



## Japan's Leadership in a GZERO World

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In the G-Zero world that I have described, Japan faces unique challenges and opportunities.

### Challenges

While the United States and China are not headed toward a cold war—decidedly welcome news for Japan—their growing rivalry requires that Japan strike a careful balance between its primary security ally and its closest economic partner.

This does not mean that Japan must balance toward China. In fact, in many ways Japan is deepening its alignment with Washington in the great power contest:

- Japan is stepping up its role as the indispensable security partner in Asia. Former Prime Minister Abe began championing a “Free and Open Indo-Pacific” as early as 2016, years before the US adopted the construct. Since then, the country has become an active participant in the Quad, become a more vocal defender of Taiwan, and increased engagement with Taipei, all while deepening defense cooperation with countries in Europe and Southeast Asia.
- Japan is increasingly taking up the US mantle in balancing China economically. This can be seen in its role as the de facto leader of CPTPP, where Tokyo remains the largest economy. Whereas other members such as Malaysia and Singapore have indicated their support for China’s bid to join the trade pact, Tokyo is quietly trying to keep Beijing out while encouraging the applications of Taiwan and other friendly partners such as the UK and South Korea.
- Prime Minister Kishida’s elevation of “economic security” to a ministerial portfolio signals that Tokyo will act to limit Japanese technology transfer to China, secure supply chains for crucial intermediate goods, and fortify key domestic industries such as semiconductors. It is no accident that Taiwan Semiconductor Manufacturing Company (TSMC) chose Japan to build a new USD 8 billion plant, as Tokyo looks set to foot at least half of the construction costs.
- Japan’s effective ban of Huawei from its mobile networks aligns Tokyo with Washington in opposition to Beijing’s weaponization of its national champion tech firms. Japan has also increased efforts to protect sensitive company and individual data in Japan from flowing to China. Partly in response to China’s increasingly draconian control of data flows, Japan’s government has tightened regulations that require Japanese companies to disclose both where their data is transferred overseas and how data management rules in these countries differ from those in Japan.

- Prime Minister Kishida's naming of former Defense Minister Nakatani as his special advisor on international human rights issues indicates Japan's growing diplomatic alignment with the US and Europe. Nakatani has been a vocal critic of China in the past and has pushed to enact a law that would allow the Japanese government to impose sanctions on foreign government officials engaged in human rights abuses.
- Japan also continues to boost its development aid and focus its spending on countries in Asia and Africa, where it competes with Chinese financing, while holding back from joining the China-led Asian Investment and Infrastructure Bank (AIIB). In the climate diplomacy front, Prime Minister Kishida announced an additional USD 10 billion at COP26 to help poorer Asian economies achieve their zero emissions targets, which comes on top of USD 60 billion in existing Japanese commitments toward overseas climate financing.

But it also does not mean that Japan will hitch its foreign policy uniquely to Washington. Even as it deepens its alignment with the US and limits its exposure to China, Japan has neither the need, the desire, nor the ability to confront China (or, for that matter, Russia) as forcefully as the United States. Tokyo's reluctance to antagonize Beijing owes as much to China's overwhelming and unsurmountable military superiority as it does to Japan, Inc.'s acute economic dependence on China, which dwarfs the US as a trading and manufacturing partner. This restraint even extends to Chinese incursions into Japanese airspace and territorial waters, most brazenly in October when Chinese and Russian ships sailed side-by-side through the Japan strait.

Look no further than the people surrounding Prime Minister Kishida to see Tokyo's necessary caution in practice. Kishida's special advisor on human rights, Gen Nakatani, recently toned down his criticism of China after receiving pushback from Japanese industry, which stands to lose a great deal by provoking China. And Foreign Minister Hayashi was chosen in part because of his ability to deal with Beijing amicably. He only recently stepped down as head of the Japan-China Friendship Parliamentarians' Union and has called for stable ties with China based on "responsible behavior."

## Opportunities

Our G-Zero world poses difficult challenges for your country, but it also creates space for a more global Japan to offer the world much-needed leadership in the wake of Washington' and Beijing's inward turn.

To seize this opportunity, I believe Japan should continue on its current path but think bigger in five areas:

- In security, Japan should continue to deepen cooperation with the US and the Quad while broadening its partnerships in Southeast Asia and Europe. To enhance the alliance's capabilities and achieve greater burden-sharing balance, Japan should also aim to increase its combined spending on defense and foreign aid to 3% of GDP and encourage like-minded partners to follow suit.
- In economics, Japan should continue to lead the CPTPP while promoting admission of like-minded partners and insisting on high standards for membership. To that end, it should lean on the US to join piecemeal multilateral components of the agreement (like on data and climate standards).

- In economic diplomacy, Japan should work with like-minded partners to offer a compelling alternative to China's Belt and Road Initiative, aiming to give developing countries access to large-scale infrastructure investment while ensuring that the resulting projects are both transparent and sustainable.
- In climate diplomacy, Japan should go beyond overseas financing and leverage its considerable expertise in civilian nuclear energy to increase poorer countries' access to this emissions-free energy source. While nuclear energy remains politically sensitive at home, that should not prevent Japan from exporting its technology know-how to less developed countries in order to ease their transition from fossil fuels to net zero.
- Lastly, in technology, Japan could play a more active role in mediating between the US and China on issues relating to the regulation of digital space—perhaps involving common standards for artificial intelligence, data sharing and storage, and intellectual property—given the extent to which Japanese firms have links to both countries' ecosystems.