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Opportunities and Challenges in the Indo-Pacific

A Next-Generation Perspective

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About YSF

Funded by and conducted in partnership with the Sasakawa Peace Foundation, the Young Strategists Forum seeks to develop a new generation of strategic thinkers and equip them with the skills to successfully navigate a world in flux. Since the inaugural Young Strategists Forum in March 2012, GMF and SPF have built a vibrant program centered on the theme of the US-Japan alliance and security dynamics in the Indo-Pacific region. Held in Tokyo, the program emphasizes the importance of pursuing purposeful grand strategic objectives through an innovative combination of lectures, a 36-hour simulation exercise, meetings with policy makers, diplomats, senior journalists and leading academics, and a study tour that includes a visit to a military facility. Participants are selected through a competitive process, open to emerging leaders — academics, journalists, policy makers, politicians, business professionals, and military officers — between the ages of 28 and 42, from the United States, Europe, Japan, and other like-minded Asian countries.

Since its creation, the Young Strategists Forum has cultivated a vibrant network of emerging foreign policy leaders. 145 individuals have participated in the Young Strategists Forum, many of whom have risen to prominent positions in their respective professions.

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The German Marshall Fund of the United States (GMF) is a nonpartisan, nonprofit, transatlantic policy organization committed to the idea that the United States and Europe are stronger together. Founded by Guido Goldman in 1972 through a gift from Germany as a tribute to the Marshall Plan, GMF is one of the world's leading international policy institutions that champions democratic values and the transatlantic alliance by strengthening civil society, forging bold and innovative policy ideas, and developing a new generation of leaders to tackle global challenges. GMF delivers hope by upholding the dignity of the individual and defending freedom in the spirit of the Marshall Plan.

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Opportunities and Challenges in the Indo-Pacific: A Next-Generation Perspective

Introduction by Tobias Harris

For more than a decade, the German Marshall Fund of the United States (GMF), in partnership with the Sasakawa Peace Foundation, has selected a group of rising experts on national security, foreign policy, and geoeconomics to participate in the Young Strategists Forum in Tokyo. This program not only enables a diverse group—drawn from governments, militaries, think tanks, universities, and businesses in the United States, Europe, Japan, and elsewhere in Asia—to participate in a tabletop strategy exercise and meet senior officials and experts in Tokyo. It also builds relationships across borders among future leaders that will help strengthen cooperation among like-minded countries and, through an alumni network that now numbers in the hundreds, gives participants a chance to meet more experienced colleagues in their fields.

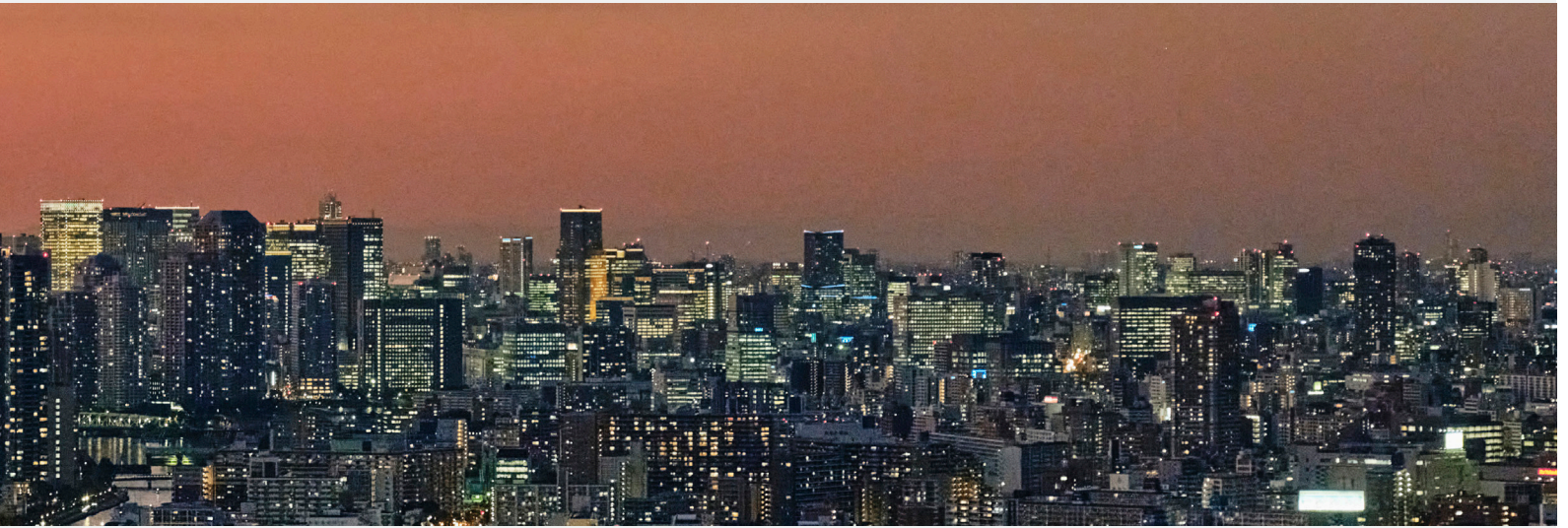
During the January 2024 convening of the Young Strategists Forum in Tokyo, participants engaged in an Indo-Pacific strategy simulation led by Dr. Zack Cooper (American Enterprise Institute) before joining meetings with officials and experts from Japan's prime

minister's office; the Japanese ministries of defense, foreign affairs, and economy, trade, and industry; the US embassy in Tokyo and US Forces Japan; and think tanks including the Institute of Geoeconomics and the Sasakawa Peace Foundation.

This publication, a collection of essays written by the 2024 Young Strategists Forum participants, provides an opportunity for them to share insights gleaned from their professional backgrounds and their time in Tokyo. Authors could write on topics that interested them most. What emerges from this collection is a comprehensive look at the evolving regional and global orders, the threats that the United States, Japan, and other like-minded countries face, and the ways in which the United States and Japan can work together to defend what they refer to as the "free and open international order".

This volume opens with a contribution from Justin K. Chock, a student at Yale Law School, who discusses the opportunities of AI research and development for

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defense purposes in the context of US-Japan relations.

This volume continues with a section on the changing global order and its consequences. Rie Hayashi Matsumoto, a Japanese civil servant on leave to pursue a PhD in technology security at University College London, discusses how the rise of China and other emerging powers in the “Global South” are changing the world order, creating new challenges for successful diplomacy. The impact of this can be felt across numerous domains, and, in her contribution, Mercedes Page, a senior fellow at the Australian Strategic Policy Institute, notes that geopolitical fragmentation and weak global rulemaking bodies present a risk to a global resource that is essential for commerce in the 21st century: the undersea cable network. Finally, Titli Basu, a professor at Jawaharlal Nehru University in Delhi, examines the unique perspective that one emerging power—India—brings to cooperation with the United States, Japan, and Australia in the Quad framework, thereby introducing “the United States and its allies to different views from outside their comfort zone”.

The next section looks more closely at geopolitical competition in the Indo-Pacific. Aya Adachi, a German scholar, examines how countries in the region have tried to balance a desire for economic engagement with China with concerns about overdependence on it for critical materials and vulnerabilities to Beijing’s economic coercion. She concludes: “Despite the backdrop of rivalry and competition with China, and ongoing signaling and deterrence efforts, pragmatism and ambiguity are inherent features of the international economic order.” Howard Wang, a political scientist at the RAND Corporation, identifies another threat that Indo-Pacific countries face from China. He examines the use of “cognitive domain operations”—propaganda, negative messaging, and other information operations—aimed at undermining popular support for allied cooperation and cohesion among the United States, Japan, and other like-minded countries. Finally, Richard Javad Heydarian, a journalist and scholar from the Philippines, looks at Japan’s responses to the changing strategic environment in the Indo-Pacific

and the ways in which decisions made in Tokyo impact regional security.

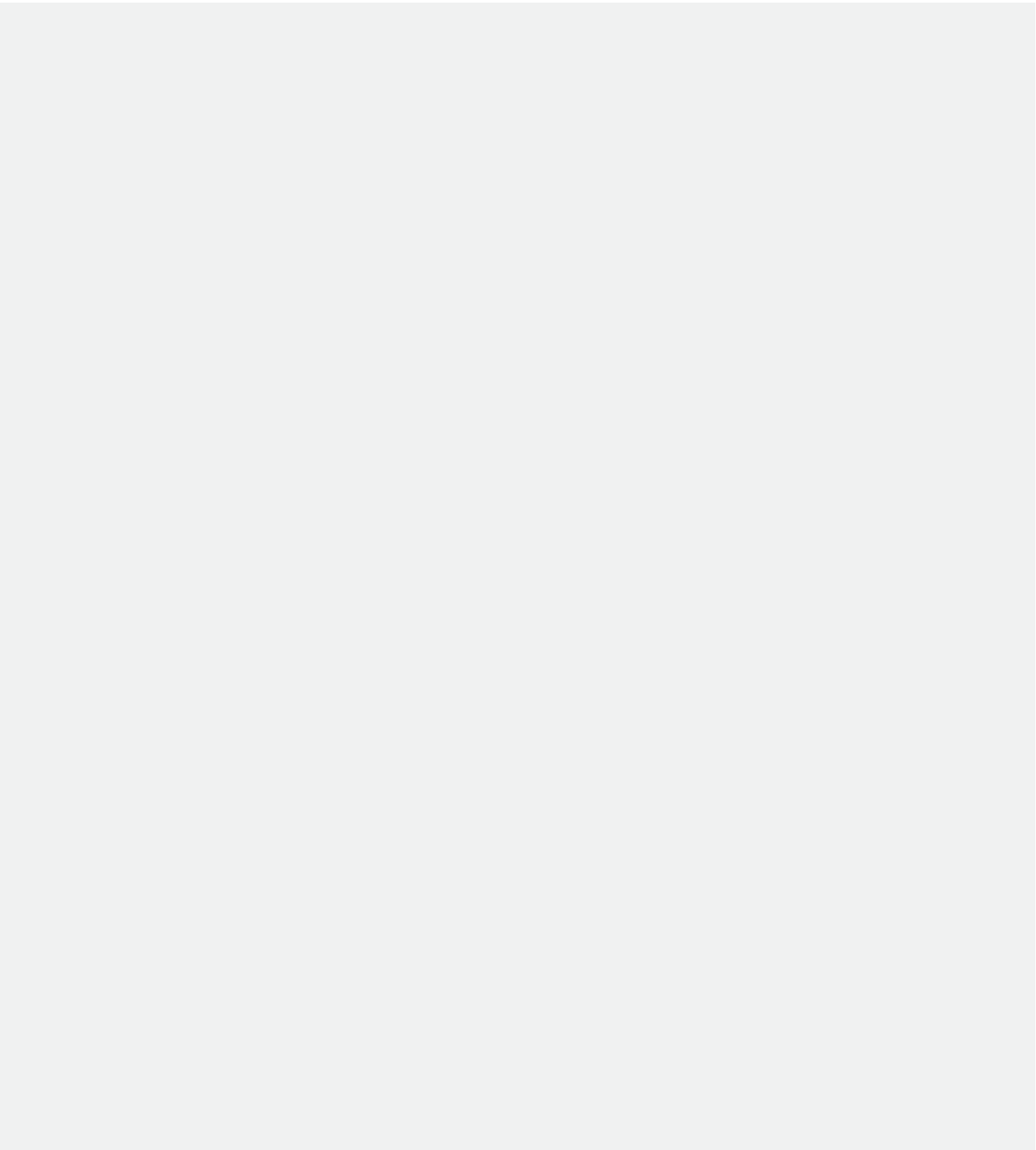
The third section shifts its focus to the United States and its alliance with Japan. It explores Washington's responses to challenges to the free and open international order. The section opens with a contribution from Shu Fukuya, deputy director of the strategic research department at the Japan Bank for International Cooperation (JBIC), that looks at changes to American policy toward China under the Donald Trump and Joe Biden administrations. Fukuya notes that there are some surprising continuities between the two and suggests that the "old-style internationalism" of the post-Cold War era may not return. However, Alexandra Chinchilla, a professor at Texas A&M University, and Brian Slusser, an officer of the US Marine Corps, argue that the United States still has a global security role to play. They stress the importance of US support for Ukraine and note that US actions in Europe and other parts of the world have direct implications for Washington's policy in the Indo-Pacific. "Supporting Ukraine", they write, "demonstrates the reliability of the United States as an ally and partner, as well as affirms its global leadership". Meanwhile, Rie Horiuchi, a Japanese defense ministry official, shows how the war in Ukraine has changed the landscape for global defense production and highlights ways in which Japan and the United States work together to bolster defense-industry capacity in like-minded countries. Finally, Courtney Winterhill, a US Department of State official, looks at cooperation between Washington and Tokyo in another area of increasingly critical importance: promoting decarbonization and combating climate change. She provides insights from a trip that John Podesta, the US special presidential envoy for climate, took to Japan in March to promote the coordination of American and Japanese policies relevant to these two goals.

Finally, the volume closes with an essay by Daisuke Minami, a geopolitical risk adviser at PwC Japan. It looks to the future and considers the implications that the second Trump administration could have on trade and security in the Indo-Pacific, and gauging the potential impact on businesses in the United States, Japan, and elsewhere in the region.

Minami's essay is a fitting contribution to close the volume. It highlights a key goal of the Young Strategists Forum. In both the tabletop exercise, which simulates regional security dynamics decades into the future, and in meetings in Tokyo, participants are encouraged to think not just about the region as it exists today but to imagine the impact of today's trends on Indo-Pacific security and prosperity for years to come.

All the essays in this volume show the depth and sophistication of the program's participants, and highlight the value of the Young Strategists Forum as a means of supporting the professional development of young leaders who will play critical roles guiding the United States, Japan, and other like-minded countries through a challenging century.

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AI Allies

Opportunities for US-Japan Joint Artificial Intelligence Research and Development for Defense Purposes

Justin K. Chock

The US-Japan alliance has been in existence since 1951, and in more than 70 years much military technology used by the alliance has changed. Military planners from the era of its inception could not have predicted the emergence of the AEGIS combat system or advanced stealth fighters. Planners today similarly struggle to understand the impact that technology such as hypersonic glide vehicles or directed energy weapons will have on military operations.

Within uncertainty, however, lies opportunity. The United States and Japan are now at a point where they can invest in developing technology and tailor its use for their mutual benefit. One such technology is artificial intelligence (AI), which has been widely discussed in Japanese and American civil society following the introduction of ChatGPT, image and video generators, and other applications. But military uses of AI also exist. Some observers, in fact, see AI as a “revolution in military affairs”¹ that will change the fundamentals of warfare. Others see a dangerous arms race² looming on the horizon. It is because of this uncertain future that the United States and Japan should work together to invest in AI technology while it is still in its nascent stages, to promote and jointly shape its development. Doing so may be the solution to key security challenges shared by both countries.

The AI Edge

Countries are investing in AI because it provides a security advantage. In general, the technology allows computers to replicate and/or exceed human intellectual capabilities,³ resulting in the automation of tasks and longer and more complex information processing capabilities. AI’s military potential⁴ lies in taking these fundamental qualities and tailoring their applications⁵ to design and operate cutting-edge weapons systems, offer options for outwitting opponents, and automate routine administrative tasks to free manpower for operations. Because of AI’s potential to create an asymmetric military advantage, countries including the United States and Japan have already invested in the research and development (R&D) of defense-related AI to maintain their national security. But with strategic competitors, including China,⁶ investing heavily in military AI, the United States and Japan face an unprecedented urgency to remain at the forefront of this competition.

The US Defense Department recently published its Data, Analytics, and AI Adoption Strategy⁷ to shape future R&D efforts. Certain AI-facilitated military capabilities, including the Joint All-Domain Command and Control (JADC2),⁸ are already reaching the initial delivery stage. Japan, for its part, recently approved its largest-ever defense budget to support its new Defense Buildup Program (DBP),¹⁰ and, while AI is only

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occasionally mentioned in the DBP, Japan's proactive thinking about AI development principles¹¹ and in finding opportunities to integrate AI into Japanese society¹² demonstrates a strong potential for applying the technology to the country's defense sector.

Investments by the individual states are valuable, but joint investment can provide an even larger return for both countries and their alliance. Cooperative security projects allow states to share costs, ensure military interoperability, and expand the pool of expertise and resources that can be brought to bear on a project. To realize these benefits, the United States and Japan committed in January 2022 to pursue more joint investment projects¹³ and, a year later, signed a memorandum of understanding¹⁴ to streamline collaboration. The recent announcement of joint research into AI-enhanced unmanned aerial sensors (UAS)¹⁵ demonstrates that the partners are leveraging their cooperation on AI. But this initial step into joint defense AI prompts the question: What other areas are ripe for US-Japan R&D of military AI?

Shared Challenges, Joint AI Solutions

The United States and Japan's shared security challenges can be confronted with the potential strengths of defense AI development, which makes them prime opportunities for joint R&D projects. There are four areas in which such cooperation could have significant impacts.

First, AI can address shrinking workforce pools in both countries' militaries. Japan has the world's oldest population,¹⁶ and the country's Self-Defense Force already struggles to find new recruits¹⁸ to sustain its operations. The United States may not share this population decline, but it similarly struggles to meet military recruitment goals.¹⁹ AI, however, is particularly adept at replicating and automating traditional human

tasks, and both countries could cooperatively develop the technology to assume some service members' responsibilities. This would help adjust to the changing demography while maintaining the scope and intensity of military operations.

Second, the United States and Japan can jointly research new AI applications for autonomous platforms and sensors. A key challenge for the US-Japan alliance lies in maintaining awareness²⁰ over vast common operating areas in Indo-Pacific waters and airspace. AI-controlled autonomous systems²¹ could allow for more platforms and sensors to monitor larger areas with longer availability windows (since robots do not require resupplies or relief teams). And, since more sensors mean more data, the alliance's investment in joint AI would pay dividends by also addressing larger processing requirements. Both countries could develop automated information-sharing as a part of this processing, ensuring an accurate and timelier common overview of alliance operations.

Preparing for future unmanned and autonomous platform tactics also calls for early coordination. The drone swarm²² is one such technology that is used in the ongoing war in Ukraine²³ and holds a high likelihood of being commonplace in future military operations. The complexity of controlling such large numbers of objects necessitates AI, and a United States and Japan that will one day use these AI-required technologies to conduct alliance operations are better served if they jointly develop that technology with interoperability.

Third, AI will allow the alliance to address the challenges found in data-centric domains. Japan is seeing a large increase in cyberattacks²⁴ from state and non-state actors, and the alliance declared in 2019 that a cyberattack could constitute an armed attack²⁵ under Article V of the 1960 US-Japan Security Treaty. Both countries must look to the promise of AI-enabled cybersecurity²⁶ to keep up with the accelerating scale and pace of such attacks. AI can help harden network

defenses using insights it generates and can analyze the many attacks that occur to determine which are worth further investigation, perhaps even leading to an invocation of Article V. The appetite for cyber cooperation²⁷ already exists in the alliance, and adding joint AI development to the agenda would bring many benefits at a marginal price increase.

Another data-centric issue with which AI can assist is defense against adversaries' disinformation campaigns. The US²⁸ and Japanese²⁹ governments agree on the pernicious effects that foreign influence campaigns may have. They also understand that the concept of security should expand to protecting their societies from this threat. AI research would help the allies understand how adversaries use their own AI capabilities³⁰ to generate fake news and help develop tools³¹ to combat disinformation by rapidly sifting through vast quantities of information and identifying messages from adversaries' disinformation campaigns.

Fourth, joint defense AI research can help the alliance prepare for and respond to traditional crises and contingencies involving their armed forces. The alliance conducts the full spectrum of military operations, from humanitarian assistance/disaster relief (HA/DR) to coordinated full-scale combat operations. To help plan for the former, AI can model potential natural hazards³² on a scale that would trigger alliance HA/DR operations such as Operation Tomodachi.³³ AI can also identify the most likely and most dangerous scenarios for which the alliance can develop plans and conduct exercises. AI's other uses include improving the conduct of the alliance's wargames³⁴ during its many exercises³⁵ by serving as a realistic opposing force. The technology can study an adversary and replicate its operations with nuances that human analysts might miss, all while reducing costs, offering more game iterations, and developing potential alliance strategies and operations that military commanders would never have envisioned.

Joint AI would also assist with real-world operations. The technology is already employed by some emergency preparedness and response personnel.³⁶ With further development, it holds an even greater potential to forecast disasters, determine optimal resource allocations during responses, and disseminate information among relevant agencies. These same abilities can be applied to combat operations. AI could rapidly process intelligence to forecast adversaries' actions, shape logistical chains to ensure US and Japanese forces are well supplied, and automatically pass intelligence and information between US and Japanese units to ensure a common information set for decisions.

Toward an AI-Enhanced Alliance

While joint research into AI-enhanced UAS platforms is a great start, the United States and Japan have yet to tap other opportunities for joint AI R&D that would help both better address shared security challenges. Overcoming staffing shortfalls, controlling automated sensors and platforms in the maritime domain, combatting cyberattacks and misinformation, and enhancing the full range of military operations are just a few areas in which the United States and Japan can collaborate on AI and leverage it to their mutual benefit. The pace of technological growth will accelerate in the future, bringing with it greater uncertainties—and opportunities. US and Japanese resources combined with the promise of military AI to enhance defense provide the alliance with the potential to confront a wide range of challenges.

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Diplomacy in the Modern World

More innovative methods of engagement are needed if liberal democracies' diplomats are to be effective in the 21st century

By Rie Matsumoto

Nations have managed relations with their neighbors for as long as there have been nations, but the modern concept of diplomacy began in the Italian peninsula in the second half of the 15th century. European nations, engaging with an increasing number of cultures and countries, needed a formal approach to managing interstate communication. Diplomacy was the term given to official channels between representatives of different states. Even today, interstate communications are primarily managed by a network of diplomats that was built up during the 18th century. Over time, legal rules and protections have been developed to govern these networks' operations.¹

However, diplomacy's tools, philosophy, and mission have not been static. Those early 15th-century diplomats focused on relations among city-states while those in the 18th century operated across massive empires. Following World War II, diplomacy faced particular scrutiny, with many criticizing its pre-war links to imperialism and questioning its purpose under the postwar consensus. During this period, diplomacy was codified under the Vienna Convention and through customary international law to reflect consensus and the international rules-based system (IRBS).²

The world is going through another major geopolitical shift with the rise of an era defined by bipolar and

multipolar orders.³ This essay argues that liberal democracies again need to update their understanding of the role of diplomacy in an increasingly complex and contested global order defined by emerging powers, non-state actors, and regional institutions. This essay also argues that developing a modern and effective approach to diplomacy is critical for liberal democracies if they are to build and manage their international relationships, including with China and emerging powers, as they promote their values, address global challenges, and defend the rules-based order.

The Changing World Order

The world is changing rapidly. International relations are often understood through the prism of polarity—unipolarity, bipolarity, or multipolarity—referring to the relative power and influence of states in international affairs. Following the collapse of the Berlin Wall in 1989 and the Soviet Union soon thereafter, the world was said to have moved from a bipolar era defined by two superpowers to a unipolar one characterized by the dominance of the United States.⁴ During this period, liberal democracies relied on the United States to defend and promote the international rules and values that underpinned the peace and prosperity that allowed them and emerging powers to thrive. In the past decade, however, the world has seen the sole

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supremacy of the United States challenged by a rising China and revisionist Russia, and Washington itself has prioritized domestic politics over maintaining the “Pax Americana”. This has led emerging powers across Latin America, the Middle East, and the Indo-Pacific to question the United States’ commitment and ability to defend international values and rules. If the world is no longer unipolar, then what has it become and what does that mean for liberal democracies that wish to defend and promote international values and rules?

China’s evolving international role has prompted some to see the world as again bipolar, defined primarily by competition between Beijing and Washington.⁵ This is evident in the technology war between the two and in their approach to geopolitical crises.⁶ However, to assume the world has simply returned to a bipolar era is to underestimate global changes since the Cold War and, in particular, emerging powers’ increasing autonomy and assertiveness. India cooperates with the United States in forums such as the Quad (with Australia and Japan), but New Delhi clearly has no interest in being a junior partner to any other power. In Southeast Asia, the ASEAN countries have banded together with the explicit aim of maintaining their centrality. Even established powers such as France talk of Europe’s need for strategic autonomy.⁷ It is unsurprising that UN Secretary-General Ban Ki-moon said in 2013 that the globe had begun to “move increasingly and irreversibly to a multi-polar world”.⁸

But these analyses may not reflect a more complex geopolitical reality—that the world is heading not toward bipolarity or multipolarity but toward a mix of both, depending on the issues, stakeholders, and institutions involved.⁹ The United States and China, possessing the world’s largest economies, will remain critical in global affairs, but other liberal democracies, such as those in much of Europe and Japan, remain major trading powers. Meanwhile, emerging countries

will be increasingly assertive in promoting their interests.

This situation has profound implications for international values and the rules-based system. Liberal democracies, which have thrived under the existing IRBS and wish for others to do so as well, need a new approach to effective and modern diplomacy if they are to promote their values, address global challenges, and defend the IRBS. Effective engagement with emerging powers is critical to this effort.

Emerging Powers

As the global geopolitical landscape evolves, the influence of emerging powers has become increasingly significant. These states, which include India, Brazil, and South Africa, are now critical players in shaping the international system. Given demographic trends¹⁰ and predicted economic growth¹¹ in these countries, they will likely become more influential. While they are invested in the existing IRBS, they also seek to ensure that it reflects their interests. Many emerging powers argue that the victors of World War II established a system that does not fully address their needs or perspectives.¹² They consequently have growing demands for reform.

Liberal democracies should recognize the importance of securing the support of emerging powers to uphold the IRBS. To do that, they must understand and be sensitive to emerging powers’ diverse priorities, challenges, and geopolitical ambitions. Effective diplomatic engagement with them is key to building understanding and trust, and to developing mutually beneficial relationships that bolster cooperation on shared interests and agendas.

Liberal democracies will need to be realistic when they engage emerging powers, particularly when addressing challenges to the existing order. Effective diplomacy

in the early stages of Russia's invasion of Ukraine enabled liberal democracies to secure support for symbolic actions, such as the UN's 2022 resolution condemning Moscow's actions.¹³ However, as the war drags on, and emerging powers see their food and energy costs rise, liberal democracies must respond to their concerns or risk seeing narratives of Western hypocrisy take hold. This could exacerbate growing perceptions that post-war international organizations are ineffective.¹⁴

How liberal democracies approach China is key to gaining support for the IRBS and to sustaining it in the future. The country's rapid economic growth and assertive foreign policy stance have already reshaped global dynamics, and its global influence continues to grow.¹⁵ Liberal democracies recognize the need to collaborate with Beijing on specific issues, such as climate change, while responding firmly to China's actions that challenge the IRBS.

In navigating the complexities of engaging with emerging powers, liberal democracies must adopt a nuanced approach as they build and manage their international relationships. This involves extending diplomatic outreach beyond traditional partnerships and identifying shared interests and areas of mutual benefit. By fostering dialogue, cooperation, and understanding, liberal democracies can work toward shaping a more inclusive and resilient IRBS that reflects evolving 21st century realities. To be able to achieve this, liberal democracies will need to evolve their understanding of what diplomacy is and how it should operate in the modern era.

Expanding Diplomacy

In the contemporary landscape of international relations, with new challenges and opportunities, diplomacy has evolved to encompass activities that go beyond traditional state-to-state negotiations to innovative public diplomacy initiatives.¹⁶

Diplomacy plays a central role in shaping the perceptions and attitudes of nations toward each other. An us-versus-them framing in foreign affairs can lead to suspicion and hostility, hindering effective communication and negotiation. Stereotypes and biases can exacerbate tensions. Diplomats have not escaped criticism for their links to imperialism and their complacency toward the challenges facing the post-World War II order: In the second half of the 18th century, growing criticism of the ancien régime extended to traditional diplomacy; after World War II, foreign ministers were criticized for inefficiency and waste.¹⁷ Today's diplomats must put cultural sensitivity at the heart of their work. They should be mindful of their attitudes and actions in fostering constructive dialogue, and avoid the appearance of haughtiness or self-righteousness by developing a deep understanding of the country or region in which they are working by acquiring relevant language skills and building networks that reach beyond traditional ties with state institutions. Today's diplomats must engage with civil society, academia, businesses, and the media at local and national levels.

New actors are changing geopolitics. Civil society and academic organizations play pivotal roles in global diplomatic endeavors, influencing the emergence and interpretation of issues and facilitating global agreements. They also leverage their widespread presence and flexible networks to effectively translate these agreements into local action.¹⁸ The corporate sector is also instrumental. UN Secretary-General António Guterres noted at the 2017 World Economic Forum annual meeting that "the best allies today in the world are probably in the business sector".¹⁹ The noteworthy increase in issue-related diplomacy also calls for "knowledge diplomacy", which encompasses looking to academic stakeholders to address pressing global issues. Unlike traditional forms of diplomacy, knowledge diplomacy leverages the cooperation that is innate to international higher education, including

research and innovation, to facilitate diplomatic efforts.²⁰

New technologies are also critical to current diplomacy. An ability to understand and make use of big data would enable diplomats to build an evidence-based understanding of countries and regions. Familiarity with emerging technologies, such as artificial intelligence (AI), is already key to grasping the ways in which they are used to spread disinformation, among other malicious aims.

Finally, liberal democracies will need strategies for engaging China that will bring together their state, private, and third-sector institutions, and as well as strengthen their cooperation with among allies. This will allow them to respond to China's behavior in a world where its advancements in both diplomacy and various technologies have changed international relations. In light of global issues such as climate change, liberal democracies cannot simply disengage from China, but nor neither can they ignore its actions which that challenge the IRBS.

New Diplomacy, Traditional Values

The global order is changing. It can no longer be easily defined by any single type of polarity as a wider range of countries and actors gain influence. It is, therefore, vital that liberal democracies review their understanding of the role and purpose of their diplomacy, so they can develop a modern and effective approach to it. They must respond by adapting their diplomatic update their understanding of the role and purpose of their diplomacy, so they can develop a modern and effective approach to diplomacy strategies.

For this, they need diplomats who understand and are able to navigate an increasingly complex geopolitical landscape. They must expand their networks beyond historic partners by employing traditional and new

skills, deploying new technologies, and leveraging the opportunities provided by the broader roles of non-state actors in international affairs. If they are successful in this effort, liberal democracies will take the first step towards building and managing their international relationships—especially those with China and emerging powers—as they promote their values, address global challenges, and defend the IRBS.

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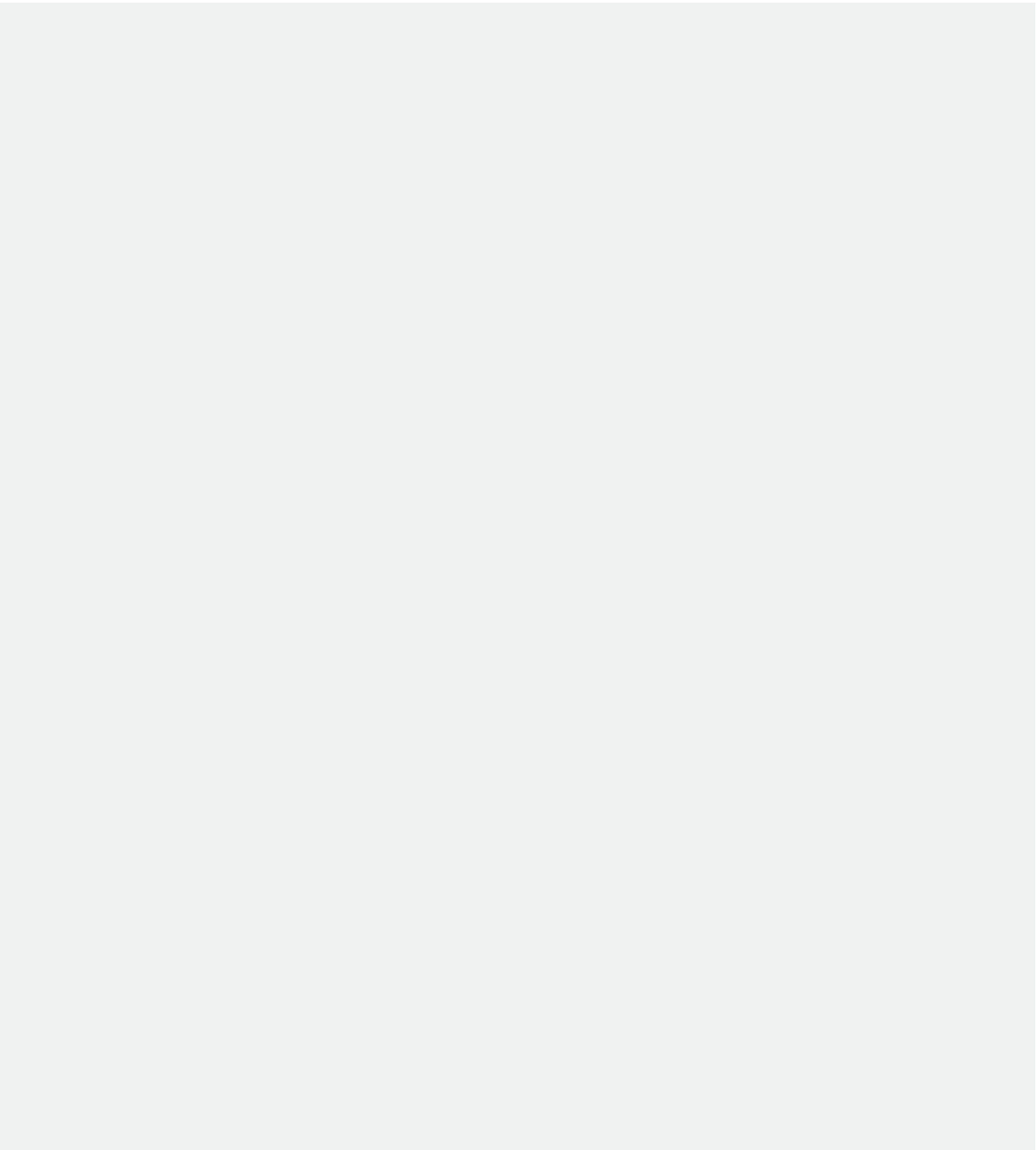
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A Digital Choke Point

The Indo-Pacific is a critical hub for subsea cables, but they are vulnerable to environmental and geopolitical threats.

By Mercedes Page

Subsea cables, also known as undersea or submarine cables, are the physical backbone of today's global telecommunications infrastructure, transmitting more than 99% of international data traffic. They power the global economy and enable information societies to function. Since the first subsea cables were laid for transatlantic telegraphs in the 1850s, the number of subsea cables has grown to 574, stretching more than 1.4 million kilometers.¹

The Indo-Pacific has rapidly emerged as a critical hub for subsea cable networks. Situated at the crossroads of major maritime routes, the region boasts a strategic geographic location that facilitates the efficient and cost-effective transmission of data across continents and oceans. The Indo-Pacific is also home to several rapidly digitizing economies, characterized by burgeoning populations, growing urbanization, and increasing internet penetration rates. Demand for the robust and reliable telecommunications infrastructure that subsea cables facilitate has surged. Consequently, there has been a proliferation of subsea cable projects in the region in recent years to meet the escalating demand for high-speed internet and telecommunication services.

However, the Indo-Pacific faces a range of challenges that could undermine the stability, security, and long-

term resilience of its subsea cable infrastructure, posing risks not only to regional connectivity but also to regional stability and the global telecommunications system.

Threats to Subsea Cables

Despite their critical role in the 21st century, subsea cables, which are the size of a garden hose, are extremely vulnerable to damage. Accidental damage to subsea cables occurs from routine activities such as marine traffic, fishing, or dredging operations, which may all inadvertently interfere with cable infrastructure. Human activity accidentally causes approximately 70% of all cable damage.² Due to its dense network of shipping lanes, unregulated fishing, and the high volume of maritime traffic, the Indo-Pacific is particularly vulnerable to such damage.

Cables are also vulnerable to environmental events. The Indo-Pacific is prone to a wide range of hazards including earthquakes, tsunamis, typhoons, and underwater volcanic activity, particularly around the Pacific "Ring of Fire". These natural phenomena can damage or disrupt subsea cable infrastructure, as was seen in Tonga in 2022.³ Rising sea levels and ocean temperatures further exacerbate these risks, as underwater cables are susceptible to corrosion. Subsea cables are also vulnerable to sabotage.

China has allegedly cut Taiwan's access to cables an estimated 27 times in the past five years as part of Beijing's efforts to exert pressure on the island.⁴ In October 2023, two subsea cables and a gas pipeline connecting Finland, Estonia, and Sweden were found likely to have been deliberately damaged by a Russian-flagged Chinese vessel, potentially in retaliation for those countries' seeking closer ties with NATO and their support for Ukraine.⁵ And in early 2024, Houthi rebels attacked subsea cable infrastructure in the Red Sea.

Regardless of how any damage occurs, repairing subsea cables is a complex, time-consuming, and expensive undertaking. Accessing cables submerged hundreds or thousands of meters below the surface requires specialized equipment and expertise. There are a limited number of specialized cable ships globally, with estimates suggesting some 60 operational vessels across just six companies.⁶ Only 22 of these vessels are designated repair vessels.⁷ As a result, repair times can be weeks or months. Estimates suggest a single repair can cost anywhere from \$1 million to \$3 million depending on the severity of the damage and the cable's location.⁸ The true expense is the loss of internet connectivity. Nigeria lost an estimated \$593 million in just four days in March 2024 after undersea cables off Côte d'Ivoire were damaged by an underwater rockslide.⁹

Aside from physical damage, subsea cables are also vulnerable to espionage as malicious actors seek to intercept or tamper with transmitted data. Cables have been tapped, and this is particularly likely to happen during repairs or maintenance.¹⁰ Indo-Pacific subsea cables are particularly vulnerable to espionage, given the region's role as a global data hub and the increasing geostrategic importance of individual Indo-Pacific countries.

Geopolitical Fragmentation

Subsea cables in the Indo-Pacific have also become an important battleground in the strategic competition between China and the United States.

In 2015, China launched its "Digital Silk Road", an extension of its Belt and Road Initiative, with the goal of dramatically expanding its subsea cable footprint.¹¹ This involved Chinese companies, particularly Huawei, aggressively laying cables and undercutting competitors with low bids. These actions raised significant concerns in Washington about China's control of global data networks and the risk that it would manipulate critical infrastructure in pursuit of its national interests.¹² The United States has launched initiatives in response, such as a "Clean Network" program that prioritizes trusted vendors.¹³ These efforts aim to provide alternatives to Chinese bids by encouraging partnerships with US allies Australia, India, and Japan, and by investment from US companies.¹⁴

These actions appear to have slowed China's efforts, and Indo-Pacific countries may feel increasing pressure to weigh the benefits and risks of aligning with either Chinese or US-led cable initiatives and networks amid a growing geostrategic fragmentation of undersea cable networks. As some have noted, countries in the region will have to grapple with, on one hand, the economic and diplomatic costs of fortifying their digital infrastructure against potential threats and, on the other, the promise of affordable infrastructure.¹⁵

Limited International Regulation and Governance

On top of these issues—and despite a 2011 UN resolution designating cables as vital critical infrastructure—the global regulatory framework governing cable infrastructure remains surprisingly fragmented and underdeveloped.¹⁶

The 1982 UN Convention on the Law of the Sea (UNCLOS) provides a basic international legal framework for the laying, protection, and maintenance of submarine cables. While UNCLOS sets out general principles for the location of cables and for protecting them from interference and damage, it fails to address other concerns and issues.¹⁷ Its limited provisions around Exclusive Economic Zones and territorial waters, for example, are ineffective in the Indo-Pacific, where myriad unresolved maritime and territorial disputes exist. China is an UNCLOS signatory but may be violating its provisions by reportedly prohibiting other states from laying cables in the South China Sea. As a result, the new Google and Meta cables connecting North America to the region will bypass that body of water.¹⁸ China has also enacted stringent domestic regulations that contravene UNCLOS.¹⁹ The United States is not an UNCLOS signatory.

Other agencies also have limited influence. The International Telecommunication Union (ITU) plays an important role in setting technical standards and regulations related to subsea cables, but these do not address broader issues of cable deployment, maintenance, and security. The International Cable Protection Committee (ICPC), a nonprofit organization, provides a key forum for global industry and government stakeholders to collaborate on best practices and guidelines for protecting subsea cables from damage and interference, but its membership and guidelines are voluntary, and it lacks binding regulatory authority.²⁰

As a result of the lack of global frameworks, the Association of Southeast Asian Nations issued guidelines in 2019 aimed at strengthening the resilience and repair of submarine cables in its region.²¹ These guidelines, however, are also nonbinding and lack enforcement mechanisms, so their impact is limited. The absence of a comprehensive global framework governing subsea cable infrastructure poses significant

challenges for ensuring the security, reliability, and sustainability of these critical assets in the Indo-Pacific.

Recommendations

The Indo-Pacific's subsea cable infrastructure underpins the region's digital economy and connects it to the wider world. However, this crucial infrastructure faces several challenges that threaten regional stability, security, and connectivity.

To address these issues, Indo-Pacific nations should actively engage in international forums to address gaps in existing legal frameworks, such as UNCLOS, and promote responsible stewardship of subsea cable networks. This is particularly important in the context of growing regional tensions, geostrategic competition, and the need to establish rules and norms that protect interconnected infrastructure.

Second, the region needs its own dedicated framework for subsea cable governance. This framework should address the region's unique security concerns and needs for environmental protection, establish effective dispute resolution mechanisms and procedures, and foster open dialogue among countries.

Finally, investing in regional capacity-building, information-sharing, joint patrols, and emergency response is also crucial. Regular drills and contingency plans for natural disasters, alongside clear communication channels with relevant authorities, will ensure the region is able to minimize any disruptions and stay online.

While these recommendations may seem optimistic, the cost of inaction is too high. The Indo-Pacific is a significant digital choke point, and ensuring the resilience of its subsea cables is vital in an increasingly interconnected world.

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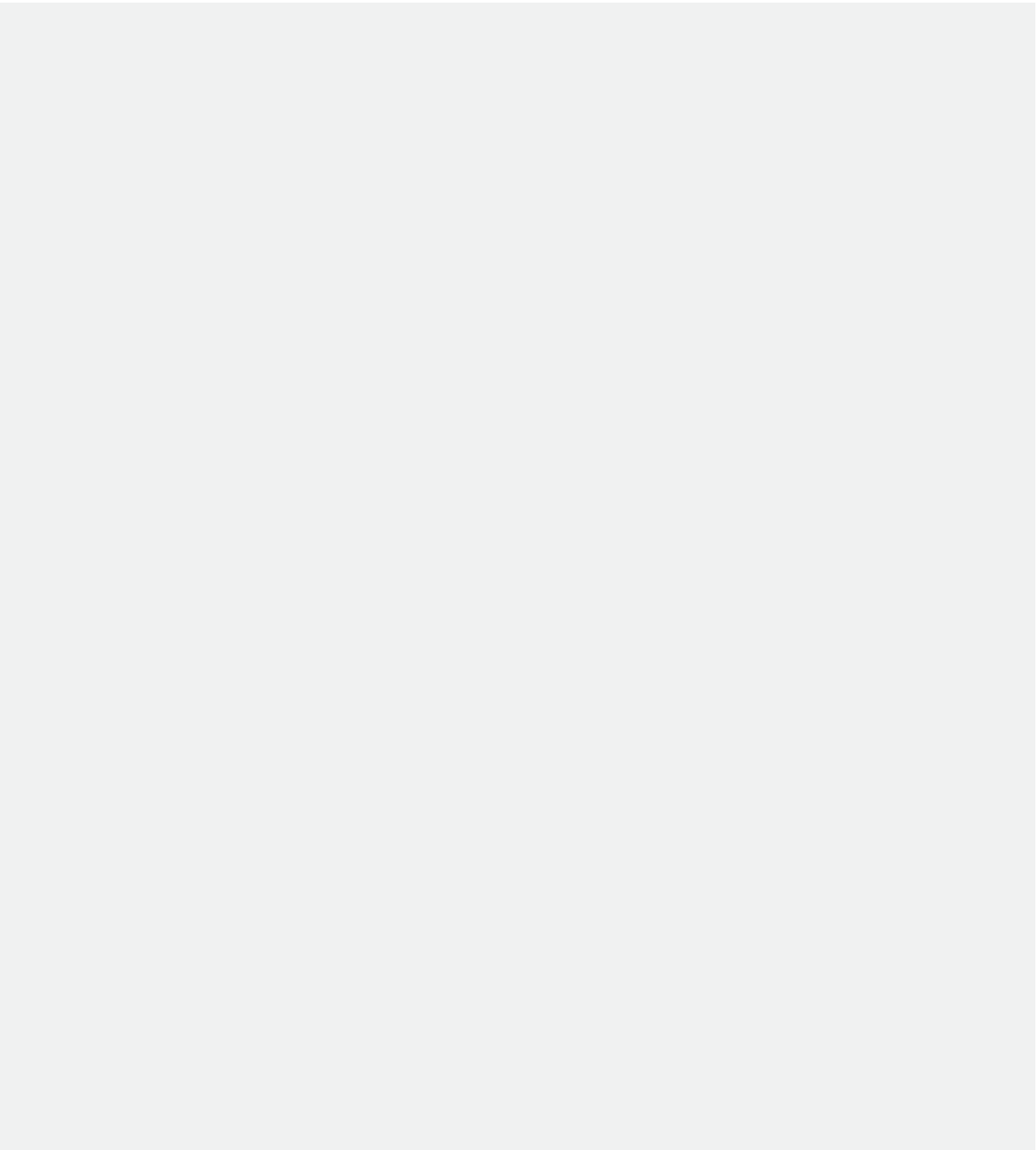
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India Is Not the Quad's Weakest Link

By Titli Basu

It is common to call India the weakest link in the Quad. A deeper dive makes clear, however, that the country brings the weight of the "Global South" to the forum, balances its interests, and keeps it from becoming an echo chamber for the United States and its traditional allies. New Delhi's strategic heft as one of the leading voices of the "Global South" is a force multiplier, imparting greater credibility to the Quad, since India (unlike other partners Japan and Australia) is not weighed down by the baggage of a long-standing alliance with the United States. India has, on certain issues, introduced Washington and its allies to alternate views outside their comfort zones.

The confidence that lets a rising India pursue an independent foreign policy, balancing strategic autonomy and maximizing national interests amid complex geopolitics, does not make it the weakest link. On the contrary, it makes the Quad more robust and better adjusted to the realities of an evolving international system that is paving the way for a multipolar and a post-alliance world. The Quad is just one of the many tools New Delhi employs to pursue its strategic opportunities, as do Washington and its allies. India is one of the fastest growing Asian economies, an IT powerhouse with a vigorous startup ecosystem. Given its strategic geography, the country also rebalances the focus of the Quad toward the "Indo" half of "Indo-Pacific", differentiating the group from being just another Western Pacific-centered unilateral.

India's unique historical experiences and perceptions of order inform its statecraft and aspirations to be a leading power in a multipolar world. In contrast, multipolarity does not feature in either the American or Japanese national security strategies. New Delhi does not habitually subscribe to or mirror every US policy position, and thus remains free from the limits imposed by alliances. Relations with Washington, despite being anchored on foundational agreements and high-tech cooperation, have fault lines, among them Russia's war in Ukraine, Afghanistan, US freedom-of-navigation operations, human rights, internal Indian affairs, and climate equity.

These differences, however, have not limited India's work in the Quad, where interests converge and collective resources are brought to bear with the aim of delivering global goods, such as the Quad's COVID-19 vaccine initiative or the launch of the Indo-Pacific Partnership for Maritime Domain Awareness (IPMDA). Within the group, respecting differences and exploring common ground to identify areas for cooperation on global problems takes priority. The United States and Japan differ on the geo-economics of free trade, policy toward China, and Nippon Steel's attempt to acquire US Steel, but these do not shake the foundations of the US-Japan alliance and its long-term strategic goals. Disagreement on some issues need not hinder substantive cooperation when shared interests are at stake.

A Regional Focus, Too

It remains imperative for the Quad to balance its attention on the Indian Ocean with other priorities. The ocean is the site of critical maritime chokepoints and keeping the sea lanes open is as important as ensuring the stability of regional small island-states here and in the Pacific. In addition, the Western Pacific constitutes the centerpiece of US strategy in the Indo-Pacific, while Tokyo, as underscored in its revised 2022 National Security Strategy, focuses on the East and South China seas, Taiwan, and other Pacific islands. Meanwhile, Canberra's key emphasis encompasses the northeastern Indian Ocean and maritime Southeast Asia into the Pacific.¹

The Quad's joint statements, including its vision statement, highlight the urgency of aligning agendas by acknowledging "the centrality, agency, and leadership of regional institutions, including ASEAN [Association of Southeast Asian Nations], the Pacific Islands Forum, and the Indian Ocean Rim Association (IORA)".² The Quad powers have recognized ASEAN's centrality and prioritized its Outlook on the Indo-Pacific (AOIP), which has raised the importance of cultivating "habits of cooperation" as reflected in, for example, New Delhi's adoption of IORA's Outlook on the Indo-Pacific (IOIP).³ IOIP charts common challenges of engineering trustworthy value chains, ensuring debt sustainability, connecting growth centers with hard infrastructure and digital linkages, and providing cybersecurity. The Quad must tap into the emerging synergies among IOIP's priorities, including maritime safety and security and disaster risk management.

New Delhi's own quest to prioritize practical solutions has led to several Indo-Pacific initiatives anchored in a collaborative, not a unilateral, approach. The Indo-Pacific Oceans Initiative (IPOI), some pillars of which align with the Quad's strategic goals, is an example of this. While individual Quad members and

some European and other ASEAN member states are working with India on various IPOI verticals, the Quad, as a group, could also cooperate on any of the seven pillars. The group's collective capacity would put the IPOI in top gear. Given that the Quad was conceived and evolved after the 2004 Indian Ocean earthquake and tsunami, it would be apt for the group to join forces in IPOI's vertical on disaster risk reduction. This would also intersect with and complement global frameworks, such as the Sendai Framework for Disaster Risk Reduction and the Coalition for Disaster Resilient Infrastructure's Infrastructure for Resilient Island States initiative, thereby supporting effective mitigation strategies and mobilizing technology and finance to ease vulnerabilities.

India's strategic maritime geography and its highly skilled workforce, including in the information technology sector, enable it to emerge as a potential regional hub for a submarine cable network in the Indian Ocean.⁴ As the ocean is home to most of today's rapidly emerging economies, transport of data across it is crucial for the Quad's Partnership for Cable Connectivity and Resilience. One important initiative in this area is the US-Japan-Australia Palau Spur Cable, which is proving to be an effective alternative to Chinese-led solutions. More such projects, which capitalize on Japan's international competitiveness in submarine cable infrastructure, may be explored in the Indian Ocean to manage security risks.⁵ Information sharing on subsea threats remains urgent.

While the IPMDA is proving to be one of the Quad's most effective contributions, with substantive commitments across Southeast Asia, Pacific island states, and the Indian Ocean, there is rather limited progress in the western Indian Ocean.⁶ For IPMDA, success will be defined by seamless information sharing and developing operational synergies that, in turn, will make a consequential difference to maritime security. India, in this context, has supported regional capacity

building by developing coastal radar facilities with the Seychelles, Mauritius, the Maldives, and Sri Lanka.

Looking Ahead

As the international system slips into greater flux, presenting innovative policy solutions geared toward delivering global goods is a Quad objective. Going forward, the group will be tested by the asymmetric pace, scale, and capacities of its members, but it will remain a formidable force anchored on the common asset of democratic values and its support for a liberal rules-based order in the face of revisionist challengers.

While 2024—the year of elections—has prompted questions about the impact of domestic politics on the foreign policies of leading democracies, the Indo-Pacific will remain at the heart of international order amid contested norms and narratives and a changing balance of power. As the international system undergoes severe stress, the vision of a free and open Indo-Pacific has fostered greater strategic alignment in a network of democracies. Whether it is the Quad, AUKUS, the Australia-Japan-Philippines-United States, or the thriving trilateral frameworks in the Indo-Pacific involving each of the Quad powers, these frameworks with their well-defined sets of action agendas play complementary roles in stabilizing the Indo-Pacific, and often germinate ideas and design substantive practical policy solutions. All this is fundamentally reinforced by the strategic depth of India's bilateral relations with each of its Quad partners.

Former Japanese Prime Minister Shinzō Abe's concept of a strategic diamond⁷ took a decade to reach its current shape and form. Analyzing the Quad's recent factsheet demonstrates that it has come of age with massive undertakings across sectors, whether the vaccine partnership, the IPMDA, the Indo-Pacific Economic Framework for Prosperity, the Partnership for Cable Connectivity and Resilience, or even the

Quad Investors Network, which advances investment in critical technologies in the Indo-Pacific.

As the Quad has developed an expansive agenda, especially to adapt to the demands of the post-pandemic world, it has shaped regional perceptions. ASEAN, for example, has become increasingly well disposed toward the Quad, which has reassured others of its intentions. The Quad now aims to become a "force for good", as its joint statement from September stipulates, bringing strategic clarity, designing effective policy solutions, and focusing on tangible deliverables. It has become an indispensable force for advancing a stable Indo-Pacific.

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The Ambiguities of Economic Competition with China in the Indo-Pacific

By Aya Adachi

The Indo-Pacific's intricate network of trade routes, with its many potential chokepoints in global supply chains so vividly revealed during the COVID-19 shutdowns, has propelled the region to the forefront of global geopolitics. As China asserts itself more boldly and the need to make supply chains more resilient gains urgency, the imperative among other countries to strengthen economic competitiveness looms large. This challenge is prompting states within and beyond the region to reassess their engagement in the Indo-Pacific.

States' approaches to crafting and adapting their Indo-Pacific strategies include countering or mitigating Chinese dominance, fostering economic competition, and diversifying away from China to safeguard their interests. Minilateral security cooperation has also become increasingly prevalent across the region, reflecting a collective effort to address shared concerns in this area. Divergent views, however, have emerged among governments and corporations regarding how to future-proof supply chains and business operations in China. But achieving viable and sustainable economic diversification, and ensuring competitiveness, necessitate a collaborative effort between governments and companies to develop nuanced approaches for de-risking.

Governments and businesses have responded with pragmatic ambiguity in calibrating economic ties with China. They have engaged in overlapping but differently focused initiatives, they have worked to stay on good

terms with China while building connections outside it, and they have kept the relationship between business and governments fluid. Against a backdrop of great-power rivalry and competition with China, and ongoing de-risking efforts, pragmatism and ambiguity remain inherent features of the international economic order, and countries are increasingly incorporating them into their economic policies. While pragmatism and ambiguity are useful and often necessary, they must ultimately be structured within a more deliberate and organized framework of active management.

Competing or Complementary Initiatives in the Indo-Pacific?

One example of the ambiguous approach governments have taken involves the region's multilateral trade initiatives. The Indo-Pacific region hosts several key multilateral trade initiatives, notably the Indo Pacific Economic Framework (IPEF), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP). These initiatives differ in scope and approach, but they share a common goal of promoting and stabilizing economic relationships.

The IPEF, led by the United States, focuses on dialogue rather than binding agreements, emphasizing cooperation in areas such as supply chains and fair trade. In contrast, the CPTPP, established after the US withdrawal from the Trans-Pacific Partnership (TPP), offers comprehensive liberalization paired with

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commitments to various standards. Meanwhile, the RCEP, boasting a larger membership with, collectively, a larger GDP, stabilizes value chains in the region, particularly those involving China, through common rules and tariff reductions. Beijing, although excluded from the IPEF and facing limited prospects with the CPTPP, engages through bilateral agreements with many Indo-Pacific countries, alongside efforts in Latin America.

Countries have navigated these initiatives strategically, viewing the IPEF as a channel for dialogue with the United States, the CPTPP as a pathway to binding rules for market access, and the RCEP as enhancing value chains. This pragmatic approach reflects the region's response to such competing trade agreements, with countries participating in multiple initiatives to maximize and complement opportunities amid increasing competition.

Reconciling Diversification Costs with Economic Competitiveness

Another challenge to dealing with China's economic pull is reconciling the promotion of diversification with bolstering economic competitiveness. Investing in alternative markets and seeking new opportunities will undoubtedly entail significant costs. China remains a crucial market for countless companies through its sheer size, and many continue onshoring operations, no doubt influenced also by localization demands and the need to shield their Chinese ventures from global geopolitical uncertainties. But emerging macroeconomic signals and survey data suggest a growing inclination among some companies to diversify away from China.

Recent surveys suggest that a small but growing share of US, German, and European companies have already started diversifying their investments and supply chains out of China. Foreign direct investment

(FDI) in the country, for the second time since 2023, continues to drop, with \$14.8 billion flowing out in the second quarter of 2024. Meanwhile, investments in nearby markets, notably Southeast Asia, surged to a record \$222.5 billion in 2022. These changes highlight a growing ambivalence among multinational corporations toward China and a desire to reduce their risk exposure.

Yet while multinationals may be influenced by geopolitical developments, their diversification strategies are primarily based on economic rationales. Companies frequently try to balance competing needs by remaining in the Chinese market while adding production bases elsewhere (e.g., Panasonic). Nevertheless, others are motivated to leave China because they can no longer compete against Chinese counterparts (e.g., Mitsubishi Motors) or due to rising production costs (e.g., Nike).

The destinations of Chinese exports have consequently shifted, with a notable increase in those to non-G7 countries since 2016. They now comprise 60% of total exports. Intermediary product exports to these nations rose from 60% to 69% in the same period, reflecting a trend toward assembly in third markets. But multinational companies that move some of their manufacturing due to geopolitical concerns will likely continue to rely on Chinese suppliers in these markets for the time being and therefore continue to be partially exposed.

This trend has gained added traction as multinationals increasingly turn to "Global South" nations in the Indo-Pacific. These countries, however, face their own challenges in navigating a delicate balance between aligning with the United States and its allies on one hand and China on the other. Many countries in the "Global South" opt for cooperation with both sides, employing a strategy of pragmatic ambiguity that allows them to maximize benefits and minimize risks. By asserting

their agency amid competing global powers, they enable multinationals to restructure value chains that continue to include China. In this regard, the challenges facing governments and companies in the Indo-Pacific overlap, even if the issue may be primarily political for the former and economic for the latter.

Gaps in Economic Security and De-risking Policies

As governments adopt economic security and de-risking policies, they, like corporations, differ in their China policies, degree of defensive and offensive measures, and levels of industrial policies.

While centralized support of selected industries to ensure technological competitiveness and safeguard economic security has become more accepted, the degree and scope of government support varies greatly among the United States, the EU, and Japan. Governments have differed significantly in the way they approach export controls, for example, and the degree to which they implement them. US export controls on high-end chips are effective only because Washington relies on key allies such as Japan and the Netherlands, where crucial equipment makers are based, to align their policies with American wishes. But Tokyo has adopted a China-agnostic approach that allows for wider operational discretion.

Since export restrictions can lead directly to lower market share for companies that produce affected products, governments consider the economic impact of taking supportive or protective measures. The resulting differences limit the effectiveness of, in this case, export control measures that work only if like-minded partners cooperate.

As the current discussion on outflow investment screening shows, the agenda of economic security continues to develop in a rapidly changing environment.

Areas of convergence among governments exist, but differences in the ways in which economic security is being pursued have significant ramifications for an already compromised free-trade system. For Indo-Pacific players, this divergence adds another layer of complexity, as they must navigate shifting economic policies while maintaining trade relationships with the United States and China. The resulting uncertainty could hinder their ability to attract foreign investment and complicate their efforts to integrate more fully into global value chains.

Pragmatism and Ambiguity

Despite growing clarity in regional security cooperation, economic ties in the Indo-Pacific will remain ambiguous. A trend toward policy convergence exists, but so do differences among countries in terms of their economies' exposure to China. This will result in varying commitments by governments to balancing their regional economic relations between China and others. The conundrum is reflected in trade initiatives, economic security policies, and corporate measures to isolate their businesses in China from global disruption while diversifying their operations outside the country. Such pragmatism is necessary to navigate regional economic developments and maintain economic competitiveness, especially as governments erode the multilateral trading system by unilateral moves.

The Indo-Pacific is a battleground particularly for geopolitical influence over the regional states that are considered part of the "Global South", countries that find themselves at the crossroads of competing interests. Neutrality can promote development through economic partnerships with the United States and China, but the number of options that neutrality affords these developing countries only heightens the degree of fluidity in their economic relations.

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Pragmatism and ambiguity, therefore, are necessary modes of operation in the Indo-Pacific. But concerted action and a common framework for economic security would bolster economic governance and add much-needed credibility to the risk mitigation strategies that appear increasingly at odds with the old liberal trading system. Governments, businesses, and stakeholders, while mindful of their differences, must foster transparency, promote dialogue, and, to the extent possible, align policies so that the Indo-Pacific region can chart a course toward greater resilience.

Chinese Cognitive Domain Operations as Propaganda Attacks on the US-Japan Alliance

By Howard Wang

Recent Chinese Communist Party (CCP) propaganda is unsparing in its criticisms of US security architecture in the Indo-Pacific and of Japan's critical role as a US ally. According to a People's Daily column authored by Zhong Sheng (钟声), a pen name indicating authoritative party viewpoints, Japan is "obsessed with acting as a strategic vassal of the United States and instigating bloc confrontation", a reference to geopolitical tensions between the Cold War's eastern and western groupings.¹ Writers in official CCP media seem to believe Japan is a key driver of "bloc confrontation" in the Indo-Pacific, labeling Japanese diplomatic leadership at the 2023 G7 summit in Hiroshima² and Japan's engagement with the "Global South"³ as major contributions to confrontation. Japanese defense policy gets similar treatment from CCP propagandists. A researcher with the People's Liberation Army (PLA) Academy of Military Science (AMS), the PLA's top research institute reporting directly to the Central Military Commission, labels Japan's arms exports as proof that the country is "serving the strategic needs of the United States, wantonly provoking regional conflicts and becoming a 'troublemaker' in regional security".⁴

The steady drumbeat of CCP propaganda attacks on Japan is feature of the party's external policy to increase Tokyo's costs of partnering with the United States. The messaging comprises ongoing efforts at conducting cognitive domain operations (认知域作战) against the United States and its allies and partners.

These operations are unlikely to meaningfully erode the US-Japan defense commitment, but Chinese propagandists are probably attempting instead to weaken cohesion between the United States and its allies by making Japan an example of the costs China will impose for such collaboration. PLA researchers make clear that their cognitive domain operations include amplifying negative messaging and outright deception to undermine advantages enjoyed by its key adversaries.

PLA Interest in Undermining US Alliances

Undermining adversaries' alliances is a long-standing interest in PLA information operations. PLA discussions of the "Three Warfares" (public opinion warfare, psychological warfare, and legal warfare) frequently included ways to antagonize adversary alliances well before cognitive domain operations were considered. The PLA's "Lectures on the Science of Information Operations" (信息作战学教程), a highly influential textbook published by the AMS in 2013, instructs the PLA to "sow discord and incite opposition" among adversaries to "break its military alliances, its command systems, and its political and ethnic cohesion".⁵ Another influential volume, published by the PLA National Defense University (NDU) in 2014, emphasized the use of psychological warfare to "collapse the enemy's alliance relationships" by inciting imbalances of

interests and leverage among allied countries or allied forces. According to the authors, this would exacerbate coordination problems within an alliance and weaken the union's combat potential.⁶ Like the AMS publication, the NDU authors' book also emphasized the value of "ethnic strife" for fostering organizational dysfunction among China's adversaries.⁷

CCP expert discourse on Japan around this time mirrored the PLA's pedagogical emphasis on ethnic divisions, though the party's discourse was less restrained in sharing risibly ethnonationalist views on Japan. In a 2014 interview with CCP media, AMS researcher He Xincheng (贺新城) shared his assessment that "the Japanese still bear invaders' genes" and that such genes could become manifest again "once the conditions are set".⁸ Another 2014 analysis from a Chinese Academy of Social Sciences researcher claimed Japan carries the "historical gene of not repenting" and that the nation, rather than apologizing for war crimes, had begun "total Westernization" for the purpose of bullying weaker countries. The author further argued Japan's "total Westernization" constitutes "an inevitable move down the road of fascism".⁹ Party propagandists were quick to contrast these ethnonationalist claims about Japan with their beliefs about themselves. CCP General Secretary Xi Jinping himself has repeatedly asserted in public speeches that "there are no expansionist genes in Chinese blood."¹⁰

Refined CCP Cognitive Domain Operations Theory and Efforts

Since the mid-2010s, PLA research has suggested a growing interest in framing information and psychological operations as "cognitive domain operations".¹¹ The still-emerging concept remains vaguely defined and appears to refer broadly to all operations to influence adversary cognition governing information processing and decision-making.¹² These can entail efforts to shape public opinion in peacetime

or to contest an adversary's ability to make informed and prompt decisions in wartime.¹³ Notably, PLA authors explicitly include propaganda narratives as one of the means by which the PLA can manipulate perceptions and achieve command of the mind.¹⁴

The objective of cognitive domain operations is to achieve "command of the mind [domain]" (制脑权), a form of military superiority analogous to using air or naval operations to achieve command of the air or the sea.¹⁵ According to AMS researcher Wu Jiaxi (吴佳熹), cognitive domain operations achieve critical peacetime preparation of a battlespace and "are the key to ultimately determining the outcome of war, forcing an enemy to surrender, and achieving the war's purpose".¹⁶

Recent PLA research using the framework of cognitive domain operations focuses more on the potential to undermine adversary alliances by sowing ideological discord than on leading the charge on ethnonational prejudice. PLA Aerospace Engineering University researcher Yang Longxi (杨龙溪) envisions cognitive domain operations as "targeting the points of ideological consensus, the psychological linkages, and the moral pillars upholding the 'powerful enemy's' alliances" for the purpose of eroding alliance cohesion and undermining an alliance's potential for collective action.¹⁷ Yang's reference to the "powerful enemy" is an enduring, thinly veiled, and publicly used PLA term for the United States. Other PLA researchers have suggested that cognitive domain operations can take the form of "strategic deception (战略欺骗) in the service of grand strategy", which the PLA would employ to "entice adversary decisions" against their interests, notably by "dividing the adversary's alliance".¹⁸

One way recent CCP propaganda has implemented this thinking on cognitive domain operations is by advancing the false narrative that US and Japanese diplomacy is without substance and in fact dangerous.

To this end, recent CCP propaganda has repeatedly characterized Japanese diplomacy as unsteady outreach to countries with mismatched interests. Zhong Sheng's coverage of the 2023 G7 summit in Hiroshima claims that Japan is papering over "layer upon layer of internal contradictions" with a façade of unity.¹⁹ CCP propaganda rarely if ever specifies what these internal contradictions are, but the message clearly contrasts with the supposed unity of Chinese diplomatic overtures. In 2023, former AMS Vice President Lt. General (ret.) He Lei (何雷) characterized minilateral agreements such as the Quad and the G7 as creating "small circles" and "bloc confrontation" that will bring turmoil rather than security to the Indo-Pacific.²⁰ The year before, AMS President General Yang Xuejun (杨学军) framed such groupings as a negative alternative to the CCP's vaguely defined concept of a "community of shared future for mankind".²¹

Other PLA research into mobilizing propaganda for cognitive domain operations considers methods and timing. One article by NDU professors indicated that some PLA theorists see the greatest value in amplifying incendiary opinions within adversary societies rather than focusing solely on winning support for Chinese-crafted narratives. Writing in *Military Correspondent* (军事记者), a publication used by the Central Military Commission Political Work Department to discuss PLA propaganda internally, the authors recognize that US alliances bring key advantages to shaping international discourse by amplifying messages and reducing the political costs of adopting more competitive policies toward China. To blunt those advantages, the authors write, "it is necessary to quote as many controversial views as possible, release opposing messages, divide and collapse, and break down one by one the US-Western discourse alliance."²²

In this case, the PLA appears to be emphasizing the more achievable goal of promoting discordant messages among an adversary's allies over directly

winning support for the party's own narratives. This view aligns with research from AMS scholar Wu Jiaxi, who theorizes that cognitive domain operations can take the form of "cognitive shaping operations" (认知塑造式作战), which are defined by sustained agitation of enemy political values to create confusion over those values and willingness to compete against its adversaries.²³

If the CCP's objective is muddying discourse in and among adversaries in government, military, and society, then the PLA will not be the sole entity charged with conducting cognitive domain operations. Wu Jiaxi wrote in a 2022 PLA Daily article:

"Implementing cognitive domain operation activities is no longer the exclusive domain of the military and military personnel. Government organizations, news media, companies, research institutions, school associations, civil society and other social groups, politicians, celebrities, journalists, businessmen, lawyers, actors, scholars, doctors, teachers, internet celebrities and other people from all walks of life—as long as they can communicate with the outside world using information—can become a participating force or even the main force of cognitive domain operations. They don't have to carry a gun to the battlefield or pull the trigger, but they can join the struggle in the cognitive domain."²⁴

From this perspective, incendiary articles in CCP media may not be intended to persuade individuals in the United States, Japan, or any allied or partner countries of the truth of their content. Rather, these articles attempt to seed critical narratives in regional discourse, which private Chinese citizens or others inclined to consume and share CCP propaganda can promulgate. CCP operatives have operationalized this thinking by mobilizing foreign organizations such as Code Pink to act as mouthpieces of their propaganda and disinformation.²⁵

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The CCP, in line with PLA thinking on cognitive domain operations, has leveraged its propaganda mechanisms as platforms to amplify dissonant views or otherwise misrepresent speakers. CCP propagandists frequently work to amplify claims that a security partnership with the United States will cost a country its national agency. The official Chinese news agency Xinhua uses quotes from former Australian Foreign Minister Bob Carr, former US Treasury Secretary Larry Summers, the Quincy Institute for Responsible Statecraft, and unnamed diplomats as criticism of US foreign policy or as part of an assessment that the United States is losing allies by adopting a domineering approach in its alliances.²⁶ The CCP pairs these efforts with its own traditional messaging in Xinhua or from AMS authors writing in PLA Daily, who frequently claim Japan's role in its alliance with the United States reflects its position as an American "errand boy" (马前卒). They argue that the country leads most of the alliance's international outreach while surrendering its own agency.²⁷

While it is unlikely CCP narratives criticizing Japan and the relationship between it and the United States would weaken their bilateral defense commitment, the sustained rhetorical pressure may be intended to show third countries the costs the CCP may impose on them for closer security ties with Washington. As such, party propagandists are unlikely to be discouraged by the continued strength of the US-Japan alliance. The nature and messages of CCP propaganda attacks on that relationship are likely to change as PLA theory on cognitive domain operations develops, but CCP interest in undermining the alliance by all available means will almost certainly endure.

The views expressed in this article are those of the author and do not necessarily reflect those of the RAND Corporation or the US Department of Defense.

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Twilight Zone: Japan in the Shadow of China and Trump¹

By Richard Javad Heydarian

Senior current and former Japanese officials keenly sense the need for their own *Zeitenwende*. Conversations with them² reveal that Japan is deeply perturbed by the sheer scale of China's ascent as a global power and by the prospect of deepening political dysfunction and polarization in the United States, Japan's sole treaty ally. At the same time, Japanese society is also grappling with acute domestic political and demographic crises.

Confronting the challenges of sluggish growth, a demographic winter owing to a shrinking working-age population, and profound geopolitical uncertainties, the administration of Prime Minister Fumio Kishida sought to build on the transformative and, at times, controversial legacy of the late Prime Minister Shinzō Abe, who strove to update Japan's policies for the strategic exigencies of 21st-century geopolitics.³ Under Kishida, Japan launched a new era of "realism diplomacy" under which it will double its defense spending to 2% of GDP, deploy increasingly offensive military capabilities, and co-develop next-generation fighter jets and other advanced weapons systems with like-minded powers, especially those in Europe.⁴ Japan has also embraced a proactive defense diplomacy in the Indo-Pacific. In 2023 it launched a cooperation framework, the Official Security Assistance (OSA), to help frontline states in Southeast Asia protect their sovereign rights in the South China Sea and bolster critical infrastructure development and cybersecurity in

South Pacific nations. Lastly, Japan has quietly become a leading source of funding for public infrastructure development in key Southeast Asian nations such as the Philippines and Vietnam.⁵

Strategic Anxiety

It is hard to overstate Japan's relative stagnation. Even after its "lost decades", Japan had been the world's second-largest economy until China surpassed it in 2010. Last year, Germany also eclipsed Japan, giving it the world's fourth-largest economy. India, the fastest-growing major economy, is expected to bump Japan down to fifth position in coming years if current trendlines hold. To make matters worse, Japan is confronting a myriad of geopolitical uncertainties that may eventually upend its postwar grand strategy.⁶

On a fundamental level, the end of the Cold War and China's rise have transformed Japan's regional environment. The predictability that enabled Japan to pursue a grand strategy that prioritized economic power while relying on the United States for its security no longer prevails. But Japan must not only adapt to a more strategically challenging environment. It must also adapt to a more competitive global economy that has contributed to its relative decline. Thus, it is increasingly imperative that Japan embark on a series of changes to its grand strategy, an understanding that was fundamental to Abe's vision.

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The shift in Japan's foreign policy orientation pursued by the former prime minister and his successors was driven by strategic anxiety. In particular, Tokyo faces three major geopolitical challenges. The first is the rise of China as an economic and military power, a remarkable feat for a once-impooverished nation that well into the 1990s had a GDP smaller than Italy's.⁷ Between 1990 and 2014, China's share of East Asia's GDP increased by a factor of five (from 10% to 50%) while Japan's shrank by more than two-thirds (from more than 70% to about 20%).⁸ Meanwhile, China's defense budget, which was smaller than Japan's in the early 2000s,⁹ is now five times larger.¹⁰

But just as worrying for Tokyo's elites is the increasing sophistication of the Chinese economy. Last year, China dethroned Japan as the world's leading car exporter while consolidating its position as a leader in cutting-edge technologies such as renewable energy, quantum communications, 5G telecommunications, and electric vehicle production. As one former senior Japanese official, referring to Beijing's exploiting global trade and Western investment to transform itself into a technological superpower, put it, "China has used the [international trading] system against us."¹¹

Another major concern for Japanese officials is China's potential weaponization of global supply chains in a brewing conflict with the West. This has led to Japan's frantic drive to increase its technology production capacity and diversify its supply chains. Amid an ongoing global chip war, Japan has rapidly positioned itself as a global semiconductor hub. The country has poured \$67 billion into bolstering its chip production capacity.¹²

Japan's second geopolitical challenge extends westward to its closest ally. Particular anxiety exists regarding America's unstable domestic politics and the possibility of a major foreign policy shift if Donald Trump returns to the White House. He recently threatened to

impose even higher tariffs on Asian rivals and warned allies to "pay their dues" or face dire consequences.¹³

These external headwinds blow against Japanese leaders already in a difficult domestic situation, their third challenge. The Kishida cabinet had one of the lowest approval ratings of any in recent history, and the new Shigeru Ishiba cabinet had abysmal ratings in the lead-up to the general election in October 2024, whose results confirmed the government's unpopularity. Political apathy and cynicism are common among Japanese voters, who have little confidence in their political class.¹⁴ On top of this is the looming threat from Japan's demography, which will only exacerbate economic stagnation. In many ways, Japan is in a strategic twilight zone that has forced its leaders to realize that the country's post-World War II grand strategy is ill-suited to ensure growth, or even survival, in a new era of geopolitical uncertainty.

Realism Diplomacy

Kishida built on Abe's legacy by adopting an increasingly muscular national strategy. In a 2022 keynote address at the Shangri-La Dialogue in Singapore, Kishida launched "realism diplomacy", an overarching concept that has led to a new defense orientation laid out in Japan's 2022 National Security Strategy.¹⁵ It specifically includes, among other things, a doubling of defense spending, development of counterstrike and offensive military capabilities, and co-development, with like-minded powers, of next-generation fighter jets and defense technology.¹⁶ "Realism diplomacy" has also introduced even deeper security cooperation with Western powers and India, and Tokyo's emergence as a major source of defense aid to regional partners. Last year's OSA launch means key Southeast Asian states such as the Philippines and Malaysia are expected to receive maritime security assistance.¹⁷

Kishida reinforced this new policy direction in an unprecedented November 2023 speech before a

joint session of the Philippine Congress, in which he underscored Japan's aim to "continue to contribute to the enhancement of the Philippines' security capabilities, thereby contributing to regional peace and stability". His government is also pursuing high-stakes defense deals with regional states, most notably a Visiting Forces Agreement-style pact with Manila, which portends an expanded Japanese military presence on Philippine soil and increasingly sophisticated joint drills between the two nations' armed forces.¹⁸ The industrial sector, particularly high technology, is also partnering with other countries. Japan's semiconductor king, Renesas Electronics, is on an aggressive multi-billion-dollar acquisition drive to consolidate its position in a whole host of core industries, including defense and infrastructure. Encouraged by Japan's robust industrial policy, Taiwanese chip producers, most notably the Taiwan Semiconductor Manufacturing Company and Alchip Technologies, are also flocking to Japan.¹⁹

Japan's technological dynamism is partly an upshot of its proactive bureaucracy, especially the legendary Ministry of Economy, Trade and Industry, which oversaw the country's economic miracle after the devastation of World War II. The dynamism will help the country adjust to its new security environment. Japan is surely on the move and counting it out is never a safe bet. Nevertheless, as one veteran journalist in Tokyo put it, "I'm not sure if the pace of change is commensurate to the depth of the challenges" that the country faces.²⁰

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¹The article draws on the author's earlier essays for the Lowy Institute and *The National*.

²The meetings were co-organized by the Sasakawa Foundation and the German Marshall Fund of the United States (GMF) and took place in Tokyo in late January 2024.

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The Recent Evolution of US Foreign Policy Toward China

By Shu Fukuya

Introduction

Since World War II, US foreign policy has looked not only to narrow national interests but also to the promotion of democracy and human rights around the world. The Trump administration's "America First" approach diverged significantly from this tradition; the foreign policy and national security team of the Biden administration, including President Biden himself, no doubt saw themselves as resetting the Trump administration's foreign policy and returning to a more traditional position.

However, in the context of the US-China rivalry, the partisan split is not so clear, though there are differences in specific policies and measures. For example, while the Trump administration relied predominantly on tariffs under the "America First" banner, the Biden administration has introduced a policy emphasizing "foreign policy for the middle class", which includes strengthening regulations against China and focusing on industrial policies.¹ This is a shift in methods and rhetoric, but demonstrates an underlying continuity in US policy toward China.

US Policy Toward China

During the Obama administration, a "US-China G2" approach seemed likely.² Initially, the Obama administration tried to treat China as something

short of an enemy and to maintain a positive stance toward it. In 2024, there is no such optimism in the US government.

The Trump administration came into office in 2017 as distrust of China was growing in the United States. It characterized the US-China relationship as one of strategic competition and identified China as a "revisionist power" willing to use force to change the status quo.³ The Trump administration's policy toward China was consistently tough. Rejecting the peace and cooperation approach in place since the 1970s, it chose instead a framework of great-power competition, as repeatedly emphasized by senior officials of the Trump administration. In a speech at the Hudson Institute in October 2018, Vice President Mike Pence said that the United States would not "stand down".⁴ Late in the Trump term, in June 2020, the White House released a document outlining its strategy toward China, declaring that the policy of engagement with China had failed. National Security Advisor Robert C. O'Brien used a speech in Arizona to assert that the Chinese Communist Party retained the communist and authoritarian nature it inherited from "Lenin, Stalin, and Mao".⁵

At the beginning of the Biden administration, people wondered whether President Biden, who

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had served as vice president for eight years in the Obama administration, would bet on the possibility of dialogue with China. However, his administration soon positioned the United States' relationship with China as "the greatest geopolitical test of the 21st century", asserting that "China is the only country with the economic, diplomatic, military, and technological power" to reshape the international order.⁶ It was clear that the Biden administration would not return to a policy toward China based on optimism. Instead, it recognized China as a "strategic challenger".⁷

The United States is thus promoting its economic security policy with China in mind, and since the autumn of 2022, the Biden administration has introduced new technology regulations and industrial policies. In particular, export controls on advanced semiconductors are aimed at securing US technological, military, and economic advantages. In simple terms, there seems to be a desire to prevent important technologies from leaking to China and to enhance domestic high-tech industries' competitiveness. As part of its industrial policy, the federal government is providing subsidies to stimulate domestic industries; strengthening domestic production of semiconductors, electric vehicles, and batteries; and enhancing the manufacturing base in the United States.

Through cooperation with allied countries such as the G7, the United States is also advancing friendshoring by building a secure and reliable supply chain. The G7 communiqué at the Hiroshima Summit in May 2023 stated that building "constructive and stable relations with China" was a common goal.⁸ It went on to say that while the G7 recognizes the need to cooperate with China and has no intention of hindering its "economic progress and development", it also must protect advanced technologies that could be used to threaten national security. This "small yard, high fence" policy—which the Biden administration has adopted—aims to regulate economic security while limiting regulation's

adverse effects on the economy, trade, investment, and corporate activities.

The Biden Administration's Protective Policy Toward China

Under this policy, regulations on technology transfer have become stricter. The Biden administration has used two Trump-administration mechanisms—the Export Control Reform Act (ECRA) and the Foreign Investment Risk Review Modernization Act (FIRRMA)—to impose stricter measures even than Trump did. In August 2023, President Biden issued an executive order (EO) on foreign investment regulations. The EO instructs the secretary of the treasury to formulate regulations to "prohibit or require notification" of certain foreign investments in semiconductors and microelectronics, quantum computing, and artificial intelligence (AI) fields that pose a threat to national security.⁹ However, voices in Congress have raised the criticism that there are many loopholes, and the body is considering passing legislation to expand the scope of targeted technologies and fields.¹⁰

The export controls on advanced semiconductors and supercomputers that the United States imposed on China on October 7, 2022, were unprecedentedly strong.¹¹ As some parts of advanced semiconductor equipment are manufactured by Japan and the Netherlands, the United States reportedly sought to have these countries introduce similar regulations. A total inability to export semiconductor manufacturing equipment, in which Japan excels, to China would be a significant blow for Tokyo. But, following consultations with US officials, Japan's Ministry of Economy, Trade, and Industry decided to add 23 items of semiconductor manufacturing equipment to its list of items subject to export control.¹² The Dutch government also decided to strengthen export controls on advanced semiconductor manufacturing equipment.¹³ In October 2023, the United States further strengthened its export

controls on advanced semiconductor manufacturing and supercomputers related to China.¹⁴ When it came to light that China, using lower-level technology, was manufacturing advanced semiconductors after the US export controls were imposed in October 2022, the United States was motivated to further strengthen these controls.

In January 2024, the US Department of Commerce initiated an investigation into the degree of US dependence on China in defense industry infrastructure.¹⁵ While the official in charge of export administration more recently expressed the government's reluctance to expand export controls beyond cutting-edge computer chip technology to older, "legacy" chips, there is no doubt that China's practices regarding legacy semiconductor production have expanded in recent years, potentially making it difficult for US companies to compete.¹⁶

In fact, the industrial policy of the Biden administration explicitly prioritizes the protection of US companies to reduce excessive dependence on China. In April 2023, National Security Advisor Jake Sullivan presented the Biden administration's industrial innovation strategy, dubbed the "New Washington Consensus", identifying four challenges facing the United States:

- the hollowing out of domestic industrial infrastructure due to an overreliance on market principles and outsourcing
- the failure of economic integration, necessitating a response to geopolitical security competition
- the widespread and incorrect perception of energy transition as a growth inhibitor
- the failure of trade to deliver inclusive growth so that trade benefits are widely shared¹⁷

In response to these challenges, the administration aims to build a new industrial base founded on a modern industrial strategy, working with allies and partner countries and leveraging international economic partnerships such as the Indo-Pacific Economic Framework (IPEF). This approach seeks to create a secure and sustainable US economy.¹⁸

The relationship between the United States and China falls on different points along the axis of competition and cooperation depending on the issue, and must be viewed as a whole.¹⁹ Therefore, we may anticipate that the relationship between the two countries will continue to fluctuate significantly—although since the late 2010s, US policy toward China has leaned toward a focus on competition.

The Biden administration positions China as the United States' "biggest geopolitical challenge of the 21st century," and sees it as "the only country with the economic, diplomatic, military, and technological power to seriously challenge the stable and open international system". This indicates that the administration is fully aware of the complexity of this relationship and of the need to take a long-term view of it.²⁰ Moreover, the Biden administration's policy toward China in the context of "foreign policy for the middle class" appears to be in line with the understanding of the American people. In the global economy, it is undeniable that the Indo-Pacific region is a particularly strong driver, and continued involvement there benefits the United States. The Biden administration's leadership in initiatives such as the IPEF, with its 14 member countries; the Quad (Japan, Australia, India, and the United States), which serves as a platform for cooperation on security, economic, and humanitarian issues; and the strengthening of friendshoring underscore the United States' central role in regional diplomacy, as Sullivan emphasized.²¹ By convening the Quad summit and taking the approach that competition with China is unavoidable, the Biden administration has

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dispelled the impression that the Democratic Party is too soft on China. It has clearly shifted toward a long-term and sustainable policy toward China, involving and mobilizing allies and partners.

Nevertheless, it is difficult to predict whether this US policy toward China will continue.

Conclusion

The Trump administration's foreign policy toward China was widely considered to be quite tough. This is consistent with Trump's efforts to reject traditional US globalism. The Biden administration sought to return US foreign and security policy to some earlier "normal" state. But, despite the differences between Biden and Trump on policy toward China, the Biden administration's practices seem to have stayed within the newly evolving framework.

It appears that the United States has experienced increasing weariness toward foreign intervention since the 2000s, leading to a more subdued discourse on international engagement. On the Right, there is a noticeable shift away from shouldering responsibilities abroad, with skepticism towards supporting Ukraine becoming more prevalent. Similarly, on the Left, there has been a rising emphasis on prioritizing domestic issues with a growing reluctance to address global challenges through foreign intervention.²²

As a result, the Biden administration's diplomacy "for the middle class", which was supposed to differ from Trump's foreign policy, ended up having many similarities to it, at least on China. And this policy toward China has been accepted by many Americans. While there are differences between the Right and the Left, there may be more similarities between Democratic and Republican administrations on China than might have once seemed possible.

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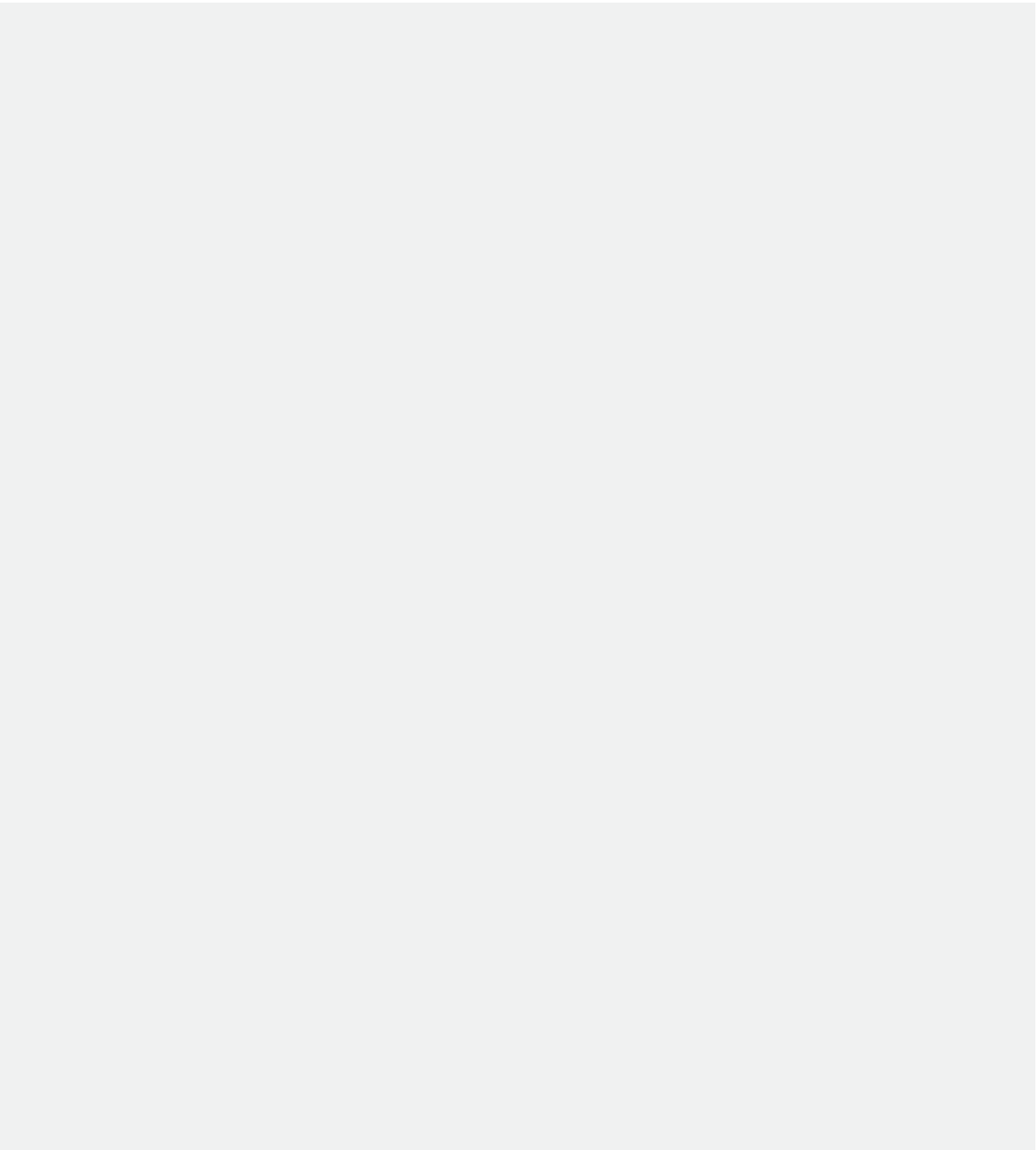
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American Indo-Pacific Strategy Hinges on Ukraine

By Alexandra Chinchilla and Brian Slusser

Since Russia's 2022 full-scale invasion of Ukraine, the total amount of US assistance provided and promised to Ukraine has reached nearly \$100 billion.¹ But the six-month delay before the latest aid bill was passed in April shows that future such packages will face an uphill political battle. During the pause, Russia made incremental gains while Ukrainians were outgunned 10 to 1 at the front. If American assistance is cut off permanently, Ukraine's capacity to resist Russian aggression will be significantly degraded. In this scenario, Moscow may recover from its manpower and equipment losses, and emerge victorious and emboldened, better positioned to use armed coercion to undermine European security. This is a risk opponents of US aid to Ukraine are willing to take because they believe Ukraine distracts from the long-term challenge of strategic competition with the People's Republic of China (PRC).²

This stance, however, presents a false choice between Europe and Asia. Supporting Ukraine, perhaps counterintuitively, preserves the US ability to focus on the Indo-Pacific. Washington's leaving its European allies to handle the Russian threat by themselves, which would be the effect of cutting off aid to Ukraine, would risk later US involvement in an even more serious contingency, one perhaps involving a NATO ally. This would force much starker strategic choices than continued funding for Ukraine. It would also undermine the credibility of US deterrence. Russia and the PRC

pose similar threats to the rules-based international order. If the United States cannot afford the relatively low cost of supporting Ukraine while it significantly degrades the combat power of a major US geopolitical rival, it cannot credibly threaten to go to war to prevent Chinese revisionism.

Finally, supporting Ukraine demonstrates US reliability as an ally and partner, and affirms US global leadership. The American strategy of addressing the long-term challenge of the PRC depends entirely on convincing allies and partners to take risks to support common interests and values, rather than staying on the sidelines or bandwagoning with Beijing.

No Escaping Europe

Arguments that the United States can prioritize the PRC at the expense of Europe rest on the false premise that European allies can easily confront Russia on their own. In the short term, however, European allies cannot replace US aid to Ukraine. Doing so would require "doubl[ing] the current level and pace of arms assistance".³ Still, Europe is working hard to source ammunition and air defense shells through a combination of manufacturing and buying global stocks.⁴ Production has increased in response to government demand but faces challenges, including limited manufacturing capacity and inconsistent demand signals to expand it.⁵ In the meantime, European

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allies have had to forgo investments in their militaries that would enable them to defend their own territory. They have already donated much of their stockpiles of arms and ammunition and reduced their military readiness to train Ukrainians. In the mid- to long term, if Russia begins to gain significant ground in Ukraine, European states may feel increasingly threatened. That would only exacerbate concerns about arms supplies and international security.

A lower American stake in Europe would worsen matters further. It would herald less US influence at a time when Russia may increasingly threaten NATO states militarily. And history shows that Russia becomes more emboldened as the US role in Europe shrinks. The removal of the last American armored brigade from Europe and the reduction of US combat aviation presence there in 2013 as part of Washington's pivot to Asia was soon followed by Russia's annexation of Crimea and stoking of conflict in eastern Ukraine.

The United States cannot simply end Ukraine aid and hope that the situation will resolve itself. Russia's strength and increasingly aggressive foreign policy threaten Europe, heightening volatility and raising the risk of a contingency that would force greater US involvement. Such a scenario would only impede Washington's ability to focus on the Indo-Pacific.

The Price of Fickleness

The 2022 US National Security Strategy defines the current era as a competition with Russia and the PRC over the future of the international order. Though each poses its own threats to this architecture, both possess the capability and intent to challenge it.⁶ Russia's territorial expansion, its attempt to destabilize its neighbors, and its aggressive behavior toward NATO members all threaten to overturn key elements of the global system. The PRC's ambitions to create its own

sphere of influence and its coercive behavior in the South China Sea present the same dangers.

US policy toward these challenges is linked. The American response to Russia's aggression in Ukraine may well influence the PRC's use of coercion in the Indo-Pacific, particularly toward Taiwan. As US Secretary of State Antony Blinken stated during a 2023 Senate hearing, "China's looking at [Russia's invasion of Ukraine] ... very carefully" to see "how the world comes together, or doesn't".⁷ Beijing may feel emboldened to act more aggressively toward Taiwan if it senses weak Western resolve on Ukraine.

Some may argue that US actions in Ukraine communicate little about its steadfastness in the Indo-Pacific since states judge resolve narrowly, based on the specific issue at stake.⁸ But the issue at stake—annexing territory by force—is the same in these cases, and the West's support of Ukraine sends a strong, direct signal to the PRC about its willingness to confront such a blatant violation of international law.

Such support has, in fact, come cheap. About half of US funding for Ukraine has been invested in the US industrial base or directed toward modernizing US defense stocks.⁹ Washington has not committed troops and air power to the battlefield. It would, therefore, be difficult to convince Beijing that any cessation of support stems from anything other than weak resolve, especially when an Indo-Pacific conflict would almost certainly cost the US much more.

It may also be argued that observing the costs Russia bears for its invasion of Ukraine is enough to deter the PRC from seizing Taiwan. However, these costs have been imposed by the West, and could be compensated for by territorial gains that would almost certainly follow any Western withdrawal of support for Ukraine. In that case, Beijing may decide that the inevitable weakening of the West's resolve outweighs the cost of

its retaliatory actions in the immediate aftermath of a coerced unification with Taiwan.

Consistency is Key

As the world becomes more multipolar and US relative power declines, Washington cannot face Beijing alone. The US National Security Strategy recognizes this, highlighting that the country must adapt to a changing world by leaning into its biggest strength: its global network of allies and partners who support building a free, open, prosperous, and secure world. US allies and partners in Europe and the Indo-Pacific are necessary for this even if American global leadership is still required for many regional efforts.¹⁰

To date, US strategy has been largely effective. Indo-Pacific countries are increasingly invested in global stability and security. Japan released its own new National Security Strategy in 2022, affirming a much more direct role in supporting the existing rules-based order and security architecture. Tokyo's strategy actually reiterated key components of Washington's, including the significance of the threats from the PRC and Russia.¹¹ South Korea released a similarly focused strategy in 2023, placing a new emphasis on maintaining the international order, contributing to global prosperity, and strengthening the country's role in the international community.¹² The Philippines' 2023–2028 National Security Policy also highlights its support for the rules-based international order and its commitment to regional and international stability.¹³ This strategy linkage is significant. US allies are pledging to take a more active role in the maintenance of the rules-based international order.

More importantly, US partners are matching their words with actions. Indo-Pacific allies are providing substantial diplomatic, economic, and military support to Ukraine. Many have also implemented their own unilateral sanctions against Russia. Most notably,

ASEAN reaffirmed its respect for Ukraine's sovereignty in a joint communiqué following the group's 2024 meeting of foreign ministers, who also called for compliance with the UN Charter and international law.¹⁴ After working strenuously to garner such support, the United States risks its credibility if it undermines the international effort that it has led. Studies have shown that a state seeking partners pays close attention to their past behavior.¹⁵ Some may argue that US alliances in the Indo-Pacific are solid because they are rooted in a common threat, but that bond is unlikely to hold if Washington does not consistently stand by its commitment to its stated priority of preserving the rules-based international order, especially after encouraging contributions from its allies in the effort. The effect of such a move on swing states,¹⁶ those that the US must sway to its side in any contingency with the PRC, is equally predictable. They are unlikely to join any effort from an inconsistent United States.

It's Not So Simple

A United States serious about competing with the PRC and deterring its coercive behavior toward its neighbors, especially any actions to upset the status quo on Taiwan, will continue to support Ukraine. Choosing between Europe and Asia is unnecessary. To be sure, resources are finite, and there are tradeoffs to consider. However, the argument that "doing more to demonstrate resolve in Ukraine today might undermine the United States' physical capacity to respond to crises tomorrow" overlooks the real risk that failing to do more today will make tomorrow's crisis more likely.¹⁷ A US withdrawal from the international coalition that supports Ukraine could well lead Russia to emerge emboldened from its illegal invasion, with a reconstituted military that can threaten European security for decades. This would only risk more crises involving NATO allies, compelling the United States to divert resources away from the Indo-Pacific. Washington's credibility with its allies in the Indo-

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Pacific will decrease, constricting its ability to counter PRC aggression in the region.

The views expressed in this article are those of the authors and do not reflect the official positions of the United States Marine Corps or Department of Defense.

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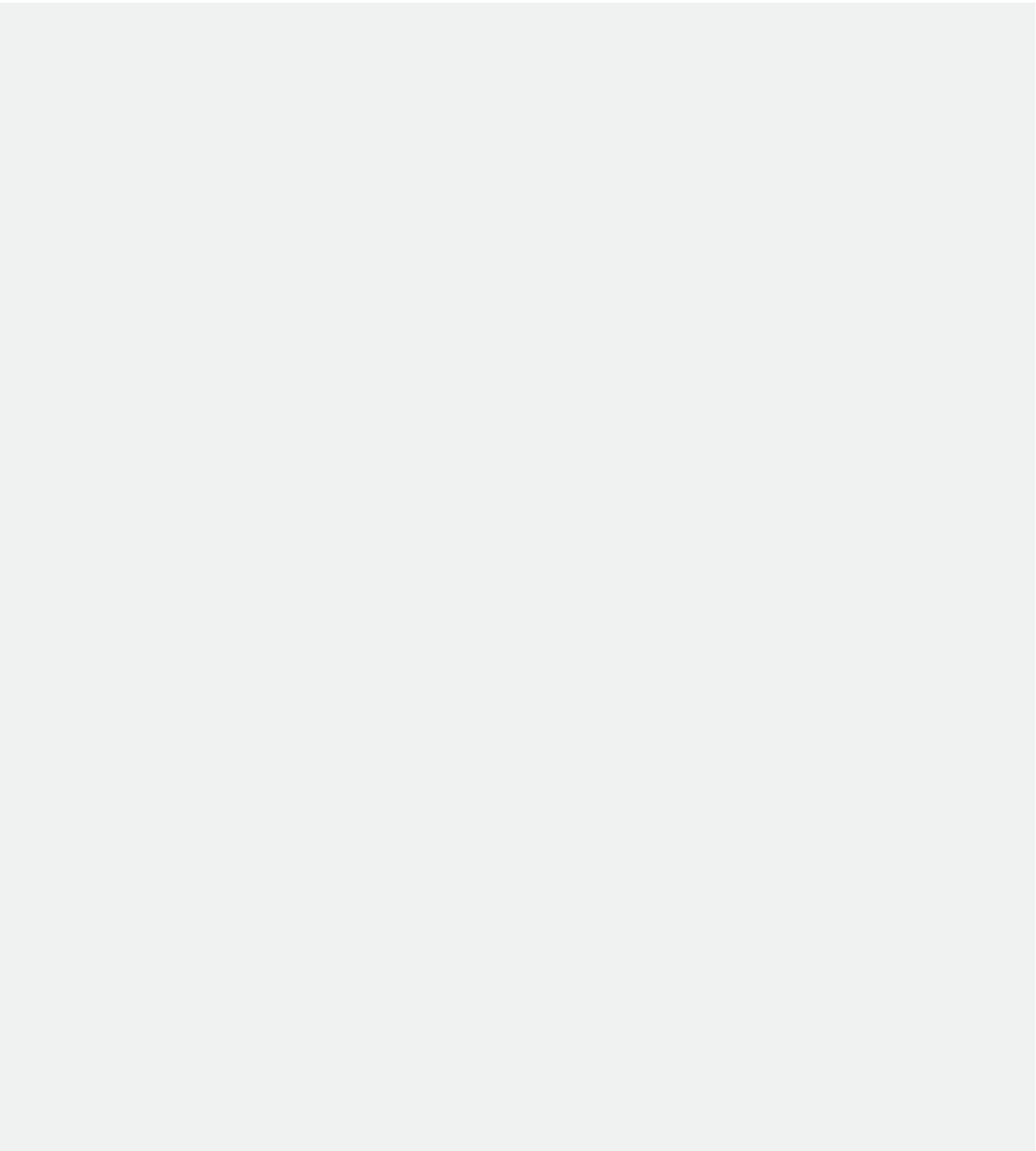
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Promoting US-Japan Defense Industry Cooperation

By Rie Horiuchi

The United States and Japan are confronting the most fragmented and dangerous security challenges since the end of World War II. Russia's war against Ukraine provided Tokyo with a jolting reminder that robust defense capabilities are indispensable for deterring aggression by adversaries. As a result, Japan plans, by April 2027, when its budget for that fiscal year budget takes effect, to spend 2% of its GDP on defense. Tokyo's move is evidence of its willingness to assume a more significant role to secure peace and stability in the Indo-Pacific alongside the United States and other partners. To achieve this goal, however, both countries will need to work with their respective defense industries.

This essay argues that the allies' defense production capability is critical for maintaining regional stability. It also considers ways to build US-Japan cooperation on defense-industry and technology development following the recent revisions of Tokyo's defense equipment transfer policies.

Capacity is Key

The COVID-19 pandemic and the Russian invasion of Ukraine have impacted global supply chains and made plain the risk of being dependent on other nations for dual-use critical materials. The Kremlin's war alone has shown the importance of domestic military equipment production and munitions stockpiling. The United

States recognized this in its 2022 US National Defense Strategy, which noted that the Pentagon will continue to invest to ensure that the United States, its allies, and other partners have the volume of materiel needed for a robust defense.¹ The following year's US National Defense Industrial Strategy underscored this by calling for increasing production capacity for military equipment and strengthening relevant supply chains for the United States and its allies and partners.²

Tokyo's Updated Policies

Japan's new defense policy aligns with that of the United States. It acknowledges that strong and sustainable defense production and a technology base are "virtually defense capability itself". The policy calls on the government and the domestic defense sector to invest more in production capacity and advanced technologies to meet the Japan Self-Defense Forces' requirements.³ The country's own 2022 National Defense Strategy (NDS) also stresses the need to "further reinforce defense equipment and technology cooperation through joint analysis and research in cutting-edge technology, joint development and production of defense equipment, expansion of production and maintenance capability of US military equipment in Japan and reinforcement of supply-chain" to ensure the "Alliance's technological edge, interoperability, readiness, and persistent warfare capabilities".⁴ The strategy underscores the

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importance of promoting the overseas transfer of defense equipment and technology as “a key policy instrument” to ensure the peace and stability of the Indo-Pacific.⁵ Tokyo has recently passed the Act on Enhancing Defense Production and Technology Bases to facilitate that strategy.

Japanese policies for transferring defense equipment have also changed. Arms exports, historically, were banned, with exemptions only on a case-by-case basis.⁶ In 2014, however, the “Three Principles on Transfer of Defense Equipment and Technology” were introduced. These were designed to clarify cases in which transfers are prohibited, to limit the cases in which transfers are permitted, and to ensure appropriate transfers to third parties and control over extra-purpose use. Still, over the past decade, only one transfer of defense equipment and technology—of air surveillance radar systems—was made, to the Philippines.

Japan, under its new National Security Strategy and NDS, revised the three principles and their implementation guidelines in December 2023, following a year-long discussion among the ruling government parties.⁷ One critical revision involves the transfer of licensed products, which was formerly limited to parts licensed in the United States. The revised guidelines allow the transfer of finished products to any license-provider country, which made possible the decision to transfer Patriot missiles to the United States to replenish its stockpiles. This effort to reinforce deterrence credibility strengthened Japanese security and defense cooperation with the United States. It also enhanced security and stability throughout the entire Indo-Pacific region by helping maintain US response capability.⁸

The Patriot missile transfer showed that a new type of cooperation—promoting licensed production in Japan and transferring finished products back to the United States—is of mutual benefit. The Americans can

diversify defense equipment production and have a source for replenishing inventories while the Japanese boost their defense production capabilities.

The revised guidelines also allow Japan to transfer parts of lethal and non-lethal products to any of its security partners. This will lead to deeper US-Japanese cooperation on supply chains and provide opportunities for Tokyo to participate in the global market for military equipment, thereby promoting defense cooperation with others, especially European countries.

Future Collaboration

For further cooperation on development and production, the United States and Japan must lay out the criteria for the next target product. It should certainly be one needed by both countries’ armed forces and one for which they have long-term demand so that expanding a production line is sensible and profitable.

Additional cooperation should come with the United States’ expected release of more defense technologies, such as high-end munitions, to Japan following its recent advances in information security. This will incentivize Tokyo to invest in developing new production lines and should encourage partnerships with US defense companies, ultimately strengthening the alliance’s technological edge.

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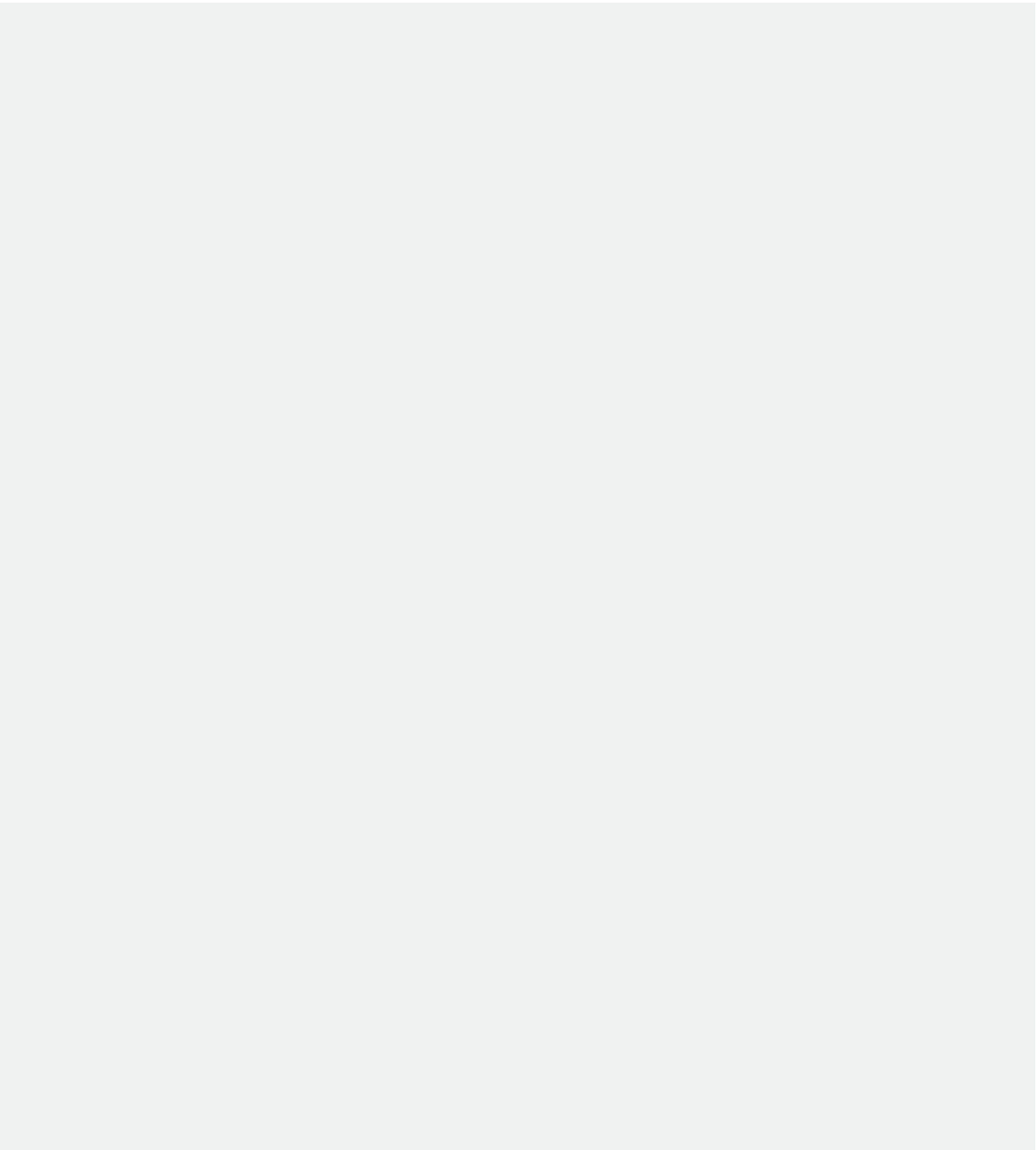
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John Podesta and the US-Japan Partnership in Fight Against Climate Change

By Courtney Winterhill

Japan stands at an historic inflection point on climate as it begins the rollout of Prime Minister Kishida's unprecedented \$134 billion Green Transformation (GX) law. GX is a mix of fiscal and industrial policy measures that outlines a roadmap of public-private financing over the next ten years for the decarbonization of industrial sectors. In December 2023, Japan's Ministry of Economy, Trade, and Industry (METI) issued its GX investment strategy indicating that industries will receive 13 trillion yen for work in hydrogen, ammonia, perovskite solar, offshore wind, battery technology, and nuclear energy. GX is Japan's largest investment in clean energy to date. If effectively implemented, GX could establish crucial new opportunities for business and technological advancement. Taken in parallel with the United States' historic investment in clean energy through the Inflation Reduction Act, both countries have significant opportunities to cooperate on clean energy deployment, particularly pertaining to offshore wind, geothermal power generation, and solar technologies.

Understanding this crucial moment for Japan's climate policy, Senior Advisor to the President for International Climate Policy John Podesta visited Tokyo in March 2024 where he met key government officials, members of parliament, think tank experts, and business leaders to explore how the United States and Japan could work together to maximize the impact of these policies to meet international climate goals.

This included exploring opportunities for renewable energy cooperation, expanding secure clean energy supply chains, and examining how GX implementation could complement clean energy investments through the United States' Inflation Reduction Act.

Identifying how the United States could assist in accelerating Japan's renewable energy roll-out, particularly with respect to technology development, was the focus of Podesta's visit. A lack of renewable energy supply has the potential to hamper investments from companies with ambitious corporate decarbonization targets, potentially curbing economic growth. The Japanese government's increased commitment to wind deployment, meanwhile, has the potential to give companies the confidence they need to invest in associated supply chains. While GX focuses more on next-generation technology development rather than mature clean energy technologies, it does support the manufacturing of wind and solar technology, allowing for key synergies with the Inflation Reduction Act for renewable energy deployment. Japan is a leader in developing perovskite solar panels that contain next-generation solar cells that are highly efficient and flexible. However, more work must be done to drive down their cost and make them viable for commercial use. Japan also has the third largest geothermal reserves in the world, but it only contributes 0.3 percent to Japan's electricity sources, leaving geothermal power as an untapped

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source with low carbon emission potential. Japan's potential for offshore wind energy generation is also deeply underutilized, with its 2030 and 2040 goals of offshore wind energy deployment representing just a fraction of its potential. During his visit Podesta sent a clear message that offshore wind, specifically floating turbines, has the potential to play a strong role in Japan's decarbonization and industrial growth and provide key avenues for U.S.-Japan cooperation. He called on Japan to increase offshore wind targets, signaling a strong interest to work with Japan on offshore wind technology development and deployment.

Exploring ways that the U.S. and Japan could strengthen the supply chains that support clean energy sources was also a primary focus of Podesta and his Japanese counterparts. Creating a robust renewable technology industrial base is critical to both countries, which requires maintaining a sustainable supply of critical minerals that play a central role in the energy transition. Japan is a leader in the critical minerals space, with significant expertise in minerals extraction and processing, and is a leader in e-scrap recycling for critical mineral recovery. Japan is also the only country with which the United States has a critical minerals agreement, created to strengthen critical mineral supply chains for electric vehicles. Both countries are interested in diversifying critical mineral sources, particularly in Africa, but have met barriers with respect to price volatility inhibiting private sector investment. Aligning the Inflation Reduction Act and GX incentives to create stronger critical mineral supply chains between the United States, Japan, and other allies will catalyze co-investment in high standard critical mineral projects, ultimately ensuring that providing clean energy is not dependent on a single country.

In addition to urging Japan to accelerate renewables adoption and building out associated secure supply chains, Podesta also encouraged Japan to set a timeline for moving away from coal power and set more

ambitious economy-wide emission reduction targets. Japan's power generation was upended during the 2011 Fukushima disaster, resulting in a shift away from nuclear power and increased reliance on fossil fuels. Japan's coal fleet is relatively new as a result, leaving Japan to balance the need to realize its return on investment in this fleet with the need to cut emissions drastically. The current solution is to reduce emissions from the power sector by co-firing with ammonia, a controversial new technology that many experts^{1,2} say is not an efficient or cost-effective approach to emissions reductions on track with global climate goals. Podesta emphasized the need for Japan to create a clear plan to phase-out coal, stating that the world must get to zero emissions. He also highlighted how Washington is doing the same by readying regulations to give a firm set of targets for utilities ultimately to reduce to zero their emissions from coal-fired power. In conversations with the press, Podesta affirmed that the United States is on track to unveil its new climate targets this year – in line with the global expectation for countries to submit their next round of Nationally Determined Contributions by February 2025. He also called on the People's Republic of China to accelerate their transition away from coal, emphasizing that they are the largest emitter of greenhouse gases in the world.

John Podesta's Tokyo trip included meetings with Japanese Foreign Minister Kamikawa Yoko and METI Minister Saito Ken. Podesta and Saito affirmed the importance of U.S.-Japan collaboration in energy and climate change and welcomed the progress made to date. They also exchanged views on how to create resilient and sustainable global supply chains in the clean energy sector through synergies between GX and IRA. In her meeting with Podesta, Kamikawa affirmed that Japan will continue to lead efforts of the international community for global decarbonization in coordination with the United States. Kamikawa also affirmed Japan's commitment to achieving net-zero by 2050 and the

aligned greenhouse gas reduction target by fiscal year 2030, with efforts to accelerate GX playing a key role in Japan's decarbonization. During the meeting Podesta presented the Biden administration's efforts to address climate change in addition to future plans to reduce emissions. Kamikawa and Podesta concurred on the importance of all countries, including those that contribute the majority of emissions, making efforts in their emissions reduction. He also reaffirmed the U.S. commitment to maintain close cooperation and engagement for that purpose.

One of the most notable outcomes from the trip was the establishment of a new, ministerial dialogue with METI to maximize the synergies and impacts of the Inflation Reduction Act and GX to promote clean energy deployment and improve industry competitiveness. The inaugural dialogue, led by Podesta and METI Minister Saito Ken, was held just a month after Podesta's visit on the margins of Prime Minister Kishida Fumio's April visit to Washington. The two principals discussed avenues to deepen cooperation for the development and deployment of zero and low-emission technologies. They specifically highlighted offshore wind, solar PV, hydrogen and electrolyzers, ammonia, heat pumps, advanced nuclear reactors, and carbon management technologies. Building on discussions from Podesta's visit, supply chains for the products essential for these technologies were also a focus of the April dialogue, and both principals agreed on the need to accelerate joint efforts to create resilient, diversified supply chains.

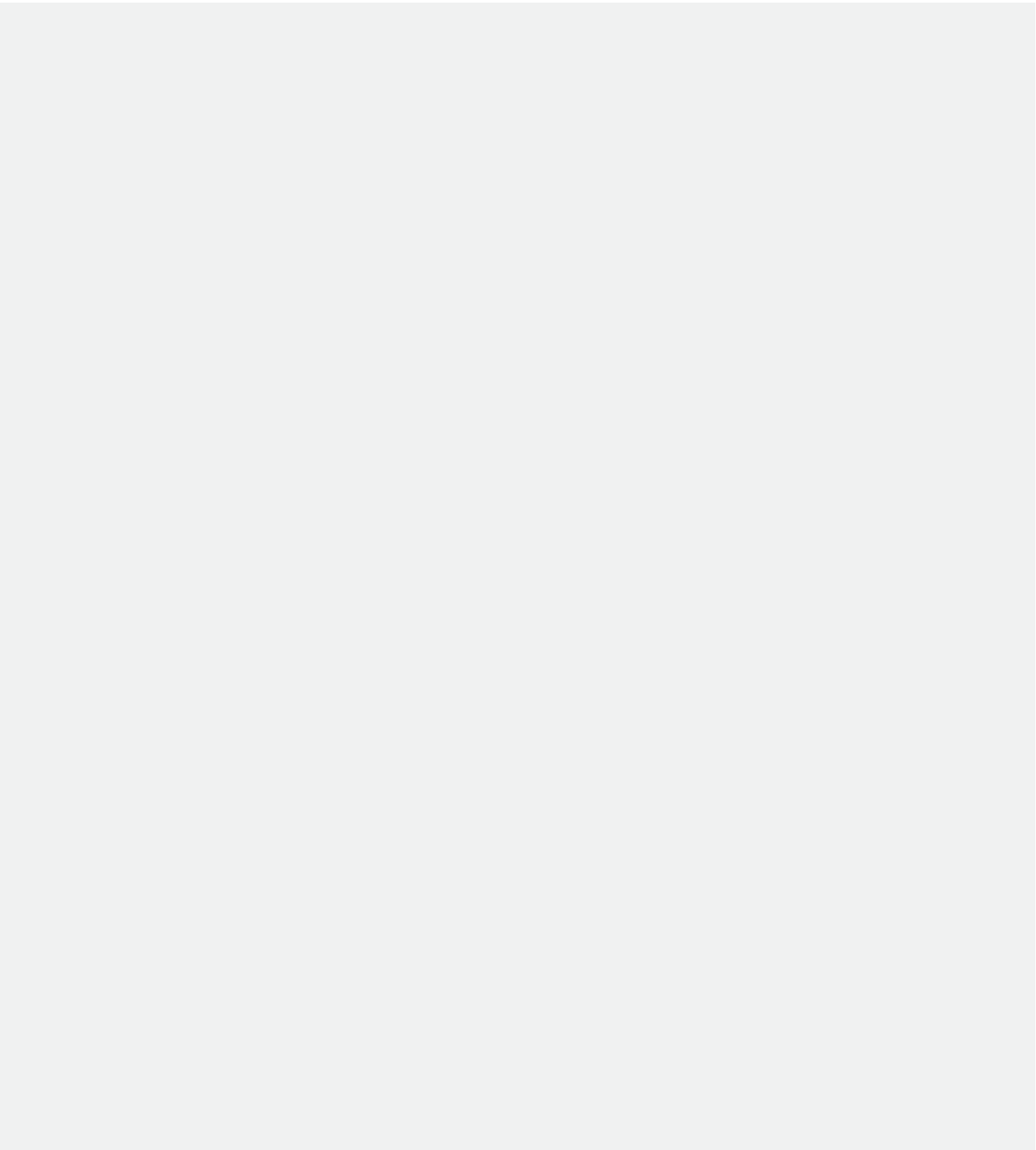
Podesta's visit and the resulting high-level dialogue laid the groundwork for the world's first and fourth largest economies to align groundbreaking national climate policies and rapidly accelerate progress towards a net-zero future. This work was clearly reflected in the joint leaders' statement following Prime Minister Kishida's April 2024 visit to Washington, which featured an extraordinary list of energy initiatives between the

two countries that focused on improving and increasing the abundance of next generation clean technologies, promoting complementary and innovative clean energy supply chains, and improving industrial competitiveness. During the visit it was announced that Japan would join as the first international collaborator of the U.S. Floating Offshore Wind Shot, an initiative to help usher in a clean energy future by accelerating U.S. leadership in floating offshore wind design, development, and manufacturing. Working through the U.S.-Japan Clean Energy and Energy Security Initiative, the countries will pursue breakthroughs to drive down offshore wind energy costs, accelerate decarbonization, and deliver benefits for coastal communities. The United States recognized Japan's newly launched industry platform, the Floating Offshore Wind Technology Research Association (FLOWRA), which aims to reduce costs and achieve mass production of floating offshore wind through collaboration with academia. The two countries also announced the U.S.-Japan Strategic Partnership to Accelerate Fusion Energy Demonstration and Commercialization, signaling both nations' commitment to next generation clean energy technologies. Further, the countries announced their intention to increase the globally available supply of sustainable aviation fuels that show promise in reducing emissions.

The United States and Japan recognize that the climate crisis is the existential challenge of our time and are seizing this moment to be leaders in the global response.

The views expressed in this article are those of the author and do not necessarily reflect the official positions of the US Department of State.

Opportunities and Challenges in the Indo-Pacific



Bracing (Again) for Trump

What lessons can businesses learn from his first term to prepare for his possible return?

Daisuke Minami

As the 2024 US presidential election brought Donald Trump back in the White House, companies in Asia should prepare to adapt to this new reality. To do so, they must answer three questions: What policies is Trump likely to implement? How would these policies impact the business environment? What lessons can companies draw from Trump's first term to navigate his second?

Another Trump Term and the Indo-Pacific

While there will be some policy continuities regardless of the election winner, a second Trump term would likely entail a mixture of unilateralist, protectionist, and isolationist policies that disrupt Indo-Pacific security arrangements and the region's economy.

On the security front, many experts expect a Trump return to continue current policy toward the People's Republic of China (PRC). Despite Trump's isolationist tendencies, the bipartisan consensus on Beijing remains robust, and many of his former advisers are expected to return to government and advocate for a muscular foreign policy. This means increased US military engagement with Taiwan and in the South China Sea, which would result in heightened tensions with the PRC.

Trump's "America First" approach, however, could cause concern among allies about US security commitments. Such anxieties already loom in Taiwan, where local policymakers may fear American abandonment. Most experts view the likelihood of a Chinese invasion as low in the short term, but some warn that Trump's reelection could increase the risk of "coercive peaceful unification", in which Beijing employs military maneuvers short of war, such as a quarantine or the seizure of some outer islands under Taiwanese control, to force Taipei to accept unification.¹ The PRC could also fuel skepticism of Washington's intentions among the people of Taiwan via influence operations and gray-zone tactics, with a goal of undermining the Lai Ching-te administration and relations with Washington. If successful, this could foster a political environment conducive to an election of a Kuomintang president in 2028 and a negotiated settlement of relations across the Taiwan Strait.²

Trump's isolationism could also cause discomfort for Japan and South Korea, two key US allies. The former president, while threatening to withdraw US troops stationed in both countries, has demanded higher defense spending from them, and he has floated the idea of a "freeze for relief" deal with North Korea. This would see Pyongyang pause its nuclear program in return for Washington's lifting of economic sanctions. Washington, Tokyo, and Seoul have recently taken steps to institutionalize security cooperation through

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initiatives announced at the trilateral Camp David summit in 2023, but Trump's return could upset the process.

On the economy, a second Trump term would be a replay of his first, featuring trade wars, technology decoupling, and a rollback of climate policies. But all would be conducted on a larger scale, enabled by advisers who are loyal to the president and share his worldview. Among the measures that would be forthcoming are increased tariffs on products from the PRC and other Asian nations, such as Japan and Vietnam, that have large trade deficits with the United States or those that facilitate third-country exports of Chinese goods. Trump has proposed specific policies, including a flat 60% tariff on all PRC products, an across-the-board 10% tariff on all other imported products, removal of the PRC's permanent normal trade status (PNTR), and withdrawal from the Indo-Pacific Economic Framework (IPEF).

While legal justifications for some measures (e.g., the 10% universal tariff) are unclear and other measures (e.g., revoking China's PNTR) require congressional approval, Trump appears intent on using the full extent of executive power to implement protectionist policies. This would lead to retaliatory tariffs, another US-PRC trade war, trade tensions between the United States and its Asian partners, and a slowdown of supply-chain friendshoring efforts in the Indo-Pacific.

Despite Trump's personal lack of interest in technology decoupling, his advisers would likely continue their push for tightening restrictions on PRC trade by using newly created tools such as outbound investment screening and data export controls, and by expanding regulation to areas such as biotechnology and quantum. A second Trump administration would also strengthen chip export controls, revoking export licenses granted to certain PRC firms, broadening the scope of controls to cover cutting-edge technologies and less-advanced

products, and pressuring Indo-Pacific allies to follow suit. Trump's unilateralism, however, foreshadows less coordination with allies, and this will unsettle those that lean toward US de-risking requests but still seek to maintain trade links with the PRC.

Trump would probably also roll back most Biden-era climate regulations and initiatives, including the Environmental Protection Agency's (EPA) carbon emission rules on automobiles and power plants, and the Securities and Exchange Commission climate disclosure requirements. He and a Republican-controlled Congress, should there be one, would likely also rescind some parts of the Inflation Reduction Act (IRA), a \$370 billion bill that includes subsidies, loans, and tax breaks for renewable energy generation, electric vehicles (EVs), and other clean energy projects.³

Although the IRA's wholesale repeal is unlikely due to the number of investments made in Republican-leaning districts and the congressional approval necessary for such action, Trump could take executive action to slow bureaucratic processes or tighten subsidy requirements such as domestic content rules. A Republican-controlled Congress could also amend the IRA tax credit program by, for example, inserting a sunset clause. Inflation is causing the estimated costs of IRA programs to balloon, and some fiscal adjustment is necessary. These actions would create roadblocks for US green initiatives with Asian partners, such as US-Japan dialogue on the IRA and Tokyo's green transformation strategy, and Japanese and South Korean green corporate investments in the United States.

What Are Businesses To Do?

Companies should be proactive in assessing the business impacts of a Trump victory and its likely consequences, and in considering potential actions. In fact, Japanese businesses have been openly discussing

Trump reelection risks, dubbed moshi-tora (What if Trump), and conducting scenario analyses on a Trump 2.0. Such planning should include consideration of a contingency in Taiwan that would interrupt supply chain. One survey shows that more than 60% of Japanese firms are concerned about risks linked to a change in Taiwan's status quo, but only about 30% have conducted a scenario analysis and 20% have made changes to their supply chain planning.⁴ Companies could also consider Trump reelection risks in this exercise and analyze a "coercive peaceful unification" scenario.

Trump's potential rollback of EPA rules and IRA programs means businesses may need to delay or reduce green investments. Biden-era policies have encouraged Japanese and South Korean battery and EV manufacturers to pledge billions of dollars of investments in the United States. However, American EV demand has become sluggish due to higher interest rates and concerns about affordability, range, and a lack of charging stations, and many automakers have already revised their EV production plans. Trump's return could accelerate this slowdown in the EV market, pushing automakers to further delay their EV investments.

Trump's tariff plans mean that businesses would need to readjust their supply chain strategies, as they did during his first term. As trade tensions between the United States and the PRC have risen, some opted to shift sourcing or production from the latter to Southeast Asian countries to avoid tariffs. Others, unable to find suitable alternative suppliers, had to incur increased costs or pass them on to customers.

More trade friction under Trump 2.0 will be harder to navigate if tariffs are imposed on all imports, Washington withdraws from regional initiatives such as the IPEF, and industrial policy domestic content rules are tightened. Friendshoring efforts in this case would not circumvent tariffs, and businesses would

need to conduct cost-benefit calculations on either further localizing supply chains in accordance with protectionist measures or waiting four years in the hope of a policy reversal.

Lastly, government relations will almost certainly be crucial in navigating a Trump return. Some Japanese companies are already expanding business intelligence and advocacy activities in Washington, DC.⁵ But given the political gridlock at the federal level, companies could also strengthen their state-government relations to push for investment incentives and more business-friendly regulation.⁶

Endnotes

¹Yasuhiro Matsuda of University of Tokyo is credited with coining the term "coercive peaceful unification" (強制的平和統一). Eisuke Mori, "China's Disappointment in 'Peaceful Unification' of Taiwan", *Nikkei Business*, August 25, 2021. <https://business.nikkei.com/atcl/gen/19/00179/081600067/>; see also Dan Blumenthal, et al., "From Coercion to Capitulation: How China Can Take Taiwan Without a War", *The American Enterprise Institute*, May 13, 2024. <https://www.aei.org/research-products/report/from-coercion-to-capitulation-how-china-can-take-taiwan-without-a-war/>

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⁶Ken Moriyasu, "U.S. State Department to Send Diplomatic Advisers to American Cities", Nikkei Asia, May 14, 2024. <https://asia.nikkei.com/Politics/International-relations/U.S.-State-Department-to-send-diplomatic-advisers-to-American-cities>

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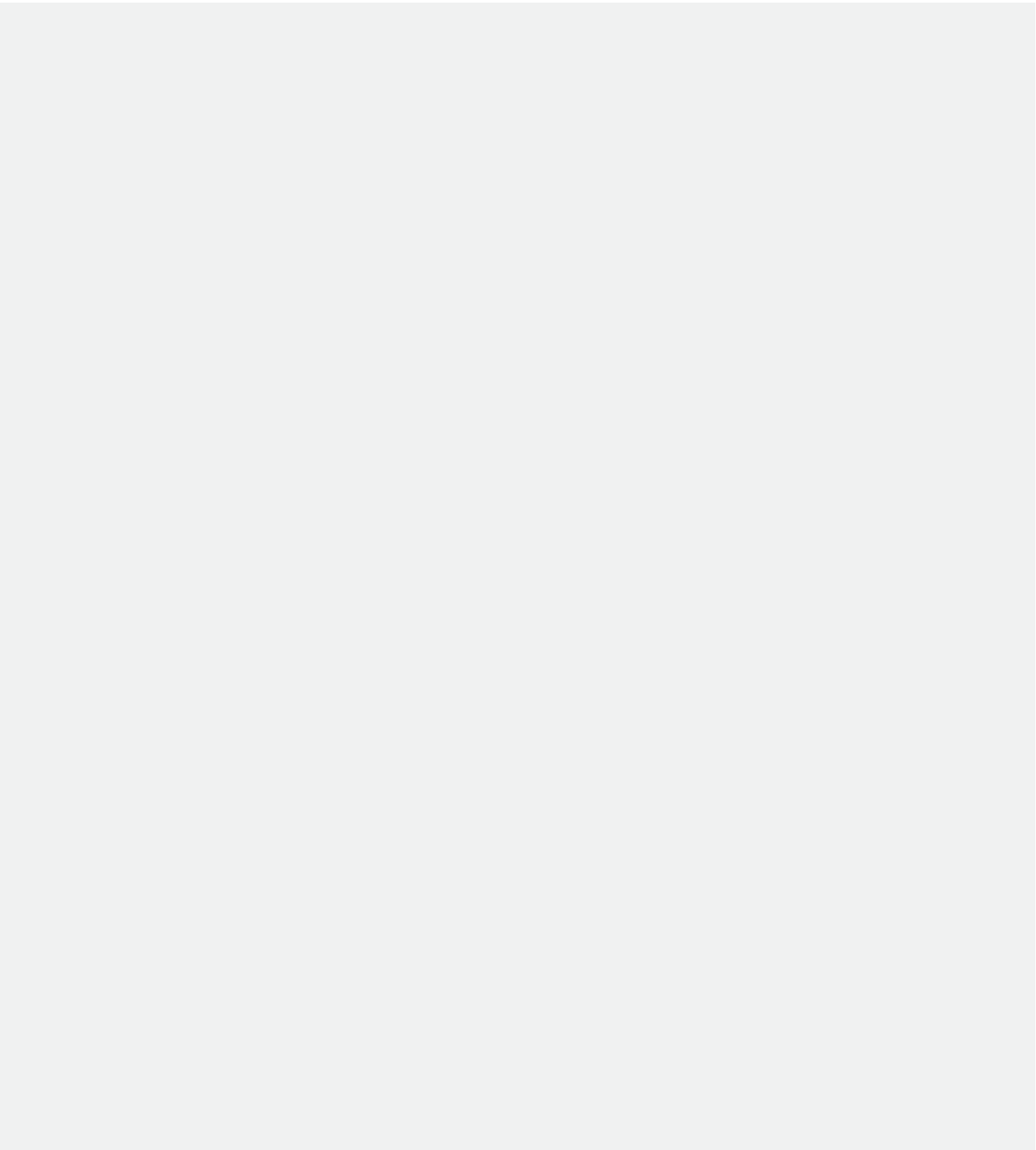
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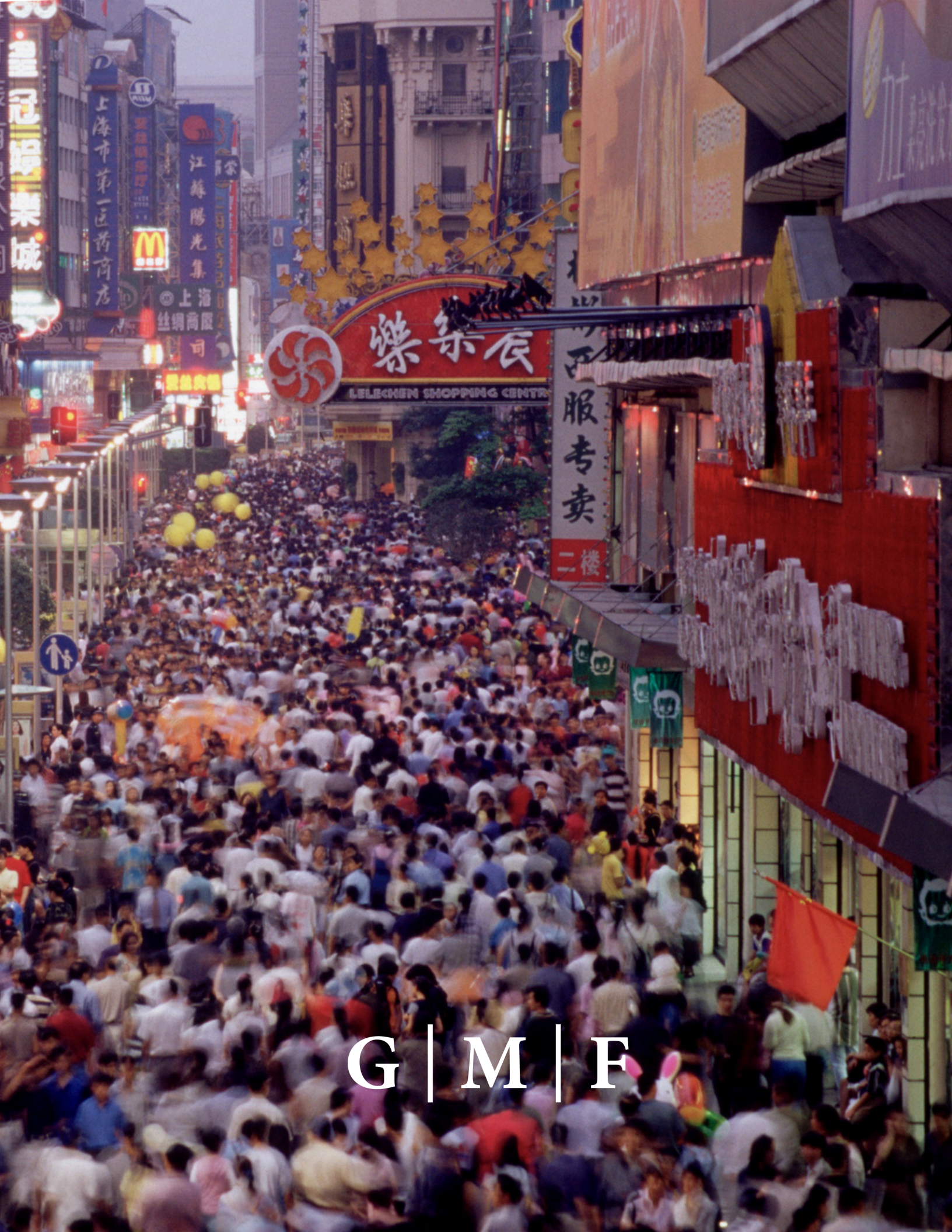
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