, Japan has started the year on a strong foot. Japan is shoring up alliances and deepening strategic alignments—advancing practical cooperation with the Quad, Association of Southeast Asian Nations (ASEAN) and European powers. It has been a busy start to the year—signing of the Reciprocal Access Agreement (RAA) with Australia, the US–Japan summit meeting, forging greater coordination with regard to denuclearisation of the Korean Peninsula, Taiwan contingency, and deterring Russian aggression against Ukraine. Additionally, Tokyo committed to co-creating ASEAN’s future by launching the Asia–Japan Investing for the Future Initiative. Advancing the goal of realising the FOIP, the momentum on 2+2 dialogues remained high including with France and the US. Furthermore, Tokyo bolstered India–Japan cooperation in the Bay of Bengal in pursuit of preserving a rules-based maritime order.

Meanwhile, strategists are keeping a sharp eye on how Kishida’s China policy is evolving. Interestingly, to consolidate his political power, Kishida has to balance his political allegiance with the relatively “dovish” philosophy of the Kochikai factional legacy with the relatively more conservative factions² within the ruling Liberal Democratic Party (LDP) on the one hand, and the pacifist coalition partner, Komeito on the other.³

Maturing Alliance and Alignments

Japan–Australia Reciprocal Access Agreement (RAA): In early January, Japan–Australia signed the pivotal RAA, which is the second such arrangement that Tokyo has agreed to, besides with the Americans. It not only demonstrates “deep substance” anchored on shared strategic outlook but also indicates that American allies are doubling down in exerting effective influence in shaping regional security, which is likely to keep the US engaged in the Indo-Pacific.⁴ Additionally, there are arguments favouring building actual operational capabilities between the “spokes” (part of the American post-war hub and spoke alliance model) which will complement American forces that remain overstretched.⁵ RAA will be a force multiplier in advancing US–

² Satoshi Sugiyama, “[How Kishida's Political Journey Has Shaped His Views on China](#)”, *The Japan Times*, 3 January 2022.

³ Tobias Harris, “[The Small Pacifist Party That Could Shape Japan’s Future](#)”, *Foreign Policy*, 4 November 2021.

⁴ Peter Jennings, “[Deeper Ties with Japan Send Strong Message to China](#)”, Australian Strategic Policy Institute, 4 January 2022.

⁵ Grant Newsham, “[Japan–Australia Defence Deal Opens Up Opportunities for Closer Cooperation](#)”, *The Strategist*, Australian Strategic Policy Institute, 17 January 2022.

Japan–Australia trilateral defence cooperation. As Japan–Australia RAA defines an expansive practical cooperation with regard to accessing military facilities, landing rights, logistics support, and legal regimes and so on, there is intensified discussion in Tokyo on using this template for future RAAs, probably with European powers in the near future. The conversation on utilising the Japan–Australia RAA to develop expertise and expand cooperation with Southeast Asian powers is also maturing.

AUKUS and Quad: Earlier Japan has extended support to the AUKUS owing to the strategic implication it holds for Indo-Pacific security, mainly in Western Pacific.⁶ AUKUS creates more space for an expanded role for the UK in taming the Indo-Pacific waves. There is a school of thought which argues that in the backdrop of US–China submarine tally, and Japan’s own plans for building and deploying submarines, Australia’s decision to build nuclear submarines and if they decide to deploy a few in key theatres for instance the South China Sea or somewhere closer to Taiwan, would help in maintaining the strategic balance. Furthermore, AUKUS may enable Canberra to have the repair and maintenance capacity vis-à-vis nuclear submarines in the coming decades.⁷

Though the initial conversation on AUKUS pitted it against the Quad, however, both are complementary in maintaining the strategic balance in the Indo-Pacific. While Quad remains focussed on delivering global public goods, AUKUS is anchored on military technology.⁸ Japan envisions a cooperative role within the AUKUS framework with respect to artificial intelligence, cyber-security and quantum technologies.⁹ But some argue that AUKUS underscores the uneasy reality that US, UK and Australia being part of the elite Anglo-Saxon intelligence-sharing alliance of the Five Eyes, has made Japan realise that the overall level of trust in intelligence domain needs some more work.¹⁰

Meanwhile, Quad has emerged front and centre in Tokyo’s strategic calculus. Quad has gained strategic heft as it works on a positive and productive memo in shaping the post-COVID strategic balance. As the Foreign Minister’s meet in Australia this week in the run up to the Quad Leaders’ Summit in Tokyo, the aim is to balance values and strategies as fellow democracies bring to bear collective capacities and deliver on the shared responsibility of securing the rules-based order. The primary focus is to offer global public goods, be it through the Quad Vaccine Partnership or de-risking high-tech supply chains through supporting secure telecommunications

⁶ Nobukatsu Kanehara, **“AUKUS and Japan”**, AJISS Commentary No. 291, The Japan Institute of International Affairs, 9 December 2021.

⁷ **“Defence Committee: Oral Evidence: The Navy: Purpose and Procurement HC 168”**, Ordered by the House of Commons, UK Parliament, 21 September 2021.

⁸ Ibid.

⁹ Jack Norton, **“Japan ‘More Than Willing’ to Help Ensure AUKUS Success”**, *The Strategist*, Australian Strategic Policy Institute, 12 November 2021.

¹⁰ Tsuruoka Michito, **“Japan’s Ambivalent AUKUS Response”**, *The Diplomat*, 16 November 2021.

ecosystem, the Semiconductor Supply Chain Initiative, or addressing infrastructure financing needs and setting up a clean-hydrogen partnership.

US–Japan Alliance as a Stabiliser: Japan’s recent conversation with Washington in January, be it the Kishida–Biden virtual meeting or the 2+2 security consultative committee meeting, both underscored the alliance’s critical role in defending the rules-based liberal order. Post-War Japan has served as a stabiliser of the US-led system, aimed at shaping a favourable balance of power and order. While American extended deterrence remains “credible and resilient”, the regional security situation is intensifying with the advancement of nuclear weapons, ballistic and cruise missiles, and hypersonics. As such, Washington and Tokyo are “modernising” alliance’s roles and missions, building up joint capabilities, drawing up plans for contingencies, encompassing all facets of national power and domains (including land, maritime, air, missile-defence, space, cyber, electromagnetic spectrum).¹¹

Washington and Tokyo are aligning strategies and priorities through the impending national security strategy documents. With Tokyo’s higher commitment towards Host-Nation Support, there is a new training capability category to further fortify the alliance. To bolster alliance interoperability, the focus is on asset protection, joint intelligence, surveillance, reconnaissance (ISR) operations, and strategic messaging. The alliance is also geared towards advancing cutting-edge innovation to maintain technological superiority in artificial intelligence, machine learning and quantum computing. Cooperation in counter-hypersonic technology has been prioritised.¹²

US–Japan Alliance and Taiwan: The altering military balance in the Western Pacific and the conversation on “pushing back” against Chinese ambitions and activities gained traction at the US–Japan meeting.¹³ Taiwan has been mainstreamed in the security discourse, and discussion on the value of strategic ambiguity as opposed to strategic clarity has gained traction not just in the US, but also in Japan, given its proximity to Okinawa. Additionally, the sentiment of solidarity towards Taiwan as a fellow democracy has also gained currency.¹⁴ A conventional war on Taiwan is an impractical idea, and China’s manoeuvres mostly remain a pressure tactic. Nevertheless, there is an emerging view that invasion of Dongsha Islands positioned in the South China Sea and controlled by Taiwan may be a possibility.¹⁵ Thus, the US–Japan alliance has reportedly drawn up joint

¹¹ **“Joint Statement of the U.S.-Japan Security Consultative Committee (“2+2”)”,** U.S. Department of State, 6 January 2022.

¹² Ibid.

¹³ **“Readout of President Biden’s Meeting with Prime Minister Kishida of Japan”,** The White House, 21 January 2022.

¹⁴ Kenneth R. Weinstein, **“Transcript: The Transformation of Japan’s Security Strategy”,** Hudson Institute, 30 June 2021.

¹⁵ **“Security Risks and Crisis Management in East Asia: Three Questions to Tetsuo Kotani”,** Interview, Institut Montaigne, 6 April 2021.

operational plans focussing on a possible Taiwan contingency.¹⁶ Augmenting missile defence capabilities and deploying medium-range missiles on the first island chain, in addition to strengthening joint training and exercises are important.¹⁷ The revised NSS and US–Japan Defence Guidelines will effectively capture the progress in this regard.

US–Japan Alliance and North Korea: Denuclearisation of the Korean Peninsula is a monumental challenge in determining Northeast Asian security. The Peninsula remains a contested theatre for major powers with competing geo-strategic interests. While Washington’s urgency is to realise denuclearisation and deny Beijing the option of using Pyongyang to pursue its larger strategic goals, China’s key interest is to preserve a stable external environment on the Peninsula by avoiding an armed conflict on the one hand and keeping regime stability on the other. It is important to note that the North Korean challenge is a litmus test for Beijing. How effectively China succeeds in safeguarding the interests of its only treaty ally with whom it fought the Korean War will be important in defining Beijing’s global standing.¹⁸ Adding to the regional fluidity is the discussion on end of war declaration and replacing the armistice regime, which provokes a larger discussion on the future of the existing Cold War structures in the Peninsula, and the relevance of the US–South Korea alliance.¹⁹

Japan has high stakes in the stability of Korean Peninsula. The third pillar of Kishida’s realism diplomacy underscores defending Japan, and as such debating realistic options, including possessing “enemy base attack capability”, revising key security documents and reinforcing deterrence through a supplementary budget. With the escalation of tensions with repeated missile launches by Pyongyang in violation of UNSC resolutions, Japan is focussed on sustaining constructive trilateral cooperation with the US and South Korea. Political, diplomatic, and military coordination within the US–Japan alliance, and Seoul bilaterally as well as trilaterally remains a priority. In this context, Tokyo and Seoul may have to work harder in repairing their bilateral relations, which remained strained in recent years owing to escalating tensions over history issues.

US–Japan Alliance and Economic Security: In the post-pandemic policy conversation, economic security features as a dominant theme in the policy conversations as the US–China contest over trade and technology intensified.

¹⁶ “Japan, U.S. Draft Operation Plan for Taiwan Contingency: Sources”, *Kyodo News*, 23 December 2021

¹⁷ Tetsuo Kotani, “The New Taiwan Clause: Taiwan and the Security of Japan”, JIIA Strategic Comments, 1 June 2021.

¹⁸ Ferial Saeed, “What Will North Korea Negotiations Mean for the US-China Balance Of Power?”, *War On the Rocks*, 26 July 2018.

¹⁹ Titli Basu, “Introduction: Mapping the Korean Conundrum”, in Titli Basu (ed.), *Major Powers and the Korean Peninsula: Politics, Policies and Perspectives*, KW Publishers, New Delhi, 2019, pp. 1–22.

COVID-19 pandemic has further underscored the urgency of creating solutions as tech supply chains are game-changers and are situated at the heart of shaping the power balance. The priority is to map vulnerabilities and control chokepoints in supply chains, particularly semiconductors, advanced batteries, rare earth and strategic minerals and pharmaceuticals.²⁰ In this regard, the US and Japan have conceived the Competitiveness and Resilience (CoRe) Partnership, jointly pledging US\$ 4.5 billion in advancing beyond 5G solutions. Japan is aligning its economic security policies with Washington and has conceived several key initiatives, including the newly launched Economic Policy Consultative Committee at ministerial-level (the Economic “2+2”) with the objective of consolidating cooperation on supply chains, advancing tech investments and defining standards.²¹ The US and Japan are also working in tandem with the Quad partners, including India and Australia, on critical and emerging technologies. In this regard, cooperation with other democracies like Taiwan and South Korea needs to be nurtured.

Competing Visions of Regional Order vs Complementary Economics

Kishida’s China policy is in making. Balancing Japan’s national interest in the US–China–Japan triangle constitutes one of the most challenging tasks given the competing visions on regional order. Beijing’s rise in the international order and the US–China strategic contest at the global level, and the China–Japan competition at the regional level has made policy elites in Tokyo debate key strategic choices in pursuit of the national interest. Delivering his Policy Speech at the Diet, Kishida demonstrated a pragmatic approach as 2022 marks the 50th anniversary of the normalisation of China–Japan diplomatic relations. He argued that while Japan “will say what needs to be said” and strongly urge “China to act responsibly”, it will “properly continue dialogues on outstanding issues of concern, and cooperate on matters of common interest, and aim to build constructive and stable relations.”²²

LDP’s Kochikai faction has a history of playing a constructive role in enabling Chinese economic prowess.²³ Nevertheless, as much as Kishida is proud of the Kochikai’s history and his predecessors’ endeavours to build amicable ties with Beijing, he has hands-on experience in dealing with the China challenge as the Foreign Minister under the value-driven Abe administration. The first pillar of Kishida’s “realism diplomacy for a new era” underscores the vitality of universal

²⁰ **“Japan’s Economic Security Strategy in the New Era”**, Sasakawa Peace Foundation USA, 9 July 2021.

²¹ **“Readout of President Biden’s Meeting with Prime Minister Kishida of Japan”**, The White House, 21 January 2022.

²² **“Policy Speech by Prime Minister KISHIDA Fumio to the 208th Session of the Diet”**, Prime Minister of Japan and His Cabinet, 17 January 2022.

²³ Satoshi Sugiyama, no. 2.

values and principles of freedom, democracy, human rights and the rule of law. As such, showcasing stronger leadership on human rights, Kishida appointed former Defence Minister Gen Nakatani as a special adviser on human rights issues, and the Lower House has adopted a resolution in early February expressing concern over the human rights situation in Xinjiang Uygur Autonomous Region, and the Tibet Autonomous Region.²⁴

Kishida in his autobiography has mentioned China as undeniably the most difficult power to negotiate with. To maintain a favourable military balance, Tokyo is sharpening the operational teeth of the US–Japan alliance and shoring up deterrence. But the potency of Chinese economy makes it an indispensable player in Japan’s post-pandemic economic growth as Japan struggles through the existing challenges of demographic dilemma, low productivity and relatively sluggish embrace of digitalisation. While economic security is a top priority amongst Japanese policy elites and an important component of Kishida’s “new form of capitalism”, a recent survey captured the dilemma of Japanese businesses, caught in the high-politics of US–China competition. Private businesses expect leaders to advance relations not just with the US but stabilise relations with China as well, and craft sharp policies promoting competitiveness, and balance economic security and corporate profits.²⁵

By some estimates, South Korea and Taiwan are set to surpass Japan in terms of GDP per capita by the end of this decade.²⁶ Japanese businesses are aware that in the medium to long term, they will have to navigate US–China strategic competition, trends of economic nationalism and stricter economic security regulations. Symbolic of Japanese corporate sentiments, top CEOs opt to stay “neutral” between Beijing and Washington and hesitate to play the game of demonstrating “allegiance”.²⁷

Geo-economically, Japan has championed free trade. Tokyo has demonstrated strategic foresight by leading the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) without Washington and concluding RCEP without India as it aims to actively engage in shaping the regional economic architecture since mega-free trade agreements are strategic tools employed in great power competition. As Japan aims to rejuvenate the pandemic-hit economy, a report by the United Nations Conference on Trade and Development (UNCTAD) in December 2021 argued that Japan would gain the most from RCEP’s tariff concessions, owing to trade diversion effects and its annual exports are estimated to increase by about US\$ 20 billion, or 5.5 per cent compared to 2019 exports to RCEP members

²⁴ **“Japan's Lower House Adopts Resolution on China's Human Rights”**, *NHK*, 1 February 2022.

²⁵ Mariko Togashi, **“Firms See U.S.-China Tensions as Economic Security Threat, Survey Shows”**, *The Japan Times*, 11 January 2022.

²⁶ Keita Nakamura, **“South Korea and Taiwan Expected to Top Japan in GDP Per Capita in 2027 and 2028”**, *The Japan Times*, 16 January 2022.

²⁷ Keiichi Furukawa, **“Uniqlo Won't Choose Between U.S. and China, CEO Says”**, *Nikkei Asia*, 30 December 2021.

countries.²⁸ Another recent survey reflects that Japanese executives hold a positive and favourable approach towards RCEP since the lure of Chinese market remains consequential for their companies.²⁹

Currently, Washington lacks an economic and trade strategy and is absent from East Asian multilateral economic agreements, which in turn restricts the latitude to influence the course of regional trade policy and to keep pace with technological developments.³⁰ While Japan has invested political and diplomatic capital in convincing Washington to return to CPTPP, Tokyo has maintained a positive attitude towards President Joe Biden’s Indo-Pacific Economic Framework, encompassing digital trade, supply chain resiliency, clean energy and infrastructure.

Kishida’s Way Ahead

While it is premature to analyse Kishida’s “realism diplomacy” with only a few months into office, the early trends do indicate a broad continuity in Japan’s strategic calculations and policy direction. Some of the key policy conversations in Tokyo today, whether on strengthening deterrence, enemy-base strike capability, defence budget or economic security predates the Kishida administration. While modernising the US–Japan alliance remains at the heart of Japan’s strategic calculations, Tokyo is continuing to deepen strategic alignments with key Indo-Pacific players, including Australia, ASEAN, Quad and European powers, employing a full spectrum politico-economic, security and diplomatic instruments in order to shape a favourable Indo-Pacific Order. Tokyo’s “realism diplomacy” will aim to shore up the US-led regional order as it served Japan’s national interests effectively in the post-War decades. Kishida’s China policy in the coming months will be determined by tactical calculations as Japan remains fundamentally opposed to the emergence of a China-centric regional order.

The deliverables of “realism diplomacy” will be contingent on a stable domestic political landscape. In the immediate future, Kishida’s litmus test will be on three verticals: effective health governance as Japan battles the Omicron variant, reviving the economy and maximising the dividends of his “new capitalism”, and maintaining a favourable power balance in LDP’s murky factional politics, especially the push and pull between him and the veteran Abe Shinzo³¹, who has taken charge of the biggest faction—the Seiwa Seisaku Kenkyukai—in the run up to the Upper House election this summer.

²⁸ **“A New Centre of Gravity–The Regional Comprehensive Economic Partnership and its Trade Effects”**, United Nations Conference on Trade and Development (UNCTAD), 2021.

²⁹ **“RCEP Stirs Higher Hopes for Japan than China or South Korea: Poll”**, *Nikkei Asia*, 14 January 2022.

³⁰ **“Biden Administration Signals Plans for an Indo-Pacific Economic Framework”**, Congressional Research Service, United States Congress, 2 December 2021.

³¹ Eric Johnston, **“Growing Friction Between Kishida and Abe Could Mean Turbulence for LDP in 2022”**, *The Japan Times*, 30 December 2021.

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