

FROM THE VIEWS FROM THE NEXT GENERATION SERIES

U.S.-Japan Alliance Cooperation in the Post-Pandemic World

Edited by Yuki Tatsumi and Pamela Kennedy



Japanese
Foreign Policy

Japan Program

STIMSON

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Preface

I am pleased to present the most recent publication from the Stimson Center's Japan Program. *U.S.-Japan Alliance Cooperation in the Post-Pandemic World* is the ninth volume of *Views from the Next Generation*, a series of policy briefs that offer recommendations for the most pressing concerns that Japan and its partners face today. Four Japanese scholars contributed chapters to this volume that explore what the U.S.-Japan alliance should be in a world that is changed by the pandemic and an evolving array of challenges.

Offering Japanese perspectives on the goals of the alliance and methods of engagement, the authors delve into mechanisms for cooperation, ongoing challenges in building technology partnerships, the growing importance of economic security, and the alliance's broader role in the many organizations and fora of the Indo-Pacific region. Though the durability of the U.S.-Japan alliance speaks for itself, the authors identify areas of potential friction, evaluate the alliance's approach to its goals, and suggest improvements to ensure the effectiveness of the alliance for the years ahead. These insights are valuable for Japanese and U.S. policymakers as the security environment of the Indo-Pacific shifts, and the strength of partnerships like the alliance matter more than ever.

My gratitude goes to Yuki Tatsumi for spearheading this annual project, an important part of Stimson's work on U.S.-Japan relations. Her insights and analysis on the alliance and Japan's defense policy have secured her status as a leading expert. This volume once again shows her efforts to amplify the perspectives of emerging scholars and facilitate a productive dialogue across the Pacific. I am also indebted to Pam Kennedy for her critical support of the project.

Finally, my colleagues and I are grateful for the continued support and guidance on this project from our friends at the Embassy of Japan.

Brian Finlay
President and CEO
The Stimson Center

Acknowledgments

U.S.-Japan Alliance Cooperation in the Post-Pandemic World, the ninth volume of the *Views from the Next Generation* series, is the product of a great team effort. First and foremost, I would like to thank our contributing authors, Ms. Riho Aizawa, Mr. Ryosuke Hanada, Mr. Naritada Miura, and Mr. Ippeita Nishida, for their work. I deeply appreciate their commitment to meeting various deadlines for drafts and revisions under relatively short writing and editing schedules.

I am also grateful for the encouragement and collaboration of the Embassy of Japan since the inception of this project. This series would not be possible without their consistent support, and I very much look forward to continuing this partnership. I am especially thankful to Mr. Michiru Nishida and Mr. Takuya Nishiuchi for their support and for making the management of the project as smooth as possible.

As always, my gratitude goes to my Stimson colleagues for their support and assistance. Brian Finlay, Stimson's president and chief executive officer, continues to be tremendously supportive of the Japan Program's efforts, including this project, to broaden the intellectual exchange between American and Japanese scholars beyond familiar names and faces. I am thankful for Stimson's Communications team and our talented graphic designer Lita Ledesma, who made the publication process seamless. I am also deeply grateful to Research Analyst Pamela Kennedy and Research Interns Bradley Isakson and Dustin Hinkley for taking on the labor-intensive details of our preparation for publication.

The year 2021 was another year of confusion, uncertainty, and disruption as the world continued to grapple with the impact of COVID-19 in our lives. The challenges posed by the need for social distancing and other restriction against holding in-person meetings continued to challenge us to think creatively about how we can continue our mission. The experience in the pandemic years has only made my team and me even more committed to our efforts to not only produce our own timely analyses but also continue to cultivate the fresh perspectives of emerging security policy experts from Japan.

Yuki Tatsumi
Co-Director, East Asia Program
Director, Japan Program
March 2022

Abbreviations

5G	Fifth generation broadband cellular technology
ADMM-Plus	ASEAN Defense Ministers Meeting-Plus
AI	Artificial intelligence
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
ATLA	Acquisition, Technology, and Logistics Agency
AUKUS	Australia-U.K.-U.S. [trilateral security partnership]
BRI	Belt and Road Initiative
CATL	Contemporary Amperex Technology Co. Ltd.
COP	Conference of the Parties [to the UN Framework Convention on Climate Change]
COVAX	COVID-19 Vaccines Global Access
COVID-19	Coronavirus disease 2019, SARS-CoV-2
CoRe	Competitiveness and Resilience Partnership
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DFC	U.S. International Development Finance Corporation
DFFT	Data Free Flow with Trust
DOD	Department of Defense
ECS	East China Sea
ESCM	Economic security coordination mechanism
EU	European Union
FEFTA	Foreign Exchange and Foreign Trade Act
FM	Foreign ministers
FMS	Foreign military sales
FOIP	Free and Open Indo-Pacific
FSX	Fighter Support Experimental [aircraft]
FTA	Free trade agreement
FY	Fiscal year
G7	Group of Seven
G20	Group of Twenty
GDP	Gross domestic product
GOJ	Government of Japan
HNS	Host nation support

IPEF	Indo-Pacific Economic Framework
JPY	Japanese yen
JUCEP	Japan-U.S. Clean Energy Partnership
JUCIP	Japan-U.S. Commercial and Industrial Partnership
JUMPP	Japan-U.S. Mekong Power Partnership
JUSDEP	Japan-U.S. Strategic Digital Economy Partnership
JUSEP	Japan-U.S. Strategic Energy Partnership
JUSSTIC	Japan-U.S. Strategic Science, Technology and Innovation Council
LDP	Liberal Democratic Party
LNG	Liquid natural gas
METI	Ministry of Trade, Economy, and Industry
MOD	Ministry of Defense
MOFA	Ministry of Foreign Affairs
MOU	Memorandum of understanding
NATO	North Atlantic Treaty Organization
NEV	New Energy Vehicle
NSS	National Security Secretariat
ODA	Official development assistance
PLAN	People's Liberation Army Navy
R&D	Research and development
RCEP	Regional Comprehensive Economic Partnership
SCS	South China Sea
SDF	Self-Defense Forces
TPP	Trans-Pacific Partnership
U.K.	United Kingdom
UKUSA	United Kingdom-United States of America Agreement; the Five Eyes
UN	United Nations
UNCLOS	UN Convention on the Law of the Sea
U.S.	United States
USD	United States dollars
USFJ	U.S. Forces in Japan
USTR	U.S. Trade Representative
WTO	World Trade Organization

Introduction

YUKI TATSUMI AND PAMELA KENNEDY

More than sixty years after the signing of the security treaty, the U.S.-Japan alliance is shifting to meet the challenges of a world very different from that of 1960. The globe has been consumed by a pandemic for over two years; the climate is changing, with far-reaching impacts for billions of people around the world; trade has expanded and with it, new areas of the economy have emerged, especially digital; the Cold War ended but new threats to liberal international norms have arisen. The U.S.-Japan alliance has been a cornerstone in the Indo-Pacific region during these changes, but it has also evolved to keep pace with the times. As the pandemic moves slowly to its end, it is time to assess the alliance's goals and modes of partnership, the environment that it exists within, and the new and old challenges that it must face.

In January 2022, Prime Minister Fumio Kishida and President Joseph Biden met in a virtual meeting to reaffirm the strength of the alliance and the U.S.-Japan commitment to a “shared vision of a free and open Indo-Pacific region.”¹ The alliance has grown from a security-oriented pact with a focus on mutual defense to a partnership that encompasses regional security and prosperity, cooperation on the pandemic and climate change, commitments to stand up for human rights, and the value of cooperation with other allies and partners across the world.

The traditional security concerns that the alliance faces remain, though they are also expanding into new domains and different types of threats. The maritime security of the Indo-Pacific region's two oceans and critical sea lanes has global implications for international norms, as tensions simmer in the East and South China Seas. The rapid development of the domains of space, cyber, and the electromagnetic spectrum over the past few decades have been spurred by technological innovation in the United States and Japan, as well as by partners and competitors.

There are emerging dimensions to the challenges facing the alliance, especially economic security, which is now acknowledged as a key element of national security. With the disruption of supply chains during the pandemic, global trade and investment is in an accelerated phase of adjustment as countries attempt to diversify their trade relations. Japan itself is building a whole-of-government effort to consider economic security factors across its ministries. In addition to the supply chain issues, a clearer understanding of China's economic influence across the Indo-Pacific region has emerged over the past decade, raising concerns over the quality of investments and the extent of the accompanying political influence.

In the midst of these security pressures, there is a renewed need for the alliance to demonstrate its stabilizing role in the Indo-Pacific. The alliance has committed

to a versatile set of roles and aspirations that requires flexibility and capacity to address various issues, as well as structure and coordination to facilitate cooperation – not only between the two allies but also with other partners. If the alliance is to effectively address the broad array of security concerns in the Indo-Pacific, then it demands regular assessment of how well it implements its goals, such as through the Competitiveness and Resilience Partnership (CoRe), the Global Digital Connectivity Partnership, the U.S.-Japan Climate Partnership, and the numerous other forums for U.S.-Japan cooperation. In addition to bilateral efforts, the alliance can also continue to leverage its partnerships in the region, such as the Quad, to cooperate on shared goals.

Stimson’s Japan Program has sought the perspectives of four rising Japanese scholars to examine several aspects of alliance cooperation, including the alliance’s role in the Indo-Pacific, technology cooperation, economic security, and the Quad, and make recommendations for strengthening the alliance in the post-pandemic world. As the U.S.-Japan alliance enters a new era of recommitment, these recommendations offer insight into the ways in which the multifaceted alliance is deepening and evolving to meet the challenges of the next few decades.

In **“Reframing the Indo-Pacific and Managing Relations with Like-Minded Countries,”** Riho Aizawa (Research Fellow, National Institute for Defense Studies) argues that in response to China’s expansion of its influence throughout the Indo-Pacific, the U.S. and Japan should reframe the region into six smaller and more manageable sub-regions to better increase coordination with the growing number of security-related actors in the region. Despite the close cooperation between the U.S. and Japan and their allies, Aizawa notes that the goals and priorities shared between like-minded countries have become less clear as security issues have intensified and the number of actors in the region has increased. To strengthen the FOIP vision in the region, Aizawa proposes using the framework of sub-regions to identify common interests and increase coordination, as well as to build effective cooperation with China’s neighbors or economically weaker countries in the region that have greater reliance on China.

In **“Shaping U.S.-Japan Technological Cooperation After the Pandemic,”** Naritada Miura (Program Assistant, Sasakawa Peace Foundation USA) examines the prospects for deepening U.S.-Japan technological cooperation. Miura explores how the U.S.-Japan alliance has evolved into a burgeoning technological interdependency. Through recent Japanese strategic adjustments, such as lifting the ban on arms exports, Japan’s roles and capabilities in the alliance have expanded, providing opportunities for collaboration. In three case studies that highlight the key challenges that the U.S.-Japan technology cooperation faces, Miura assesses specific obstacles for deepening cooperation. Miura offers policy recommendations for Japan to develop a mechanism for cooperation on dual-use technologies, enhance Japan’s domestic defense capabilities, implement a security clearance system, and gain cooperation from Japan’s private sector in these efforts.

In **“The Japan-U.S. Alliance and Economic Security Challenges in the Indo-Pacific,”** Ippeita Nishida (Senior Research Fellow, International Peace and Security Department, Sasakawa Peace Foundation) assesses the economic security dimension of the U.S.-Japan alliance and the necessity of strengthening partnership to address direct and indirect challenges to economic security. Delving into the context of the economic security debate in Japan, Nishida notes that Japan must strike a balance between its deep economic relationship with China and the increasing need to bolster Japan’s economic security. Amid the turbulence of supply chain disruptions during the pandemic, the Kishida administration is attempting to implement a comprehensive economic security policy to improve Japan’s security as well as U.S.-Japan coordination, though challenges remain on both fronts. In his recommendations, Nishida urges the establishment of coordination mechanisms and economic engagement programs with Indo-Pacific partners, and greater trust and alignment between the U.S. and Japan on economic security matters.

In **“The Quad as a Coordination Hub for Managing Multilayered Indo-Pacific Minilateralism,”** Ryosuke Hanada (Research Student, Macquarie University) evaluates how the Quadrilateral cooperation between Japan, the United States, India, and Australia (the Quad), which has recently expanded beyond solely security cooperation to encompass an array of global issues, could be used to promote multilayered minilateral relationships — or international cooperation that is focused on a specific issue — to achieve the mission of the Free and Open Indo-Pacific. Hanada surveys the practice of minilateralism across the Indo-Pacific region, analyzing the criteria that make a minilateral successful, and asserts that the Quad has potential to clarify its own purposes and to be a hub for other minilateral arrangements. Hanada makes recommendations for the Quad’s future, either institutionalized as a strengthened Quad with goals and norms, or as a networking mechanism to facilitate various kinds of cooperation between its members and external partners.

We hope these chapters will give readers a fresh perspective on what the alliance has become in more than sixty years of striving to improve cooperation, the urgent challenges within and outside of the alliance, and the policy options that can bring Japan and the United States closer to their mutual goals.

Endnotes

1. The White House. “Readout of President Biden’s Meeting with Prime Minister Kishida of Japan.” January 21, 2022. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/01/21/readout-of-president-bidens-meeting-with-prime-minister-kishida-of-japan/>.

Reframing the Indo-Pacific and Managing Relations with Like-Minded Countries

RIHO AIZAWA¹

The views expressed here are those of the author and do not represent the views of the National Institute for Defense Studies or the Japanese Ministry of Defense.

Key takeaways

- China is expanding its influence cross-regionally and cross-sectorally over the sea lines of communication in the Indo-Pacific region. The U.S.-Japan alliance is also expanding its areas of responsibilities geographically and thematically.
- Under the shared Free and Open Indo-Pacific (FOIP) vision, security issues are piled up and priorities for the alliance are unclear. Due to China's cross-sectoral approach, security-related domestic stakeholders are increasing, which blurs which countries are like-minded on specific issues and in which areas. Moreover, difficulties for regional countries to cooperate further with the alliance lie not in willingness or appreciation of the freedom and openness but their capacity to secure their sovereignties and environmental factors, such as relations with China.
- The Indo-Pacific should be reframed into six subregions based on key sea-lanes for better alliance coordination. China poses immediate military threats in the South and East China Seas, therefore the subregions should be the main theaters of cooperation for the U.S.-Japan alliance. At the same time, since the subregions from the east of Africa through the east of the Indian Ocean do not have immediate military threats but have significant security implications for China's potential control of the sea-lanes in the future, preventive policy cooperation is needed with regional powers that share concerns and can cooperate together. To elicit further cooperation from traditional and potential partners of the alliance, the U.S. and Japan should take a closer look at like-minded countries.

Background

While China has been conducting its foreign policy along the sea-lanes and across various sectors from military to economic in the region, the U.S. and Japan have also been broadening their scope for cooperation geographically and thematically.

China's Cross-Regional and -Sectional Threats

First, China's apparent military activities have occurred mainly in the East China Sea and the South China Sea. China poses obvious security concerns for the U.S. and Japan through assertive behavior in the East China Sea, including increasing pressure on Taiwan, as well as continuing attempts to militarize the South China Sea and to intimidate coastal and maritime countries that have territorial disputes with China.

China also is expanding its economic influence in the Indo-Pacific region. While the economic activities give development opportunities to regional countries, the activities also have some implications for regional security. China does not clearly show its strategic and military intentions, yet Chinese investment projects tend to be extractive and nontransparent, and some projects are suspected to serve China's interest in increasing its access to regional seas, such as port construction in the Indian Ocean region, including Sri Lanka and Pakistan.² China now has an overseas base with a large pier in Djibouti distant from other countries' bases. The pier is reported to be large enough to accommodate an aircraft carrier.³

Additionally, China is conducting various diplomatic efforts in multiple fields, which can directly affect the people of the regional countries. For instance, economic dependence on China and trade relations have been utilized as diplomatic leverage.⁴ Furthermore, China attempts to justify its expansion and spread its propaganda, including through social media.⁵ In addition, Confucius Institutes at foreign universities have been suspected to be hubs of propaganda dissemination.⁶ Furthering its influence abroad, China is also investing in and developing close relationships with foreign media.⁷ China seeks to advance its technologies, not only by conducting cyberattacks but through hiring foreign scholars.⁸

To sum up the characteristics of the ongoing cross-regional and cross-sectional threats and concerns posed by China, immediate military concerns have been mainly concentrated in the East China Sea and the South China Sea. In other regions, China expands its economic and political influence over the regional countries, which also has security implications. Moreover, China has been utilizing various diplomatic tools, which can directly alter people's opinions and stances towards China. These various types of Chinese influence over regional countries, most of which are coastal or maritime countries, increase its access to and control over the sea-lanes in the Indo-Pacific region.

Developments in the U.S.-Japan Alliance

While China has been expanding its sphere of influence, the scope of the U.S.-Japan alliance has also been geographically broadening in the Indo-Pacific, and the areas of cooperation have been expanding beyond defense.

Broadened geographical scope: The U.S. and Japan recently expanded their

areas of responsibilities from the Asia-Pacific to the Indo-Pacific. The U.S.-Japan alliance began as an anti-communist framework in the Cold War. Having expanded its function in the post-Cold War period as the “cornerstone of peace and prosperity in the Asia-Pacific region” with additional roles in peacekeeping and global security, the U.S. and Japan became a broader regional partnership with the geographical concept of the Asia-Pacific and a globally active alliance for international security issues.⁹ The regional concept of the Asia-Pacific was introduced at the Joint Press Conference on April 17, 1996 and written in the U.S.-Japan Defense Guidelines in 1997. The regional concept was continuously used in bilateral talks and documents between the U.S. and Japan.¹⁰ For instance, the latest U.S.-Japan Defense Guidelines in 2015 also includes the geographical concept of the Asia-Pacific.¹¹

On August 27, 2016, the Abe administration launched the Free and Open Indo-Pacific (FOIP) framework, which puts forth a broader regional concept anchored in international values.¹² In the Joint Statement of the Security Consultative Committee (2+2) on August 17, 2017, the FOIP strategy was simply mentioned as Japan’s initiative.¹³ Several months later in November 2017, the U.S. adopted the FOIP concept, and President Trump and Prime Minister Abe affirmed their cooperation “to promote peace and prosperity in the region by developing the Indo-Pacific as free and open.”¹⁴ Under the Biden presidency, the U.S. and Japan reaffirmed their cooperation on FOIP in the summit meeting on April 16, 2021.¹⁵ The U.S. alliance with Japan, which showed its determination to be a broader regional ally with the concept, has become a security framework that can seamlessly work for the protection of sea-lanes in the Indo-Pacific region from the Persian Gulf to East Asia.

Broadened areas of cooperation: Additionally, areas of cooperation have been expanding in response to the concerns held by surrounding countries, such as China’s foreign policy tools mentioned above. As the latest Joint Statement of the 2+2 in January 2022 shows, the alliance focuses on advancing lawful uses of the sea, developing emerging technologies, responding to cyber threats, strengthening cooperation in space, increasing resiliency in procurement and supply chains, and human rights issues.¹⁶ Moreover, cooperation in economic fields has also deepened in support of FOIP. For instance, in 2017, the U.S. and Japan launched the Japan-U.S. Strategic Energy Partnership (JUSEP) to encourage high-quality investment in liquefied natural gas (LNG) supply projects and LNG infrastructure development.¹⁷ They also launched the Working Group on the Japan-U.S. Strategic Digital Economy Partnership (JUSDEP) to create an “open, interoperable, secure and reliable” global digital economy environment.¹⁸ After China’s “debt-trap diplomacy” through exploitative development loans in places such as in Sri Lanka began to draw attention, the U.S., Japan, and Australia launched the Blue Dot Network in November 2019 for certifying infrastructure projects that fulfill robust international quality standards.¹⁹

Challenges

While the cross-regional and sectoral threats and concerns posed by China spread in the region as mentioned above, the U.S.-Japan alliance has also expanded its areas of responsibilities geographically and thematically. There are still some challenges and points to be improved between the allies, such as unclear priorities in various security issues posed by mainly China in the Indo-Pacific region, an increased number of security-related domestic stakeholders in the regional countries, and difficulties in the use of like-minded to conceptualize cooperation with countries in this region, as will be discussed below.

Unclear priorities

Under the geographical concept of the Indo-Pacific or the concept of FOIP, security-related issues in the region have simply piled up. China poses and supports numerous security issues that infringe upon freedom and openness in the Indo-Pacific. Given the large and expanding number of security issues of concern, it has become less clear which areas and topics should be prioritized and what the shared critical interests between the allies actually are, despite the utility of some level of strategic ambiguity in public documents.

Since some of the security issues require a long-term strategic perspective, the alliance needs shared and more detailed intellectual frameworks to organize policies and forge more effective and feasible collaboration, as well as clearer division of labor between the U.S., Japan, and other Indo-Pacific countries, as well as European partners.

Increased Number of Security-Related Domestic Stakeholders

The number of security-related stakeholders has been increasing because various issues such as trade and investment have become security matters, given the many Chinese foreign policy channels mentioned above. In particular, competition in technological and economic fields has intensified recently, since regional countries including the U.S., Japan, and China hope to avoid direct military activities that would raise tensions and escalate competition into immediate military conflict, whereas technological and economic competition are not as directly antagonistic but still enable regional countries to enhance their defense postures in the future. Since establishment of superiority in these nontraditional security areas will have significant implications for security in the future, the governments of like-minded countries in the region also need to pay attention to the nontraditional security stakeholders in such fields in their countries.

For example, business actors and scientists in universities have increasingly become security-related stakeholders in Japan. While the importance of the U.S.-Japan alliance is truly understood at the citizen level, there are varying analyses

and opinions about China as a neighbor. Some in the economic field have predicted that China will not be a hegemon because of its downward economic trends, and others try to seek business opportunities with China in non-high technology fields.²⁰ Academia has become one of the sources of emerging technology development, but most of the scientists and universities in Japan hesitate to have their research be utilized for defense. At the same time, however, research labs recognize the importance of cooperation with Chinese research institutions.²¹

Japan is a traditional treaty ally for the U.S., has a shared vision of the rules-based order in the region, and has good capabilities to defend its sovereignty against potential pressures posed by China. However, other regional countries that have weaker economies and strong economic ties with China could be more susceptible to such pressures. Even if they hold the same vision for the region, there might be limiting factors for cooperation with the U.S. and Japan, as will be described below.

Difficulties in the Use of the Term Like-Minded

The U.S. and Japan have closely advanced their cooperation under FOIP together with like-minded countries, as shown in the latest 2+2 in January 2022.²² Yet it remains ambiguous what the phrase “like-minded countries” means and how it is different from traditional wording such as “allies and partners” or potential partners. Like-minded is a convenient word that can include any countries which praise the same vision of the region as the U.S. and Japan. The ambiguity can broaden the circle of cooperation with the U.S.-Japan alliance. However, there are still some difficulties and points to be paid careful attention when using this term in this current situation in the Indo-Pacific region.

To begin, there are various conflicts of interests and opinions within each country. As discussed above, nontraditional security issues have been securitized and there are various security-related domestic stakeholders in each country. It is becoming less clear which regional countries are like-minded in which areas of cooperation and to what extent. Even if some measures are necessary to be taken for their security in the long term, some of the nontraditional security stakeholders or those who emphasize opportunities provided by China over threats and concerns may have some hesitation to cast a stern eye toward China. Each regional government should coordinate and manage these differences internally for its security in the future.

Moreover, even where regional countries hold the same vision about the desirable order in the region, which means they are like-minded countries, they may also have some limiting factors for advancing further cooperation with the U.S.-Japan alliance. There have been external limiting factors such as economic relations with China as well as internal limiting factors, such as pro-China factions in government and business, or the regional countries’ budget and capacity limits for

defense of its sovereignty in various areas against China's various aggressions and pressures. In order to elicit cooperation from China's neighbors that have close and traditional ties with it, this closer look at what like-minded means in concrete terms and other limiting factors to cooperate with the U.S.-Japan alliance will help to advance FOIP in the region.

Policy Recommendations

1. The U.S. and Japan should consider reframing the Indo-Pacific region into subregions based on key sea-lanes for more tailored policy coordination.

If the U.S. and Japan try to tackle all the challenges posed by China at the same level, their cooperation could end up halfway or less effective. With the shared FOIP vision, the U.S. and Japan need to confirm shared interests, coordinate their priorities and understanding of the security environment, and review and devise plans to achieve their goals in more efficient and sustainable ways. Reframing the Indo-Pacific region into subregions would enable the U.S. and Japan to craft more tailored policy coordination by identifying common interests in these subregions, forging effective combination of policies, and prioritizing them. It also allows the U.S.-Japan alliance to better coordinate their approaches, including methods of working with other partners, as well as better anticipate challenges for further cooperation.

U.S.-Japan shared interests: To consider what shared goal the alliance has in each subregion, this section describes two interconnected and traditional U.S.-Japan shared interests: maintaining (1) stable and open sea-lanes, and (2) U.S. relative advantage in power and influence to advance a rules-based international order. The second interest is also an essential condition to maintain the first. It does not intend to exclude China's access to the seas. Rather, the objectives of seeking these shared interests are protecting the basis for economic opportunities in the region and cherishing the diversity of the region, by maintaining sea lines of communication as public goods for all and by steering the region away from oppression and exclusivity.

Geographical divisions: The Indo-Pacific region can be divided into six subregions geographically for better policy coordination as follows: (1) East Africa and the West of the Indian Ocean; (2) the East of the Indian Ocean; (3) the South Pacific; (4) the South China Sea; (5) the East China Sea; (6) Northeast Asia.

The division of (1) East Africa and the West of the Indian Ocean reflects the potential economic connectivity between East Africa and the west of the Indian Ocean, in light of China's construction of Gwadar Port in Pakistan, a massive naval base in Djibouti, and railways connecting to Ethiopia, as well as its strengthening economic ties with Seychelles, Madagascar, and Mauritius. The Chinese footprint there will have a China-centered and -led economic market with these countries.

Subregions (2) the East of the Indian Ocean and (4) the South China Sea contain strategic geographical locations that can affect the stability of the sea-lines of communication, and China’s presence there has been increasing. Moreover, the Strait of Malacca and other chokepoints lie between the two subregions, therefore some collaborative work is necessary. Yet (2) and (4) should be separated since the South China Sea has more intensified and militarized situations, and on the other hand, China’s military intentions in (2), such as in Sri Lanka, have not been overt.

(3) The South Pacific can be an additional diplomatic theater for the U.S. and Japan since China has attempted to leverage the Pacific Islands to isolate Taiwan diplomatically. In addition, the region has strategic geographical significance as the backyard of Saipan and Guam, where Camp Blaz, which will have U.S. Marines relocated from Okinawa, has been revitalized.²³

Subregion (5) the East China Sea is the area with the highest defense urgency for the alliance. Yonaguni Island, the westernmost of Japan, is only about 69 miles away from Taiwan, which shows that the stabilization of the Taiwan Strait is closely linked with the security of Okinawa, including the Senkaku Islands. Whether the People’s Liberation Army Navy (PLAN) or the maritime militia, Chinese deployments significantly damage regional security.²⁴

(6) Northeast Asia here means mainly the Korean Peninsula. Today, China’s influence on North Korea is declining compared to the past, such as in the 1990s. Neither a more nuclear-capable North Korea nor the collapse of the country appear to be desirable scenarios for China, therefore (6) is regarded as a traditional theater to deal with North Korea as a state of concern for the alliance.

Figure 1: Six Subregions of the Indo-Pacific

Topics		Subregions [Groups]		(1) East Africa and West of the Indian Ocean	(2) East of the Indian Ocean	(3) South Pacific	(4) South China Sea	(5) East China Sea	(6) Northeast Asia
		[Group A]				[Group B]			[Group C]
U.S.-Japan Shared and Interconnected Interests		- Maintaining stable and open sea-lanes - U.S. relative advantage in power and influence to advance a rules-based international order							
Problems and Concerns	Features	- Country: China - Area: Nonmilitary but has significant security implications in the long-term			- Country: China - Area: Military		- Country: North Korea - Area: Military		
	Examples	Expanding influence and construction of railways, naval base such as in Seychelles, Madagascar, Mauritius, Pakistan, Ethiopia, and Djibouti	Expanding influence and construction of railways, ports, and isthmus such as in Sri Lanka, Myanmar, and Thailand	Diplomatic isolation of Taiwan, expanding China's influence with investments	Construction and militarization of artificial islands	Normalized PLAN and maritime militia presence around the Taiwan Strait and Senkaku Islands	Nuclear and missile developments		
Goals	Features	Goal: Avoiding China's control of the sea-lanes				Goal: Protecting territorial sovereignty			
Means	Features	Means: Prevention mainly together with regional powers				Means: Dealing with immediate military threats as main areas of responsibility for the alliance, with traditional and potential partners			
Main Potential Partners		India, France, and the U.K.			Australia		Australia, India, the U.K, France, and other regional partners		South Korea

Features of the problems, goals, and policies: These six subregions can be categorized into three groups based on the features of their problems or concerns, goals, and policies: Group A composed of (1) East Africa and the West of the Indian Ocean, (2) the East of the Indian Ocean, and (3) the South Pacific; Group B with (4) the South China Sea and (5) the East China Sea; and Group C, (6) Northeast Asia.

Group A's subregions (1), (2) and (3) have various nonmilitary concerns posed by China, but these concerns have security implications for the future. China expands its economic and political influence such as by providing infrastructure investments in regional countries including Djibouti, Pakistan, Myanmar, Sri Lanka, and the Pacific Islands. These regional countries tend to support pro-China policy, including, for some, breaking off diplomatic relations with Taiwan. Especially, China's potentially dual-use infrastructure developments in the regional countries will enable China to increase its access to and potential control of the sea-lanes.

Across Group A, the main goal for the U.S. and Japan is avoiding China increasing its control of the sea-lanes. In this meaning, the U.S. and Japan should take preventive approaches and policies in this type of subregion. There are several policy options, such as developing the defense posture of the U.S.-Japan alliance; developing regional partners' capabilities to push back against China's various types of pressures; and dispersing or decreasing China's capabilities and resources.

For instance, the U.S. and Japan should pay attention to whether Chinese direct investments are free, open, and fair, as well as monitor the potential offensive use of China's economic and defense assets in the region, such as through monitoring corruption in regional recipient countries, with consideration of some diplomatic measures or sanctions on the brokers if there are immediate security concerns for the protection of the sea-lanes. Presenting alternative options for infrastructure assistance to the regional countries, and providing a list of items to be checked or experts to offer advice on making fairer contracts with China. Since China's monetary support is not only a cause for concerns but provides development opportunities for the regional countries, it is still important for the U.S. and Japan to show their willingness to share know-how with China on advancing equal and open investment projects if China wants to avoid undeserved criticisms and not raise unnecessary concerns in the region.

At the same time, it is also indispensable to deliver a message to China that the U.S.-Japan alliance and other regional partners merely aim to maintain a rules-based international order of the seas that China also is accustomed to and enjoyed after World War II. Unless China attempts to change the status quo of the rules-based order, the use of the seas is free and open to any country, including China. If China continues working on exclusive and unclear developments despite this message, the U.S. and Japan will have no choice but to understand that China is developing its control of the seas to initiate or win potential future conflicts, an offensive purpose, rather than securing accessibility to regional seas for defense.

These policies can be conducted as the U.S.-Japan alliance, or together with regional powers as will be discussed in the next section.

Group B's subregions (4) and (5) have immediate military threats posed by China. China constructed artificial islands in the South China Sea and is advancing militarization of the islands. In the East China Sea, not only PLAN but the maritime militia have been mobilized, which normalizes the presence of Chinese forces and intimidates regional countries.

Unlike Group A's subregions, the main goals here are protecting territorial sovereignty and not letting China use force to resolve territorial disputes. Therefore, the U.S.-Japan approach towards this group of subregions is dealing with immediate military threats posed by China. For instance, in order to show the presence and readiness of the alliance and other regional partners, it is necessary to continue Freedom of Navigation Operations, plan potential contingency scenarios, and conduct related military exercises. Capacity-building to raise the bottom line of the defense capabilities of the regional partners is also necessary, such as with Southeast Asian countries in (4) the South China Sea, and Taiwan and Japan in (5) the East China Sea. At the same time, it is also effective in dispersing Chinese resources more thinly, such as by making China use monetary and human resources to develop new defense capabilities in response to the U.S. and Japan showing their plans and deploying new capabilities like drone swarms, or through putting diplomatic pressure on China in other regions on land. These policies can be also conducted as the alliance and jointly with regional powers and partners as will be discussed below.

Group C has (6), a traditional area of responsibility for the U.S.-Japan alliance. As mentioned above, North Korea poses military threats to the use of sea-lanes in this region by developing nuclear and missile capabilities, such as through repeated missile launches. The ultimate goal in this region is also protecting territorial sovereignty of the regional countries. Therefore, the U.S.-Japan approach towards this subregion is dealing with immediate military intimidations posed by North Korea. Continuing efforts are needed, such as conducting joint planning and exercises for potential contingency scenarios and capacity-building of the regional countries, including South Korea and Japan.

Desirable policy collaborations: Based on these regional divisions, the U.S. and Japan will also be able to forge more effective and feasible collaboration, including division of labor between the U.S., Japan, and other Indo-Pacific countries, as well as European partners.

Since Group B has critical security threats for geographical sovereignties of the regional countries, subregions (4) the South China Sea and (5) the East China Sea tend to be paid more attention by the alliance and should be so. At the same time, as shown above, Group A has problems and concerns which can be significant security issues regarding China's potential control of the sea-lanes in the future. The

U.S.-Japan alliance should deal with military oppression in the region of Group B, as well as conduct preventive measures in various sectors in the region of Group A against the long-term, widespread, and gradually deepening influence of China.

Of course, the U.S. and Japan need regional partners to push back against China in the region of Group B. At the same time, in the areas of Group A, the U.S. and Japan should seek further cooperation with other countries, especially regional powers that are supposed to share vital interests with the U.S. and Japan.

For instance, the U.S. and Japan can expect key partners such as India, France, and the U.K. mainly for (1) East Africa and the West of the Indian Ocean and (2) the East of the Indian Ocean; Australia for (3) the South Pacific; Australia, India, the U.K., and France, together with regional partners such as the Philippines, and possibly Thailand and Singapore for (4) the South China Sea and possibly together for (5) the East China Sea as well; and South Korea for (6) Northeast Asia.

Potential practical use of the divisions: If Tokyo and Washington can agree on reframing the Indo-Pacific region into the above subregions after discussions among the professionals who have supported the alliance, the results of the bilateral consultation can also be incorporated into the next U.S.-Japan Defense Guidelines, or 2+2 joint statements. This would demonstrate the two countries' commitment in the region as well as the coordinated approaches much more clearly.

2. The U.S. and Japan should carefully apply the concept of like-minded to traditional and potential regional partners, and pay attention to their external and internal limiting factors for further cooperation with the U.S. and Japan.

As discussed above, traditional and potential regional partners have more security-related domestic stakeholders inside their countries and manage the different interests to forge effective China policies. Additionally, the term like-minded focuses on their willingness to cooperate, but regional countries have external and internal limiting factors, such as capacity and environment factors including relations with China, to advancing further cooperation with the U.S. and Japan.

The first recommendation has tried to consider how the traditional and potential regional partners can fit in the divisions of labor from the perspective of the U.S. and Japan. However, since the regional countries have such difficulties to some degree or another, the U.S. and Japan should also take a closer look at like-minded countries, review the extent to which regional countries are like-minded, as well as in which areas of cooperation they are like-minded, and try to identify and avoid limitations to further cooperation to advance the FOIP vision with the U.S. and Japan.

Conclusion

The U.S. and Japan have become an alliance that can seamlessly cooperate together for the sea-lanes in the Indo-Pacific region. It is indispensable for the U.S. and Japan to rethink what the U.S.-Japan alliance should do to become a more effective

regional security framework to deal with this pile of problems and concerns posed by China. Reframing the Indo-Pacific region based on key sea-lanes for the alliance will be a help in managing regional security issues, what the U.S.-Japan alliance should prioritize, and potential divisions of labor with other traditional and potential regional partners.

The regional partnerships including the U.S.-Japan alliance have become more important than ever since the effectiveness of other traditional diplomatic tools is decreasing. The U.S. and Japan's efforts to alter China's behaviors through permission of accession to international organizations, or through international legal frameworks have proven to be less effective. China is developing alternative international frameworks, and the decision by the International Court of Justice regarding the South China Sea had little impact on China's actions.

Therefore, the U.S. and Japan's efforts with regional allies and partners will be an even more critical diplomatic tool. Since cooperation with regional partners is indispensable to achieve better results in this region, knowing the potential adversary, China, and ourselves is not sufficient. The U.S. and Japan should take a closer look at like-minded countries. Revitalizing overall diplomatic influence there in various areas is vital for the U.S. and Japan to promote the FOIP vision and pave the way to a more favorable security environment.

Endnotes

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Shaping Post-Pandemic U.S.-Japan Technological Cooperation

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The views and opinions expressed in this chapter are those of the author and do not necessarily reflect the views or positions of the affiliated organization the author represents.

Key Takeaways

- Technological cooperation in the U.S.-Japan alliance has evolved from limited cooperation, when Japanese law prohibited arms exports, and periods of economic friction to a strategic partnership focused on science, technology, and innovation in new domains including space, cybersecurity, and energy.
- Cooperation on dual-use technologies faces continuing challenges, from competition for market shares to Japan's lack of sufficient due diligence capabilities and regulations around technology transfer, particularly to Chinese firms.
- The U.S. and Japan should establish a mechanism to facilitate cooperation and help each other identify their technology development strengths. Japan must also bolster its defense capability, implement legal measures to improve transparency and standards on technology transfers, and lower barriers for Japan's defense industry to cooperate with the government.

Introduction

Technology in general is broadly categorized into commercial and military use, but the lines have recently blurred due to rapid advancement and innovation in various fields. As developed nations now aim to realize and secure stable supply chains of “dual-use” technology, a technology that can be applied to both commercial and military purposes, China has been challenging U.S. dominance in leading technology since 2015.¹ The U.S., on the other hand, has been expanding its cooperation with Japan, focusing on semiconductors, quantum information sciences, artificial intelligence (AI), and 5G telecommunications network technologies to counter China's ambition. Can the U.S., and its allies, maintain an edge over China in this technological competition after the pandemic?

This policy brief will try to answer this difficult question by taking a wider view of U.S.-Japan technological cooperation, not limited to the trending key technologies. This chapter will briefly go over the history of U.S.-Japan technology cooperation, then identify potential risks and vulnerabilities, and finally offer a few policy recommendations.

Background

After World War II, the U.S. implemented various economic policies to reconstruct the war-broken nation of Japan. With the U.S. offering military and economic support, Japan became less focused on domestic defense policy by relying on the U.S. military forces for its national defense and strove to become an economic powerhouse in the region.² As Japan's economy gradually recovered, the U.S. and Japan initiated technological cooperation in 1960 after signing a bilateral security alliance.

With a strong anti-war sentiment prevailing, Japan sought the cooperation for peaceful purposes.³ U.S.-Japan space technology cooperation was one of the early efforts which coalesced in the late 1960s.⁴ Prime Minister Eisaku Sato echoed this message by adapting “The Three Principles” on arms exports in 1967.⁵ Takeo Miki's administration reinterpreted this policy in 1976, prohibiting all international equipment transfer and cooperation in military research and design programs.⁶ The new interpretation meant Japanese defense firms (1) could only provide their goods to the Self-Defense Forces (SDF), which limited the market share, and (2) could not join bilateral military technology programs, which restricted access to designs of foreign parts or equipment and increased the price, ultimately leaving Japan's military technology behind.⁷

The following decade further symbolized a divergence between the two countries. The U.S. started to recognize Japan as its economic, not so much military, competitor in the East Asia. Japan's manufacturing industries were becoming competitive such that American goods were replaced with “Made in Japan” products. As Japanese companies became profitable and contributed to Japan's booming economy, the American public perceived Japan as taking advantage of the U.S. support for Japan to become a global player in the region while Japan continued to conduct “unfair economic practices.” The U.S. military was also concerned with Japanese products being incorporated in many parts of the U.S. defense system (discussed further in the Challenges section).⁸ From Japan's perspective, the government had every right to pursue its economic interest while relying on the U.S. for its defense. Although the U.S. officials were satisfied with maintaining military bases in Japan, it is not hard to imagine the American people criticizing Japan as being a free rider and an economic threat, as Japan's economy was now catching up with the U.S.

Despite the economic tensions continuing to mount throughout the 1980s and 1990s until Japan's economic boom came to an end, Yasuhiro Nakasone lifted the total ban on the transfer of military technologies to the U.S. in January 1983, realizing the need for the U.S. and Japan to cooperate in military technology amid an intensifying Cold War. The Nakasone cabinet did not explicitly explain the reason for such a shift as part of the competition against the Soviet Union other than the need to “contribute to peace and security of Japan and in the Far East,”⁹

yet one could assume Nakasone had a vision to reshape the U.S.-Japan security alliance in challenging times.¹⁰ Some experts even explain that Nakasone was the first prime minister of Japan to put forth the idea to abolish the GDP's 1% limit on Japan's defense budget and sought to signal the world that Japan was "part of the Western [democratic] nations."¹¹

Even after the collapse of the Soviet Union, Japan and the U.S. deepened their technology cooperation in the 1990s by initiating various joint research programs.¹² When North Korea launched its first ballistic missile in the early 1990s, the Government of Japan (GOJ) pledged to contribute more in developing the Ballistic Missile Defense system with the U.S.¹³

Current Development

Allied cooperation gained greater momentum when Shinzo Abe was reelected in 2012. Recognizing China's rapid economic growth and military modernization as a threat to Indo-Pacific stability, the Abe cabinet adopted "The Three Principles on Transfer of Defense Equipment and Technology" in 2014.¹⁴ This policy carried over pacifist ideas of the past, but lifted the total ban on exporting or transferring weapons. As a result, Japan expanded its military cooperation with other democratic nations, including a joint research program with the U.K. on new air-to-air missiles since November 2014 and a joint research program with Australia on marine hydrodynamics from December 2015 to November 2019.¹⁵

Welcoming this change, the U.S. enhanced its "strategic partnership" with Japan in 2015, focusing more on science, technology, and innovation in new domains including space, cybersecurity, and energy.¹⁶ To facilitate bilateral cooperation, particularly to improve the procurement process and strengthen its own capacity in defense technology, the Ministry of Defense (MOD) established the Acquisition, Technology and Logistics Agency (ATLA).¹⁷ In 2016, the Department of Defense (DOD) and MOD removed the barriers to purchasing defense-related products via the *U.S. DoD – Japan MoD Reciprocal Defense Procurement MOU*.¹⁸

The two countries' approaches diverged when Donald J. Trump entered office the following year, and the Trump administration steered towards a "competitive approach" to China.¹⁹ Trump also prioritized investments for AI and quantum technology for civilian industries.²⁰ In comparison, the Abe cabinet fell short in taking a competitive approach towards China, even though Japan has leading technologies that could compete with China like lasers,²¹ sensors,²² composite materials,²³ and robots.²⁴

In April 2021, Joe Biden and Yoshihide Suga realigned their strategies on leading technologies by launching the Competitiveness and Resilience Partnership (CoRe), which reaffirmed greater partnership on "life sciences and biotechnology, artificial intelligence, quantum information sciences, and civil space" as well as 5G networks.²⁵ Based on CoRe, Japan pledged to invest USD 2 billion and the U.S. USD

2.5 billion in R&D, testing, and deployment of secure information and communication technologies.²⁶ Moreover, the joint statement touched on clean energy and vaccines for the pandemic and indirectly criticized China for “unfair trade practices,” including intellectual property theft, forced technology transfer, dumping of goods and services, and using “distorting” industrial subsidies.²⁷ In September, the Quad leaders also expanded their cooperation to securing the supply chains of critical technologies like semiconductors and developing COVID-19 vaccines.²⁸

Challenges

This section examines three case studies that highlight potential risks for future U.S.-Japan technology cooperation. The first case describes lessons to be learned from the past; the second case identifies vulnerabilities and loopholes in Japan; and the third case examines the danger of Japanese private firms cooperating with Chinese firms.

Case Study No. 1: Lessons of the Past

The U.S. and Japan are starting to align their strategies for expanding their military technology cooperation in dual-use technologies, which includes semiconductors, AI, quantum, and the 5G network. However, the two countries must prevent further periods of the kind of economic friction seen in the past.

The economic friction occurred when the two countries were competing in the same market in the 1980s. A symbolic example of such was when the U.S. accused the Japanese government of prohibiting foreign entities from entering Japan’s domestic semiconductor market and encouraging “injurious dumping”²⁹ overseas that allowed Japanese semiconductor businesses to dominate the market with a 50% share.³⁰ To protect U.S. semiconductor companies and force Japan to open its protected market, the Reagan administration imposed a heavy tariff on Japanese export goods, which ultimately allowed newcomers, such as South Korean and Taiwanese firms, to enter the market. While semiconductors were important in strengthening the U.S. and Japan’s defense capabilities, the two nations still competed over their economic national interest.

Another example was when Japan announced it would produce its first indigenous fighter aircraft, the “FSX Project.”³¹ Initially, the project involved the Ministry of International Trade and Industry (the current day Ministry of Economy, Trade, and Industry [METI]), the Defense Agency (the present-day MOD), and Mitsubishi Heavy Industries Ltd. from Japan, and the U.S. Department of Defense and General Dynamics Corp. from the U.S. At first, U.S. military officials welcomed Japan’s move, which would strengthen its defense capability against the Soviet Union. However, the U.S. Department of Commerce and politicians chimed in to demand a greater share of contribution in the project and limit Japan’s access to leading U.S. technologies, fearing that Japan’s aerospace industry could become

a competitive rival. Moreover, U.S. officials worried that Japan would procure fewer aircraft from the U.S. if Japan succeeded. As more and more demands came from the U.S. side, Japanese officials and business leaders were frustrated and sought greater autonomy in manufacturing Japan's own aircraft. As both parties disagreed over the contract, the joint project was delayed by two years and the total cost ballooned. In the end, Japan had to comply, fearing the dispute could hinder the U.S.-Japan security alliance and realizing the cost could no longer be sustainable if Japan were to independently develop the jets.

The two examples highlight how the U.S. and Japan had the potential to cooperate in-depth to counter their common adversary, the Soviet Union, but instead decided to prioritize their economic interests. Today, the rebirth of “technonationalism”³² is accelerating as the pandemic has stagnated economic growth in the U.S. and Japan. As people are unsatisfied with their economic situation, it increases the likelihood for one side to perceive that the other side is “taking advantage” and benefiting more by contributing less. At that point, U.S. and Japanese politicians must listen to their constituents' complaints demanding more economic opportunities for domestic firms and calling for greater contribution or even economic sanctions to satisfy their domestic needs. Additionally, as military technology cooperation expands to various dual-use technologies and includes other like-minded nations such as Australia and India, aligning each countries' economic interest will be a difficult task.

Case Study No. 2: Vulnerabilities and Loopholes in Japan

The Japanese government lacks due diligence capabilities and regulations to prevent leading Japanese technologies from leaking vital information to its adversary, China. Japan's vulnerabilities and loopholes exist in the private sector and academia.

For instance, Sumitomo Heavy Industries Ltd. was developing a new machine gun for the Ground SDF in FY 2019.³³ Sumitomo's subcontractors received the blueprint which required an authorization by METI under the foreign exchange law (FEFTA). The subsidiaries failed to submit documents to METI and passed down the blueprint to a Chinese subcontractor in 2020.³⁴ Sumitomo soon realized this mistake and reported it to METI, withdrawing from the project in March 2021.³⁵ Subcontractors claimed the blueprint sent to a Chinese subcontractor did not contain vital information about the gun. METI concluded the case by issuing a warning to Sumitomo and its subcontractors. Japan was fortunate to have Sumitomo honestly report this mistake, but this example shows Japan's lack of due diligence capability.³⁶

A similar yet more serious concern exists within Japanese academia. FEFTA mandates that Japanese firms, institutes, and universities be authorized when sharing military-related technologies with foreign researchers.³⁷ However, the law does not apply to those who either were hired by Japanese universities or reside in Japan for more than half a year. Furthermore, about a third of national universities

claimed they do not have data on researchers involved in foreign programs since the GOJ has not set any guidelines and does not enforce reporting on such information.³⁸ Japanese academia since the end of World War II has been uncooperative in bolstering Japan's military technology,³⁹ but the government must find a way to bring them on board. METI reportedly is upgrading FEFTA to mandate that Japanese entities be authorized regardless of the researcher's residential status, and to report to the appropriate institutions after a thorough background check when receiving any foreign funds.⁴⁰

Case Study No. 3: Dangers of Cooperating with Chinese Firms

The lack of cooperation between the Japanese government and private sector have allowed Japanese firms to conduct business on potential game-changing technology with Chinese firms that have ties to the Communist Party. This is another vulnerability for Japan to overcome to ensure its leading technology will not land in the hands of China.

Japanese automobile firms are a good example of this. China's state-funded and largest electric vehicle company, Contemporary Amperex Technology Co. Ltd. (CATL),⁴¹ signed a comprehensive partnership agreement with Toyota Motors Corp. in July 2019, in which CATL and Toyota will co-develop New Energy Vehicle (NEV) batteries.⁴² Amid the pandemic, Honda Motor Co. Ltd. signed a similar deal with CATL in July 2020.⁴³

As China remains one of Japan's important trading partners, these Japanese companies' prioritization of maintaining their massive markets in China is short-sightedness that fails to recognize the long-term risk. The Chinese government can coerce its firms to transfer to the government battery technology that could become the next energy source for fighter aircrafts, tanks, and naval vessels. Japan's national security is at risk, but neither the companies nor the government have taken any actions. Thus, it would not be surprising for the U.S. to exclude Japanese firms from entering major joint technology development programs.⁴⁴ Moreover, if the U.S. were to impose sanctions on Chinese entities for their illicit activities including human rights abuse, Japanese firms may be targeted as well for cooperating with the Chinese.⁴⁵ Punishing all Japanese (or American) firms for having a connection with Chinese entities seems unrealistic, yet the governments of Japan and the U.S. must set certain standards for private firms to follow to minimize the risk to national security.

Policy Recommendations

The following policy recommendations focus on a whole-of-government approach for the U.S. and Japan, as well as legal actions and incentives for the private sector that Japanese government should implement.

1. Formulating a Comprehensive and Integrated Mechanism

Although U.S. and Japanese leaders agreed to cooperate further on dual-use technologies, they still lack an overarching entity or mechanism that involves U.S. and Japanese politicians, military officials, experts, scholars, and business leaders. James Schoff offers a solution through the “Japan-U.S. Strategic Science, Technology, and Innovation Council (JUSSTIC),” which incorporates officials, experts and scholars from various fields, coordinates with the U.S. Department of State and Japan’s Ministry of Foreign Affairs, and plays an advisory role for the national security councils of the two nations.⁴⁶

This mechanism could allow both countries to exchange various classified or unclassified information, formulate new strategies to deepen bilateral cooperation, align their strategies, and pool investment in R&D by the two countries. Through greater cooperation, the U.S. and Japan may formulate a new approach, diversifying their roles in military technology cooperation. For example, Japan could allocate more funds to key technologies that Japan is already leading, such as those mentioned earlier, and meanwhile contribute less on others like quantum technology. This recommendation does not mean Japan would withdraw from the bilateral effort to invest in and co-develop certain technologies where Japan lags, but the degree of contribution could be adjusted as long as the mechanism properly functions. Furthermore, this mechanism could encourage both countries to invest more in and allow one another to utilize its developed key technologies.

2. Staying Committed to the Promise

To maintain resilient cooperation with the U.S., Japan must stay true to its promise under the Suga administration to bolster its defense capability.⁴⁷ Current prime minister Fumio Kishida carried over this promise and pledged to increase the defense budget during the election but has not specified its allocation.⁴⁸ Wise allocation is crucial as R&D spending in defense only accounts for 2.2% of the total military budget for FY 2021, which was 2.5% for last year (a 0.3% decrease).⁴⁹ Meanwhile, the U.S. continues to increase its R&D spending for key technologies, reaching USD 106.6 billion (14.4%) for FY 2021 and USD 110.4 billion (15.64%) for FY 2022.⁵⁰ Therefore, Japan must not only concentrate on raising the overall military budget but also allocating a greater amount on the R&D spending at a much faster pace. If Japan cannot accomplish these goals, the U.S. once again could view Japan as a free rider and perceive Japan as an untrustworthy partner. This mistrust should not be repeated.

3. Legal Measures to Implement

Updating FEFTA and requiring Japanese universities to be more transparent on technology transfer is already underway and likely to be implemented in 2022. However, a more urgent agenda for Japan is to implement a broader security

clearance system and establish a due diligence entity that oversees and enforces new security standards across ministries and agencies.

In terms of the security clearance, Japan could utilize JUSSTIC to formulate an aligned security standard between the U.S. and Japan, which would allow for greater cooperation on sensitive technology programs in the future. The realization of the joint security standard may take a few years but ultimately would set a precedent for other democratic nations to follow.

For the centralized due diligence entity, Japan should take a feasible step in creating a division within Japan's National Security Secretariat within the Cabinet Office. The government must gather staff from relevant ministries and agencies like MOD, ATLA, METI, the Ministry of Finance, the Bank of Japan, the Ministry of Land, Transport and Tourism, and so forth; provide a sufficient budget; and empower the division to operate among different ministries and agencies. This recommendation would surely require strong leadership from the prime minister to fully realize.

4. Incentivizing the Private Sector

Lastly, Japan should reexamine the current regulations in place for military and dual-use related technology and implement incentives for the Japanese private sector to cooperate in the whole-of-government approach to compete with China's technological advancement. This recommendation has two parts.

First, the defense industry faces barriers to cooperation with the government. For example, collaboration by Mitsubishi Heavy Industries Ltd. and Kawasaki Heavy Industries Ltd. with the MOD on defense programs have rarely been profitable for the companies. Mitsubishi, for example, faced a JPY 948 billion (about USD 8.2 billion) deficit for FY 2020,⁵¹ and Kawasaki faced an operating loss in defense-related aerospace (JPY 31.6 billion or about USD 273.4 million) and naval (JPY 3 billion or about USD 26 million) programs for FY 2020.⁵² Increasing the military budget on procurement of weapons may be a short-term solution, yet deeper analysis is required for removing underlying barriers that have kept the industry unprofitable, including long and confusing application processes and limited production runs. The fact that the MOD has not produced a comprehensive report on Japan's defense industries since June 2014 is a problem.⁵³ The MOD should compile an up-to-date report to identify and address the current challenges for the defense companies.

Finally, the Japanese government should designate deregulation or tax reduction zones for Japanese companies that were previously considered "non-military" industries so that they will choose not to cooperate with Chinese firms. One possibility of such is revitalizing National Strategic Special Zones⁵⁴ for companies manufacturing products on semiconductors, AI, quantum, 5G, aerospace, robotics, and ceramic materials across Japan. With this recommendation, Japan could also grant similar incentives for U.S. or like-minded partners' leading companies,

like Taiwan Semiconductor Manufacturing Co. Ltd., to build their factories in Japan and further share their technology with Japanese workers and companies. The Japanese government should also invest more in key infrastructure for these designated cities to become attractive for the workers (such as easier access to leisure locations) as well as providing sufficient environment for the factories to operate (such as clean water for semiconductor production).

Endnotes

1. The DOJ's alarming report in 2018 noted China envisions achieving superiority in semiconductors and the 5G network via its "Made in China 2025" policy, placing 10 cutting-edge industries such as next generation information technology, clean energy vehicles, new materials, and biotechnology under the Communist Party's control. See: U.S. Department of Justice. "Statement of John C. Demers Assistant Attorney General, National Security Division, U.S. Department of Justice Before the Committee on the Judiciary, United States Senate." December 12, 2018. <https://www.judiciary.senate.gov/imo/media/doc/12-12-18%20Demers%20Testimony.pdf>.
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The Japan-U.S. Alliance and Economic Security Challenges in the Indo-Pacific¹

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Key Takeaways

- The U.S.-Japan alliance has a long history of economic cooperation. Past forms of economic cooperation for the alliance still exist, such as Host Nation Support and purchase of U.S. military equipment by Japan, yet today's security situations necessitate that the two countries forge a new partnership to address rising economic security challenges posed by China.
- Japan's businesses and economy are deeply intertwined with China and fundamental decoupling is not seen as a realistic option. However, Japan is expediting steps to secure its economy through the new economic division of the National Security Secretariat and expanding economic cooperation frameworks with the United States.
- Challenges for closer U.S.-Japan cooperation on economic security remain, given the self-centered nature of economic security, the difficulty of aligning economic security policies, the lack of a strong coordination mechanism, and Japan's limitations in its own economic security policy implementation.
- Japan and the United States must set a common vision on economic security, with an economic security coordination mechanism, that also includes economic engagement policies towards countries in the Indo-Pacific region. Most importantly, Japan and the United States must generate more trust in and commitment to each other on economic matters.

Japan and the United States are proud that the alliance has served as “the cornerstone of peace, security, and prosperity” in the Indo-Pacific for more than 60 years. The two governments have overcome bilateral trade frictions and global financial crises, and now the new economic security challenges posed by China and the COVID-19 pandemic have necessitated that the two work ever closer. In fact, as the notion of “economic security is national security” appears to have become accepted on both sides of the Pacific Ocean,³ reinvigorating the alliance to meet such challenges is a natural step to be taken.

Given these developments, this article looks at what economic cooperation has meant in the Japan-U.S. alliance over the years, predominantly from the Japanese perspective, and how the two countries are responding as partners to address

today's economic security challenges. Such a review will allow us to understand the holistic picture of expansive activities and to identify some of the key impediments and policy alternatives that require close attention.

Historical Context

1. Economic Cooperation Made for the Alliance

The current Japan-U.S. security treaty, signed and effective since 1960, expanded the scope of cooperation beyond that of defense, and included the component of economic cooperation under Article 2. Nearly identical to Article 2 in the North Atlantic Treaty (1949) for NATO, it portrays the general characteristics of the bilateral cooperation's goals. It says that both countries "*will contribute toward the further development of peaceful and friendly international relations ...*" and "*(t)hey will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between them.*"⁴

Not surprisingly, until recently Article 2 has attracted little attention from policymakers and scholars alike,⁵ most probably because it was self-evident that Japan needed to maintain a solid economic relationship with its sole allied partner which, at the same time, is the world's biggest economy. Also, the overwhelming importance of the security arrangements, as stipulated in Article 5 (the U.S.'s defense commitment) and Article 6 (the obligation by Japan to grant facilities and areas for use by U.S. forces), may have obscured Article 2 from attention in the minds of policymakers.

Apart from the export controls against the communist bloc under the Unified Combatant Command regime during the Cold War, economic cooperation in the alliance context largely meant burden-sharing for Japan until recently. Given the constitutional barriers for overseas activities by the Self-Defense Forces (SDF) and the political cap of defense spending at 1% of GDP,⁶ alliance contribution was often sought through other financial means. Active U.S. engagement in Asia was needed to secure regional stability and order, which enabled Japanese commercial vessels' safe passage at sea and assured pursuing economic interests abroad. Three examples follow:⁷

Host Nation Support (HNS).⁸ Begun to mitigate the tension over the trade conflict in the 1970s, the auxiliary provision for local labor and utility costs for the U.S. Forces in Japan (USFJ) has expanded through a series of negotiations. In 2002, Japan's HNS amounted to USD 4.4 billion, which equaled 74.5% of the stationing cost of the USFJ, according to the Department of Defense's report in 2004.⁹

Contribution to U.S. war efforts. At the time of the Gulf War in 1990, being unable to respond to the U.S. call to send troops to the Middle East, the Government of Japan (GOJ) dispensed approximately USD 13 billion in support of the U.S.-led

coalition.¹⁰ Even after the legislation change and SDF participation in the Iraq reconstruction and maritime operations in the Indian Ocean,¹¹ the GOJ continued to dispense official development assistance (ODA) and provided approximately USD 1.2 billion from 2001 to 2007 for the reconstruction of Afghanistan,¹² a country to which Japan had few geographic or historical ties.

Purchase of U.S. military equipment. While the decision of such procurement is sovereign and largely determined by the future strategic and operational needs of Japan, it is undeniable that the alliance has an industrial and business aspect. Even before the former President Donald Trump openly demanded that Japan purchase more high-end U.S. military equipment to tame the trade deficit,¹³ the volume and share of Foreign Military Sales (FMS) in the Ministry of Defense's (MOD) procurement was increasing. The share of FMS tripled from a mere 5% in FY 2013 to 15.9% in FY 2017, making Japan the third largest FMS customer,¹⁴ at the expense of Japan's defense industry.¹⁵

2. Today's Economic Security Challenges and Initial Responses

These types of economic cooperation for the alliance still exist, yet today's security situations necessitate that the two countries forge a new partnership to address rising economic security challenges posed by China. There are direct and indirect challenges, and both are equally important. Cyber espionage and digital infiltration are direct challenges that threaten the safety of critical infrastructures and future industrial and military capabilities of the U.S. and its allied partners. Coercive uses of export controls and import barriers, such as targeted tariffs and boycott campaigns, to force its will onto other countries is another form of direct challenge. China's unfair trade practices, such as industrial subsidies, nontransparent business practices, intellectual property rights breaches, and arbitrary interpretation of laws work against the principles of free trade. These are examples of indirect challenges that undermine Western businesses and international economic norms. Also, so-called "debt-trap diplomacy" enables China to exploit its influence, which can include allowing free military access to the region or consorting with China on a global agenda such as human rights.

Knowing these challenges were emerging, the U.S. and its like-minded partners could not make decisive countermeasures, nor collective efforts to deter. The economic opportunities China offered were substantial, and an optimistic view of engagement policy was dominant, especially in the West, until recently.¹⁶ For Japan, it was Shinzo Abe, the former prime minister of Japan, who, alerted by China's increasing appetite to rewrite international norms for its own favor, as well as its increased assertiveness, envisioned the strategic landscape of the Indo-Pacific and upheld the value of democracy and a rules-based international order under the Free and Open Indo-Pacific (FOIP) strategy/vision. The prosperity agenda is one of the pillars of FOIP, and Japan facilitated building of economic corridors in South Asia and Southeast Asia, mindful of China's

investment practices, with what the Japanese government calls “strategic ODA” and “quality infrastructure.”

In fact, the region’s ever-growing infrastructure needs are expansive. A 2016 report by the Asian Development Bank recognizes that Asia needs USD 1.7 trillion investment annually to sustain its level of economic growth, and there is a significant investment gap (shortage).¹⁷ China has been filling the gap by making substantial investments under the Belt and Road Initiative, which projects’ lending terms are often not transparent. Such cases as the 99-year lease of Sri Lanka’s strategic port of Hambantota to China raised concerns both for the recipient country’s diplomatic autonomy as well as China’s intentions to use those facilities. Circumventing China’s excessive influence via economic assistance remains as an important economic security issue today. Japan’s “quality infrastructure” has succeeded at G7 and G20 in becoming accepted infrastructure investment standards that are open, transparent, debt-sustainable, environmentally friendly, and accountable to the local population.

Another important milestone made by the Abe administration was the introduction of Data Free Flow with Trust (DFFT), a concept of the digital governance to allow free flow of data over national jurisdictions while ensuring privacy and data security. DFFT is being discussed in the G20 Osaka Track and in the ongoing e-commerce negotiation at the World Trade Organization (WTO), and elements of DFFT have already been adopted in some of the new trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Japan-U.S. Digital Trade Agreement.¹⁸ Such a rule-making initiative in digital governance is particularly important as there is no established global standard on which countries can rely.¹⁹

For the United States, the diplomatic turbulence that President Donald Trump created had a profound impact on economic security in the Indo-Pacific, both in favor of and against Japan’s interest. The Trump administration made it clear that the past China engagement policy had failed and initiated a more robust and competitive stance. Eyeing China as the strategic competitor, economic security was recognized as national security itself in the 2017 National Security Strategy.²⁰ The administration also adopted a U.S. version of the FOIP strategy which stresses U.S. commitment in the region.

To fulfill such a commitment, the administration created the U.S. International Development Finance Corporation (DFC) in December 2019, by merging and upscaling the Overseas Private Investment Corporation with other governmental resources. It is an international banking facility “to provide countries a robust alternative to state directed investments by authoritarian governments” and equipped with a USD 60 billion financing capacity to support private investments in developing countries.²¹ In the bilateral context, too, Japan and the U.S. initiated joint projects, such as the Japan-U.S. Strategic Energy Partnership (JUSEP) in 2017, Japan-U.S. Mekong Power Partnership (JUMPP) in 2019 and Japan-U.S.

Strategic Digital Economy Partnership (JUSDEP) in 2019, to address such needs with third countries in the Indo-Pacific.

What were detrimental to Japan were the administration's unilateralist orientation that stalled the functioning of the WTO and the exit from the negotiation of Trans-Pacific Partnership (TPP) agreement. For Japan, both were intended to shepherd fair and transparent international trade norms and practices, and to buttress the alliance's leadership in the economic domain, contributing to the prosperity and stability of the Indo-Pacific region. Additionally, the controversial steel and aluminum tariffs that the Trump administration introduced in 2018 for protection of domestic industry irritated partner countries including Japan and those in Europe.²²

Without the U.S., Japan, under the strong leadership of Prime Minister Abe, quickly moved to establish mega free trade agreements, by consolidating agreements to establish the CPTPP with the rest of its members, signing the Japan-EU Economic Partnership Agreement and the Strategic Partnership Agreement, and facilitating the discussion of the Regional Comprehensive Economic Partnership (RCEP). Even with the U.S., the Abe administration concluded the Japan-U.S. Trade Agreement and Digital Trade Agreement after only five months' negotiation.

3. The Economic Security Debate in Japan

As a resource scarce country with severe experiences of material shortages in the past, policymakers and the public in Japan are keen to sustain an economic lifeline. Yet it took a while for Japan to feel the rise of an assertive China as a real threat. The so-called "rare-earth crisis" in 2010, when China halted exports of rare-earth materials to Japan, a harbinger of China's economic statecraft, was a wakeup call for policymakers, industries, and the public alike to the risk of economic interdependency with China. Coupled with rising production costs in China and business continuation needs during severe natural disasters both at home and abroad, industrial efforts have been made to diversify the supply chain and reduce overdependence on China. Nevertheless, while private businesses' direct investment in China has reduced, China remains the biggest trading partner for Japan. With an aging and decreasing population, the contraction of the domestic economy appears to be an unavoidable path for Japan, which necessitates more reliance on foreign investments and markets abroad. Japan's businesses and economy are deeply intertwined with China and fundamental decoupling is not seen as a realistic option.²³

Noting this complication and increasing awareness of vulnerabilities in the domains of the supply chain, cyber, digital, and core infrastructures, Japan is expediting steps to secure its economy. Prompted by the demands of the ruling Liberal Democratic Party (LDP) to establish the Japanese version of the U.S. National Economic Council, the government created a new economic division in

the National Security Secretariat (NSS) in April 2020. It was scaled down from the original idea to have a bureau on par with NSS itself, yet the new division is the largest among the seven divisions at NSS, with more than 20 officials seconded from the Ministry of Economy, Trade and Industry (METI) and other agencies (and is expected to grow). To accompany this, organizational revisions have been made or plans announced at METI as well as at the Ministry of Foreign Affairs (MOFA), the MOD, and the Financial Services Agency to have a whole-of-government impact. In October 2021, the GOJ created a new minister-level position on economic security to oversee the activities of the economic division in the NSS.²⁴ In June 2021, key policy papers on the economy that encompassed elements of economic security were adopted by the Cabinet.²⁵

The Snapshot of the Current Situation

1. The Impact of COVID-19 and Supply Chain Turbulence

The COVID-19 pandemic has accelerated debates on economic security worldwide. Countries have experienced shortages of ordinary but essential medical supplies such as masks and basic hygiene products, and the apparent unevenness of vaccine availability between haves and have-nots have fueled sour feelings among the latter. Already vulnerable economies have seen their economic conditions worsen, which could potentially prompt migration and conflict. In advanced economies, too, the volatile demand changes for semiconductors and crude oil have muddled the pace of recovery in production and consumption alike. While democratic countries struggle, authoritarian China has successfully suppressed COVID-19 early on and appears to be on a recovery path. Those developing countries which are already dependent on China's market and investments are more than ever prone to China's influence.

A high level of shared concern on these developments has facilitated policy coordination and collaboration among like-minded democratic countries. The Quad has expanded its scope of activities and started a vaccine partnership project, as well as working groups on climate change and high-end technologies. Australia's request to the World Health Organization to conduct an independent investigation into the origin of the COVID-19 virus has angered China and induced a large-scale economic retaliation. This has showcased what decoupling with China would look like and consolidated the minds of leaders in the West.²⁶ Beyond political support and market diversion efforts, however, it should be also noted that the like-minded countries are starting to collaborate to share critical resources when supply is tight at one end, as seen in the recent move of the GOJ to send liquefied natural gas to Europe, which faces possible choking of the gas supply from Russia over its standoff with Ukraine.²⁷

2. The Biden Administration and the Renewed Alliance

The Biden administration has made a series of efforts to redirect U.S. foreign and security policies to fight the threats posed by COVID-19 and China. While returning to multilateralism, the new Biden administration has succeeded the China policy of the preceding administration and maintained a firm stance against Beijing. Alliances and partnerships are seen as “America’s greatest strategic asset” and their reinvigoration is emphasized to reinforce the international order and discipline China’s behavior.²⁸

The visit of then-Prime Minister Yoshihide Suga in April 2021 as the first foreign leader to meet President Biden highlighted that the Japan-U.S. alliance had entered a new chapter. Not only did the Joint Leader’s Statement refer to the Taiwan Strait and touch on human rights issues in China, the leaders also agreed on two frameworks: the Competitive and Resilience (CoRe) Partnership and the U.S.-Japan Climate Partnership. In these, the two countries are to collaborate in the areas of digital and high-end technologies, health security, and climate change response. They also inherited the JUMPP and upgraded JUSEP to the Japan-U.S. Clean Energy Partnership (JUCEP).

The administration of Fumio Kishida, who succeeded Suga as prime minister in October 2021, is expanding economic cooperation frameworks with the United States. In November 2021, during the visit of the U.S. Trade Representative (USTR) Ambassador Katharine Tai to Japan, both governments announced the creation of the Japan-U.S. Partnership on Trade, a new framework to discuss “common global agenda in the area of trade, cooperation in the Indo-Pacific region as well as bilateral trade cooperation.”²⁹ Separate from the ongoing trade negotiation, a new trilateral director-general level dialogue among the Economic Affairs Bureau of MOFA, the Trade Policy Bureau of METI, and the Assistant U.S. Trade Representative for Japan is said to be formed in early months of 2022 and is likely to focus on cooperation on China’s unfair trade practices. Separately, METI and the Department of Commerce agreed to set up the Japan-U.S. Commercial and Industrial Partnership (JUCIP), for cooperation on industrial competitiveness.³⁰ Also, during the virtual meeting between Kishida and Biden in January 2022, both governments agreed to form the Economic Policy Consultative Committee, the so-called Economic 2+2, at the ministerial level, and pledged that Japan would support President Biden’s Indo-Pacific Economic Framework (IPEF) initiative.³¹ Beyond strengthening the bilateral relationship, these collaborations should aim to contribute to developing the “balance of influence” in favor of the alliance, as the Biden administration’s Indo-Pacific Strategy proclaims.³²

3. Prime Minister Kishida’s Approach to Economic Security

While his predecessors, notably Abe, focused on the strategic engagements of Japan with foreign economies, most notably through the FOIP, the incumbent

prime minister Kishida places a high priority on protection aspects of economic security. Prior to the outbreak of COVID-19 and supply chain disruptions, he was the Chair of the LDP Policy Research Council and supported the legislative members' discussions on economic security. The Kishida administration aims to pass comprehensive economic security legislation in the Diet session in 2022 that comprises four pillars: (1) the building of resilient supply chains with a new public funding scheme, (2) securing key infrastructure systems from potential mal-devices, (3) protection of sensitive technologies by non-disclosure of patents, and (4) the building of an advanced knowledge basis for high-tech industries, such as AI and quantum science, with public funding.

The basic rationale and concept of Kishida's economic security are founded on the earlier policy papers made by LDP legislators. According to these papers, economic security is defined as "ensuring Japan's independence, survival, and prosperity from an economic perspective" and the two key terms "strategic autonomy" and "strategic indispensability" are emphasized as avenues of Japan's economic security. In short, strategic autonomy refers to identification and reduction of supply chain vulnerabilities, while strategic indispensability means equipping economic and technological added value so as not to be coerced or mistreated.³³ With these conceptual frameworks in the backbone of the economic security legislation, the government has launched a related council to incorporate views of experts and industry leaders.

Challenges

1. A Broad Agenda and Multiple Pledges

"Economic security is national security" might be a broadly accepted notion. But different from defense logic, the nature of economic security is inherently self-centered, and there always remains the risk of temptation for protectionism and unilateralism, which makes cooperation difficult. Japan witnessed and experienced such inward focus of the United States with the Trump administration. Also, incorporating an economic security component into the alliance itself may complicate existing working mechanisms, as today's economic security challenges are expansive. In addition to the direct and indirect threats of China's economic statecraft, emerging global issues such as human rights, health, and climate change are becoming more important. There are multiple frameworks and commitments, at bilateral, minilateral, and multilateral levels, that overlap and pose a complicated policy landscape.

2. Alignment of Economic Security Policies

Bear in mind that Japan and the U.S. are also competitors, especially at a time when both countries' highest policy priority is to revive their own economies after

the COVID-19 pandemic. Thus, while making economic partnerships, Japan and the U.S. may compete over foreign markets or sourcing of key materials, such as semiconductors or future technologies. Japan has memories of tough trade negotiations with the USTR in the past and is not comfortable when the U.S. makes outright demands in economic matters.

The Biden administration's apparent unwillingness to return to the TPP is another concern for Japan. The presence of the U.S. is crucial for Japan to lead and maintain the status quo of the CPTPP as the high-level free trade system, especially when other countries and economies such as the U.K., China, and Taiwan express their interest in joining. Also, there remain standing trade matters between the two. While the U.S. agreed to lift the steel tariff, the one on aluminum is unsettled. Moreover, the Biden administration does not seem eager to engage in the "Phase Two" negotiation of the Japan-U.S. Trade Agreement, which aims to lift import tariffs on Japanese automobiles and could be a hard impediment for closer and substantial industrial cooperation. Already, the visit of USTR Ambassador Tai has left the impression of shelving the trade negotiation, which may negatively affect Japan's confidence in making the partnership with the same representative from the U.S. side.

3. Systemic Difficulty of Coordination

The director-general level MOFA-METI-USTR trilateral format does not give the appearance that the two countries are fully committed to work on the broad economic security agenda. Perhaps the new Economic 2+2 will do, but at the moment, it lacks political direction and operational arms, and this track can only discuss narrow issues related to commerce. Except for the export control division, METI is not accountable for nor has interest in traditional security issues. The format also lacks expertise on related areas, in particular defense and defense technologies, that are needed to properly address issues of future battle. The lack of intergovernmental authority over other sectors, such as health, transport, food, and public safety, can also be problematic.

4. The Limit of Japan's Economic Security Policy in Practice

Japan hopes to become "an invaluable partner" of the United States in economic security,³⁴ but there are certain caveats. The current economic security debates in Japan focus more on the protective aspects of the domestic economy, for example, by strengthening resilience of the supply chain and core infrastructure. Use of coercive measures, such as sanctions or tightening of export controls, is an option but less likely to be activated against China, as the risk of escalation is high and there are more opportunities to lose than gain. For sensitive technologies, efforts are underway to divest at home, as seen in the case of building a new semiconductor factory with Taiwan Semiconductor Manufacturing Company in Kumamoto

Prefecture with a heavy subsidy. Japan is not willing to be entangled in the direct economic competition between the U.S. and China, and partial decoupling is the best that Japan can offer at the moment.

What makes this more difficult for Japan is the Biden administration's strong ideal for human rights and democracy. Japan regards those principles highly but believes that it is ultimately a choice not to be enforced. Japan has learned that the past "value diplomacy" approach did not earn much diplomatic leverage, especially in Asia, and prefers not to be intrusive. Putting aside the collateral damage done to Japanese businesses with the U.S. sanction on Xinjiang produced items, the more the U.S. makes outright demands on those values (and a sense of protectionism) in Asia, it is presumed that Japan will emphasize such aspects less when talking with those countries. The countries in Southeast Asia are especially keen on sovereignty and noninterference, and, collectively and individually, they do not want to be positioned on either side in the U.S.-China great competition. As President Biden's IPEF agenda is expected to unfold soon, Japan may be hoping to engage without excessive political demands.

On the technology front, except on the occasions of cyberattacks, economic security and defense technology are not often discussed together in Japan. In fact, what is less discussed in Japan is the aspect of defense and dual-use technology. As the former Deputy Secretary-General of the National Security Secretariat and Assistant Chief Cabinet Secretary in the Prime Minister's Office Nobukatsu Kanehara criticizes in an interview, Japan's science and technology community, in particular academia, stringently avoids engaging with the defense matters, while advanced civilian technology is becoming ever more important.³⁵ This pertains not only to hardware technologies but also to emerging technologies and information security. This may have a negative effect on future military technology development by both governments, as well as on the work of the Quad Critical and Emerging Technology Working Group.

Policy Recommendations

1. Reassess Article 2 and Set a Common Vision on Economic Security

The Suga-Biden Joint Leader's Statement highlighted the renewed alliance with new economic partnership. It was a clear departure from the past and demonstrated the two countries' will to counter China's challenges to a rules-based international order. Kishida continues this path, with plans to make the first revision of the National Security Strategy by the end of 2022. To consolidate such efforts, both governments should work to reassess the text of Article 2, which demands they "contribute toward the further development of peaceful and friendly international relations." Article 2 can provide the rhetorical foundation for the two governments to collaborate on economic security challenges

in today's power game. Also, demonstrating joint resolve in Article 2, in the long battle against authoritarian, illiberal, and unfair economic practices, together with the renewed commitment for global development, will strengthen the value of the alliance.

2. Establish an Economic Security Coordination Mechanism

Having a political commitment to safeguard a rules-based international order in the Indo-Pacific, and establishing specific agreements, such as the CoRe partnership, execution is the key to success. Both countries need to sort out the current multiple arrangements, such as the Economic 2+2, MOFA-METI-USTR trilateral framework, JUCIP, etc., to bolster and create a more coherent economic security coordination mechanism (ESCM) that can address comprehensive issues of economic security. Similar to the Alliance Coordination Mechanism, under a joint political directive (guideline), the two countries should establish a standing mechanism that covers various economic security challenges from supply chains to infrastructure cooperation in peacetime. The mechanism should also become the hub of bilateral economic cooperation at a time of emergency.

Perhaps the EU-U.S. Trade and Technology Council can be a point of reference. Created in June 2021 by the EU's proposal to President Biden, this cooperation platform has a periodic meeting of foreign and commerce ministers (2+2), accompanied by senior representatives of other agencies to ensure intergovernmental efforts. At the lower level, there is a policy consultation mechanism with ten working groups on specific subjects.³⁶ This political-coordination-execution layered approach that encompasses a breadth of issues and flexibility is something Japan and the U.S. should explore. It should also be noted that having such a coordinated structure will enable Japan-U.S.-EU consultation on economic security matters more easily, from sharing of information and situational awareness, reinforcing existing norms and setting new technology standards, and having coordinated responses to challenges and future shocks. The agreement in November 2022 by the three economies to jointly address China's unfair market practices and share a common view of the significance of WTO reform is a good start.³⁷ In the future, perhaps, it might be possible to envisage a new consultative format of foreign and commerce, such as 2+2+2 (or 2 x 3).

To supplement, Japan should appoint a Special Representative (Ambassador) for Economic Security, directly under the Minister of Economic Security, who can serve as a focal point of day-to-day economic partnership between the two countries. The Special Representative and their team should be based in Washington, D.C.,³⁸ and support the Japanese ambassador in the areas of economic security. It is also conceivable to add joint R&D projects that relate to defense and security in the Japan-U.S. Science and Technology Cooperation. Currently, the two governments have about 160 joint projects in various fields, but none seem to be related to defense and security.³⁹

3. Enhance Partnership Programs towards Third Countries

Japan and the U.S. should seek to align economic engagement policies towards countries in the Indo-Pacific. There are a wide range of issues that need to be dealt with, such as securing a free trade regime and supply chain resilience, ensuring digital domain safety, meeting infrastructure needs while pursuing de-carbonization, and enhancing health and human security. While the April Leader's Summit initiated new partnerships that touch on some of these issues, they are neither comprehensive nor focused on engagement.

Among those, supply chain resilience stands out as a top priority. As President Biden's 100-day review on the supply chain points out, financial tools such as the DFC can "offer a powerful avenue for working with allies and partners to strengthen supply chains for key products" as a part of the friend-shoring approach.⁴⁰ This would provide new economic opportunities for targeted countries in South and Southeast Asia to facilitate growth of industrial capabilities in the semiconductor, medical, battery, and mining sectors.⁴¹ As a country whose economy is already well-connected to this region, Japan should seek ways to join this approach.

Moreover, the two countries should restart the Japan-U.S. Development Dialogue with a focus on FOIP and collaborate on development and humanitarian areas, for example, to support regional response capabilities against infectious diseases and mitigate the social impact and widened disparity caused by COVID-19. Such engagement is needed for the region's stability and prosperity, all feeding into social unrest and terrorism.

4. Facilitate Mutual Understanding and Trust on Economic Matters

Perhaps most important of all, Japan and the United States need to generate more trust in and commitment to each other on economic matters. Without these, the economic partnership may not bring meaningful outcomes, as China tries to exploit the gap between the two. Already, the continuing U.S. tariffs on Japanese aluminum, as well as the attitude of USTR in not engaging on the agreed "Phase 2" of the Japan-U.S. Trade Agreement, have left the Japanese public questioning the integrity of the U.S. commitment.⁴² If steered the wrong way, such perception of protectionism may fuel the negative feeling of the public on bilateral relations. Worse, in the trend of supply chain collaboration among allies and partner states, if a cooperation project with the U.S. is perceived an unfair deal or having less benefit than cost for Japanese businesses, generating enough private sector support will be difficult.

Eliminating the trust deficit on economic matters is an issue that needs to be addressed with care. While the administrations on both sides continue their talks, frequent bipartisan parliamentary exchanges should be encouraged to share views on economic security challenges, understand each other's domestic constraints, address potential bilateral economic issues, and seek opportunities to collaborate. Ultimately, through such efforts, the legislative and public acceptance for

more coordinated economic partnership should be facilitated in the long run. Fortunately, there are some legislative exchange programs between Japan and the U.S., operated by private institutions. These programs can be leveraged immediately with governmental support for separate tracks on economic security to allow focused discussion.

Endnotes

1. There are diverse views and opinions on “economic security” among experts. As the theme of this chapter is to identify what challenges and opportunities are in the alliance context, it simply adopts a broad view of economic security: it is a national security issue that affects the country’s prosperity and viability. Also, this article analyzes economic security issues that seem to have higher importance in Japan-U.S. bilateral relations, as of February 2022.
2. The author would like to thank Jim Schoff, James Siebens, Riho Aizawa, Naritada Miura, Shihoko Goto, Pamela Kennedy, and Yuki Tatsumi for valuable comments at the time of an interim report meeting, and kind support of the Stimson Center in preparing this article. Also, Pamela, Yuki, Shihoko, as well as Nabe Watanabe made thorough review of the draft and gave me insightful advice which I appreciated so much.
3. The expression appeared in the National Security Strategy of the Trump Administration (December 2017) and is inherited in the Interim National Security Strategic Guidance of the Biden Administration (March 2021). Japan’s current National Security Strategy (December 2013) also regards strengthening of economic and technological competence as essential to enhance “Japan’s resilience in national security.” The renewed strategy, planned to be released by the end of 2022, is expected to have more direct reference to economic security.
4. The full text of Article 2 reads: “The Parties will contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between them.” Ministry of Foreign Affairs of Japan. “Treaty of Mutual Cooperation and Security between Japan and the United States.” January 19, 1960. <https://www.mofa.go.jp/region/n-america/us/q&a/ref/1.html>.
5. There is increasing attention and reference to Article 2 in policy research papers, for example: Funabashi, Yoichi, Matthew P. Goodman, et al. “The Article II Mandate: Forging a Stronger Economic Alliance between the United States and Japan.” Center for Strategic and International Studies and Asia Pacific Initiative. November 2018.
Armitage, Richard L., and Joseph S. Nye. “The U.S.-Japan Alliance in 2020: An Equal Alliance with a Global Agenda.” Center for Strategic and International Studies. December 2020. https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/201204_Armitage_Nye_US_Japan_Alliance_1.pdf.
6. The moratorium started in the Cold War period to control its expansion, and for the long time, Japan’s defense spending was kept at 1% of GDP. It was the Abe administration which walked away from the custom and now Japan has adopted a moderate level of defense spending above 1% of GDP. See below for background: Wright, John. “Abe Scraps Japan’s 1 Percent GDP Defense Spending Cap.” March 29, 2017. <https://thediplomat.com/2017/03/abe-scraps-japans-1-percent-gdp-defense-spending-cap/>.
7. It is less direct, but Japan’s economic assistance to countries in Southeast Asia should also be noted as an important contribution in the alliance context. Coupled with Japan’s own political and economic interests in the region, Japan’s ODA during the Cold War period helped to stabilize the economy and prevent spread of communism in the region.
8. HNS by Japanese government: “Japan bears the rent for USFJ facilities and areas and the Facility Improvement Program (FIP) funding stipulated within the scope of the Japan-U.S. Status of Forces Agreement (SOFA). In addition, under the Special Measures Agreement (SMA), Japan also bears labor costs of

USFJ employees, utility costs, and training relocation costs.” Ministry of Foreign Affairs of Japan. “Host Nation Support (HNS).” <https://www.mofa.go.jp/region/n-america/us/security/hns.html>.

9. U.S. Department of Defense. *2004 Statistical Compendium on Allied Contribution to the Common Defense*. Washington, D.C.: Department of Defense, 2004. E-6.

10. However, physically absent, Japan did not earn much international recognition. This traumatic experience later led to legislative actions and opened the way for SDF deployment abroad, including missions in support of the U.S. antiterrorism efforts in Iraq and Afghanistan in the 2000s. See, for example: Nakanishi, Hiroshi. “The Gulf War and Japanese Diplomacy.” Nippon.com. December 6, 2011. <https://www.nippon.com/en/features/c00202/>.

11. For example, the refueling operation in the Indian Ocean by JMSDF to support the U.S. and coalition efforts (2001-2010) and reconstruction assistance in Iraq (2003-2009).

12. Ministry of Foreign Affairs of Japan. “Japan’s Contribution to Afghanistan.” March 2007. https://www.mofa.go.jp/region/middle_e/afghanistan/pamph0703.pdf.

13. Akiyama, Shinichi. “Defense spending may rise as Abe tells Trump Japan will buy more US equipment.” The Mainichi. September 29, 2018. <https://mainichi.jp/english/articles/20180929/p2a/00m/0na/013000c>.

14. Items included V-22, F-35, Aegis Ashore, E2D, and Global Hawk, among others.

Board of Audit of Japan. 「有償援助 (FMS) による防衛装備品等の調達に関する会計検査の結果について」 Results of audit on defense procurement through FMS. October 2019. https://www.jbaudit.go.jp/report/new/characteristic30/fy30_kanshin_ch03_p1.html.

15. There is an increasing level of alertness on the decline of Japan’s defense industry. For example, a Keidanren (Japan Business Federation) report in 2018 warned that the industry’s defense production and technological basis was near collapse, articulating the increase of procuring foreign military equipment on a limited defense budget as one of the causes.

Keidanren. 「提言 新たな防衛計画の大綱・次期中期防衛力整備計画に向けて」 Policy proposal: Towards the new National Defense Program Guideline and the next Mid-term Defense Program. June 19, 2018. <https://www.keidanren.or.jp/policy/2018/052.html>.

16. A former high-ranking government official in Tokyo says that Japan corrected its recognition of the risk posed by China in early years of 2010s, while it took the U.S. (and Europe) an extra 10 years or so.

17. Asian Development Bank. “Meeting Asia’s Infrastructure Needs.” 2017.

18. Ministry of Foreign Affairs of Japan. 「DFFT : Data Free Flow with Trustとは」 DFFT: About Data Free Flow with Trust. <https://www.mofa.go.jp/mofaj/files/100167362.pdf>.

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The Quad as a Coordination Hub for Managing Multilayered Indo-Pacific Minilateralism

RYOSUKE HANADA

Key Takeaways

- The importance of minilateralism has been illuminated as a complementary tool for Indo-Pacific countries to protect their national interests. As the region cannot be simplistically divided into two camps, the relative advantages of minilateralism, such as functionality, agility, and flexibility, have been recognized as useful and effective to deal with such complex issues in the Indo-Pacific. Minilateral frameworks complement existing regional partnerships and alliances like a patchwork in areas that they cannot cover.
- The Quad has become a real example of minilateralism as of 2021. Still, questions remain as to what roles the Quad should play and in what agendas. The Quad has a dual mission of balancing against revisionist and expansionist powers and setting norms of inclusive regional order in the Indo-Pacific region, namely the Free and Open Indo-Pacific. Though the Quad has expanded its agendas and its membership is sensible, one of the Quad's main challenges is effectively addressing security partnership, which could impose costs on the attempts to change the status quo by force or intimidation.
- This chapter suggests two hypothetical models for the Quad's future: institutionalization and networking. With institutionalization, the Quad could become a de jure center for the realization of FOIP, facilitating the implementation of specific cooperation projects. Networking would maintain the Quad as an informal consultation mechanism and make it a de facto hub of flexible minilateralism with Europe and like-minded states.

In the Indo-Pacific region, the challenges posed by revisionist powers to the post-World War II international order are emerging as existential threats. Various types of challenges by the People's Republic of China, including maritime expansion in the East and South China Seas (ECS/SCS), exports of its censorship and monitoring systems, cyberattacks for acquiring sensitive technologies and diverting them to military use, and military coercion toward Taiwan, have become the most imminent issues in the geopolitics of the region.

In this context, the allies of the United States, such as Japan and Australia, have moved not only to strengthen bilateral alliances but also to build multiple security

cooperation groups with other U.S. allies and like-minded states. Such selective cooperation among a limited number of countries includes the Quadrilateral cooperation (hereinafter referred to as the Quad) among Australia, India, Japan, and the U.S.; and security partnerships among Australia, the United Kingdom, and the U.S. (so-called AUKUS); as well as trilateral cooperation centered on the U.S., such as India-Japan-U.S., Australia-Japan-U.S., and Japan-South Korea-U.S. It also includes the Five Power Defense Agreement and the Five Eyes, which specializes in intelligence cooperation.

This chapter briefly analyzes the background and implications of such minilateralism, followed by a case study of the Quad. Based on the definition and criteria of minilateralism, this chapter shows the need for the Quad to not only be a norm builder of the common vision of the Free and Open Indo-Pacific (FOIP), but also be the anchor in the balance of power in the Indo-Pacific by strategically coordinating a multilayered minilateralism, especially related to security affairs.

Background

The Rise of Minilateralism in the Indo-Pacific

First, a rapid shift in the balance of power has been the most significant impetus of the proliferation of minilateral cooperation. China's rise is becoming visible in all areas, including economics, military, science and technology, and overseas assistance. While the U.S. remains the world's largest economic and military power, the global financial crisis in 2008 caused significant damage to the U.S. not only economically but politically.¹ International trust in the U.S. has been further shaken since the Obama administration declared that the U.S. is no longer the "world's policeman,"² and the Trump administration insisted on its "America First policy."³ In the meantime, China has recorded relatively high growth rates during those crises and has been actively promoting economic integration, including free trade agreements (FTAs) and development assistance through the Belt and Road Initiative (BRI), the Asian Infrastructure Investment Bank (AIIB), and the conclusion of the Regional Comprehensive Economic Partnership (RCEP). As for 2021, China even applied for membership in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), aiming to fill the gap created by the U.S.'s move toward protectionism under the Trump administration.⁴

As Aaron Friedberg points out, these challenges do not simply mean that a new superpower – China – is closing in on an existing superpower – the U.S. – but indicate that revisionist authoritarianism is challenging the existing liberal democratic system.⁵ While this situation in which two nuclear-armed superpowers aim to secure their sphere of influence and ideology is similar to the Cold War era, it differs greatly in a sense that China has become an integrated and indispensable part of the capitalist-based world economy.⁶ In fact, as the situations in the ECS/SCS and the Taiwan Strait reflect, China not only is beefing up its military forces,

but also is using its economic power tactically to intimidate other countries so as to change the status quo.⁷ In this complexity, small- and medium-sized countries other than the two superpowers cannot easily choose one over the other because neither of the two may be able to guarantee others' security and prosperity alone. In other words, since the world cannot be simply divided into two groups, either red or blue, every country must live in purple and flexibly take actions to realize its national interests in the complex rivalry between the U.S. and China.⁸

In such a complicated world, the existing bilateralism, regionalism, and multilateralism may become less and less effective for states to create a desirable international environment. While bilateral agreements, like the U.S.-Japan or the U.S.-Australia alliances, can agree on fairly sophisticated cooperation, bilateralism in principle exists only for the benefit of the two countries unless these interlink through a hub.⁹ While broader regional or multilateral cooperation can maximize the benefits of cooperation with multiple states, the inclusive membership make it difficult to reconcile the interests of the members and to reach agreements on sensitive issues, as seen in, for example, the Association of Southeast Asian Nations' (ASEAN) inaction toward the arbitration award in the SCS.¹⁰ While the United Nations is undoubtedly the only institution that can deal with global-scale issues, it cannot implement coercive measures on issues involving major powers, such as the Crimean Peninsula and the SCS.¹¹

The importance of minilateralism has been illuminated as a complementary tool to these mechanisms.¹² Despite a number of deficiencies,¹³ the relative advantages of minilateralism, such as functionality, agility, and flexibility, have been recognized as useful and effective to deal with such complex issues in the Indo-Pacific because states can form various minilateral groups for different agendas with selective membership.¹⁴ It includes an extension of bilateral alliances (the U.S.-Japan-Australia trilateral cooperation¹⁵), issue-based cooperation (a joint patrol among Malaysia, Indonesia, and the Philippines in the Sulu-Celebes Seas¹⁶), or a mere consultation mechanism (Japan-Australia-India trilateral dialogue¹⁷). This helps states hedge the risk of overreliance on a single country or regional organizations for their security and prosperity. Also, while those minilateral frameworks occasionally overlap with regional or multilateral agendas, minilateralism is by no means replacing the existing network of hub-and-spoke alliances or the regional partnerships built around ASEAN, but complements them like a patchwork in areas that they cannot cover.¹⁸

Criteria of Minilateralism

Although there is no universal definition of minilateralism, this chapter defines minilateralism as "exclusive cooperation among more than two countries that share interests or values with an aim of achieving a common goal."¹⁹ In comparison with other terms of international relations, the key constituency of this definition are 1) the number and exclusivity,²⁰ 2) the conditionality of membership, and 3) the

objective of cooperation.²¹ Cooperation which satisfies the above can be minilateralism in definition since the strength of minilateralism, including functionality, agility, and flexibility, cannot emerge without these.²²

Further, for policymaking, there needs to be a set of conditions for improving the quality of minilateralism. Understanding the definition and characteristics would be insufficient. We need criteria for judging the quality of minilateralism, such as 1) quality goals, 2) quality membership, and 3) appropriate modes of cooperation (*See Chart 1*).

Chart 1: Definition, Characteristics, and Quality of Minilateralism

Definition	Cooperation among more than two countries that share interests or values with an aim of achieving common goals
Characteristics	<p>Functionality (result-oriented) – the quality of being suited to serve a purpose which participants feel is necessary to address</p> <p>Agility – the ability to move quickly without too much preliminary consultation</p> <p>Flexibility – 1) the ability to make changes within a framework; 2) Easiness to establish, combine, or dissolve</p>
Quality	<p>Goal quality – rational (fitting members’ interests), timely (internationally and domestically ready for agendas), and clear (little space for misunderstanding on an expected result of cooperation); legitimate if possible (being justifiable)</p> <p>Membership quality – selective and exclusive, including common perception (convergence of threat perception), resource endowment (financial, technological, and political resources available for cooperation), resource mobilization (the will and ability of respective governments in their domestic politics)</p> <p>Appropriate modes – setting the formality (institutionalization or informalization) and time-schedule, depending on goals and relationships with other minilateral/regional groups</p>

Goal: First, minilateralism should set a rational, clear, and timely goal that is consistent with the perceptions and policy priority of each country. The *raison d’être* of minilateralism depends on the rationality of goals: whether the goal serves the national interests of participating members and can be feasibly achieved. Also, the clarity of goals is essential for preventing each member from dreaming differently. Ideally, the goals should be as timely and legitimate as possible for smoothly mobilizing the political, economic, or technological resources in each country.

Membership: Second, selection of membership should fit the goals. Minilateralism can only work when it includes countries that have common perceptions and interests, as well as available resources for cooperation and the will and ability to mobilize them.²³ If the members do not possess sufficient resources for minilateralism, they cannot implement policy. Also, the quantity and quality of resources

increases the impact of minilateralism. As minilateralism should be functional and agile, exclusivity is completely legitimate in this teaming-up process.

Modality: Third, effective minilateralism should have the appropriate modalities of cooperation, such as institution, organizational norms, and agenda-setting.²⁴ It also matters whether the cooperation has appropriate agency-to-agency interactions and political involvement depending on the set goals and members' interests.

One of the most successful minilaterals, which satisfied most of the above, is the intelligence sharing arrangement among the U.S., the U.K., Australia, New Zealand, and Canada (UKUSA Agreement: the Five Eyes), which rationally and clearly focuses on intelligence as an area of cooperation, adhering to its origin in the U.S.-U.K. intelligence cooperation against Nazi Germany from 1943.²⁵ Even after World War II, the objective had been blessed with time and legitimacy as the Cold War against the Soviet Union began in 1946, and it was successfully extended to three other English-speaking nations.²⁶

Although AUKUS has just emerged, it seems on the right track as it has a rational, clear, and timely objective of promoting advanced military technology cooperation among two militarily advanced members – the U.S. and the U.K. – and one enthusiastic member – Australia – with a shared threat perception of China.²⁷ Not including Japan or India has a rationale in this framework because, while Japan and India remain key players in maritime security or infrastructure building, AUKUS can be more agile and functional if it excludes Tokyo, whose domestic academic organizations express strongly cautious attitudes toward military R&D and the government's defense R&D spending is yet limited,²⁸ or Delhi, which still heavily relies on arms imports from Russia, including an Akula-class nuclear-powered attack submarine to be delivered by 2025.²⁹

Analysis of the Quad

As of 2021, it might be safe to say that the Quad became a minilateral when Indian Prime Minister Narendra Modi said at the first Quad leaders' summit in March 2021 that “the Quad had come of age” and it will now remain “an important pillar of stability in the (Indo-Pacific) region.”³⁰ Several concerns over the feasibility and resilience of the Quad expressed before 2018, such as chasms among the four governments, the lack of substance in the cooperation, and the fragility of the framework at the timing of leadership transitions, would no longer persist as its life-threatening pathogens. But what roles should the Quad play? In what agendas could the Quad be the right group to lead? This section reviews the trajectory of the Quad and then examines these questions based on the criteria of minilateralism.

Accomplishments of the Quad

The Quad began as a joint exercise by five countries (Quad plus Singapore) after the 2004 Boxing Day tsunami off the coast of Indonesia.³¹ The Japanese prime

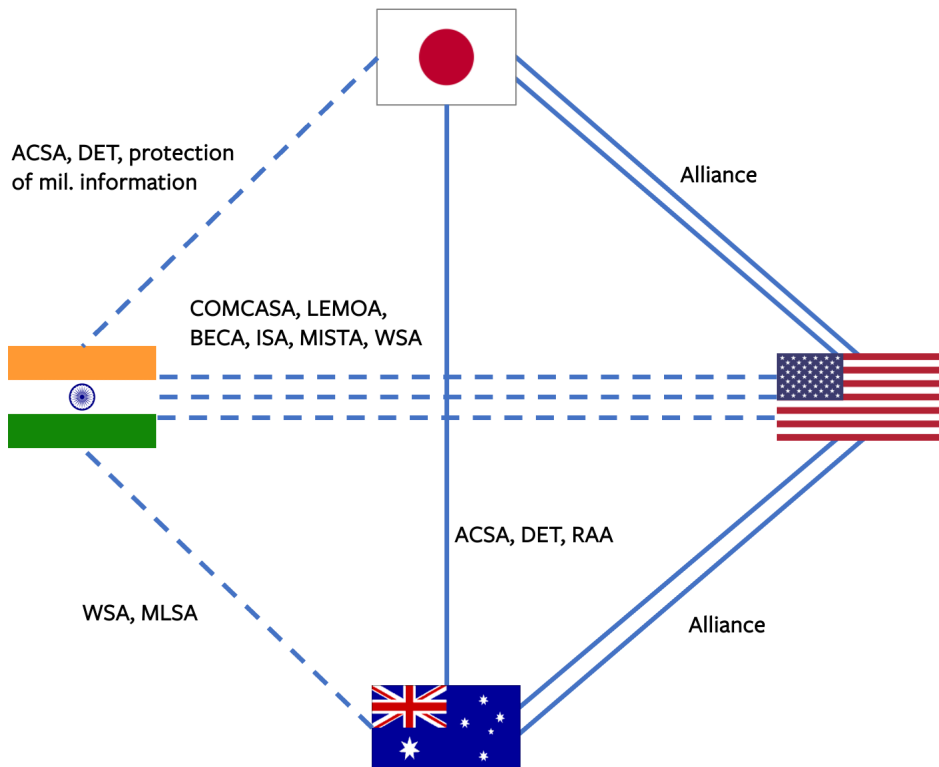
minister at the time, Shinzo Abe, tried to promote a four-nation security dialogue at the political level from 2006 to 2007.³² While the Quad stalled after 2007, it regained momentum after Abe returned to office in 2012. At last officially promulgated, the four governments conducted several working-level consultations from 2017 and finally held the first foreign ministers' (FM) meeting on the sidelines of the UN General Assembly in September 2019.³³ Despite the COVID-19 breakout, they held the second in-person FM meeting in Japan in October 2020.³⁴ At the summit level, the four leaders gathered in Washington, DC for their first face-to-face summit meeting in September 2021, six months after their first online summit meeting in March. The summit issued the first joint statement, calling for a free, open, rules-based order to bolster security and prosperity in the Indo-Pacific, and reassuring basic values, including the rule of law, freedom of navigation and overflight, peaceful resolution of disputes, democratic values, and territorial integrity of states.³⁵ It is as if this is a completely different age from the time when these governments were concerned about the hard reaction from Beijing.

In addition to consultations at the diplomatic and political levels, the Quad strengthened military-to-military interactions. Based on a variety of cooperation built among the four militaries since the mid-2010s,³⁶ the quadrilateral format in military cooperation eventually emerged when the Royal Australian Navy officially participated in Malabar 2020, which took place around the Bay of Bengal and in the northern Arabian Sea.³⁷ Further, the Quad members also invited extra-regional powers to military exercises in the Indo-Pacific, including France,³⁸ the U.K.,³⁹ Germany,⁴⁰ and Canada.⁴¹ Importantly, those visiting militaries from Europe conducted exercises with Indian counterparts in the Indian Ocean region in addition to their interactions with the U.S., Australia, and Japan.⁴² These exercises indicate that the militaries of the Quad countries do not restrict their cooperation to the Quad framework, but flexibly promote practical cooperation around the Quad.⁴³

Furthermore, the development of a legal framework related to security is the crucial basis of such military cooperation. As Figure 1 shows, the Quad members have accumulated legal security arrangements. The most sophisticated cooperation is, of course, between the U.S. and its allies, because of their legally-binding and long-lived alliances.⁴⁴ However, Japan-Australia relations have evolved significantly since the 2010s.⁴⁵ Also, U.S.-India relations already reached conclusions of three fundamental agreements, including the Logistics Exchange Memorandum of Agreement (August 2016), Communications Compatibility and Security Agreement (September 2018), and the Basic Exchange and Cooperation Agreement (October 2020).⁴⁶ Although not as comprehensive as the U.S.-India relationship, Japan and Australia have gradually built security partnerships with India.⁴⁷ While the relations of India with the other three states will not become formal alliances, they pragmatically move toward improving security partnerships, especially military information sharing for easing joint exercises.

Figure 1: Security Arrangements among the Quad Members

ACSA – Acquisition and Cross-Servicing Agreement, BECA – Basic Exchange and Cooperation Agreement, COMCASA – Communications Compatibility and Security Agreement, DET – Defense Equipment Transfer, ISA – Industrial Security Agreement, LEMOA – Logistics Exchange Memorandum of Agreement, MISTA – Maritime Information Sharing Technical Arrangement, MLSA – Mutual Logistics Support Agreement, RAA – Reciprocal Access Agreement, and WSA – White Shipping Agreement.



Basic Declarations (Post-Cold War era)

- Japan-U.S. Joint Declaration on Security, Alliance for the 21st Century (April 1996)
- New Framework for the U.S.-India Defense Relationship (June 2005)
- Australia-Japan Joint Declaration on Security Cooperation (March 2007)
- India-Japan Joint Declaration on Security Cooperation (October 2008)
- Australia-India Joint Declaration on Security Cooperation (November 2009)

This background suggests that Quad 2.0 has an innate dual mission of balancing against revisionist and expansionist powers and building an inclusive regional order in the broader Indo-Pacific region. These two aspects are not mutually exclusive but rather interconnected because any type of regional order – no matter how virtuous the order would be – cannot be sustained without power. Thus, the key question for the Quad involves how to implement realistic measures to realize the ambitious vision of FOIP.

Assessment 1 – The Goal of the Quad: “Challenges of FOIP”

Thus, Australia, India, Japan, and the U.S. have strengthened and concretized the Quad, contrary to the predictions of Chinese Foreign Minister Wang Yi that “(the Quad) will dissipate like sea foam” in 2018.⁴⁸ The key factors behind this development are 1) an increasing shared threat perception of China among the four governments, and 2) the emergence and prevalence of the concept of FOIP, which could become, at least symbolically, a common goal of the Quad.⁴⁹

While the governments refrain from mentioning China officially, the Quad re-emerged because of China’s increasing assertiveness, namely the Xi Jinping administration’s intensifying authoritarian regime and increasingly expansionist policy, and subsequently the convergence of threat perceptions of China among the four governments.⁵⁰ While there remain slight differences, fundamental concerns over China stand on a bipartisan basis in the four nations.⁵¹ In Japan, for instance, it was remarkable that all of the major political parties showed concern over China and most supported the Quad in the October 2021 general election.⁵² This exacerbation of the perception of China is also happening in Washington and Canberra, as well as to some extent in Delhi, consolidating the foundation of the Quad in the respective domestic politics.⁵³

Second, FOIP became the bumper sticker for the Quad, providing a policy objective for the members. Contrary to the Quad 1.0 in 2007, the governments could use FOIP as the Quad’s goal, countering a clique which sees the Quad as purely anti-China.⁵⁴ So far, the four governments have come to agree on basic concepts in achieving FOIP as “maintaining and strengthening freedom and openness in maritime security, infrastructure, and universal values, and maintaining and strengthening rules-based order.”⁵⁵ Based on this consensus, they seem to make the Quad an informal coordination mechanism for norm-building and standard-setting of FOIP, confirming and expressing their shared policy stance or principle of comprehensive agendas, and accumulating feasible projects. The recent summit and FM meetings, which have expanded targeting agendas and established working groups on vaccines, space security, critical and emerging technologies, and climate change, indicates the possibility that the Quad can actually work for setting goals and standards as well as making tangible outcomes.⁵⁶ After the most recent FM meeting in February 2022, an interlocutor said that the accumulation of cooperation in a wide range of areas would give substance to the Quad as a strategic framework.⁵⁷

That said, while FOIP provides a big tent for the four to stay together, the Quad's preoccupation with only the normative aspects of FOIP could be an obstacle to the realpolitik aspects of the Quad. Although FOIP aims for inclusive regional order building, not for containment against China, FOIP inherently embraces collectively ensuring that the growing revisionism is not used to challenge or circumvent the rules-based order, and ultimately makes any state abide by existing rules and principles.⁵⁸ It means that FOIP is a coin which on one side is a legitimate and inclusive concept of regional order and on the other side is the preferable balance of power and effective cost-imposing strategy against any assertive behaviors in the rules-based order.⁵⁹ In this sense, while the normative aspect of FOIP provides the useful shared vision and legitimacy for the Quad, being obsessed with it not only does not help the Quad to implement realpolitik policies as it should, but it also risks making the Quad forget that it has that purpose itself.

At this stage, however, the Quad chiefly is a tad too inclined to being a norm-setter of broader agendas and implementing pragmatic projects, such as vaccine supply. While it is valuable to provide a liberal democratic alternative to China's authoritarian political system or state-capitalistic economic assistance, without showing its realpolitik side to the public, the members also need to distribute their resources to military and strategic cooperation. This carefulness might be because of the Quad's careful management of internal and external partners, especially ASEAN.⁶⁰ However, according to Huong Le Thu, "a majority opinion (57%) across the ASEAN respondents supports the Quad initiative as having a useful role in regional security; only 10% of respondents oppose it. ... There are reservations that the 'anti-China' nature of the Quad is dangerous (19%), but more think that 'being an anti-China bulwark' is necessary (35%)."⁶¹ This indicates that many in ASEAN understand the need to hold a favorable balance of power to check and balance China's overwhelming influence and expect the Quad to play that role, which ASEAN itself cannot bear.

Moreover, Beijing seems to accept the existence of the Quad, though abhorring it.⁶² If China considered the Quad not costly enough to threaten China's behaviors, it raises questions about the Quad's *raison d'être* as a pillar of accomplishing FOIP. Although the Quad does not need to set a goal of forming military alliances, showing its determination and preparedness to take actions against China's further unilateral attempts to change the status quo is potentially able to complicate China's strategic calculus and force Chinese military planners to feel the cost of stretching PLA resources beyond the Malacca Strait and divert resources into defense.⁶³ In order to incorporate China into the rules-based order and thus achieve economic development through the improvement of China's credibility and transparency, it is necessary to put pressure on China with realpolitik means. This is an agenda in which the Quad should be more actively engaged.

Assessment 2 – Membership: “Strength and Weakness of Diversity”

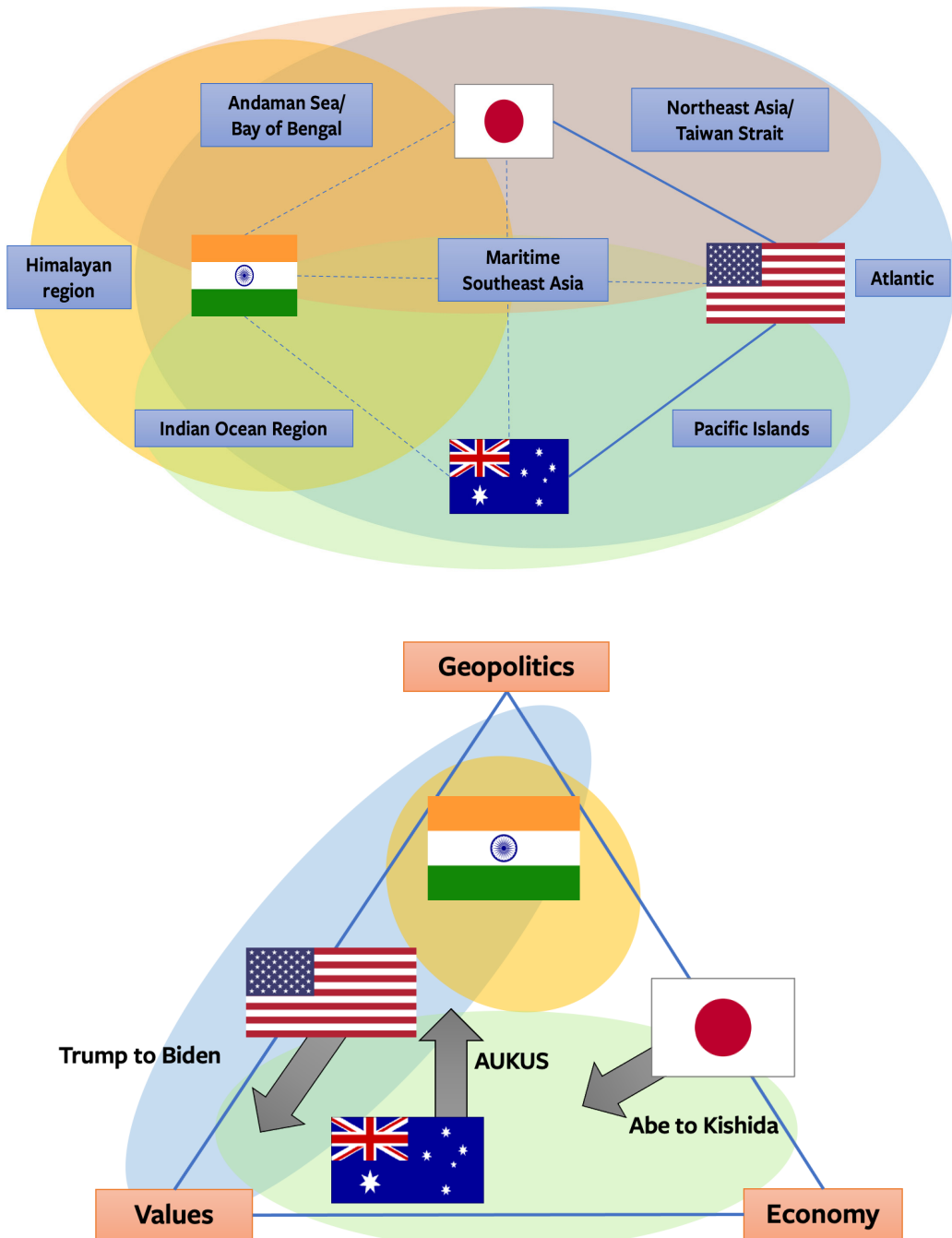
From the perspective of membership, the Quad consists of the relevant four countries that share a threat perception of China and key geopolitical roles in the maritime security of the Indo-Pacific. Quad members’ interests collectively cover all the significant parts of the maritime sphere of the Indo-Pacific, especially the choke points from the Gulf of Aden to the Pacific Ocean (*See Figure 2*). As Shinzo Abe referred, the Quadrilateral cooperation could be a security diamond of the maritime Indo-Pacific.⁶⁴

The Quad members, especially the U.S. and Japan, have fruitful national resources to contribute to FOIP. Regarding military spending, China spends USD 252 billion while the U.S. spends USD 778 billion, and Japan, Australia, and India spend a combined USD 149.5 billion.⁶⁵ Apart from the numbers, the U.S. bases in Japan, Yokosuka in particular, Darwin, and Diego Garcia, and its military presence in Singapore, are significant resources for protecting sea lanes of communication and freedom of navigation and overflight in the Indo-Pacific region. India’s long coastline along the Indian Ocean and Andaman and Nicobar are essential for anti-submarine warfare or regular surveillance around the Indian Ocean region. Economically, China’s share of the world’s GDP is 17.3%, while the Quad’s total is about 36%, meaning that the Quad is twice as important as China in market size.⁶⁶ Though comparable data are limited, China’s official development assistance (ODA) total for 2013-18 was about USD 41.9 billion while the U.S. contributed USD 207.2 billion.⁶⁷ This means that the Quad would be the only minilateral to actually promote and realize FOIP with tangible impacts on the broad Indo-Pacific region.

Another feature of the Quad is that the areas of interest of each country are moderately diversified (*See Figure 2*). For example, the Biden administration has shifted from Trump’s overemphasis on power politics to a value-oriented stance.⁶⁸ Australia, under the Liberal-Conservative coalition government, is in line with the Biden administration while it focuses on the power aspect as seen in AUKUS.⁶⁹ Japan has shown a certain degree of emphasis on human rights under the Kishida administration, while it has not substantially changed its priority on security and economic interest.⁷⁰ India, the world’s largest democracy, is pursuing an extremely realistic diplomacy, promoting cooperation with the U.S., Japan, and Australia, while at the same time deepening relations with authoritarian powers, China and Russia.⁷¹

This has both advantages and disadvantages. One advantage of the diversity is that it allows the Quad members to promote practical cooperation with a wider variety of countries. India or Japan can, if limitedly, conduct practical cooperation with non-democratic but strategically important countries, such as Thailand, Cambodia, and Myanmar.⁷² In particular, India’s presence makes perfect sense as a means to keep a better balance of power, and to incorporate emerging nations’

Figure 2: Geographical Coverage and Conceptual Focuses of the Quad Members



perspectives in the norm-building of FOIP and thereby prevent FOIP from becoming an imposition of a self-righteous view of advanced countries. Meanwhile, the consistent stance of the U.S. and Australia in emphasizing human rights and democracy embodies the values espoused in FOIP, and also opens a window for some European powers, which recently see China as a systemic rival,⁷³ joining the Indo-Pacific security cooperation.⁷⁴ Thus, the diversity of conceptual interests improve the flexibility of the Quad. On the other hand, the divergence may prevent the Quad from collectively taking action, such as issuing a statement on human rights abuses in Southeast Asia, jointly funding infrastructure building in politically sensitive states, or supporting positions on territorial disputes of other members. Also, if one country places too much emphasis on its own national security and does not seem to be aligned with the others in terms of relations with China or Russia, it may cause harm in terms of information sharing and technological transfer among the Quad members.

However, the absolute possession of resources or its diversity cannot guarantee the success of the Quad as a norm-setter of FOIP or counterbalance to China. For being a norm-setter, the Quad would be an agile and functional minilateral framework to set out cooperative agendas and take actions. However, it lacks a platform to actually implement rule-making, as the Quad members only share membership in the East Asia Summit, the broader ASEAN Regional Forum and ADMM-Plus, or UN-related organizations. The U.S. and India are outside of the emerging economic integrations, namely CPTPP and RCEP.⁷⁵ Regarding human rights or democracy, Canada or New Zealand as well as Western European nations are more vocal and active than Japan or India in rebuking China's actions in Hong Kong or Xinjiang.⁷⁶ While ASEAN or the EU may be anxious about promoting hard-military cooperation with the Quad, the flexible extension of the norm-setting or rule-making efforts of the Quad will be effective in realizing its potential without raising too much alarm.

Also, the physical advantage of the Quad is not static. China is catching up in various fields. The People's Liberation Army is now equipped with sophisticated weapons systems that are technologically competitive with the militaries of the U.S. and its allies, thanks to China's authoritarian regime.⁷⁷ As of 2021, no expert or policymaker claims uncontested U.S. supremacy over China in the Western Pacific.⁷⁸ Economically, many world-leading high-tech companies drive the Chinese economy, which is already the second largest in the world.⁷⁹ Further, China's influence is going global, in digital technology, including 5G networks and AI facial recognition systems;⁸⁰ supplying COVID-19 vaccines, promising 1 billion doses to 109 countries;⁸¹ and support for high-quality infrastructure or green investment under the BRI.⁸² In order to be an effective balance against China, the Quad should strengthen its agility and functionality by pouring more resources into the strategically important agenda, i.e. maritime security, which requires a wide range of military, information, intelligence, and technological cooperation.

Assessment 3 – Modes of Cooperation: “Lack of a Long-Term Plan”

Despite the marked progress of the Quad, there remains some space for improvement in its specific modes of cooperation. First, regular ministerial communication is still limited to diplomatic authorities. At least as far as the information available to the public is concerned, there is no regular dialogue between the defense, economic or economic security, law enforcement, and intelligence authorities. The more diverse the fields that the Quad deals with, and the more results it aims to achieve beyond simply comparing notes, the more ministries it should involve in the mechanism. While some view the further institutionalization of the Quad as unlikely at this stage,⁸³ some indicated a deeper partnership among security authorities;⁸⁴ in fact, the four military heads already met informally at the Raisina Dialogue 2019.⁸⁵

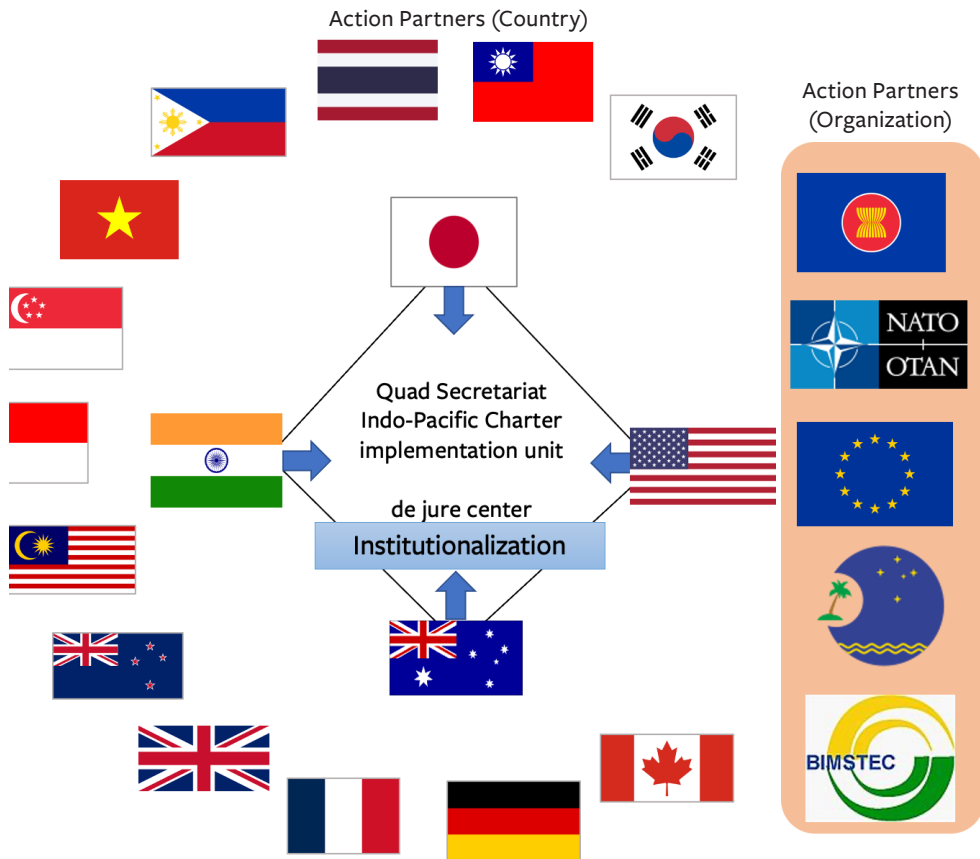
The second point is about timely but occasionally ad hoc agenda setting and weak prioritization. While the Quad recently expanded its agenda, the Quad needs to mobilize its resources on the agenda that is most efficient for the Quad. Finding areas where no other frameworks exist and filling them is an important concept in a world where unilateralism proliferated. The Quad cannot cover everything because of the divergence of geopolitical and ideological interests. The areas which the four, as maritime powers with huge stakes in the enhancement of the rules-based order, should prioritize are security issues, specifically norm-setting of artificial intelligence in military affairs,⁸⁶ maritime security and capacity-building of littoral states,⁸⁷ and rule-making of economic security and critical technology,⁸⁸ in addition to space and cybersecurity. While the Quad has value in addressing global agendas, such as healthcare or climate change, since the solidification of the members' positions through the Quad not only contribute to FOIP, but also strengthen their position in multilateral forums, these issues ultimately need global platforms to realize change, such as the COVAX facility or the COP frameworks. Prioritizing security partnerships fits the exclusive nature of unilateralism.⁸⁹

Finally, the Quad has not fully utilized individual members' various bilateral and unilateral relations. While the Quad is for protecting the rules-based international order and the fundamental principle of the rule of law, it should also be for reforming *modi operandi* and specific organizations. Again, while the Quad may not be institutionalized soon,⁹⁰ the Quad can coordinate a division of labor among the members in making actual policy outcomes on bilateral or trilateral basis. As no single bilateral or unilateral framework yet plays a role in coordinating the messy links and triangles, the Quad has a huge potential to fill this gap.

Policy Recommendations

This chapter has discussed the concept of unilateralism and assessed the Quad as a case of unilateralism in the Indo-Pacific region. It evaluates highly the progress

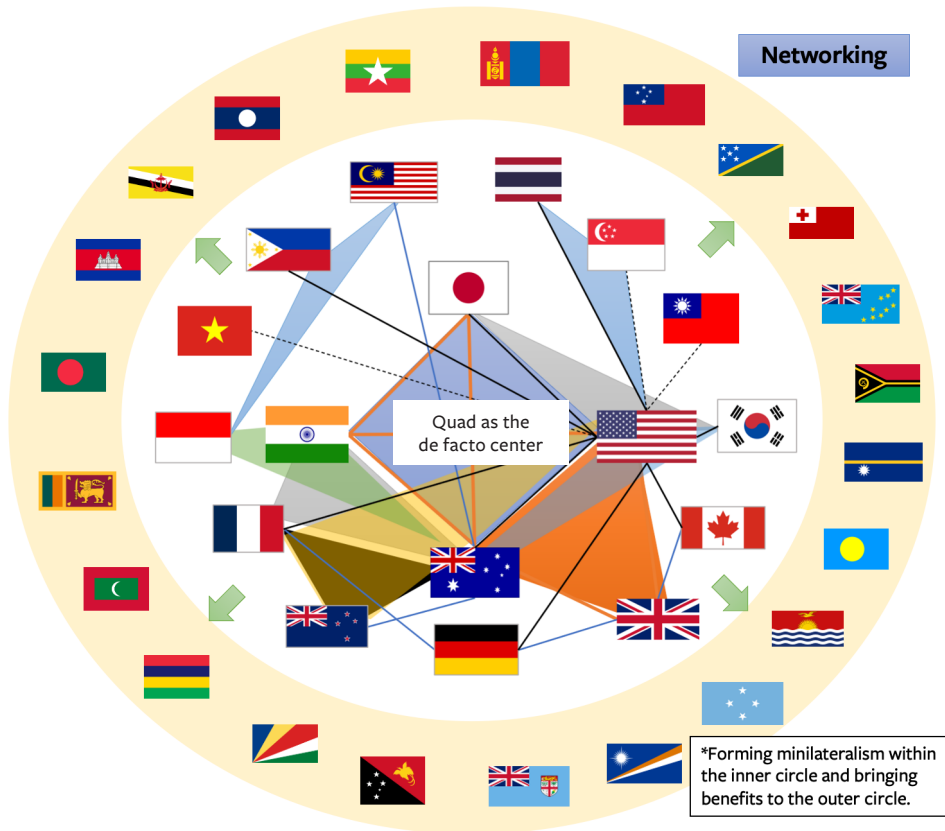
Figure 3.1: Conceptual Image of the Institutionalization of the Quad



Expansion of the Quad

- o Quad works as an institutionalized platform; Secretariat provides administrative support for the four governments and connects non-foreign affairs ministries
- o Quad is based on a charter of cooperation (common vision), c.f. New Atlantic Charter
- o Quad implements specific projects, including infrastructure building, capacity building of itself and action partners, joint patrol and exercises, and rule-making for resilient supply chains
- o Benefits
 - Strong norm-building function
 - Driving force for the FOIP
 - Sorting out complicated hub-and-spoke alliances and bilateral relations
 - Partnering with other regional organizations or minilaterals
- o Limitation
 - Difference of priority among the Quad (geographic/genre)
 - High diplomatic and political costs for maintaining the Quad
 - Feasibility (possible to establish a secretariat, but not a joint force like NATO or common economic rules like the EU)

Figure 3.2: Conceptual Image of The Quad as a Hub for Networking Minilateralism



Expansion of the Quad

- o Quad works a platform to provide the four states regular opportunities to build norms and consider projects
- o Quad is not institutionalized
- o Specific projects are implemented based on flexibly-created trilateral or quadrilateral cooperation
- o Benefits
 - High flexibility (easy to include new partners, useful for addressing regionally specific issues)
 - Low diplomatic and political costs for maintaining the Quad
 - Compatibility with hub-and-spoke alliances and bilateral relations that possess historical and political context (U.K.'s Commonwealth network, France's relations with Pacific Islands, India's relations with South Asia, Japan's relations with Southeast Asia)
- o Limitation
 - Too complicated; risk of overlapping projects
 - Low resilience of the Quad
 - Easy to escape from sensitive issues
 - Unable to hedge the risk of over-dependence on the U.S.

of Quad cooperation as positive improvement for ensuring FOIP and the quality of goals and memberships, while slightly criticizing its modes, such as agenda setting.

In the conclusion, this chapter suggests two models for the Quad's future: institutionalization and networking. The basic idea for both models is the sense of urgency that the existence of the Quad cannot add value in the increasingly challenging security environment, and this will get harder in the future. While this is an attempt to provide realistic policy recommendations, this is only a conceptual modelling at this stage, and there are some issues that need to be addressed in terms of political feasibility and the appropriateness of the selection of cooperating countries.

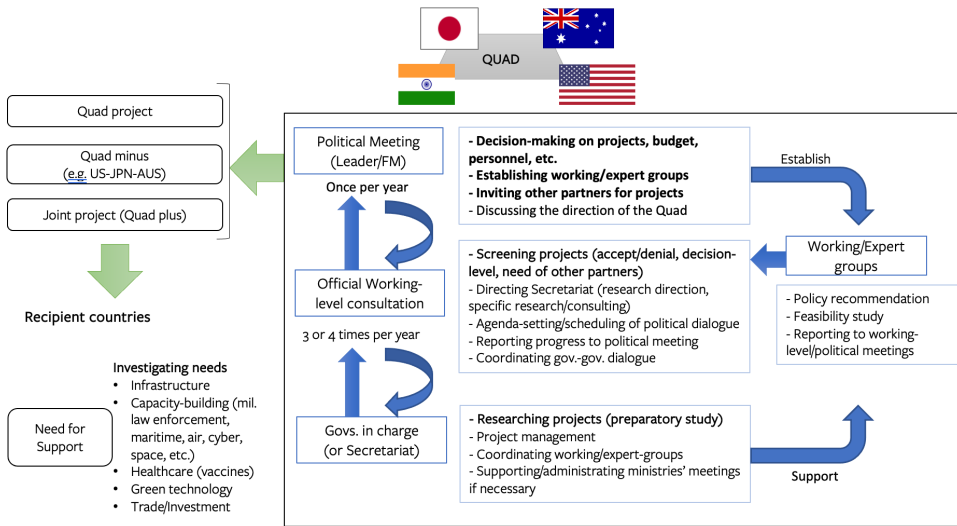
Two Images of the Future of the Quad

1. Institutionalization of the Quad

The first path is to promote the institutionalization of the Quad. Institutionalization means, as Figure 3.1 shows, the adoption of the goals and norms, as seen in the New Atlantic Charter or the Treaty of Amity and Cooperation, as well as the establishment of a permanent secretariat, which is assigned not only to provide administrative support to the government-to-government meetings but to proactively research the possible areas and agendas of the Quad cooperation. This makes the Quad a *de jure* center for the realization of FOIP. The institutionalization is not unique in the context of minilateralism. For instance, a permanent cooperation secretariat for the China-Japan-South Korea grouping was set up in Seoul in 2011 to conduct studies on trilateral cooperation projects and provide administrative support.⁹¹ Despite difficult political relations among the three countries, the three governments have contributed the designated budget, approximately USD 1.4 million per year, to the secretariat.⁹²

The advantage of such institutionalization is that it facilitates the implementation of specific cooperation projects, as shown in Figure 4. At present, Quad cooperation projects are decided on an *ad hoc* basis at working-level consultations among diplomatic agencies, and the implementation of these projects is left to each government's departments in charge. A secretariat may continuously and consistently work on the realization of FOIP under the secondments from each government. If the Quad were to take on the role of coordinating bilateralism and minilateralism in the Indo-Pacific, the constant maintenance of specific research capabilities would prevent the Quad's direction from being swayed by the domestic politics of each country. Another advantage of institutionalization would be that the Quad, as a single entity, could serve as an alternative contact point for other regional organizations and nations, like ASEAN or the European Union, simplifying communication channels. This approach, therefore, prioritizes functionality and agility of the Quad as a group and focuses on the clarity of goal in the context of minilateralism.

Figure 4: Visualization of the Institutionalized Quad (An Example)



2. Networking Minilateralism

On the other hand, institutionalization is not the only way for the Quad. It is possible to keep the Quad as an informal consultation mechanism, and to make it a de facto hub of flexible minilateralism with Europe and like-minded states (Figure 3.2). Using the Quad just as a reference point for coordinating and patchworking minilateralism in the Indo-Pacific, individual members can flexibly promote deeper and more specific cooperation, bypassing possibly difficult negotiations among the Quad members. This form of development does not require any additional political, diplomatic, or budgetary contributions from the members. Compared to the institutionalization, this approach embraces the flexibility of forming, combining, and even dissolving minilateralism.

Yet, as the Indo-Pacific region as a whole has already too many bilateral and minilateral cooperative relationships, there may be confusion and inconvenience within governments as to which cooperative framework to use for which purpose. This is similar to the “spaghetti bowl problem” that was raised when the number of FTAs increased in the Asia-Pacific.⁹³ As private sector and expert participation becomes more important in the Quad with issues such as economic security, climate change, space, and cybersecurity, overly complicated and overlapping intergovernmental relationships risk making it difficult to mobilize private sector resources to the necessary government cooperation.

Of course, the Quad does not always go one way or the other. It would be more realistic to expect a certain degree of internal institutionalization, but not to

integrate the external relations of each country, and leave each country with its own diplomatic, intelligence, and military relations. In this case, it is important to consider how the two conceptual models presented above can be integrated and adapted to the actual situation of each country, and whether the agility, functionality, and flexibility that minilateralism should have can be maintained. Now that everyone is aware of the existence of the Quad, and references to it are commonplace, it is extremely important to consider what realistic means are needed to realize the ideal vision of FOIP, what the Quad should do in this context, and where its potential and limitations lie. This chapter is one of many efforts to explore the answer.

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Final Thoughts

YUKI TATSUMI AND PAMELA KENNEDY

The four chapters in this volume shared Japanese perspectives on what the U.S.-Japan alliance should and can look like in the post-pandemic world, with the long-standing partnership tested both from within and across the Indo-Pacific region and beyond. In their attempt to respond to such a broad question, the authors explored whether the alliance meets its challenges in its current form, examined areas where the alliance should further deepen cooperation, and considered the role of Japan and the United States in multilateral security cooperation. The authors focused on four specific areas within the alliance that need improvement, but they also emphasized the importance of assessing how the alliance confronts existing and emerging challenges, not only in the Indo-Pacific region but globally as well.

One of the common themes that runs through the chapters is the need for the U.S.-Japan alliance to expand cooperation in new and/or evolving areas. For example, economic security is one such area that has been quickly emerging as a key field for cooperation among like-minded countries in recent years. However, as Nishida pointed out in his chapter, acknowledging the importance of economic security has been challenging enough for Japan, while turning this recognition into a set of actionable policies is even more complex. Steps by the Japanese government to establish bodies for managing Japan's economic security risk and to incorporate economic security considerations into policy are important, but resilience against the types of risks in this security area ultimately will require buy-in and cooperation from the private sector and academia. The challenge is particularly acute as defense technology cooperation between the two allies becomes increasingly intertwined with the much broader discussion of economic security. As Miura discussed the crossover areas between technology development and economic security in his paper, Japan continues to grapple with persistent obstacles to facilitating alliance technology cooperation, such as due diligence in technology transfers and security clearance standards.¹ This dynamic between the U.S. and Japan, in which cooperation is possible only when both sides have a common understanding of their risk management, demonstrates the importance of even closer coordination in addressing concerns in new and emerging areas and dealing with them as shared challenges for the alliance.

In addition, the increasing importance of flexibility to forge partnerships beyond the bilateral U.S.-Japan alliance with third countries as the way forward emerges as another area of consensus among the authors. The U.S.-Japan alliance has already demonstrated its nimbleness in some areas in the past, particularly in humanitarian relief and disaster response as the U.S., Japan, Australia, and India

formed a nucleus in coordinating an international response to the 2004 Indian Ocean earthquake and tsunami. That said, it is still necessary to evaluate what kinds of frameworks and mechanisms will optimize the alliance and alliance-plus cooperation. Hanada's examination of the Quad offered two types of cooperation models – an institutionalization with dedicated structures and specific projects on the one hand, and a network model, much like the U.S. alliance hub-and-spokes system, that aims to facilitate ad hoc and case-by-base cooperation on the other. However, these two modes are not mutually exclusive. Both models have their own merits and limitations, and the U.S. and Japan can take an alliance-based approach to determine which model can be useful for different purposes.

In this context, Aizawa as well as Hanada reminded the alliance managers to re-examine the existing conceptualization of the alliance's engagement with outside partners – back to basics, so to speak — to ensure that the alliance achieves its goals. The recommendation to focus on the foundational elements of partnership — the who and the how — come at an opportune time for the U.S.-Japan alliance as it faces multifaceted challenges and its cooperation with external partners continues to expand. For example, Aizawa proposed that the alliance managers reimagine the Indo-Pacific region as a set of multiple subregions, which would allow the alliance to tailor its engagement with external partners to address different subregional issues. As Hanada discussed in detail in his chapter, minilaterals can fill the gaps of cooperative mechanisms for the issues that fall between the cracks of the numerous bilateral and multilateral partnerships in the Indo-Pacific region. In particular, it is important for the U.S.-Japan alliance to not overly rely on idealizing rhetoric to justify the need for cooperation. Aizawa, for instance, challenged the use of the term like-minded as a catchall reference to potential partners for the alliance. She urged the alliance managers to think through what they mean when they describe a potential partner as like-minded – like-minded in sharing values, or sharing a specific goal? – and build partnerships accordingly. This approach helps to dispel the perception that like-minded partners must be aligned in all (or most) aspects, including values, enabling the U.S.-Japan alliance to develop a pragmatic set of cooperative relationships with diverse countries in and outside of the Indo-Pacific region.

While the U.S.-Japan alliance seems to be on a solid path for continued partnership with greater depth and broader scope, it is not without friction points. As Nishida and Miura noted, economic tensions persist today, including the remaining U.S. tariffs that were initially set by the Trump administration and the delayed progress of the U.S.-Japan trade negotiations. The U.S. withdrawal from and refusal to reenter the Trans-Pacific Partnership deal in its current form is another snub that strains the alliance. Nishida warned that these issues create the perception in Japan that the United States does not value Japan as a trade partner, which can be an aggravating factor in potentially damaging U.S. credibility as an ally in Japan. On the other hand, in discussing the obstacles in Japan against

deeper technological cooperation with the U.S., Miura cautioned that Japan's shortcomings in its security standards for technology development can hinder deeper cooperation with the U.S., while acknowledging that this is an area where the Japanese government and private sector have been actively working to make improvements to Japanese regulations. Still, both sides of the alliance would be well-served to learn from the past and avoid friction as the alliance's scope evolves.

In the Joint Statement of the U.S.-Japan Security Consultative Committee in January 2022, the foreign and defense ministers of the two allies vowed to “constantly modernize the Alliance and strengthen joint capabilities by fully aligning strategies and prioritizing goals together, to address evolving security challenges in an ever more integrated manner, with partners and across all instruments of national power, domains, and the full spectrum of situations.”² As the alliance expands its partnership on the most pressing issues facing the Indo-Pacific region and the world today, it will benefit from a close examination of its mechanisms and goals. Already an anchor for the Free and Open Indo-Pacific, the alliance leaders have recommitted to meeting a diverse set of challenges. With thorough assessment of the alliance's cooperation and commitment to improvement, this unique bilateral relationship will continue to lead in ensuring the security and prosperity of the region.

Endnotes

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U.S.-Japan Alliance Cooperation in the Post-Pandemic World

The U.S.-Japan alliance has been a cornerstone of the Indo-Pacific region during decades of change, but it has also evolved to keep pace with the times. The alliance has grown from a security-oriented pact with a focus on mutual defense to a partnership that encompasses regional security and prosperity, cooperation on the pandemic and climate change, commitments to stand up for human rights, and the value of cooperation with other allies and partners across the world. In *U.S.-Japan Alliance Cooperation in the Post-Pandemic World*, four Japanese scholars examine the scope and role of the alliance in the region, its mechanisms and methods for cooperation, and the path forward for the alliance to meet the varied challenges in the Indo-Pacific region. In policy briefs on the alliance's approach to regional threats, technology cooperation, economic security, and minilateralism, the four authors make recommendations to enhance the alliance's effectiveness and forge a stronger partnership.

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